



Initiating Coverage
ASHOKA BUILDCON LTD
CHANGING ORBITS, RERATING ON CARDS



Equity | India | Infrastructure

Sep 30, 2023

ASHOKA BUILDCON LTD

Initiating Coverage

CMP: INR 122 | Target: INR 179

Upside / (Downside): +47% | Rating: BUY



Sep 30, 2023

Market Info (as on Sep 29, 2023)

| | |
|------------|--------|
| BSE Sensex | 65,828 |
| Nifty S&P | 19,638 |

Stock Detail

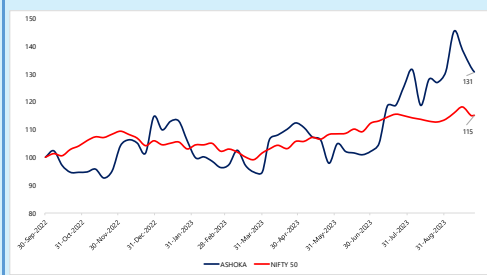
| | |
|--------------------------------|------------|
| BSE Group | A |
| BSE Code | 533271 |
| NSE Code | ASHOKA |
| Bloomberg Code | ASBL IN |
| Market Cap (INR Cr.) | 3,435 |
| Free Float (%) | 45.52% |
| 52wk Hi/Lo | 116 / 70.1 |
| Avg. 20D Volume (NSE) (MN) | 3.3 |
| Face Value (INR)/ D. Yield (%) | 5 / 0.00 |
| Total Paid Up Eq. Shares (Mn.) | 280.72 |

| Promoters | Public | Others |
|-----------|--------|--------|
| 54.48 | 45.52 | — |

Financial Snapshot

| Particular | FY23 | FY24E | FY25E | FY26E |
|------------|------|-------|-------|-------|
| Net Sales | 8100 | 8910 | 9801 | 10781 |
| EBITDA | 2097 | 2097 | 2078 | 2303 |
| PAT | 373 | 785 | 972 | 1181 |
| EPS | 13.3 | 28.0 | 34.6 | 42.1 |
| ROE (%) | 56% | 45% | 38% | 32% |
| ROCE (%) | 12% | 15% | 16% | 17% |
| P/E | 9.0 | 4.0 | 3.2 | 2.7 |
| EV/EBITDA | 5.0 | 2.2 | 1.5 | 1.0 |

Share Price Performance



| Rel. Perf. | 1Mth | 3 Mths | 6Mths | 1Yr |
|------------|------|--------|-------|------|
| ASHOKA (%) | 12.7 | 42.9 | 51.1 | 41.7 |
| NIFTY (%) | 2.0 | 5.4 | 15.9 | 14.8 |

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Summary

We Initiate Coverage on Ashoka Buildcon Ltd (ABL) with a 'BUY' rating and target Price of INR 179 implying 48% upside. ABL is an Infrastructure player based out of Maharashtra lead by Mr. Ashok Kataria, CMD. Company has successfully scaled up its operations with order book of INR 10,117 Cr in FY21 to INR 16,920 Cr (1QFY24). The initiative to sell cash burning projects to save incremental cash flows and will led to increase in cash generation. The Newly bided projects has standalone operating margins of 10-11%, higher than current standalone margins 7%-8%. The full rollover of this margins to be effective from FY24-FY25. ABL has well diversified order book across segments (EPC, HAM, Power, Railways etc).

Investment Rationale

BOT And HAM Asset Monetization to Drive Rerating

ABL anticipates finalizing the sale of its Jaora-Nayagaon, Chennai ORR, and CGD business by December 2023, generating indicated proceeds of INR 1500 Cr. These funds will be utilized in part to reduce the guaranteed return of INR 1200 Cr owed to SBI-Macquarie. ABL is currently in advanced negotiations for signing SPAs for 11 HAMs, with the closure of 7 expected by December-23, 2 by March-24, and the remaining 2 by December-24. The projected equity investment at the fully invested stage is estimated at INR 11 billion, and ABL is confident that these assets can secure a valuation of approximately 1.5 times their book value.

Book to Bill at 2.08x with Bid Pipeline of INR 20,000 Cr

ABL has an order book of INR 16,920 Cr (1QFY24). Which is 2.08x of TTM sales. The company has picked up its order book growth healthy post 4QFY1. The Book to bill ratio is maintained steady between 2x-2.5x from 2QFY20, which is inline with other listed peers. The current Bid pipeline is robust at INR 20,000 Cr and company guides the margins in the range of 10-11% for those bided projects.

Standalone Operating Margins to scale up towards 11%

The elevated raw materials prices and higher sub-contracting charges derailed operating margins to 8% in FY23. However with recent cost measure and higher operating margins of 10-11% for newly bided projects to pave way for margins expansion ahead. This higher realization to accelerate earnings growth ahead. Cost measure and discipline in bidding to improve standalone operating margins towards 11%.

Well Diversified Order Book

ASL order book is at (2.08x TTM revenue). The orders span diverse sectors: The order book is constituted 34.5% with Road EPC, 35.8% Power T&D, 12.9% Building EPC, 8.6% Road HAM, 8.3% Railway and rest with CGD. Geographically, 28% of the orders are from the south, followed by central (19.8%), overseas (18.6%), west (15.2%), south (6.7%), north (5.9%), and northeast (5.8%).

Attractive Valuations, Growth Triggers present, Initiates with BUY

The ABL's Valuations has remained in pressure due to higher investment of cash generating projects into troubled ones. However the ongoing rejig to sell-off those asset could save outflows, ABL is trading at forward PE(x) of 2.7 (FY26E), We value it with PE(x) of 6.5 at INR 179, which implies 47% upside from INR 122.

Company Profile

Ashoka Buildcon Limited is one of the leading highway developers in India. The company is an integrated EPC and BOT player. Besides construction of highways and bridges, the company is also engaged in Power Transmission and Distribution on EPC basis. The company has worked in over many states across the country, and completed prestigious projects for Central as well as State Governments. Overseas it is constructing road network for Housing Development Corporation in the Republic of Maldives. The company is one of the first Indian infrastructure companies to be certified for Integrated Management Systems. It is strengthened with a strong talent pool of technical as well as support staff. Its strong financials give it the ability to bid and execute large scale projects.

- Incorporation year: 1993
- Chairman: Mr. Ashok Katariya
- Managing Director: Mr. Satish D Parakh
- Company Secretary: Mr. Manoj A Kulkarni
- Head Office: Nashik, Maharashtra, India
- No. of Employees: 1535
- Auditor: SRBC & CO. LLP

INFRASTRUCTURE : A MEGA TREND IN PLACE

1. Multi Year Infrastructure Opportunity

India's path towards \$5 trn Economy goes through infrastructure and we believe the infrastructure themes is a mega trends in India, The government's investment in critical infrastructure sectors has shown strong growth with a 12.3% CAGR from FY19 to FY24P. Funding for Railways and Water projects has notably increased by 20% annually. The domestic Transmission and Distribution (T&D) sector is resurging due to renewable energy capacity expansions, offering EPC companies INR 1.5 trillion in opportunities. Demand in the residential sector is boosting order acquisition in the Buildings segment. Combined government capital expenditure is expected to reach INR 17 trillion in FY24, up from 4.8% to 5.6% of GDP compared to FY23.

2. Healthy Order Backlog provides Medium term Revenue Visibility

EPC companies have strong order backlogs, ranging between 1.8 to 3.4 times TTM revenue. Diversified EPC firms saw record order intake in FY23. Some highway-focused companies missed targets but are expected to compensate in FY24. Revenue CAGR EPC companies is expected at 10-24% between FY23-FY25E. Leverage at present is manageable, enabling growth pursuits, and asset monetization is gaining momentum, providing capital for future expansion.

3. Focus on Increasing National Highways Share to Overall Road Network

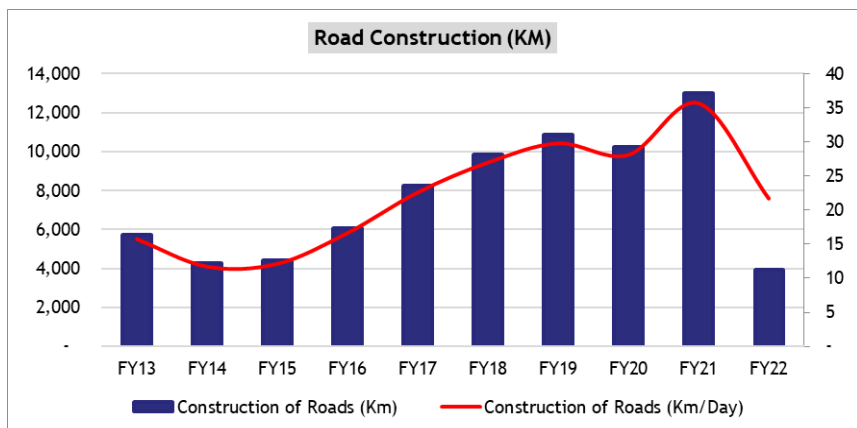
The Ministry of Road Transport & Highways (MoRTH) holds the pivotal role of overseeing the development of National Highways (NHs) in India, and within its ambit, the National Highways Authority of India (NHAI) stands as a prominent agency tasked with executing designated NH development initiatives. A noteworthy trend in India's infrastructure landscape has been the consistent expansion of National Highways, experiencing a robust compound annual growth rate (CAGR) of 5.3%. This growth trajectory has led to a substantial increase in NH length, surging from 91,287 kilometers in March 2014 to an impressive 144,955 kilometers by March 2023. However, it is essential to recognize the external factors that have influenced the pace of this expansion. In recent years, the addition of NHs has faced challenges due to disruptions caused by the COVID-19 pandemic and adverse weather conditions. This has resulted in a shift from a more robust CAGR of 7.7% in the period from FY14 to FY19 to a comparatively moderate 2.3% CAGR from FY19 to FY23. To provide a comprehensive perspective, India's extensive road network spans a staggering 6.2 million kilometers. This extensive network comprises 186,908 kilometers of State Highways, designed to facilitate intra-state connectivity, and an extensive network of other roads covering approximately 5.9 million kilometers, which serves as the lifeline for transportation and connectivity across the country.

