Emkay©
Your success is our success

Ashoka Buildcon

Stepping into the big league

Initiating Coverage

November 17, 2011

Reco
Buy

CMP	**Target Price**
Rs240	Rs 337

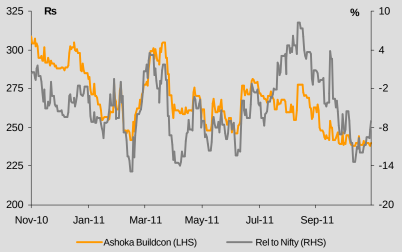
EPS change FY12E/13E (%)	NA
Target Price change (%)	NA
Nifty	5,030
Sensex	16,776

Price Performance

(%)	1M	3M	6M	12M
Absolute	(3)	(10)	(8)	(22)
Rel. to Nifty	(1)	(10)	(1)	(7)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Construction
Bloomberg	ASBL@IN
Equity Capital (Rs mn)	526
Face Value(Rs)	10
No of shares o/s (mn)	53
52 Week H/L	312/226
Market Cap (Rs bn/USD mn)	13/257
Daily Avg Volume (No of sh)	2947
Daily Avg Turnover (US$mn)	0.0

Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	73.3	73.3	67.2
FII/NRI	1.6	1.8	2.4
Institutions	17.2	17.2	17.2
Private Corp	6.5	6.1	5.6
Public	1.5	1.5	7.7

Source: Capitaline

Ajit Motwani
ajit.motwani@emkayglobal.com
+91 22 6612 1255

Jitesh Bhanot
jitesh.bhanot@emkayglobal.com
+91 22 6624 2491

- **ABL, an integrated BOT developer with 18 BOT projects & Rs83bn assets, is now a formidable national player with 3 NHAI order wins of over Rs 40 bn in the last 18 months**
- **ABL boasts of a lucrative cash generating BOT portfolio with weighted average balance life of 22 years and weighted equity IRR of 16%, creating sustainable shareholder value**
- **52% of portfolio already operational, another 40% set to commence toll collection in FY12E. Proven track record - 15 year exp. - Rs41.5bn order backlog offers growth visibility**
- **EPS set to cruise at 23% CAGR (FY11-13E). ABL trading at an undemanding 11.2x FY12E earnings & 1.14x PB. BUY with SOTP target price of Rs 337, a 40% upside**

Lucrative BOT portfolio creating sustainable shareholder value

ABL is one of the premier road developers in India, having a sizeable network of road assets across 18 projects (Rs83 bn of asset size) covering ~1,036 kms. 12 projects are already operational (~538 kms or 52% portfolio) generating CFO of Rs1.4 bn. With weighted average equity IRR (WIRR) of 16% & balance life of 22 years, With CoE at ~14%, ABL today boasts of one of the most lucrative BOT portfolios yielding 1.14X investors return expectation thereby creating sustainable shareholder value.

Transition from a state level player to national level developer

ABL, with over 15 years of experience has executed 59 road projects or 3,095 lkm. ABL's unmatched developer track record, ideally complemented by its strong E&C capabilities has driven its transition from a small state level developer to a full scale national highway player. India's massive road development program presented a solid growth opportunity for premier state road developers like ABL. The opportunity was lapped up by ABL's aggressive management & we saw ABL bagging 3 big NHAI projects (Belgaum-Dharwad, Sambhalpur–Baragarh& Dhankuni– Kharagpur) worth Rs40 bn over last 18 months.

Major execution issues addressed, ABL to chart strong growth trajectory

With more than 95% land acquisition complete for its Belgaum & Dhankuni project & with financial closure of just one project pending, we believe that ABL has crossed major execution hurdles. Though equity funding is not fully tied up (equity requirement at Rs 12.9bn, shortfall of Rs4.7 bn), we do not see it as a major challenge for ABL. Management is actively considering multiple avenues like private equity funding (raising USD100-150mn by diluting stake at SPVs) and re-leveraging operational SPV's (could provide addition debt of Rs 2.25bn). With necessary clearances & debt funding already in place, we believe ABL is on the verge of a strong growth trajectory.

Valuations undemanding – Initiate coverage with a BUY & TP of Rs 337

ABL has an order backlog of Rs 41.5bn or 4.1x FY11 revenues offering significant visibility. Moreover, 40% of the portfolio set to commence toll collection in FY12E is likely to drive operational profitability. EPS is set to grow at a CAGR of 23% over FY11-13E. Our SoTP value for ABL comes to Rs337/share with 53% value from BOT portfolio and 47% value from E&C business at Rs158/share (8X its FY13E E&C earnings), offering a 40% upside from the current market price. Initiate with a BUY.

Financial Snapshot (Consolidated) **(Rsmn)**

YE-Mar	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
FY10A	7,956	2,143	26.9	915	23.4	119.0	22.6	10.2	9.2	2.0
FY11A	13,020	2,522	19.4	1,055	20.0	-14.2	15.6	11.9	9.8	1.4
FY12E	16,336	3,977	24.3	1,126	21.4	6.7	11.8	11.2	8.5	1.2
FY13E	21,348	5,103	23.9	1,554	29.5	38.0	14.2	8.1	9.8	1.1

Company Profile

ABL Buildcon Ltd (ABL) is a Nashik based integrated BOT developer, with operations concentrated mainly in Central and Western India, majorly on and along the National Highway-6 (NH-6). ABL started its operations in 1976 as an E&C contractor for residential, commercial, industrial and institutional buildings. ABL has come a long way since then and currently owns 18 projects on BOT (Built Operate Transfer) basis covering 1,036 kms and 6 foot over bridges. Its other business verticals include E&C (Engineering & Construction) and RMC (Ready Mix Concrete) for road construction. ABL, with a 15 year track record in construction vertical, has executed 59 road and bridge projects coupled with 9 power projects on the T&D side. In 1997, the company started bidding for toll roads and toll bridge contracts on a BOT basis and was awarded its first BOT project, the Dhule bypass in Maharashtra, in FY97.

Portfolio highlights

- 18 BOT projects covering 1,036 kms – 846 kms adjusted for stake
- 12 operational projects covering 538 kms
- 6 BOT projects under construction/development - 498 kms
- Asset size of Rs83.0 bn - ABL's has 74% share in the equity portfolio
- Weighted avg balance life - 22 years & weighted avg equity IRR - 16%

Sr No	Project	Length (Kms)	Lane (Kms)	Stake	TPC (Rs Mn)	Equity (Rs Mn)	Remaining concession Period (Year)
1	Dhankuni - Kharagpur	111.6	841.0	100.0%	22,250	7,750	26
2	Sambhalpur - Baragarh	88.0	407.6	100.0%	11,421	3,321	30
3	Belgaum - Dharwad	82.0	454.1	100.0%	6,410	1,630	30
4	Jaora - Naigaon	85.1	340.2	37.5%	8,470	2,118	22
5	Pimpalgaon-Nasik	60.0	451.9	26.0%	16,475	3,691	19
6	Durg - Chhattisgarh	71.1	368.2	51.0%	5,870	1,770	18
7	Chhattisgarh - Bhandara	82.6	376.8	51.0%	5,257	775	17
8	Indore - Edalabad	203.0	406.6	100.0%	1,641	635	6
9	Waiganga river Bridge	13.0	26.0	50.0%	409	59	6
10	Pune - Shirur	54.0	216.0	100.0%	1,599	464	4
11	Dewas Bypass	20.0	39.6	100.0%	613	253	4
12	Katni Bypass	17.6	35.2	99.9%	709	174	3
13	A'nagar - Karmala	80.6	160.0	100.0%	504	123.50	4
14	A'nagar - Aurangabad	42.0	168.0	100.0%	1,027	670.00	7
15	Nasirabad Road ROB	4.0	8.0	100.0%	147	14.50	0
16	Sherinallah Bridge	4.0	7.0	100.0%	142	69.55	4
17	Dhule Bypass	6.0	11.8	100.0%	58	6	0
18	Anwali Kasegaon	11.0	22.0	5.0%	74	33	5
19	FOBs - Eastern Exp H'way - 6	NA	NA	100.0%	37	18	7
	Total	**1,035.6**	**4,318.0**		**83,000**	**23,523**	**21.8**

