

## ASHOKA BUILDCON LTD

BUY  
CMP Rs273  
TP Rs364

11 May 2011

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### Migrating to clarity

Ashoka Buildcon Ltd (ABL) Q4FY11 results, key highlights was change in BOT depreciation policy from SLM to traffic proportion and shift from AS21 to IFRS for booking of revenue and profit from internal EPC work. Hence on a YoY basis the results are not comparable, without accounting changes the PAT for FY11 would have been Rs710mn i.e. 12% down YoY basis, while the adjusted PAT is Rs1008mn, but excluding the one time loss of Rs580mn for BOT projects (Rs450mn overlay exp and Rs130mn revenue loss), the adjusted PAT would have been Rs1300mn. Based on the new order book we marginally increase standalone earnings, while BOT valuation is brought down as revenue estimates for 4 BOT projects have been marginally lowered. We maintain our BUY recommendation with a lower target price of Rs364 (Rs390 earlier).

### Change in accounting policy...

Depreciation on BOT assets will be henceforth booked on traffic proportion against SLM earlier. The total impact is Rs537.4mn increase in reserves on a retrospective basis of which Rs162.6mn is the impact for FY11. Similarly now internal EPC revenues would be recognised as income as per IFRS, accordingly Rs2859.9mn of revenue and Rs168.8mn of profits has been booked in FY11. On a like to like basis if such changes are excluded the PAT for FY11 would have been ~Rs710mn i.e. 12% lower than FY10.

### One time expense impact profitability...

ABL has incurred Rs450mn towards overlaying for 2 BOT projects, and during the process lost Rs130mn of revenue. Hence with the above mentioned accounting changes the adjusted PAT for FY11 would have been ~Rs1300mn. The management has mentioned that this overlaying is one-time in nature. No major maintenance exp is likely for the next two years.

### VALUATION AND RECOMMENDATION

Equity invested till date by ABL is ~Rs4.5bn, which would increase to Rs7bn & Rs10bn by FY12E and FY13E, we value BOT (DCF) at equity multiple of 1.6x times and 1.1x times on FY12E and FY13E i.e. Rs11bn. Over FY10-13E, we expect revenue for standalone business to grow at 22.3% CAGR and PAT to grow at 12.4% CAGR. We value this business at 9x FY12E adjusted earnings of Rs17.3 (EPC).

### KEY FINANCIALS (CONSOLIDATED)

	₹mn				
	FY09	FY10	FY11	FY12E	FY13E
Net Sales	5,184	7,956	13,020	20,642	23,793
YoY Gr. (%)	60.6	53.5	63.7	58.5	15.3
Operating Profit	1,640	2,143	2,496	3,908	4,838
OPM (%)	31.6	26.9	19.2	18.9	20.3
Adjusted Net Profits	348	804	1,008	1,249	1,488
YoY Gr. (%)	3.7	130.9	25.5	23.9	19.1

### KEY RATIOS

Diluted EPS (Rs)	7.6	17.6	19.2	23.7	28.3
ROACE (%)	12.1	12.5	17.1	12.8	10.2
ROANW (%)	11.1	20.6	31.2	14.0	15.3
PER (x)	35.8	15.5	14.3	11.5	9.7
EV/Sales (x)	4.8	3.1	1.9	1.2	1.0
EV/EBIDTA (x)	15.1	11.5	9.9	6.3	5.1

### QUARTERLY SNAPSHOT (₹mn)

	Quarter Ended		
	Sep-10	Dec-10	Mar-11
Net Sales	1,828	2,364	6,032
YoY Gr. (%)	22.0	-	121.4
Op Profit	486	565	751
OPM (%)	26.6	23.9	12.5
Adj. Net Profit	174	167	383
YoY Gr. (%)	25.4	-	53.7