3. Highways Bid Book remains strong at

The current pipeline for National Highway (NH) bids stands at a substantial INR 824 billion, a significant increase from INR 203 billion in June 2022. Within this pipeline, the National Highways Authority of India (NHAI) accounts for INR 665 billion, with a distribution of 78% for Hybrid Annuity Model (HAM) projects and 22% for Engineering, Procurement, and Construction (EPC) projects. Typically, the pace of awarding NH projects accelerates in the second half of the fiscal year, spanning from October to March. However, for the fiscal year 2024, there is an expectation of front-loaded awarding due to anticipated delays in decision-making during the fourth quarter of FY24, which is in anticipation of the national elections scheduled for May 2024.

INDIA'S ROAD CONSTRUCTION STORY IN CHARTS

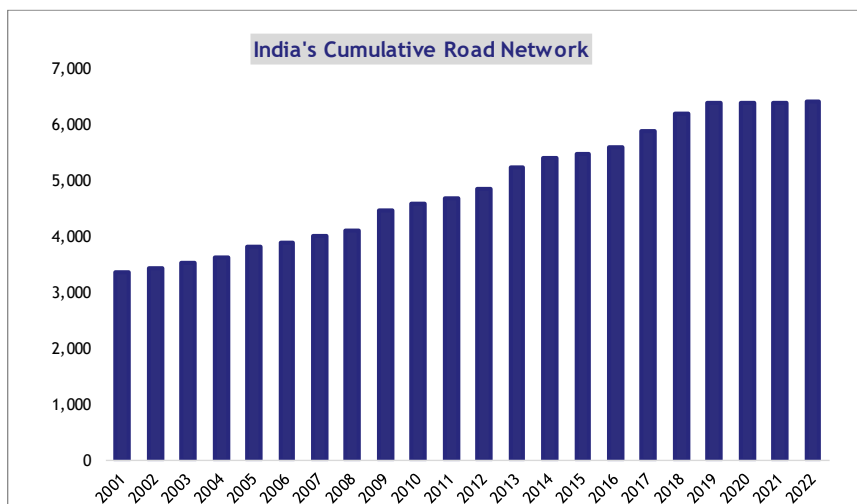
Exhibit 01- India Road Construction



Source: Economic Survey 2023, *FY22 as of 30-09-21

- Pace of Road construction increased from 12 km per day in 2014-15 to 37 km per day in 2020-21 (more than 3 times growth)

Exhibit 02- Cumulative Road Network



Source: GEPL Capital, MoRTH

- Consistent increase in road constructions, however remained flat post 2020.

Exhibit 03- Road Network Breakup

| Total Cumulative Road Length (In Thousand Km) | | | | | | | |
|--|-----|-----|---------------|------------|------------|--------------|------------------------|
| Year | NH | SH | District Road | Rural Road | Urban Road | Project Road | Total Roads (In 'K KM) |
| 2001 | 58 | 132 | 736 | 1,972 | 252 | 224 | 3,374 |
| 2002 | 58 | 138 | 695 | 2,061 | 250 | 224 | 3,427 |
| 2003 | 58 | 135 | 697 | 2,082 | 297 | 259 | 3,529 |
| 2004 | 66 | 133 | 719 | 2,141 | 301 | 262 | 3,622 |
| 2005 | 66 | 144 | 786 | 2,266 | 287 | 260 | 3,809 |
| 2006 | 67 | 148 | 804 | 2,308 | 292 | 262 | 3,881 |
| 2007 | 67 | 152 | 835 | 2,393 | 301 | 269 | 4,016 |
| 2008 | 67 | 155 | 863 | 2,451 | 304 | 270 | 4,110 |
| 2009 | 71 | 158 | 963 | 2,629 | 374 | 277 | 4,472 |
| 2010 | 71 | 160 | 977 | 2,693 | 402 | 279 | 4,582 |
| 2011 | 71 | 164 | 999 | 2,750 | 412 | 282 | 4,677 |
| 2012 | 77 | 164 | 1,022 | 2,838 | 464 | 299 | 4,865 |
| 2013 | 79 | 169 | 1,067 | 3,160 | 446 | 311 | 5,232 |
| 2014 | 91 | 171 | 1,082 | 3,304 | 457 | 296 | 5,402 |
| 2015 | 98 | 167 | 1,101 | 3,337 | 467 | 302 | 5,472 |
| 2016 | 101 | 176 | 562 | 3,935 | 510 | 319 | 5,603 |
| 2017 | 114 | 175 | 586 | 4,167 | 526 | 329 | 5,898 |
| 2018 | 126 | 187 | 611 | 4,410 | 534 | 348 | 6,216 |
| 2019 | 133 | 187 | 632 | 4,536 | 545 | 355 | 6,386 |
| 2020 | - | - | - | - | - | - | 6,397 |
| 2021 | - | - | - | - | - | - | 6,410 |
| 2022 | - | - | - | - | - | - | 6,413 |

Source: GEPL Capital, MoRTH

- Economic growth directly linked to the Roads Networks.
- India's total road network length now ranked second in world with improvement from 4.8 Mn Km in 2014 to 6.4 Mn in 2022 (as of 30-Sep-22)

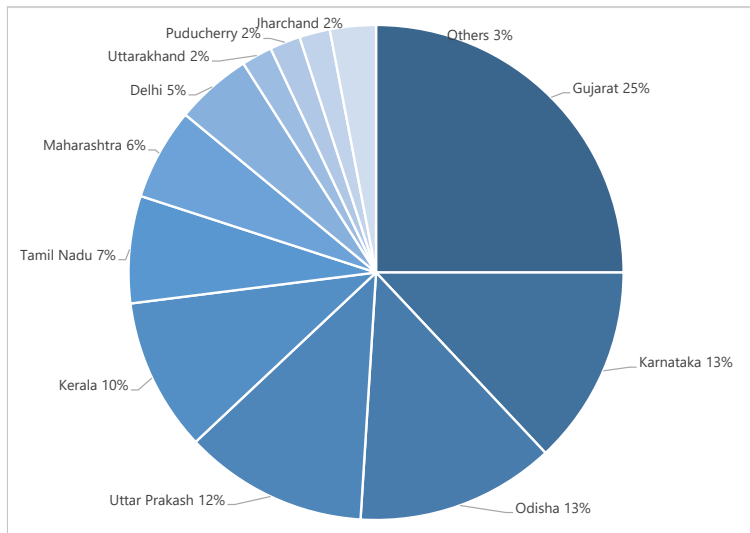
NATIONAL INFRASTRUCTURE PIPELINE

Exhibit 04- National Infrastructure Pipeline

| Sectors | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | Not Phased | Total | % of Total |
|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|-----------------|
| Energy | 1,73,231 | 3,35,360 | 3,21,653 | 3,26,351 | 3,46,359 | 3,25,005 | 6,26,290 | 24,54,249 | 24% |
| Roads | 3,24,426 | 3,69,700 | 3,43,791 | 2,36,850 | 2,29,446 | 3,24,915 | 1,34,815 | 19,63,943 | 19% |
| Railways | 1,33,232 | 2,62,510 | 3,09,360 | 2,74,181 | 2,21,369 | 1,67,870 | | 13,68,522 | 13% |
| Ports | 12,067 | 16,128 | 18,755 | 15,273 | 7,134 | 9,251 | 22,314 | 1,00,922 | 1% |
| Airports | 18,827 | 21,655 | 24,780 | 21,294 | 25,346 | 5,041 | 26,445 | 1,43,388 | 1% |
| Urban | 2,94,775 | 4,13,513 | 3,26,875 | 1,61,464 | 1,46,213 | 1,09,017 | 1,77,155 | 16,29,012 | 16% |
| Irrigation | 1,01,688 | 1,69,379 | 1,57,739 | 1,07,645 | 92,502 | 64,221 | 79,504 | 7,72,678 | 8% |
| Rural Infra. | 1,39,755 | 1,77,011 | 2,10,660 | 1,11,230 | 1,07,055 | 27,055 | | 7,72,766 | 8% |
| Digital Infra. | 83,891 | 63,833 | 55,365 | 39,577 | 38,977 | 38,855 | | 3,20,498 | 3% |
| Agri.Process. | 8,949 | 8,163 | 7,409 | 5,934 | 5,633 | 5,374 | 14,092 | 55,554 | 1% |
| Social Infra. | 55,454 | 72,441 | 76,774 | 46,360 | 35,433 | 18,907 | | 3,05,369 | 3% |
| Industrial Infra. | 17,236 | 40,694 | 42,897 | 34,169 | 22,774 | 10,336 | 1,39,306 | 3,07,412 | 3% |
| Total | 13,63,531 | 19,50,387 | 18,96,058 | 13,80,328 | 12,78,241 | 11,05,847 | 12,19,921 | 1,01,94,313 | 100% |
| % of Total | 13% | 19% | 19% | 14% | 13% | 11% | 12% | 100% | (INR Cr) |

Source: AR FY21, MoRTH

Exhibit 05- NHAI Bid Pipeline



Source: GEPL Capital, Company data

NATIONAL INFRASTRUCTURE PIPELINE (NIP)