Source : Company

Management - Profile

Ashok M. Katariya, aged 62 years, is the Executive Chairman of the Company. He is a gold medalist in Bachelor of Engineering (B.E.) from COEP, Pune University. Ashok M. Katariya has previously worked with the Public Health Department in Maharashtra and Prabhakar Takle & Co. In 1975, he started working as a contractor to the PWD, Maharashtra. Subsequently, he ventured into civil construction and infrastructure development. He is an active participant in the Institute of Engineers, Indian Concrete Institute, Indian Institute of Bridge Engineers, Builders Association of India and Construction Federation of India. He has received the "Udyog Ratna" award from Indian Economic Council and Life Time Achievement award from the Association of Consulting Civil Engineers.

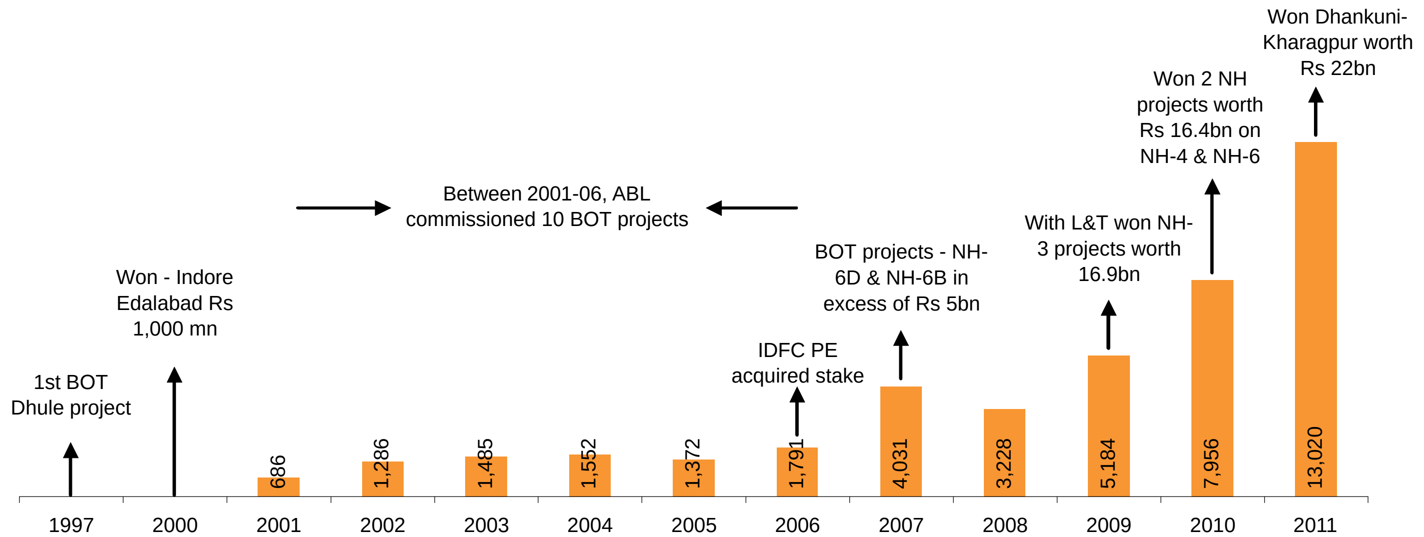
Satish D. Parakh, aged 51 years, is the Managing Director of the Company. He holds a B.E. degree in civil engineering. Satish D. Parakh has been with the Ashoka Group since 1982 and has the experience of executing various industrial/residential and BOT projects. He has previously worked with Shapoorji Pallonji & Company and M/s Kanitkar-Kulkarni. He is a Member of Maharashtra Economic Development Council. He was also the chairman of the Institute of Engineers, Nashik in 2007.

Paresh C. Mehta, aged 48 years, is Vice-President (Finance and Accounts) of the Company. He is a Chartered Accountant by profession. Paresh C. Mehta has approximately 20 years of experience in the field of finance and accounting. He joined the Company on December 1, 2000. He has previously worked with Catapharma Group. Paresh C. Mehta looks after accounting, taxation and financial matters of the Ashoka Group as well as financial aspects of projects and resource management initiatives of the Company.

Evolution into a full scale integrated BOT developer

ABL's unmatched road developer track record, ideally complemented by its strong E&C capabilities have resulted in the company's evolution from a small state level developer to a full scale national highway player. In FY97, having acquired EPC skills, ABL turned its attention to bidding for toll road contracts and toll bridges on a BOT basis. ABL won the first BOT project (Dhule bypass – Maharashtra) in FY97. In FY2000, it began manufacturing RMC for its in-house usage and in FY02, it also started supplying for third party usage. In FY05, ABL began processing bitumen to a higher grade at its facility in Pune for use in road projects. In FY07, it entered into the national highway (NH) scene and NH now constitutes 51% of ABL's portfolio vis-à-vis 29% share in May'08. In FY09, ABL commenced EPC operations in the power T&D sector and also undertook the construction and development of 2 shopping malls on BOT model.

Evolution of ABL into a formidable player



Source: Company, Emkay Research

Investment Argument

ABL is one of the premier road developers in India, having a large network of road assets covering ~1,036 kms across 18 projects and Rs83 bn of asset size. ABL possesses the 4 important factors that an infra investor looks out for, viz a) Lucrative & cash generating asset portfolio b) emergence on the national scene with 3 NHAI projects worth Rs 40bn coupled with long & impressive track record as a developer c) solid growth visibility with 23% EPS CAGR d) reasonable discount to fair value creating margin of safety.

Lucrative & cash generating BOTs - WIRR @ 16% - 1.14x CoE

With 12 projects already collecting tolls, ABL today has 42% of its portfolio already operational (covering ~538 kms) & generating CFO of Rs1.4 bn. ABL today boasts of 15 years of rich experience and a very lucrative road portfolio with weighted average balance life of 22 years and weighted average equity IRR (WIRR) of 16%. With CoE at ~14%, ABL today presents investors with a solid asset portfolio, which is expected to yield 1.14X investors return expectation (with possibility of upside), thereby creating sustainable shareholder value.