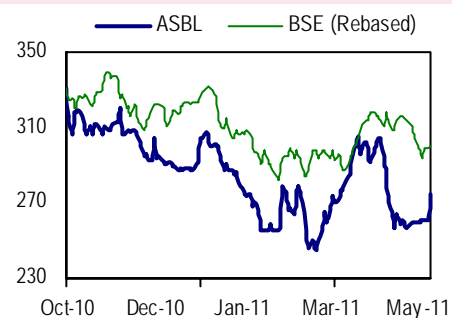
### STOCK DATA

Market Cap	Rs14.4bn.
Book Value per share (FY12)	Rs181
Eq Shares O/S (F.V. Rs10)	52.6mn.
Free Float	32.8%
Avg Traded Value (6 mnths)	Rs5.8mn
52 week High/Low	Rs362/226
Bloomberg Code	ASBL IN
Reuters Code	ABDL.BO

### PERFORMANCE (%)

	1M	3M	6M
Absolute	(6.5)	7.0	(11.7)
Relative	(3.1)	1.3	(3.3)

### RELATIVE PERFORMANCE



Financial Table (Consolidated)								(₹mn)
Rs mn	Mar-11	Mar-10	YoY (%)	Dec-10	QoQ (%)	FY10	FY11	YoY(%)
<b>Net Sales</b>	<b>6,032</b>	<b>2,724</b>	<b>121.4</b>	<b>2,364</b>	<b>155.1</b>	<b>7,956</b>	<b>13,020</b>	<b>63.7</b>
<b>EBITDA</b>	<b>751</b>	<b>625</b>	<b>20.2</b>	<b>565</b>	<b>33.0</b>	<b>2,143</b>	<b>2,496</b>	<b>16.5</b>
<i>EBITDA Margins (%)</i>	12.5	22.9	(1,049)bps	23.9	(1,144)bps	26.9	19.2	(776)bps
Other Income	108	52	106.5	112	(3.2)	186	339	81.9
Interest	244	155	57.6	160	52.2	490	689	40.5
Depreciation	99	167	(40.8)	243	(59.3)	661	690	4.3
PBT	1,589	356	346.0	274	480.0	1,177	2,528	114.7
<i>Tax (%)</i>	28.6	28.2	43bps	40.2	(1,157)bps	27.1	29.1	207bps
<b>PAT</b>	<b>383</b>	<b>249</b>	<b>53.7</b>	<b>167</b>	<b>773.5</b>	<b>804</b>	<b>1,008</b>	<b>158.8</b>
<b>EPS</b>	<b>7.3</b>	<b>5.4</b>	<b>33.5</b>	<b>3.2</b>	<b>129.8</b>	<b>17.6</b>	<b>19.2</b>	<b>8.9</b>

Source: PINC Research, Company

### EPC division...lead by OB

ABL's EPC division reported 7% increase in revenue (incl RMC), the management has guided for a healthy growth in execution. We forecast a 51% growth in EPC at Rs17bn based on the current order book of Rs46.7bn. Due to the increasing share of EPC in the standalone number our EBITDA margin assumption lowers to 11.3% for FY12E and FY13E from 13.3% in FY11. The standalone earnings are likely to grow at 21% for FY11. We have factored higher interest and depreciation cost due to higher WC and capex requirement.

### BOT performance...

ABL reported a 15.2% growth in BOT revenue for FY11 but at a lower EBITDA margin of 61.8% against 83.1% in FY10, due to one time overlay expense of Rs450mn and loss of revenue in 2 projects of Rs130mn. Toll collection was suspended in Pune Shirur and Nagar Karmal between 2-3months, but now are back on track. Management has guided for Rs3.5bn of revenue for FY12E, our projection is Rs3.1bn, which is largely due to one quarter delay factored in Durg and Jaora-Nayagaon project.

### Project update...

Dhankuni-Kharagpur project was won during the quarter, Rs22bn likely project size, concession agreement is likely to be signed in H1FY11. Sambalpur-Baragarh has achieved FC and construction is likely to start shortly. Belgaum-Dharwad has achieved FC and construction and tolling has started during the quarter. Durg is expected to start tolling in Q2FY12 (97% completed). Jaora section 3 toll collection is likely to start in Q2FY12, section 1 & 2 is already under tolling, while Bhandara part tolling has started for 72km of the total 83km.