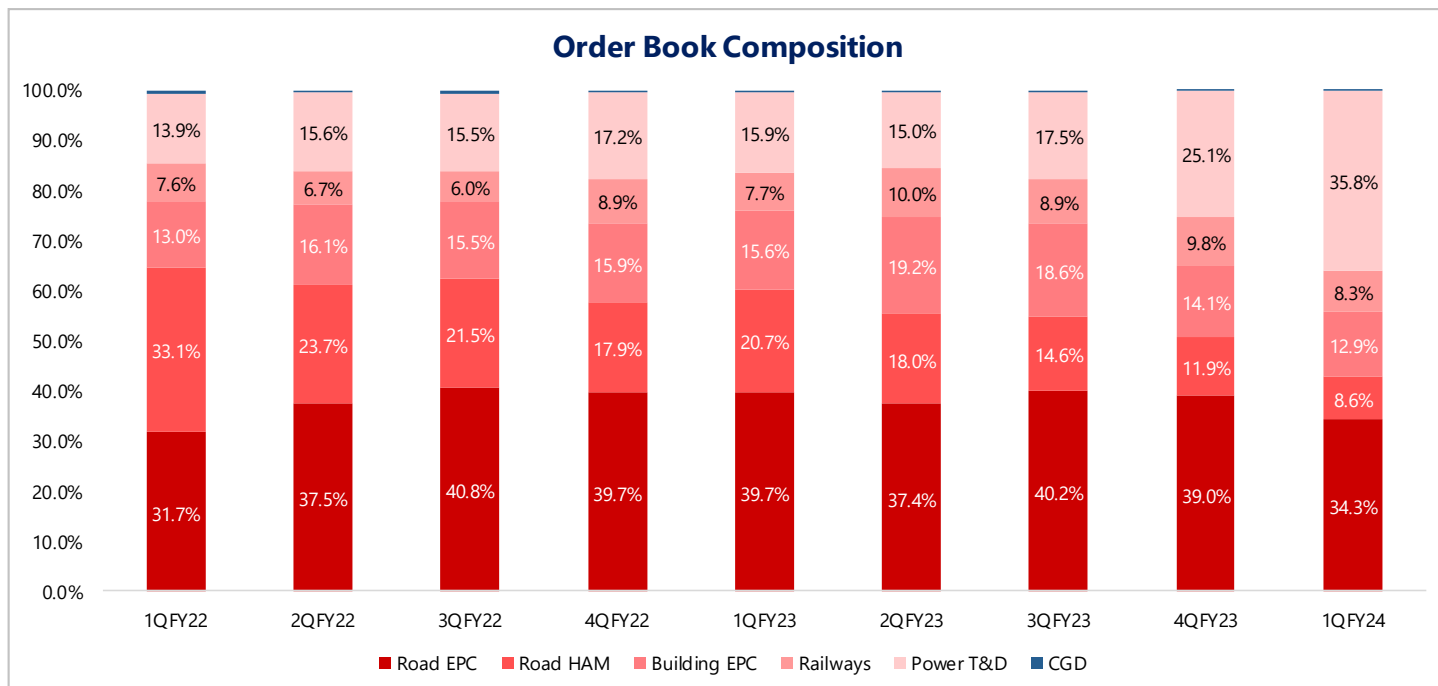
It is a signature project of the Indian Govt. to develop world class infrastructure in India. This mega project is worth Rs 100 lakh Cr. With the inclusion of all the major sector. NIP outlined plans to invest Rs 102 lakh Cr. on infrastructure projects by 2024-25, with the Centre, States and the private sector to share the capital expenditure in a 39:39:22 formula. To achieve \$5 trillion economy of India, the infrastructure is a important pivot. A fast paced economy needs a well connected, established infrastructure for swift good and services transport. The need for connected and established infrastructure across all sectors is the main driver for the India. FY 20-FY25 is the execution period of the National Infrastructure Pipeline.

HIGHWAYS BID PIPELINE IS AT INR 82,400 CR

The NHAI Bid pipeline is dominated by Gujarat, Karnataka, Odisha which accounts for 52% share. The others state are such as Uttar Pradesh 12%, Kerala 10%, Tamil Nadu 7%, Maharashtra 6%, Delhi 5% and rest by Uttarakhand, Puducherry, Jharkhand and others.

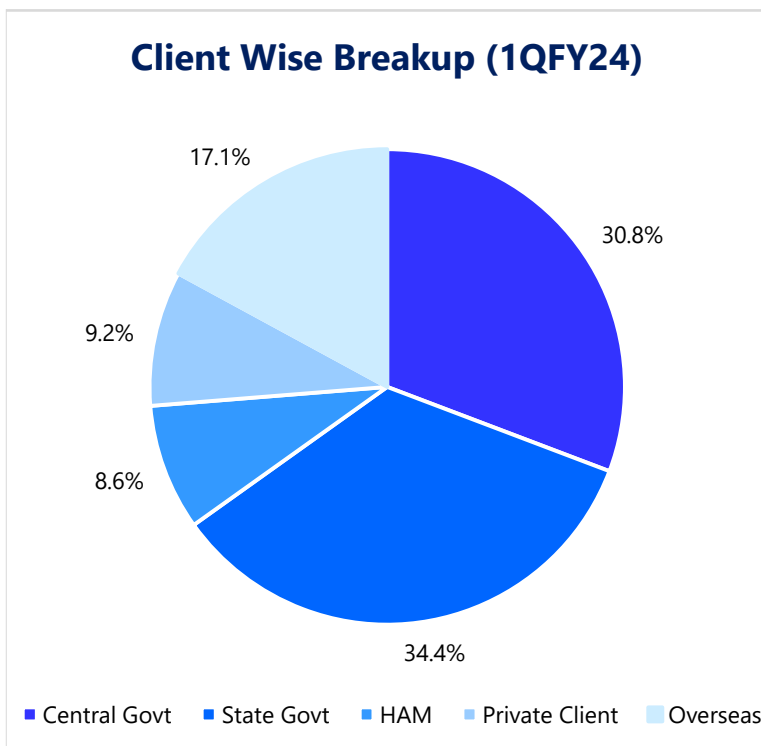
ORDER BOOK TYPE

Exhibit 06- Order Book Composition



Source: Company data, GEPL Capital

Exhibit 07- Client wise breakup



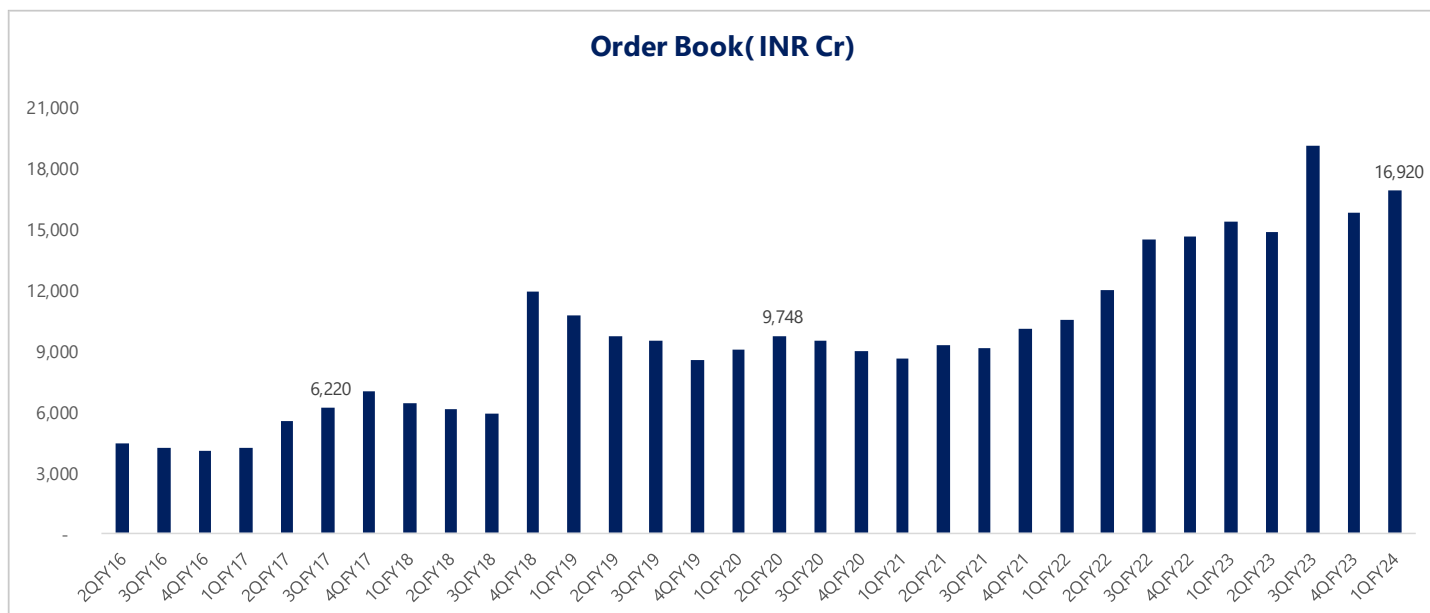
Source: GEPL Capital, Company data

ORDER BOOK COMPOSITION

Company has pan India presence with its diversified order book. The order book is constituted 34.5% with Road EPC, 35.8% Power T&D, 12.9% Building EPC, 8.6% Road HAM, 8.3% Railway and rest with CGD. The Road EPC projects typically bided with companies desired margins and has remained significant part of order book over the years, this explains the higher EBITDA margins of ABL over its peers. The exposure to Govt orders is 64% (30.8% Central Govt, 34.4% State Govt).