Portfolio with balance life of 22 years and weighted average equity IRR of 16%

Details on Project traffic	Stakes	CFO/TPC (FY12E)	RoE (FY12E)	Tariff hikes	D/E	4 yr Rev CAGR (FY07-11)
Dhankuni - Kharagpur	100.0%	0%	0%	3% + 40% of WPI	1.87	NA
Sambhalpur - Baragarh	100.0%	0%	0%	3% + 40% of WPI	2.44	NA
Belgaum - Dharwad	100.0%	3%	12%	3% + 40% of WPI	2.93	NA
Jaora - Naigaon	37.5%	-19%	-11%	7% pa	3.00	NA
Pimpalgaon-Nasik	26.0%	0%	0%	WPI	3.46	NA
Durg - Chhattisgarh	51.0%	-5%	-4%	WPI	5.63	NA
Chhattisgarh - Bhandara	51.0%	-7%	-23%	WPI	5.78	NA
Indore - Edalabad	100.0%	12%	54%	7% pa	1.58	12.80%
Waiganga river Bridge	50.0%	39%	88%	WPI	5.88	13.10%
Pune - Shirur	100.0%	13%	-6%	19.5% every 3 years	2.45	NA
Dewas Bypass	100.0%	18%	21%	25% every 3 years	1.42	14.90%
Katni Bypass	99.9%	20%	15%	15% every 2 years	3.06	
A'nagar - Karmala	100.0%	49%	144%	25.75% every 3 years	3.08	8.70%
A'nagar - Aurangabad	100.0%	15%	4%	19.5% every 3 years	0.53	NA
Nasirabad Road ROB	100.0%	56%	569%	NA	9.14	11.20%
Sherinallah Bridge	100.0%	22%	29%	15.75% every 3 years	1.04	14.60%
FOBs - Eastern Exp H'way	100.0%	53%	0%	NA	1.09	NA
Dhule Bypass	100.0%	63%	579%	NA	9.39	NA

Source: Company, Emkay Research

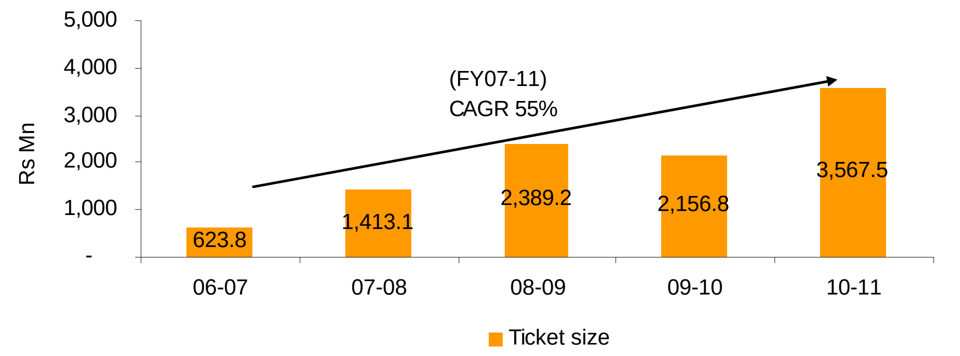
Transition from a state level player to national level developer with 3 big ticket (Rs 40 bn) NHAI orders

Though ABL started its journey as a BOT developer in 1997, its pace of growth was restricted due to its presence at state level only. Weak state government financials coupled with absence of clear policy framework also posed hurdles to ABL's growth. However, ABL's increasing focus on national level projects promise strong growth ahead. ABL has bagged 3 big ticket NHAI road projects (Belgaum-Dharwad, Sambhalpur–Baragarh& Dhankuni– Kharagpur) worth Rs40 bn over the last 18 months. ABL's unmatched road developer track record, ideally complemented by its strong E&C capabilities has driven the company's transition from a small state level developer to a full scale national highway player. In the process, ABL has achieved an important milestone, with its construction revenues surpassing Rs 10bn in FY11, a 4.7x growth over FY08-11.

ABL's 5.7x jump in ticket size highlights its strong execution capability

Based on its 2010 financials, ABL under the new NHAI annual pre qualification policy qualifies for projects with ticket size upto Rs 15.9bn. The above mentioned pre qualification is expected to further expand by ~25% with NHAI adopting 2011 financial statements. 5.7x growth in ticket size of projects undertaken by ABL over the last 5 years along with its pre qualification status highlights its execution capability. ABL won its biggest ever single project i.e. Dhankuni Kharagpur worth Rs 22bn in FY11. The project size is Rs 22bn compared to the average ticket size of Rs 2.1bn in FY10. ABL's construction vertical is expected to gain significant traction once it commences execution on this stretch.

Over 5 fold growth in ticket size over the last 5 years



Source: Company, Emkay Research

Major execution issues addressed, ABL set for a stronger growth trajectory

With more than 95% land acquisition complete for its Belgaum & Dhankuni project we believe that ABL has crossed one of the major execution hurdles. Further with financial closure of just one project pending (Dhankuni, expected to happen by Dec-11) we see strong project execution by ABL. With necessary clearances & debt funding already in place we believe ABL is on the verge of strong trajectory.

Status of projects won over the last 18 months **(Rs Mn)**

Projects	Total Project cost (Rs mn)	Stake (%)	Land already acquired	MOEF Clearances	Financial closure	Debt required	Debt already sanctions
Dhankuni - Kharagpur	22,250	100	96%	Not required	In progress	17,500	0
Sambhalpur - Baragarh	11,421	100	60%	Clearance pending	Done	8,100	8,100
Belgaum Dharwad	6,410	100	97%	Not required	Done	4,780	4,280
Total	**40,081**					**30,380**	**12,380**

Source: Company, Emkay Research

Although it appears Sambhalpur – Baragarh has acquired only 60% of the overall land. ~Incrementally 34% of the overall land award has already been approved & 90% of the land has already received 3D notification. With 3D notification in excess of 80% already achieved, ABL expects to receive the appointed date in Nov-11 for this project .

Equity funding though not fully tied up, unlikely to pose major challenge

Though ABL's equity funding for the recent project wins is not 100% tied up, we do not forsee any major challenge in meeting its funding requirement. With the ramp up in operations, there has been a simultaneous rise in fund requirement as well and we expect a funding gap of Rs 4.7 bn over the next 3 years. The 3 new project wins over the last 18 months are the major constituents in the overall equity requirement which stands at Rs 12.9bn for BOT portfolio. In addition, ABL will also require Rs 2.1bn for debt repayment, which pegs the overall requirement at Rs 14.9bn. On the cash inflows, ABL will have two major sources of internal generation - ABL generating Rs3.5bn of cash flows from their EPC contracting business & Rs 6.1 bn from BOT cash flows. Add the opening cash balance of Rs 0.6bn, ABL will have an overall shortfall of Rs 4.77bn. Although for a mid tier BOT developer/contractor, the gap appears huge but ABL has ample alternatives to fund this gap. Management is actively considering multiple funding avenues a few of which are mentioned below:

- Management contemplating raising USD 150mn by diluting stake at SPV level: Management is considering an option of raising USD 150 mn by diluting stake at the SPV level. This is expected to ease the cash position and provide growth capital. Considering the entire USD 150 mn is raised, ABL will be left with a surplus of Rs 3 bn after meeting the equity commitments of the existing portfolio.

ABL's Funding Requirements

Overall fund requirement	Rs mn
Dhankuni – Kharagpur	7,740.0
Pimpalgaon – Nashik	590.0
Belagaum – Dharwad	1,785.0
Jaora – Naygaon	115.0
Sambhalpur – Baragarh	2,650.0
Debt Repayment	2,066.1
Total	**14,946.1**
Surplus	

Source of funds	Rs mn
FY11 Cash	575.0
BoT CFO over FY12-14E	6,075.5
E&C CFO Over FY12-14E	3,523.4
Total	**10,173.9**
Shortfall	**4,772.2**

- With lucrative cash flows from existing projects, ABL also has an option to re-leverage cash flows of operational BOTs for meeting the funding shortfall. This option will give cheaper access to funds (generally 100 bps lower than the average borrowing rate for project finance) and dilution free growth opportunity. 3 projects with enormous potential of re-leveraging in the existing portfolio are Indore Edalabad, Katni bypass & Dewas project which can provide an additional Rs 2.25bn to the company. ABL in the past also has exercised this option of re-leveraging for meeting its funding requirement. 15 out of 20 projects have been refinanced to the extent of 150% of the project cost. The company raised leverage of Rs2.25 bn on its BOT projects – 1.5X TPC.