<b>SOTP Valuation</b>				
<b>Particulars</b>	<b>NAV</b>	<b>Stake</b>	<b>Adj NAV</b>	<b>Per share</b>
<b>BOT Projects operational (SPV's)</b>				
Indore - Edalabad	1,723	87%	1,689	32.1
Pune - Shirur	309	100%	350	6.6
Dewas Bypass	345	100%	390	7.4
Katni Bypass	475	100%	536	10.2
FOBs - Eastern Exp Hwy	82	100%	92	1.8
Dhule Bypass	47	100%	53	1.0
Durg - Chhattisgarh	2,603	51%	1,513	28.8
Chhattisgarh - Bhandara	592	51%	341	6.5
<b>BOT Projects operational (Standalone)</b>				
Anagar - Karmala	327	100%	369	7.0
TOLL ANG (Anagar - Aurangabad)	355	100%	401	7.6
Nasirabad ROB	257	100%	291	5.5
Sherinallah Bridge	147	100%	167	3.2
Waiganga river Bridge	500	50%	283	5.4
<b>BOT Projects under construction</b>				
Sambalpur-Baragarh	1,618	100%	1,845	35.0
Belgaum Dharwad	(506)	100%	(185)	-3.5
Jaora - Nayegaon 4-Laning	5,315	37%	2,222	42.2
Pimpalgaon-Nasik	1,946	26%	577	11.0
<b>Total BOT Value</b>	<b>16,136</b>		<b>10,933</b>	<b>208</b>
	<b>PAT FY12E</b>	<b>P/E (x)</b>		
<b>EPC Business</b>	<b>912</b>	<b>9</b>	<b>8,210</b>	<b>156</b>
<b>Total Value</b>			<b>19,143</b>	<b>364</b>
<b>CMP</b>				<b>273</b>

Source: PINC Research, Company

**Standalone Financials**

Year Ended March (Figures in Rs mn)

Income Statement	FY09	FY10	FY11	FY12E	FY13E
Revenues	7,423	11,162	11,948	17,946	20,404
Growth (%)	127.4	50.4	7.0	50.2	13.7
Operating Profit	1,211	1,447	1,587	2,028	2,306
Other Income	133	202	207	240	250
EBIDTA	1,345	1,650	1,794	2,268	2,556
Growth (%)	80.5	22.7	8.7	26.4	12.7
Depreciation & Amortization	331	356	307	391	443
EBIT	1,014	1,294	1,486	1,877	2,113
Interest Charges (Net)	449	302	339	489	642
PBT (Before E/o items)	564	992	1,148	1,388	1,471
Tax provision	91	235	300	361	397
E/o Income / (Loss)	-	-	-	-	-
Net Profits	478	757	847	1,027	1,074
Adjusted Net Profits	474	757	847	1,027	1,074
Growth (%)	115.6	59.8	11.9	21.2	4.6
Basic EPS (Rs)	10.4	16.6	16.1	19.5	20.4
Diluted EPS (Rs)	10.4	16.6	16.1	19.5	20.4
Growth (%)	115.6	59.8	(2.8)	21.2	4.6

Cash Flow Statement	FY09	FY10	FY11E	FY12E	FY13E
Profit before tax	568	992	1,148	1,388	1,471
Depreciation	117	356	307	391	443
Income from inv & int. (profit)	-	-	(200)	(240)	(250)
Interest paid	449	302	339	489	642
Taxes	(85)	(223)	(315)	(336)	(357)
(Inc)/Dec in working capital	1,314	807	(1,997)	(1,818)	(819)
Other operating activities	(1,619)	(1,396)	109	(109)	-
Cash from operations	896	730	(609)	(235)	1,129
Net capital expenditure	(436)	(216)	(652)	(527)	(400)
Net Investments	(282)	(178)	(743)	(900)	(1,000)
Interest & dividend recd	62	78	200	240	250
Cash from inv. activities	(656)	(316)	(1,195)	(1,187)	(1,150)
Equity raised/(repaid)	-	837	2,227	-	-
Debt raised/(repaid)	163	(823)	221	1,500	1,550
Dividend (incl. tax)	-	-	-	-	-
Other financing activities	(449)	(358)	(339)	(489)	(642)
Cash from finan. activities	(286)	(344)	2,110	1,011	908
Inc/(Dec.) in cash	(46)	69	306	(411)	888