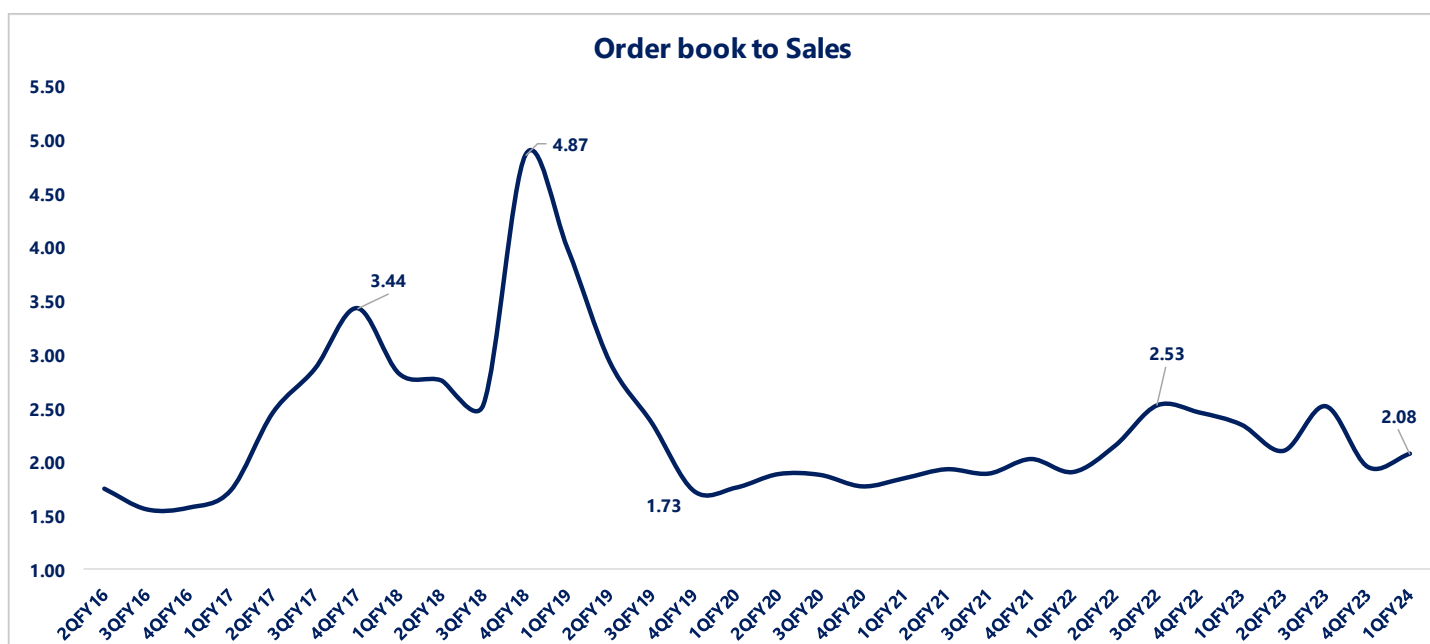
ORDER BOOK HISTORY

Exhibit 08- ABL order book over the years



Source: Company data, GEPL Capital

Exhibit 09- ABL Order book to sales



Source: Company data, GEPL Capital

BOOK TO BILL RATIO MAINTAINED

ABL has an order book of INR 16,920 Cr (1QFY24). Which is 2.08x of TTM sales. The company has picked up its order book growth healthy post 4QFY1. The Book to bill ratio is maintained steady between 2x-2.5x from 2QFY20, which is inline with listed peers. The current Bid pipeline is at INR 20,000 Cr and company guides the margins in the range of 10-11% for those bided projects.

FINANCIALS AND COMPANY STRUCTURE

CAPITAL UTILIZATION

Over last 4 years, company is able to generate 0.3x to 0.5x sales of capital employed. Asset turnover is projected in range of 0.5x to 0.56x. This expected to help company to generate higher ROCE.

Exhibit 10- Capital Utilization by ABL

| CAPITAL UTILIZATION | | | | | | | | | |
|---------------------|-------|-------|-------|-------|--------|--------|--------|--------|--------|
| Particulars | FY 16 | FY 17 | FY 20 | FY 21 | FY 22 | FY 23 | FY 24E | FY 25E | FY 26E |
| Sales | 3,601 | 4,930 | 5,070 | 4,992 | 5,946 | 5,946 | 8,910 | 9,801 | 10,781 |
| Capital Employed | 8,248 | 8,788 | 9,028 | 9,747 | 14,578 | 12,685 | 12,792 | 13,741 | 14,866 |
| Capital Turnover | 0.4 | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 | 0.7 | 0.7 | 0.7 |
| EBIT Margin | 25% | 25% | 27% | 28% | 27% | 27% | 21% | 22% | 23% |
| ROCE | 11% | 14% | 15% | 15% | 13% | 12% | 15% | 16% | 17% |
| ROIC | -2% | 0% | 2% | 3% | 6% | 6% | 6% | 7% | 8% |
| Asset Turnover | 0.3 | 0.4 | 0.38 | 0.36 | 0.52 | 0.46 | 0.52 | 0.55 | 0.56 |

Source: GEPL Capital, Company data

REVENUE AND PROFIT TRENDS

ASHOKA's cash conversion has remained muted over last three years ranging from 60% to 46%. Company has able to generate fresh cash lows to equity over last 3 years.

Exhibit 11- ABL Profits over the Years

| PROFITS OVER THE YEARS | | | | | | | | | | | |
|------------------------|--------|--------|-------|-------|-------|-------|-------|-------|--------|--------|----------|
| Particulars | FY 12 | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 20 | FY 21 | FY 22 | FY 23 | Total |
| Capital Employed | 12,520 | 13,318 | 9,215 | 7,951 | 8,248 | 8,788 | 9,028 | 9,747 | 14,578 | 12,685 | 1,06,078 |
| Sales | 1,848 | 2,290 | 2,224 | 2,973 | 3,601 | 4,930 | 5,070 | 4,992 | 5,946 | 5,946 | 37,971 |
| EBIT | 273 | 350 | 730 | 768 | 900 | 1,213 | 1,357 | 1,390 | 1,599 | 1,599 | 5,945 |
| Net Profit | 97 | 81 | -85 | -190 | -170 | -32 | 154 | 259 | 768 | 768 | 1,948 |
| Operating Cash | 386 | 390 | 251 | 827 | 621 | -90 | 1,070 | 155 | 353 | 353 | 1,930 |
| Free Cash Flow | -694 | -497 | 142 | 675 | 459 | -301 | 960 | 69 | 208 | 208 | 1,922 |
| Capex | -1,080 | -887 | -109 | -152 | -163 | -211 | -110 | -86 | -145 | -145 | -2,007 |
| Cash Conversion | 396% | 478% | -294% | -435% | -365% | 279% | 696% | 60% | 46% | 46% | 99% |

Source: GEPL Capital, Company data

COMPANY STRUCTURE

The Assets held by Ashoka Concession are on sale, 66% of assets are owned by ABL. The sales is expected to complete by March-2024.

ASHOKA BUILDCON LTD

Ashoka Concession Ltd
(ABL 66%, SBI-Macquarie 44%)

HAM Projects

Kharar Ludhiana
Ranastalam Anandpuram
Ankleshwar Manubar Expressway
Mallasandra Karadi Road
Karadi Banwara Road
Belgaum Khanapur Road
Khairatunda Barwa Adda Road

BOT Projects

Belgaum Dharwad Road
Dhankuni Kharagpur Road
Sambalpur Baragarh Road
Bhandara Maharashtra Road
Durg Chattisgarh Road
Jaora-Nayagaon Road

Ashoka Buildcon Ltd (ABL)
(Parent Company)

Katni Bypass
Wainganga Bridge
Mudhol Nipani (BOT Annuity)
Bagewadi Saundatti (BOT Annuity)
Hungud Talikot (BOT Annuity)
Kandi Ramsanpalle Road (HAM)
Banwara Bettadahalli Road (HAM)
Bettadahalli Shivamogga Road (HAM)
Basawantpur Singnodi (HAM)
Chennai ORR (BOT Annuity)

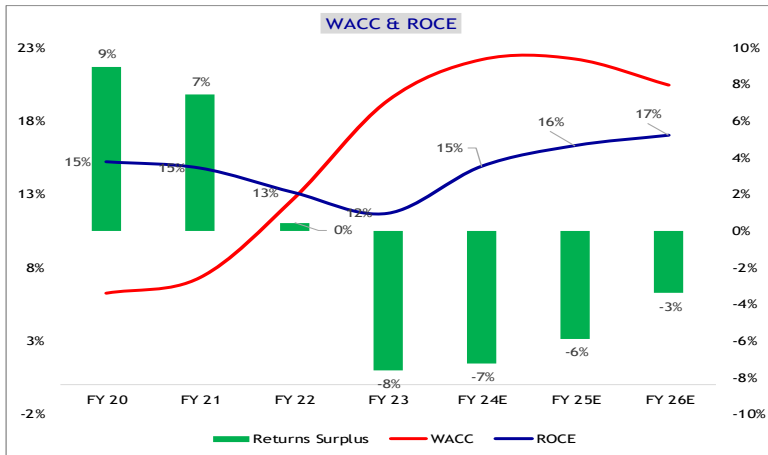
Unison Enviro Private Limited
(ABL 51%, 49% Morgan Stanley Fund)

SPA Signed with Mahanagar Gas Ltd

Source: GEPL Capital, Company data

FINANCIAL ANALYSIS

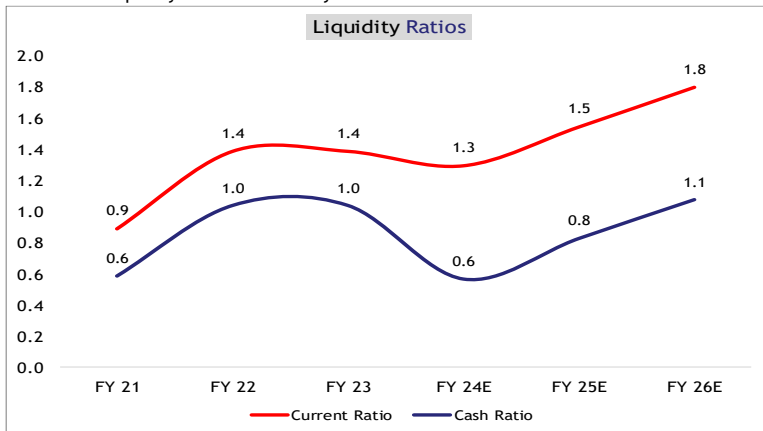
Exhibit 12- WACC & ROCE



Source: GEPL Capital, Company data

.....WACC to come lower, the return on capital employed to boost towards 17% by FY26E. The company would be returns deficit of 3% by FY26E vs 8% as on FY23.