ABL's Funding Requirements with additional re-leveraging of 3 BOT SPVs

Overall fund requirement	Rs mn
Dhankuni – Kharagpur	7,740.0
Pimpalgaon – Nashik	590.0
Belagaum – Dharwad	1,785.0
Jaora – Naygaon	115.0
Sambhalpur – Baragarh	2,650.0
Debt Repayment	2,447.4
Total	**15,327.4**
Surplus	

Source of funds	Rs mn
FY11 Cash	575.0
BoT CFO over FY12-14E	5,481.1
E&C CFO Over FY12-14E	3,523.4
Re-leveraging	2,250.0
Total	**11,829.5**
Shortfall	**3,497.9**

- A strong parent balance sheet at 0.5x Debt:Equity also offers ample room for increasing leverage to fund the equity of several SPVs. We believe the management will be comfortable with a parent level leverage of 1x Debt:Equity, providing an additional Rs 4.3bn.

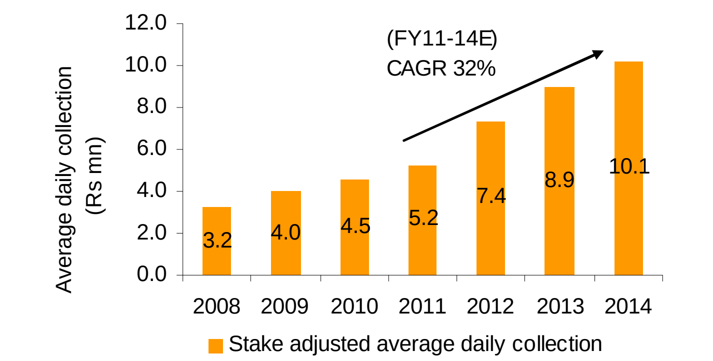
~48% of equity requirement to be funded by cash flows from BOT project

ABL's business ramp up is ideally complemented by its lucrative cash generating portfolio & strong execution skills, which will ensure that ABL's transition to a full scale national level player is smooth with limited dilution. This transition is likely to drive ABL's growth with its portfolio size (stake adjusted) set to increase 2X, from 463 kms to 916 kms. We expect ABL to generate operating cashflows of ~Rs 6.1bn with contribution from 15 BOT's over FY12-14E. Incrementally, its 3 large BOT projects (Durg, Belgaum – Dharwad & Dhankuni Kharagpur) which will commence toll collection in FY12-13E will contribute Rs60mn p.a.

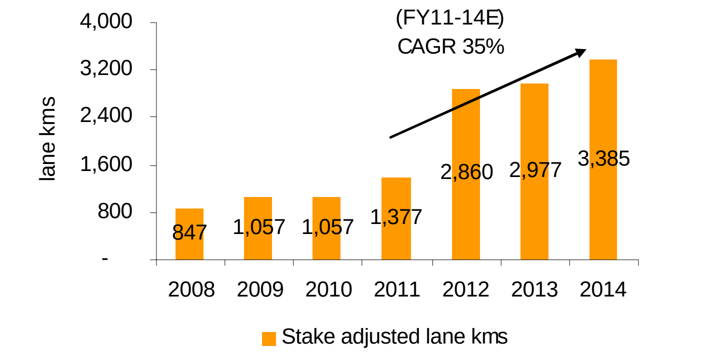
BOT portfolio to jump 2.5X, Toll collection to chart a CAGR of 32% by FY14E

ABL is set to chart a steep growth trajectory with its BOT portfolio size (stake adjusted) set to increase 2.5X, increasing from 1,377 lane kms to 3,385 lane kms. Consequently, its total project cost is estimated to grow from Rs 12.5 bn in FY11 to Rs 59.9 bn in FY14E, a 68% CAGR. With this asset accretion, ABL's stake adjusted average daily toll collection is set to jump from Rs5.2 mn in FY11 to Rs10.1 mn in FY14, a 32% CAGR.

Average daily collection witnessing a 32% CAGR



Stake adjusted lane kms to witness 35% CAGR

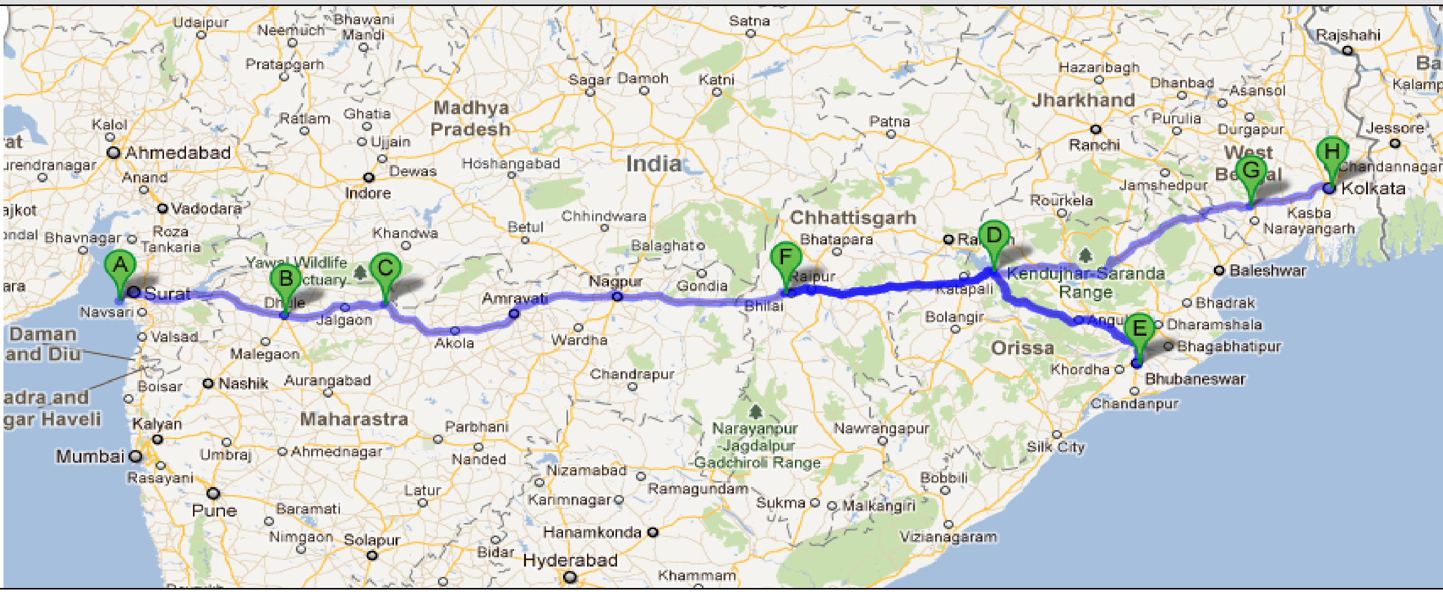


Source: Company, Emkay Research

ABL enjoys a dominant position in NH-6, with a 57% market share

ABL enjoys ~ 57% market share on NH-6 with over 1,745 lane kms of projects. ABL today has 9 BOT projects on NH-6 with its presence in 4 out of 6 states connected to NH-6. NH-6 connects Maharashtra and Gujarat to Kolkata. With such a dominant position on NH-6, ABL has an edge in evaluating the prospects of ancillary patches, which come for bidding at NHAI. Also, such geographical concentration (in and around NH-6) helps in exploiting the potential of their equipment bank, thereby resulting in lower fixed overheads.