Balance Sheet	FY09	FY10	FY11	FY12E	FY13E
Equity Share Capital	457	457	526	526	526
Reserves & Surplus	2,721	3,468	6,333	7,523	8,597
Shareholders' Funds	3,309	4,049	6,961	8,151	9,225
Minorities Interest	-	-	-	-	-
Total Debt	3,255	3,269	3,490	4,990	6,540
Capital Employed	6,564	7,318	10,451	13,141	15,765
Fixed Assets	1,055	2,370	2,752	2,889	2,846
Cash & cash eq.	479	587	475	443	1,331
Net current assets	3,591	2,819	4,702	6,490	8,197
Investments	1,935	2,160	3,013	3,803	4,803
Deferred tax asset	(18)	(30)	(16)	(41)	(81)
Total Assets	6,564	7,318	10,451	13,141	15,765

Key Ratios	FY09	FY10	FY11	FY12E	FY13E
OPM (%)	16.3	13.0	13.3	11.3	11.3
Net Margin (%)	6.4	6.8	7.1	5.7	5.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Net Debt/Equity (x)	0.8	0.7	0.4	0.6	0.6
Net working capital (days)	81	73	129	123	123
ROACE (%)	16.1	18.6	16.7	15.9	11.9
ROANW (%)	16.2	21.3	15.7	13.8	12.5
EV/Sales (x)	2.3	1.5	1.4	1.0	0.8
EV/EBIDTA (x)	14.1	11.8	10.7	8.4	7.4
PER (x)	26.3	16.5	17.0	14.0	13.4
PCE (x)	21.1	11.2	12.4	10.1	9.5
Price/Book (x)	3.4	2.8	1.9	1.7	1.5

**Consolidated Financials**

Year Ended March (Figures in Rs mn)

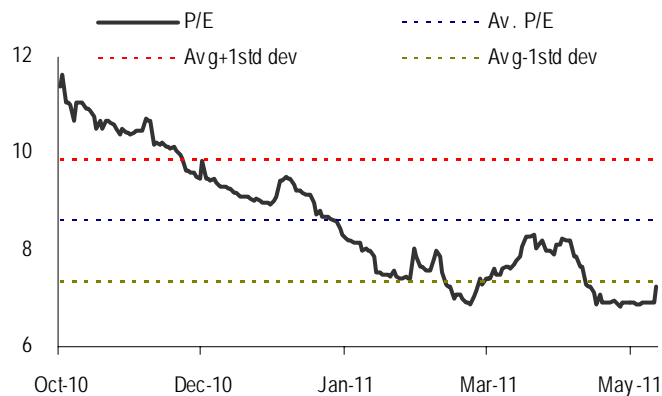
Income Statement	FY09	FY10	FY11	FY12E	FY13E
Revenues	5,184	7,956	13,020	20,642	23,793
Growth (%)	60.6	53.5	63.7	58.5	15.3
Operating Profit	1,640	2,143	2,496	3,908	4,838
Other Income	150	186	339	300	300
EBIDTA	1,790	2,329	2,835	4,208	5,138
Growth (%)	27.1	30.1	21.7	48.4	22.1
Depreciation & Amortization	645	661	690	1,050	1,140
EBIT	1,145	1,668	2,145	3,158	3,998
Interest Charges (Net)	646	490	689	1,256	1,716
PBT (Before E/o items)	499	1,177	1,456	1,901	2,282
Tax provision	116	319	424	532	639
E/o Income / (Loss)	-	-	-	-	-
Net Profits	348	804	2,080	1,249	1,488
Adjusted Net Profits	348	804	1,008	1,249	1,488
Growth (%)	3.7	130.9	25.5	23.9	19.1
Basic EPS (Rs)	7.6	17.6	19.2	23.7	28.3
Diluted EPS (Rs)	7.6	17.6	19.2	23.7	28.3
Growth (%)	3.7	130.9	8.9	23.9	19.1