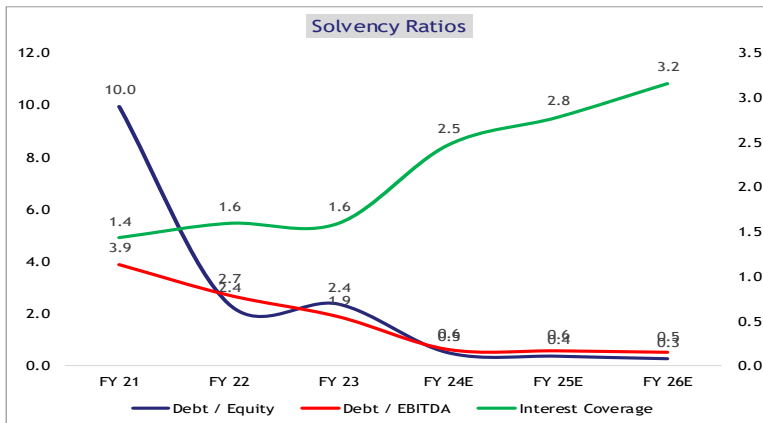
Exhibit 13- Liquidity to remain healthy



Source: GEPL Capital, Company data

..... ABL liquidity is healthy at 1.4x, the liquidity to improve towards 1.8x. This signifies balance sheet strength of Ashoka.

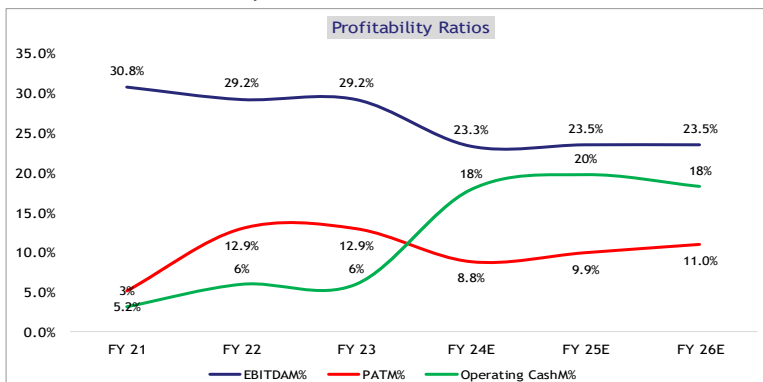
Exhibit 14- Interest coverage ratio to improve



Source: GEPL Capital, Company data

.....Post the sale of SBI-Macquarie, the overall debt level to came down hence the interest coverage to increase 3.2x by FY26E form 1.6x as on FY23. the debt / EBITDA and debt/equity are well under controlled.

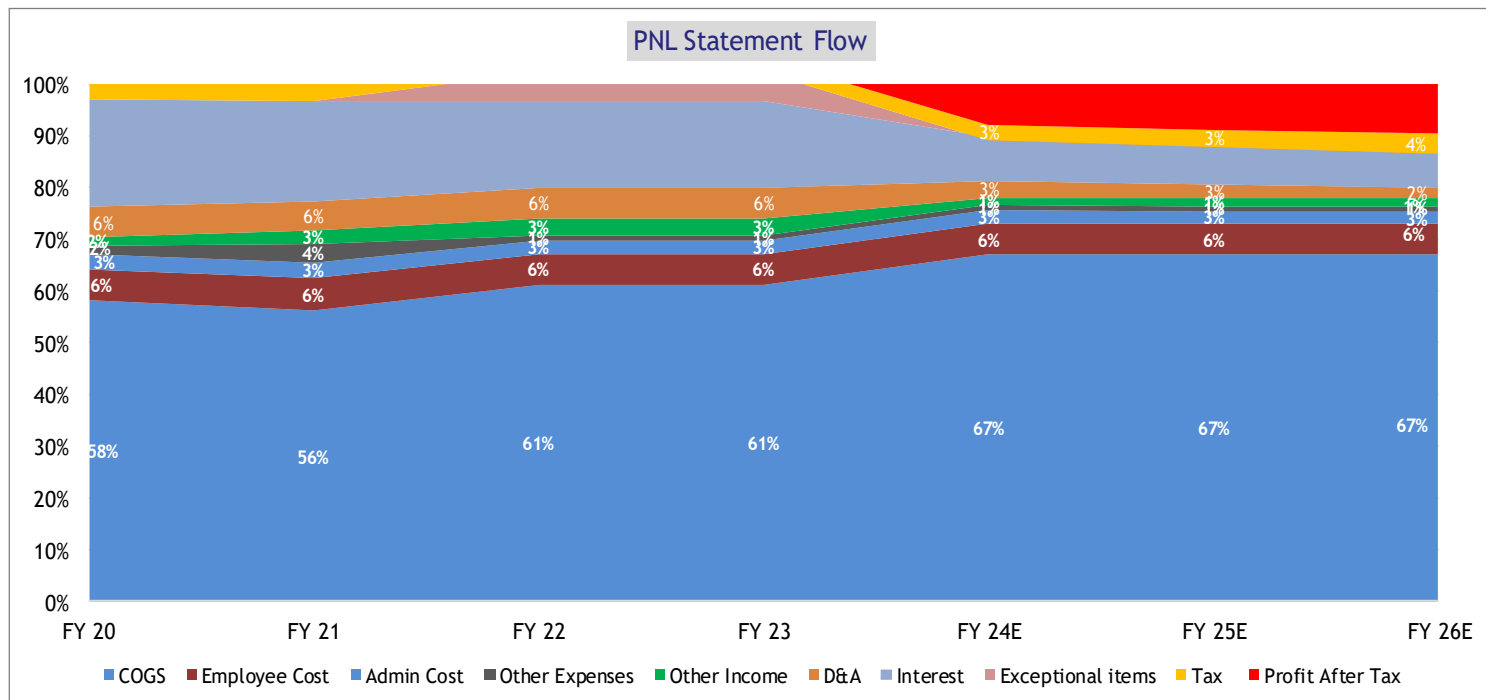
Exhibit 15- Stable Profitability Ratios



Source: GEPL Capital, Company data

.....Consolidated EBITDA margin to remain flat at 23.5%, while operating cash margin to elevated at 18%. The PAT margin to clock 11% level by FY216E.