ABL has presence in 4 of the 6 states falling on NH-6 with 57% market share



Source : Company, Emkay Research

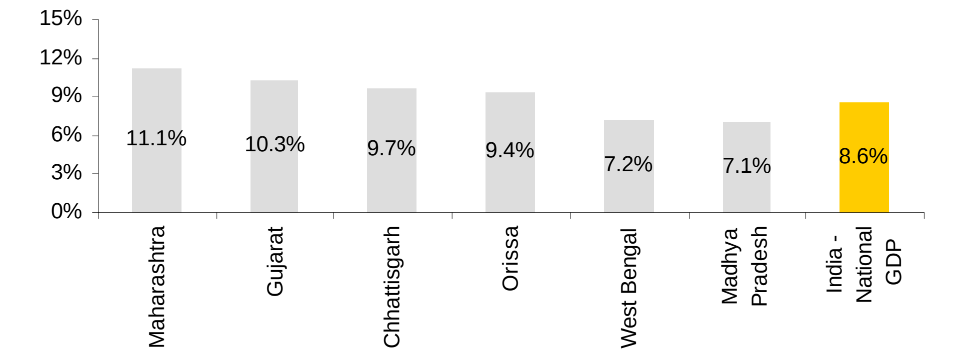
NH – 6 to drive the fortunes for ABL

NH-6 connects Maharashtra and Gujarat to the eastern state of West Bengal. It has been a low-profile corridor. However, given the mining potential of resource rich states like Orissa and Chattisgarh falling on NH-6, relatively poor rail connectivity and the export potential of eastern ports like Haldea, Dhamra and Paradip, we believe this stretch has immense potential and can be a dark horse for ABL. We, in our estimates, have not considered super normal growth and the traffic growth can provide upsides to our numbers Moreover, the geographical concentration of projects in this stretch is likely to reduce mobilization expenses and result in better operating margins. We expect the NH-6 to play a crucial role in ABL's growth trajectory.

- **States falling on NH-6 corridor have outperformed the national average**

Maharashtra & Gujarat have consistently outperformed the GDP growth rates compared to National average while West Bengal although being the 6th largest contributor to the overall GDP has been a little slow while it continues to enthuse a lot of promise.

State-wise Gross Domestic Product growth



Source: Central Statistical Organization

Maharashtra, India's richest state & 2nd most urbanized state, has an overall **GDP of $190.3 billion and GDP per capita of $1,568**. It is the 2nd most populous and 3rd largest state by area in India. Maharashtra contributes 15 % of the national industrial output. Manufacturing has registered a 13% CAGR over FY05-10E.

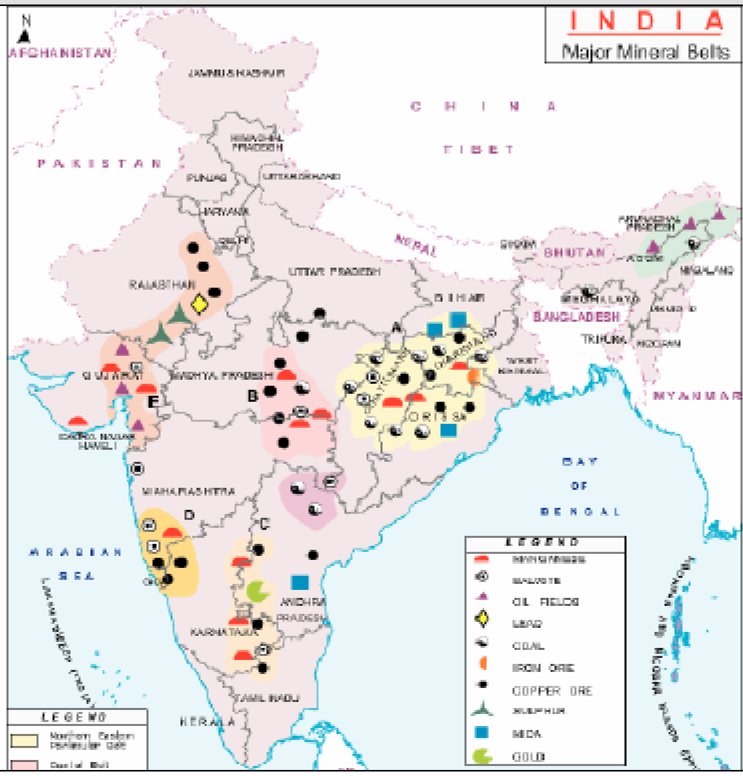
Gujarat, with a **GDP of USD90.6 bn and a GDP per capita of USD1,350, is amongst** the fastest growing states in India. Gujarat has seen an 11% growth in manufacturing over FY05-10. The state has the world's largest refinery in Jamnagar, besides industries in textiles, petrochemicals, agro food processing, gems and jewellery.

West Bengal is the sixth-largest contributor to India's GDP and has a **GDP of USD 84.6 bn & GDP per capita of $875.** However, growth in WB continues to lag due to infrastructure related issues, strikes and violent Marxist-Naxalite movement, which began in 1970's. While several ports in Eastern India continue to thrive, WB NSDP has grown just a tad under the National NSDP, witnessing 7.2% CAGR over FY05-10. Although execution around this belt will pose challenges, the growth potential is worth the risk.

- **Mineral rich states like Orissa & Chattishgarh to drive prospects of NH-6**

With increasing commodity prices, the resource space is expected to attract significant investment driving the economies of mineral rich states like Orissa & Chattisgarh. Orissa itself contains a fifth of India's coal, a quarter of its iron ore, a third of its bauxite reserves and most of the chromite. Entire development of the mineral belt would in turn facilitate cargo movement on NH-6 from these states to the more industrialized states of Maharashtra & Gujarat.

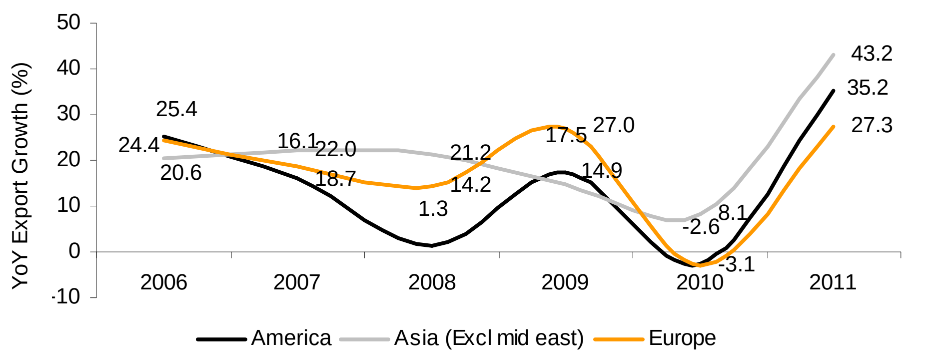
Mining reserve concentrated on the east – Orissa & Chattisgarh



- **Emerging export potential of eastern ports as a result of shift in India's trading pattern**

Export growth to Asian countries (excluding middle east) have outpaced the growth in exports to other regions. This development signifies a change in trade balance and the importance of South East Asian countries in the overall export composition of India. Ports located on the eastern side hold an edge in such trade as the sea borne time is reduced significantly. West Bengal & Orissa boasts of a strong coastline with three major ports in the state – Haldea, Paradip & Dhamra port. The areas between east to west stretches have relatively inferior rail connectivity, supporting cargo movement on NH-6.

Shift in trading mix of India to augur well for NH-6



Source: CMIE

Integrated BOT developer with differentiated abilities

ABL's long standing track record as developer is equally well complemented by its E&C capabilities, with the company having experience of constructing road projects covering ~3,100 lane kms, a 3rd of which, has been for outside clients and balance for its own SPVs. Though there is no dearth of integrated road developers in the country, we believe that ABL's unique capabilities add a differentiated competitive edge to its business model. Some of the key differentiating areas are ABL's unique in-house traffic estimation and its concrete manufacturing & bitumen enhancing facilities.