Cash Flow Statement	FY09	FY10	FY11E	FY12E	FY13E
Profit before tax	499	1,177	2,528	1,901	2,282
Depreciation	645	661	690	1,050	1,140
Income from inv & int. (profit)	-	-	(339)	(300)	(300)
Interest paid	646	490	689	1,256	1,716
Taxes	(111)	(307)	(438)	(514)	(617)
(Inc)/Dec in working capital	368	(889)	(2,241)	(1,550)	(831)
Other operating activities	94	512	-	-	-
Cash from operations	2,092	1,558	1,187	1,963	3,545
Net capital expenditure	(3,664)	(4,777)	(185)	(12,067)	(6,920)
Net Investments	(194)	(576)	93	(750)	(750)
Interest & dividend recd	41	466	203	(121)	(258)
Cash from inv. activities	(3,818)	(4,887)	111	(12,938)	(7,928)
Equity raised/(repaid)	-	-	2,227	-	-
Debt raised/(repaid)	2,105	3,995	1,609	5,750	5,750
Dividend (incl. tax)	-	-	-	-	-
Other financing activities	(682)	(507)	(689)	(1,256)	(1,716)
Cash from finan. activities	1,423	3,488	3,148	4,494	4,034
Inc/(Dec.) in cash	(302)	159	4,446	(6,482)	(350)

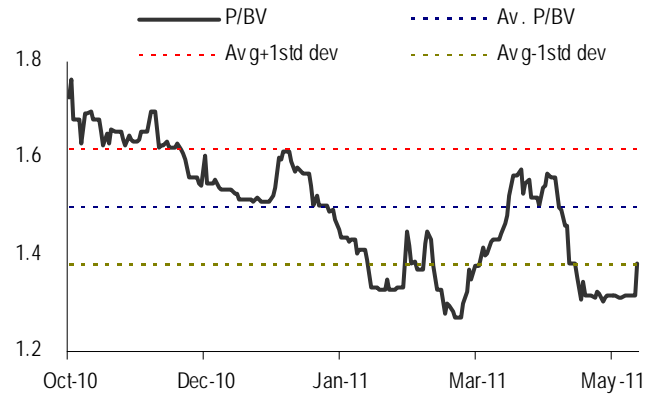
Balance Sheet	FY09	FY10	FY11	FY12E	FY13E
Equity Share Capital	457	457	526	526	526
Reserves & Surplus	2,836	4,042	8,302	8,480	9,968
Shareholders' Funds	3,423	4,623	8,930	9,108	10,596
Minorities Interest	287	813	1,112	1,232	1,387
Total Debt	7,226	11,221	12,830	18,580	24,330
Capital Employed	10,936	16,657	22,873	28,921	36,313
Fixed Assets	4,636	12,750	16,937	9,250	16,031
Cash & cash eq.	692	845	602	815	369
Net current assets	5,408	2,451	4,448	17,560	17,444
Investments	911	1,487	1,503	2,145	2,895
Deferred tax asset	(18)	(30)	(16)	(34)	(56)
Total Assets	10,936	16,658	22,873	28,921	36,313

Key Ratios	FY09	FY10	FY11	FY12E	FY13E
OPM (%)	31.6	26.9	19.2	18.9	20.3
Net Margin (%)	6.7	10.1	7.7	6.1	6.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Net Debt/Equity (x)	1.9	2.2	1.4	2.2	2.4
Net working capital (days)	50	74	108	95	96
ROACE (%)	12.1	12.5	17.1	12.8	10.2
ROANW (%)	11.1	20.6	31.2	14.0	15.3
EV/Sales (x)	4.8	3.1	1.9	1.2	1.0
EV/EBIDTA (x)	15.1	11.5	9.9	6.3	5.1
PER (x)	35.8	15.5	14.3	11.5	9.7
PCE (x)	12.6	8.5	8.5	6.3	5.5
Price/Book (x)	3.3	2.5	1.5	1.5	1.3

**1 year forward rolling P/E Band**



**1 year forward rolling P/B Band**



**T E A M**

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