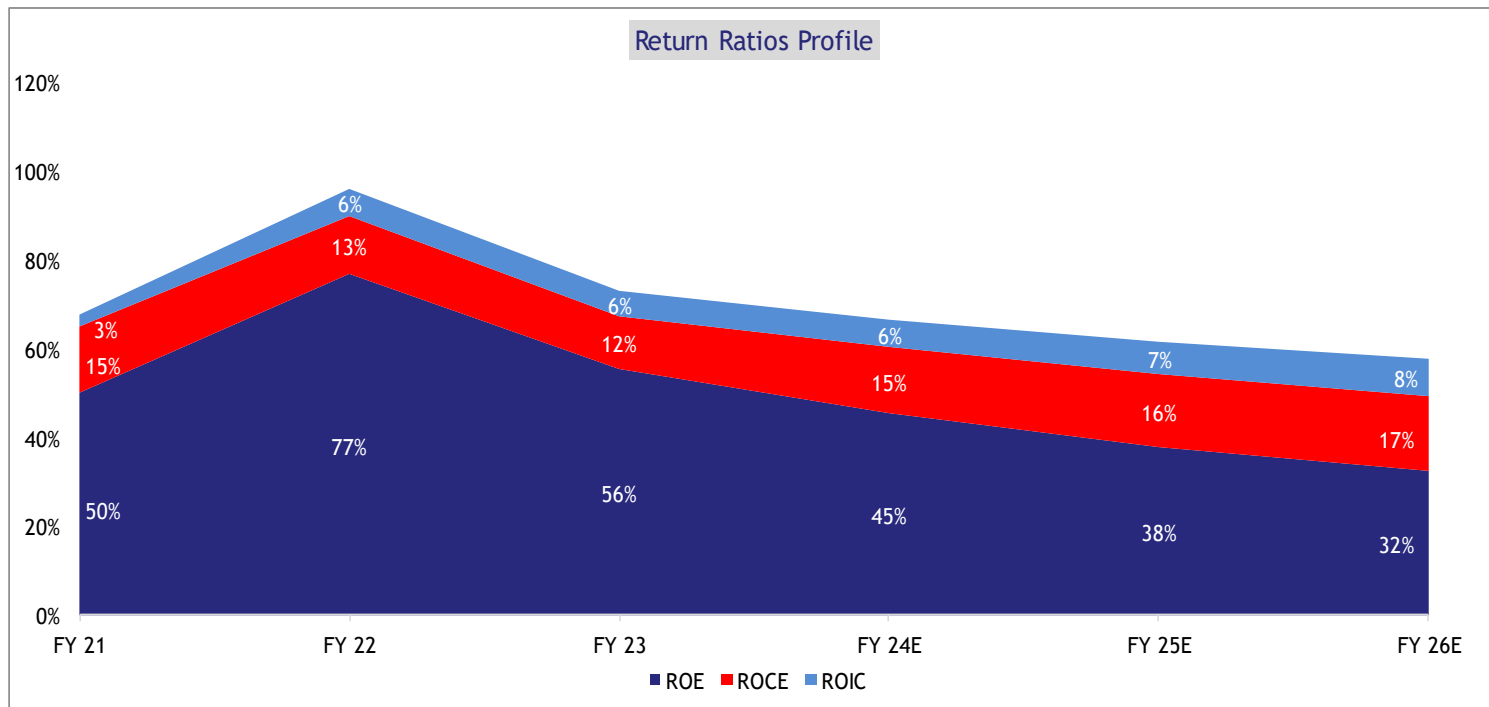
Exhibit 16- PNL statement flow analysis



Source: GEPL Capital, Company data

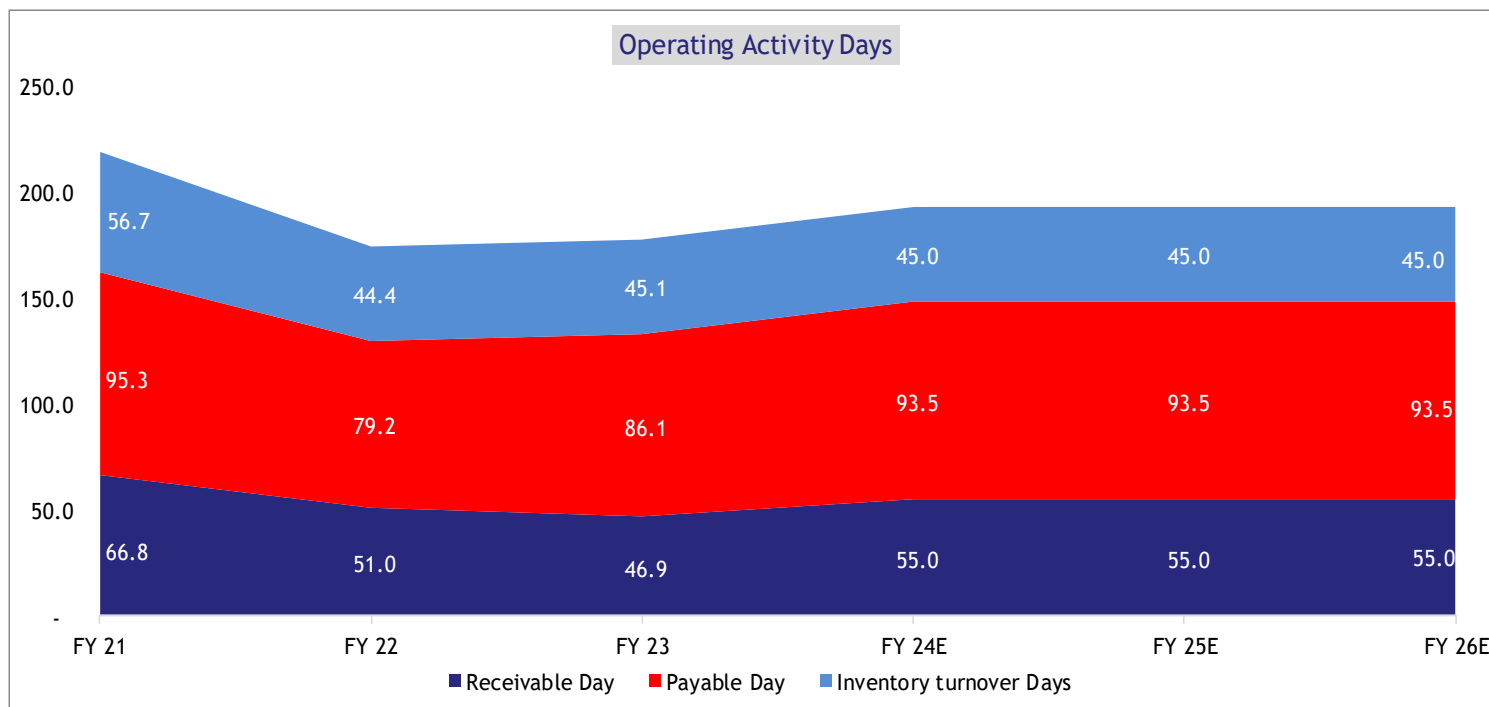
..... The saving in interest cost combined with lower admin expenses and other cost to boot profit margins.

Exhibit 17- Return ratios profile



Source: GEPL Capital, Company data

Exhibit 18- Operating Activity days



Source: GEPL Capital, Company data

FINANCIAL ANALYSIS

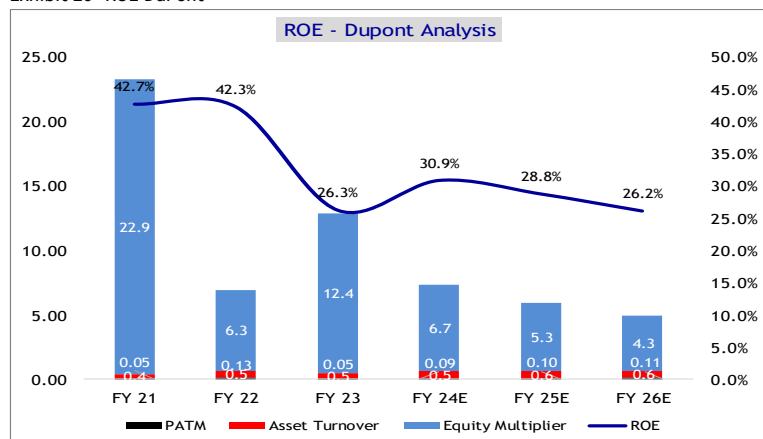
Exhibit 19- DuPont Analysis

| Dupont Analysis | | | | | | |
|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY 21 | FY 22 | FY 23 | FY 24E | FY 25E | FY 26E |
| ROE | 42.7% | 42.3% | 26.3% | 30.9% | 28.8% | 26.2% |
| PATM | 0.05 | 0.13 | 0.05 | 0.09 | 0.10 | 0.11 |
| Asset Turnover | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 |
| Equity Multiplier | 22.9 | 6.3 | 12.4 | 6.7 | 5.3 | 4.3 |
| ROCE | 15% | 21% | 17% | 15% | 16% | 17% |
| EBITM | 28% | 27% | 27% | 21% | 22% | 23% |
| Capital Turnover | 0.5 | 0.8 | 0.6 | 0.8 | 0.8 | 0.8 |

Source: GEPL Capital, Company data

.....Company's ROE is expected to remain flat at 26.2%, the increased in profits margins to be offset by reducing equity multiplier. The capital turnover is expected to remain flat.

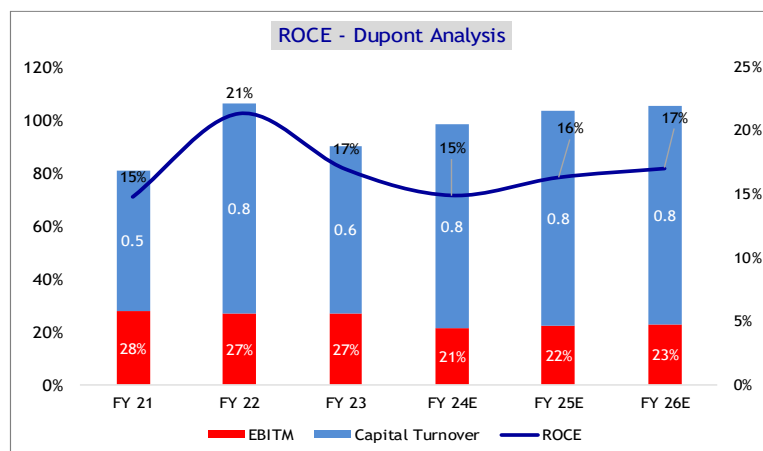
Exhibit 20- ROE DuPont



Source: GEPL Capital, Company data

.....The breakup of ROE Dupont indicates, equity multiplier/ Leverage has been lead contributor to the ROE.

Exhibit 21- ROCE DuPont

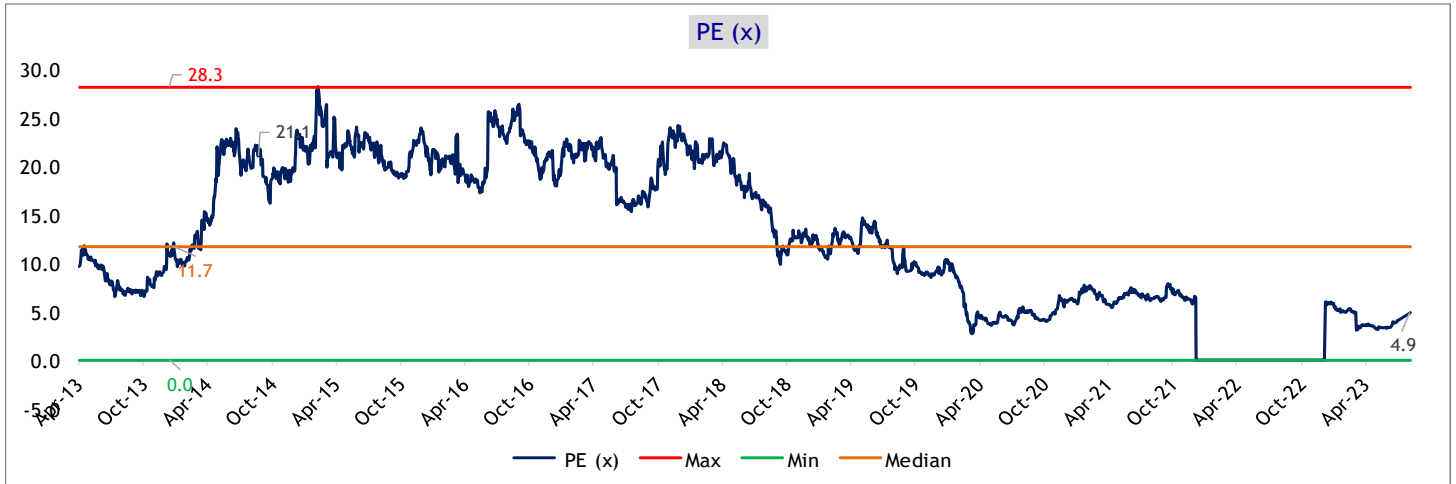


Source: GEPL Capital, Company data

.....Capital Turnover of 0.8x is main contributor to ROCE which is projects to remain stable in coming three years.