Accurate assessment of traffic provides competitive edge

In the fiercely competitive & highly capital intensive road BOT space, we believe the most important criteria for a successful and return accretive project is the accuracy of the pre-feasibility traffic. ABL has strong in-house expertise in analysing vehicle traffic from origin to destination, which includes analyzing data from competing roads, industry surveys and upcoming projects in the proposed road project. Under its pre-feasibility traffic studies for evaluating a road project, ABL is amongst the select few developers to conduct a four season study of traffic. With its long standing history, ABL has been able to develop a detailed traffic database of over 15 years, which assists ABL in their traffic study.

In House toll monitoring software helps prevents leakages

The comprehensive traffic data base is well supplemented by ABL's in house developed toll collection software, which helps the company in monitoring toll collection on real time basis & helps plugging any leakage. This detailed traffic pattern analysis has not only provided a significant competitive edge to ABL over its competitors, but has also ensured that the biggest stakeholders in the project, equity financiers are carrying calculated risk & rewarded with remunerative returns. We believe that ABL's ability to study & estimate vehicle traffic provides it a significant competitive edge in this highly capital intensive & fiercely competitive sector.

Strong in-house development team backed by a decent equipment bank

ABL's unique pre-feasibility & project management capabilities are ideally complemented by its E&C strength. With over 2,600 employees & over 650 technical staff, ABL today boasts of strong knowledge pool with in house design, engineering, construction & project management capabilities. The company today boasts of a fleet of construction equipments with a gross block value of Rs1.85 bn, helping ABL save on equipment rentals.

RMC & bitumen enhancing capabilities further differentiates ABL from peers

ABL's concrete manufacturing (15RMC facilities) & bitumen enhancing capabilities further enhance its E&C capabilities and differentiates it from other integrated developers. It also enhances presence across the value chain in road BOT space from inception to completion.

ABL's in-house capabilities in pre-feasibility traffic studies, project engineering, design & construction skills coupled with toll collection abilities not only ensures timely completion of projects, but also reduces its reliance on subcontractors. Some examples of ABL's timely execution – 90 mt long bridge on the Mahad-Pandharpur state highway in 38 days compared with the scheduled construction time of 12 months. Construction of a 100-metre long bridge called the Pargaon Bridge, completed in 65 days having scheduled construction time of 18 months.

15 year rich experience as a developer further works to its advantage

ABL bagged its first road BOT project in 1997 (the Dhule bypass in Maharashtra awarded in FY97), which is even before India conceptualized the world's most ambitious highway development program, NHDP. This legacy has meant that ABL today, has arguably the longest operational history (more than 15 years of experience) with one of the largest network of road assets covering ~1,036 kms (4,320 lane kms).

ABL has demonstrated the knack of spotting lucrative concession agreements

ABL today boasts of holding some of the most lucrative BOT concessions in the country. Focus on the prosperous state of Maharashtra & emerging states like Madhya Pradesh & Chattisgarh has meant that ABL's operational portfolio today yields a very envious WIRR of 30%+. The key driver of this lucrative return is the traffic growth, the company has witnessed in its projects and highly remunerative concession terms, which guarantee ABL toll hikes of 6-7%.

For eg. Since most of ABL's projects are in emerging tier II cities of growing states like Maharashtra, M P, Chhattisgarh and Karnataka, the company has seen a traffic CAGR of 8%+. ABL's operational BOT across 6 stretches with over 5 years of track record has witnessed a toll collection CAGR of 13.1% on a like to like basis over FY07-11. Major corridors for growth are Dewas bypass, which witnessed 14.9% CAGR & Sherinallah witnessing 14.6% CAGR over the same period. In fact, some projects have periodically witnessed 12% traffic growth.

Capitalising its developer position, secured higher proportion of E&C opportunity

ABL capitalizing on its developer position started partnering with several blue chip companies to exploit growth opportunities and enhance its technical scores. ABL, in the past, has explored growth opportunities as a developer, which offer higher proportion of E&C opportunity to ABL and limit the equity outflow. Such an arrangement has enhanced its ability to develop more projects, thereby enhancing equity returns. One such example is JV with L&T for the Pimplegaon-Nasik-Gonde (PNG) project worth Rs17bn, in which, ABL secured 45% share in the civil works with just over 26% equity stake. This limited the outflow from the parent balance sheet owing to construction margins reducing ABL's equity contribution. Moreover, with marquee names like L&T as JV partners, the project enjoyed a financial edge compared to other concessions.

Timing the JV correctly, ABL forged an alliance with IDFC

ABL was able to overcome equity raising challenges that arose during FY08-09, owing to its timely JV with IDFC. ABL, in JV with IDFC, won 2 projects, Durg & Bhandara. Given the tight funding environment at that time, the JV ensured smooth fund raising. IDFC assisted ABL in structuring and syndicating the debt portion of the Rs. 11.1bn needed for the project.

Maturing convertible instruments in SPVs to unlock value

In certain projects, ABL's accounting interest is lower than beneficiary interest. Over the next 2 years, we expect ABL's equity stakes in Indore Edalabad & Jaora Naigaon to increase, owing to maturing convertible instruments. As a result, the accounting interest for Jaora Naigaon is expected to increase from 14% to 37% & for Indore Edalabad, it is expected to increase from 86% to 100%.

Competitively poised against peers

Despite being a relatively smaller player, its construction vertical has witnessed a rampant 95% growth (FY08-11) making it a formidable force and comparable to peers like IRB. Being a late entrant on the national scene has also taken its toll on the overall evolution of the company. However, with 3 big ticket NH wins worth Rs 40bn over the last 1.5years, today ABL boasts significant order visibility at 4.1x FY11 construction revenues. Going forward, we expect its portfolio to witness growth in lane kms at a faster clip compared to its larger peers, led by a quality underlying portfolio. ABL is set to grow at 25.2% CAGR based on existing portfolio, fastest amongst the listed peers over FY11-15E & also commands the longest remaining life of concession at 22 years. Although ABL is a relatively smaller player in the industry, its strong growth trajectory, execution comfort and lucrative concession agreements make up for its size. Moreover, the toll based portfolio is comparable to IL&FS transportation's BOT portfolio.

Comparison between BOT Players

	ABL	IRB	ITNL	Comment
Number of projects	**18**	**16**	**21**	
Existing Size - (lane kms)	1,377	3,169	3,158	Lower base offers faster growth prospects
Total Size - FY15E (stake adjusted lane kms)	3,385	6,577	6,500	Relatively half the size of its larger peers
Growth in lane kms (FY11-15)	*25.0%*	*20.0%*	*19.8%*	Growth trajectory fastest amongst peers
Under construction	1,167	2,145	2,806	
Under development	841	1,263	536	ABL will be the fastest to start construction on the under development portfolio
BOT - (Rs Bn) - FY11				
Revenues	1.9	8.3	5.4	
EBITDA	1.4	7.3	4.7	
Net Average daily stake adjusted toll collection growth – (CAGR FY11-16E)	26%	23%	42%	Toll collection set to grow at a relatively faster pace compared to IRB
Stake adjusted Net average daily toll collection (FY16E)	16.3	61.0	28.1*	
EPC - (Rs Bn)				
Order-backlog	41.5	117	94.4	
Revenues	11.1	16.7	26.9	
EBITDA	1.4	4.3	7.7	
Revenue growth (CAGR FY11-FY13E)	29%	29%	40%	
Consolidated performance				
Revenues	16.6	25	40.5	
EBITDA	2.5	11.6	11.3	
APAT	1	4.5	4.1	
CFO	1.3	10.2	7.8	
Business Model				
Toll roads - Lane kms	3,385	6,629	3,298	ABL toll based portfolio equivalent to IL&FS Transportation
Annuity roads - lane kms	0	0	3,388	Only IL&FS transportation has Annuity portfolio under its belt
Remaining Weighted Average concession Life	22	19	20	ABL has the highest weighted average concession life

Source: Emkay Research

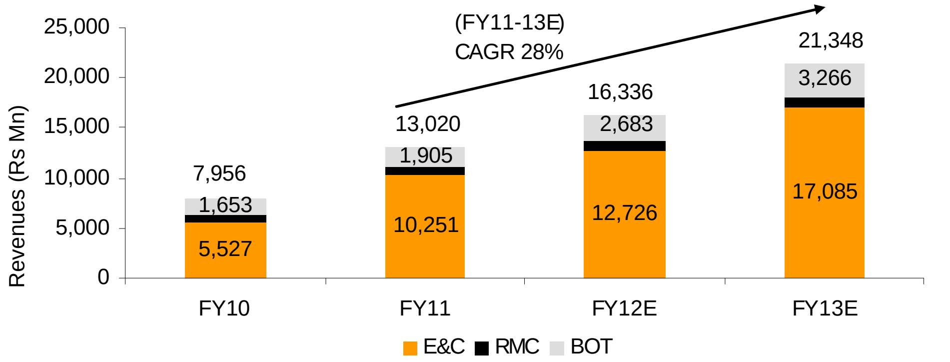
** Net Average daily toll collection excluding annuity revenues*

Financials

ABL's revenue growth to gain momentum- Expect 28% CAGR over FY11-13E

With necessary clearances already received for majority of their projects and only one project yet to achieve financial closure, we believe ABL is on the verge of achieving strong growth trajectory. We expect ABL's overall revenues to grow by 28% CAGR over FY11-13E from Rs 13bn to Rs 21.3bn. BOT revenues, which formed 14.6% of revenues in FY11, are set to witness a CAGR of 31%. We expect ABL's tollable lane kms to double in FY12E from 1,377 lane kms to 2,860 lane kms. Its EPC arm (~79% share in FY11 revenues) ideally complements the overall revenue traction on the developer side. With improving ticket size and a lower base, we expect the E&C arm to deliver robust revenue CAGR of 29% from Rs 10.2bn to Rs 17.1bn over FY11-13E. A healthy order backlog of Rs41.5bn or 4.1x FY11 construction revenues also offers significant visibility to its construction vertical.

Strong execution in E&C vertical to drive 28% revenue CAGR over FY11-13E



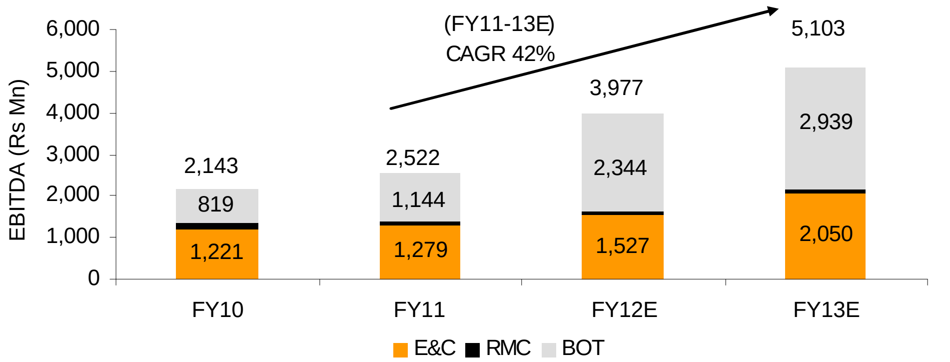
Source: Company, Emkay Research

New accounting policy, which is being adopted by ABL for projects where toll collection and construction would commence simultaneously i.e. Belgaum Dharwad & Dhankuni Kharagpur are leading to subdued growth numbers for toll collection during this period as the company is not recognising any toll collection from these stretches.

Expanding margins fast tracks EBITDA CAGR at 42% (FY11-13E)

With solid revenues growth ABL's consolidated EBITDA is set to grow at a CAGR of 42% over FY11-13E. EPC segment, which contributes ~51% to the overall EBITDA, is set to grow at a CAGR of 27% over FY11-13E. With relatively slower growth of EBITDA from the EPC segment, the BOT segment which contributes 45% in overall EBITDA is expected grow at a faster pace of 60% CAGR over FY11-13E with ~1,480 stake adjusted lane km about to commence toll collection in FY12E.

Increasing traction in the toll business to drive overall EBITDA growth

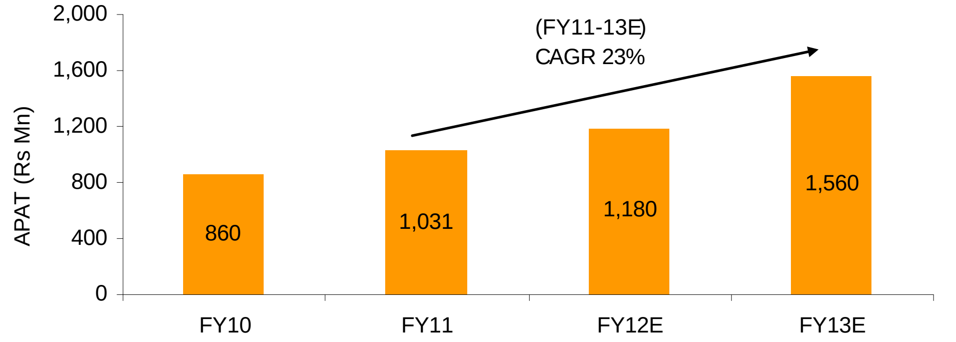


Source: Company, Emkay Research

APAT growth of 23% CAGR, funding alternative will determine growth path

We expect the company to report a net profit of Rs1.56bn in FY13E, a CAGR of 23%, led by significant expansion in toll concessions and increasing ticket size of under construction projects contributing to the overall profitability growth. In our base case, we have assumed no dilution with ABL funding the equity requirement with additional leverage at parent level or re-leveraging the cash flows of operational BOT. Since the additional funds, which are infused as equity commitments are not likely to contribute to any returns, we expect the interest cost to soar at a 58% CAGR, dragging the overall APAT growth. Consolidated adjusted EPS to grow from Rs19.6 in FY11 to Rs 29.5 in FY13, a CAGR of 23%. Any fund raising at the SPV level provides an upside to our numbers.

APAT to grow at an impressive pace even after steep increase in interest cost



Source: Company, Emkay Research

Valuations

Initiate coverage with BUY rating and a target of Rs337

We initiate coverage on ABL with a BUY rating & a target price of Rs337/share. We have valued ABL's road BOT portfolio at Rs272/share (CoE of 13/14% - operational projects, 14% - under construction projects & 15%- under development projects), E&C business at Rs158/share (8X FY13E E&C earnings) and Net debt including the funding gap in FY13E at Rs-93/share at parent level, resulting in a fair value of Rs 337.

Value of E&C business at Rs158/share

We have valued ABL's E&C vertical at 8x its FY13E net profit, which is at a 15% discount to IRB's FY13E implied PER of 9.5x. We believe the discount in multiple is justified on the back of ABL's reliance on external sources of funds for executing the existing book. We believe the discount will narrow once ABL achieves financial closure of Dhankuni – Kharagpur, which comprises ~ 46% of the order backlog. The financial closure is expected within this month.

Value of existing portfolio forms ~36% of the overall value at Rs99/ share

ABL is sitting on a mature portfolio of concession with over 18 projects operational. ~36% of the overall value is coming from this operational portfolio. We have valued the operational portfolio at Rs 99/share based on 13% cost of equity for operational projects and 14% cost of equity for Bhandara project, which is witnessing traffic leakage.

Value of under construction roads form ~54% of the overall value at Rs146/share

ABL has 5 projects under construction, which comprise ~54% of the BOT fair value. We believe, with 3 projects about to commence or already commencing toll collection in FY12, the risk is relatively lower in the under construction portfolio for ABL. We value the under construction portfolio at Rs 146/ share assigning a cost of equity of 14% for such projects.