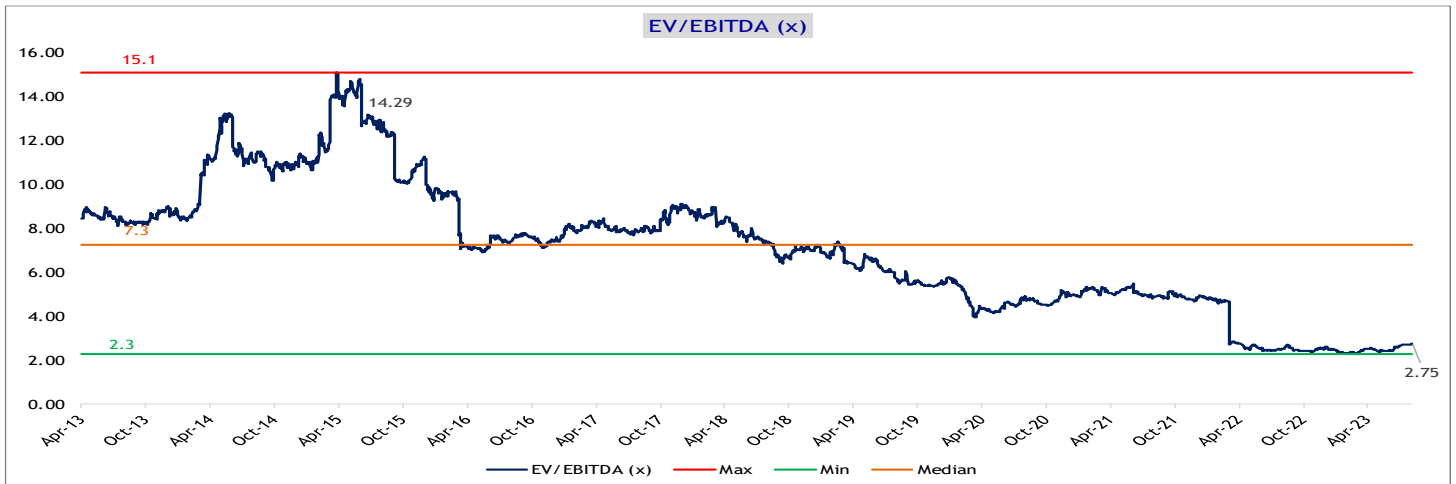
FINANCIAL ANALYSIS

Exhibit 22- Historical TTM PE (x)



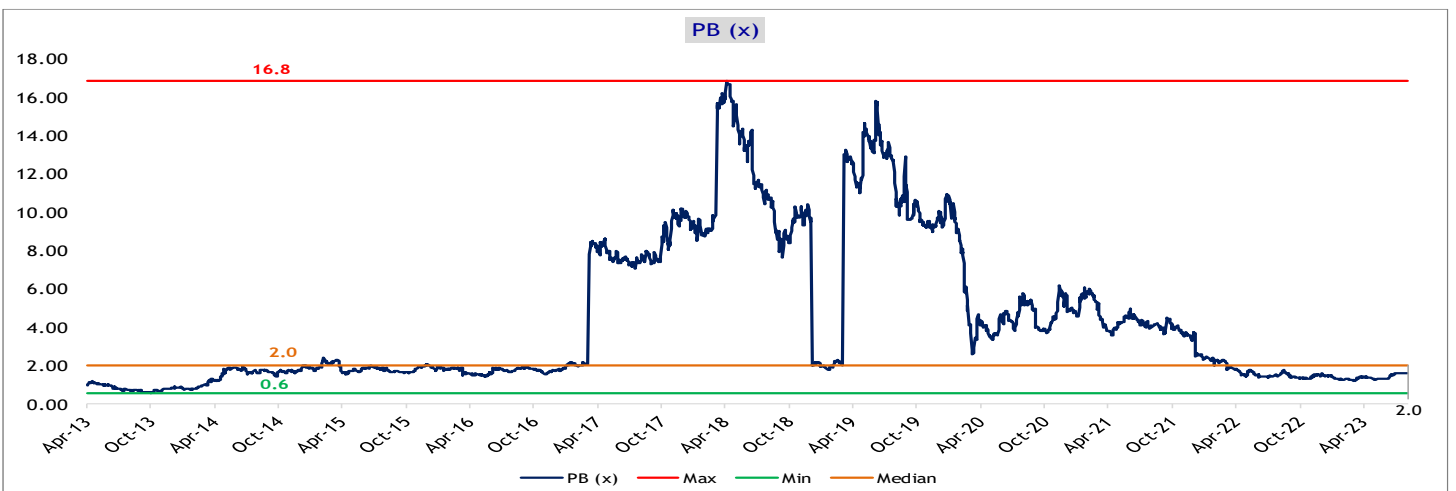
Source: Ace Equity, Company data

Exhibit 23- Historical EV/EBITDA (x)



Source: Ace Equity, Company data

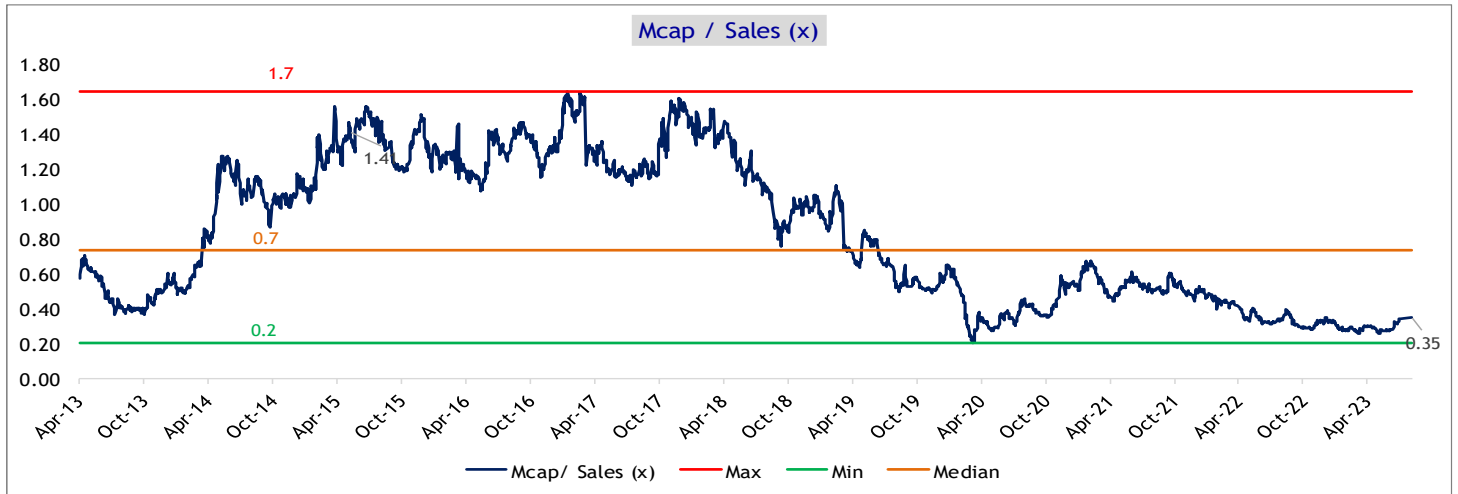
Exhibit 24- Historical PB (x)



Source: Ace Equity, Company data

FINANCIAL ANALYSIS

Exhibit 25- Historical Mcap/Sales (x)



Source: Ace Equity, Company data

FINANCIAL STATEMENTS

Exhibit 26- Consolidated Balance Sheet Statement

| In ₹ Cr. | FY 21 | FY 22 | FY 23 | FY 24E | FY 25E | FY 26E |
|---------------------------------------|--------|--------|--------|--------|--------|--------|
| Shareholder's Fund | 619 | 1,381 | 1,754 | 2,539 | 3,512 | 4,692 |
| Equity Share Capital | 140 | 140 | 140 | 140 | 140 | 140 |
| Reserves and Surplus | 479 | 1,240 | 1,614 | 2,399 | 3,371 | 4,552 |
| Non-Current Liabilities | 9,128 | 3,835 | 1,347 | 890 | 867 | 812 |
| Long Term Borrowings | 5,876 | 2,936 | 763 | 748 | 710 | 639 |
| Other Long Term Liabilities | 3,252 | 899 | 584 | 143 | 157 | 172 |
| Current Liabilities | 4,409 | 3,460 | 4,380 | 4,255 | 4,752 | 5,166 |
| Short Term Borrowings | 287 | 335 | 911 | 535 | 588 | 647 |
| Trade Payables | 727 | 859 | 1,060 | 1,492 | 1,713 | 1,824 |
| Other Current Liabilities | 3,394 | 2,265 | 2,409 | 2,228 | 2,450 | 2,695 |
| Asset Held for Sale | | 9,362 | 9,584 | 9,362 | 9,362 | 9,362 |
| Total Equity & Liabilities | 14,156 | 18,038 | 17,065 | 17,046 | 18,492 | 20,032 |
| Non-Current Assets | 10,233 | 4,011 | 1,214 | 2,333 | 2,434 | 2,363 |
| Net Fixed Assets | 7,473 | 1,275 | 293 | 1,148 | 1,033 | 930 |
| Capital Work In Progress | 45 | 73 | 62 | - | - | - |
| Non-Current Investments | 199 | 30 | 32 | - | - | - |
| Other Non-Current Assets | 2,517 | 2,633 | 827 | 1,185 | 1,402 | 1,434 |
| Current Assets | 3,923 | 4,800 | 4,782 | 5,352 | 6,696 | 8,307 |
| Inventories | 437 | 450 | 561 | 736 | 810 | 891 |
| Trade Receivables | 896 | 764 | 910 | 1,343 | 1,477 | 1,625 |
| Cash And Cash Equivalents | 631 | 729 | 526 | 658 | 1,813 | 2,941 |
| Other Current Assets | 1,960 | 2,856 | 2,785 | 2,615 | 2,597 | 2,851 |
| Asset Held for Sale | | 9,362 | 9,584 | 9,362 | 9,362 | 9,362 |
| Total Assets | 14,156 | 18,172 | 17,065 | 17,046 | 18,492 | 20,032 |

Source: GEPL Capital estimates, Company data

Exhibit 27- Consolidated Profit and Loss Statement

| In ₹ Cr. | FY 21 | FY 22 | FY 23 | FY 24E | FY 25E | FY 26E |
|------------------------------|-------|-------|-------|--------|--------|--------|
| Net Operating Revenue | 4,992 | 5,946 | 8,100 | 8,910 | 9,801 | 10,781 |
| %growth | -2% | 19% | 36% | 10% | 10% | 10% |
| COGS | 2,803 | 3,643 | 5,403 | 5,970 | 6,567 | 7,223 |
| Gross Profit | 2,189 | 2,303 | 2,697 | 2,940 | 3,234 | 3,558 |
| Operating Expense | 653 | 567 | 600 | 862 | 931 | 220 |
| EBITDA | 1,535 | 1,736 | 2,097 | 2,079 | 2,303 | 2,534 |
| EBITDAM% | 30.8% | 29.2% | 25.9% | 23.3% | 23.5% | 23.5% |
| Other Income | 130 | 201 | 135 | 120 | 132 | 145 |
| Depreciation & Amr. | 276 | 338 | 341 | 298 | 269 | 242 |
| EBIT | 1,390 | 1,599 | 1,621 | 1,900 | 2,167 | 2,437 |
| Interest | 970 | 1,004 | 1,103 | 769 | 779 | 772 |
| Exceptional items | - | 326 | -70 | -70 | -74 | -70 |
| Pre-Tax Profit | 420 | 921 | 588 | 1,061 | 1,314 | 1,595 |
| Tax Rate% | 39.1% | 17.5% | 36.6% | 26.0% | 26.0% | 26.0% |
| Tax Provision | 164 | 161 | 215 | 276 | 342 | 415 |
| Profit After Tax | 259 | 768 | 373 | 785 | 972 | 1,181 |
| PATM% | 5.2% | 12.9% | 4.6% | 8.8% | 9.9% | 11.0% |
| %growth | 68% | 197% | -51% | 111% | 24% | 21% |

Source: GEPL Capital estimates, Company data

Exhibit 28- Consolidated Cash Flow Statement

| In ₹ Cr. | FY 21 | FY 22 | FY 23 | FY 24E | FY 25E | FY 26E |
|--------------------------------|---------|---------|---------|---------|--------|--------|
| Reported PBT | 420 | 921 | 588 | 1,061 | 1,314 | 1,595 |
| Non-operating & EO items | 29 | (480) | (583) | (89) | (98) | (108) |
| Interest expense | 970 | 1,004 | 1,103 | 769 | 779 | 772 |
| Depreciation | 276 | 338 | 341 | 298 | 269 | 242 |
| Working capital changes | (1,412) | (1,257) | (1,257) | (176) | 13 | (118) |
| Taxes Paid | (145) | (184) | (184) | (276) | (342) | (415) |
| Operating Cash Flow (a) | 138 | 342 | 9 | 1,588 | 1,935 | 1,969 |
| Capex | (86) | (145) | (145) | 200 | 115 | 103 |
| Free Cash Flow | 52 | 197 | (136) | 1,788 | 2,049 | 2,072 |
| Others | -90 | -88 | -88 | (106) | (131) | (160) |
| Investing Cash Flow (b) | (176) | (233) | (233) | 94 | (17) | (56) |
| Interest expense | -650 | -698 | -698 | (769) | (779) | (772) |
| Dividend | 0 | 0 | 0 | - | - | - |
| Others | 429 | 663 | 663 | (392) | 16 | (12) |
| %pbt | 1 | 1 | 0 | 0 | 0 | 0 |
| Financing Cash Flow (c) | (221) | (35) | (35) | (1,161) | (763) | (784) |
| Net Cash Flow (a+b+c) | (259) | 74 | (259) | 521 | 1,155 | 1,128 |
| Closing Cash Balance | 321 | 395 | 137 | 658 | 1,813 | 2,941 |

Source: GEPL Capital estimates, Company data

Exhibit 29- Consolidated Ratios Analysis

| Ratios | FY 21 | FY 22 | FY 23 | FY 24E | FY 25E | FY 26E |
|--------------------------|-------|-------|-------|--------|--------|--------|
| Solvency (x) | | | | | | |
| Debt / Equity | 10.0 | 2.4 | 2.4 | 0.5 | 0.4 | 0.3 |
| Debt / EBITDA | 3.9 | 2.7 | 1.9 | 0.6 | 0.6 | 0.5 |
| Interest Coverage | 1.4 | 1.6 | 1.6 | 2.5 | 2.8 | 3.2 |
| Liquidity (x) | | | | | | |
| Current Ratio | 0.9 | 1.4 | 1.4 | 1.3 | 1.5 | 1.8 |
| Cash Ratio | 0.6 | 1.0 | 1.0 | 0.6 | 0.8 | 1.1 |
| Profitability (%) | | | | | | |
| Gross Profit | 43.8% | 38.7% | 38.7% | 33.0% | 33.0% | 33.0% |
| EBITDA | 30.8% | 29.2% | 29.2% | 23.3% | 23.5% | 23.5% |
| PBT | 8.4% | 15.5% | 15.5% | 11.9% | 13.4% | 14.8% |
| PAT | 5.2% | 12.9% | 12.9% | 8.8% | 9.9% | 11.0% |
| Operating Cash | 3% | 6% | 6% | 18% | 20% | 18% |
| Returns (%) | | | | | | |
| ROE | 50% | 77% | 56% | 45% | 38% | 32% |
| ROCE | 15% | 13% | 12% | 15% | 16% | 17% |
| ROIC | 3% | 6% | 6% | 6% | 7% | 8% |
| ROA | 2% | 7% | 6% | 12% | 13% | 13% |
| Return on Fixed | 3% | 18% | 60% | 65% | 89% | 120% |
| Turnover | | | | | | |
| Working Capital | -6.6 | 13.9 | 4.4 | 6.9 | 3.9 | 2.6 |
| Inventory | 6.4 | 8.2 | 8.1 | 13.7 | 12.7 | 12.7 |
| Capital Employed | 0.5 | 0.5 | 0.4 | 0.7 | 0.7 | 0.8 |
| Payable | 3.8 | 4.6 | 4.2 | 7.0 | 6.1 | 6.1 |
| Receivable | 5.5 | 7.2 | 7.8 | 7.9 | 7.0 | 7.0 |
| Asset | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 |
| Days | | | | | | |
| Cash Conversion Cycle | 28 | 16 | 6 | 29 | 32 | 32 |
| Gross Operating Cycle | 124 | 95 | 92 | 101 | 121 | 121 |
| Receivable Day | 67 | 51 | 47 | 64 | 78 | 78 |
| Payable Day | 95 | 79 | 86 | 72 | 89 | 89 |
| Inventory Turnover | 57 | 44 | 45 | 36 | 43 | 43 |

Source: GEPL Capital estimates, Company data

BOARD OF DIRECTORS



- Mr. Ashok Katariya, Executive Chairman
- He laid the foundation of the company, He is a gold medalist from college of engineering, Pune
- He is recipient of Lifetime Achievement award from the Association of Consulting Civil Engineers and Civil Engineer of the year 2017 by Institute of Engineers (India)



- Mr. Satish Parakh, Managing Director



- Mr. Sanjay Gupta, Whole-Time Director



- Mr. Ashish Kataria, Whole-Time Director



- Mr. Sharadchandra Abhyankar, Independent Director



- Mr. Albert Tauro, Independent Director



- Mr. Gyanchand Daga, Independent Director



- Mr. Mahendra Mehta, Independent Director



- Ms. Shilpa Hiran, Independent Director

MAJOR COMPLETED PROJECTS

Exhibit 30- Rupnarayan Bridge



Bridge (1) On River Rupnarayan

Source: Investor Presentation, ABL

Exhibit 31- Rupnarayan Bridge (b)



Bridge (2) On River Rupnarayan

Source: Investor Presentation, ABL

Exhibit 32- Railways Over Bridge



Railway Over Bridge in 100 Working Days

Source: Investor Presentation, ABL

| Recommendation Rating | Expected Absolute Return (%) over 12 months |
|-----------------------|---|
| BUY | >15% |
| ACCUMULATE | <10% and >15% |
| NEUTRAL | <-10% and <10% |
| REDUCE | >-10% and <-20% |
| SELL | >-20 |

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