Value of under development portfolio forms ~10% of the overall value at Rs26/share

Dhankuni – Kharagpur project is under development and the prospects of this project are mainly linked to the development of eastern India which is resource rich & development of 2 ports on the eastern end of Nh-6. Dhankuni Kharagpur due to its sheer size holds major potential of driving value for ABL over the coming decade. However the fact that Dhankuni Kharagpur is still to achieve financial closure, we have taken a cost of equity at 15% for discounting the additional risk. We have assigned Rs 26/share to this portfolio and it forms ~10% of the overall BOT fair value.

Value of BOT portfolio exhibits higher sensitivity to traffic growth

We did a sensitivity of Cost of debt (Interest rate) & Growth rates of traffic (PCU growth) on our BOT's fair value. The value is extremely sensitive to the movement of these variables. A 50 bps adverse movement can erode 42% of the BOT fair value net of funding gap & debt at parent. Similarly a 50 bps favourable movement of both the variables will result in 43% increase in overall value of the BOT portfolio. The following shows the value of ABLs BOT portfolio at various levels of traffic growth & the cost of debt.

Sensitivity of traffic growth & interest rate on ABL's BOT portfolio

Traffic Growth Cost of Debt	5.0%	5.5%	6.0%	6.5%	7.0%
13.0%	31.0	88.2	149.2	213.5	281.4
12.5%	46.7	103.7	164.1	227.7	295.4
12.0%	62.3	119.1	178.8	241.9	309.2
11.5%	77.9	134.0	193.1	255.7	322.7
11.0%	93.1	148.6	207.1	269.3	336.1

- **Cost of debt :** 100 bps contraction in cost of funds will expand the value of ABL by 8.5% to Rs 365
- **WPI :** 100 bps expansion in inflation will increase the value of ABL by 4.6% to Rs 352
- **Traffic Growth :** 100 bps expansion in the rate of traffic growth over the life of the concession will result in 37.8% expansion in the value of ABL to Rs 464

ABL CMP implies PER of 3.2X for E&C business or base case CoE at 15.3%

- At current levels of Rs 240, the E&C business is available at 3.2x FY13E construction earnings assuming the other part of the value – BOT fair value remains constant at Rs 178.6/share. This clubbed with the fact that we are not considering new project wins provides sufficient cushion from downside.
- At current levels of Rs 240, the implied expansion in cost of equity stands at 232 bps i.e the base case cost of equity jumps to 15.3% assuming the construction value remains constant at Rs 158/share. ABL will continue to enjoy an 8x FY13E earning multiple for the construction division. The implied multiples render significant comfort to our valuation case.

ABL SoTP fair value at Rs337 - providing 40% upside

S No	Description	Length (kms)	Cost of Equity	Stake	Value FY13		
					Equity value	ABL value	ABL per share/value
1	Dhankuni – Kharagpur	111.6	15%	100%	1,377.4	1,377.4	26.2
	Value for under development projects	**112**			**1,377.4**	**1,377.4**	**26.2**
2	Sambhalpur – Baragarh	88.0	15%	100%	1,953.2	1,953.2	37.1
3	Belgaum – Dharwad	82.0	14%	100%	1,452.0	1,452.0	27.6
4	Jaora – Naigaon	85.1	14%	38%	5,540.9	2,077.8	39.5
5	Pimpalgaon-Nasik	60.0	14%	26%	2,384.9	620.1	11.8
6	Durg – Chhattisgarh	71.1	14%	51%	3,141.9	1,602.4	30.4
	Value for Under construction projects	**386**			**14,473**	**7,706**	**146.4**
7	Chhattisgarh – Bhandara	82.6	14%	51%	1,077.7	549.6	10.4
8	Indore – Edalabad	203.0	13%	100%	1,557.3	1,557.3	29.6
9	Waiganga river Bridge	13.0	13%	50%	450.3	225.1	4.3
10	Pune – Shirur	54.0	13%	100%	342.5	342.5	6.5
11	Dewas Bypass	20.0	13%	100%	579.3	579.3	11.0
12	Katni Bypass	17.6	13%	100%	475.5	474.9	9.0
13	A'nagar – Karmala	80.6	13%	100%	964.0	964.0	18.3
14	A'nagar – Aurangabad	42.0	13%	100%	360.0	360.0	6.8
15	Nasirabad Road ROB	4.0	13%	100%	-	-	-
16	Sherinallah Bridge	4.0	13%	100%	116.6	116.6	2.2
17	Dhule Bypass	6.0	13%	100%	28.8	28.8	0.5
18	Anwali Kasegaon (5% stake)	11.0		5%			
19	FOBs - Eastern Exp H'way – 6	NA	13%	100%	13.8	13.8	0.3
	Value for operating projects	**538**				**5,212.1**	**99.0**
	Total BOT Fair value	**1,035.6**				**14,295.0**	**271.6**
	Standalone Net Debt & Funding Gap					**(4,879)**	**(93)**
	Add: EPC valuation					**8,309**	**158**
	Fair value per share					**17,725.2**	**336.8**

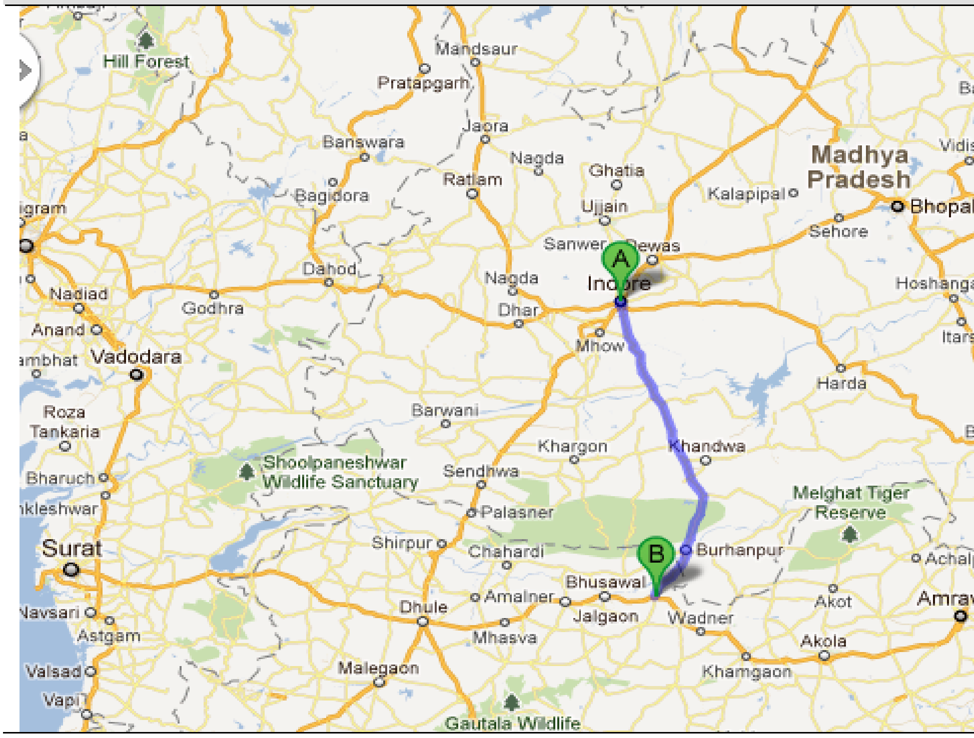
Annexure - Project profiles

Indore - Edalabad

The project involves widening and improvement of 406.6 lane kms from Indore to Icchapur in Madhya Pradesh. The scope of this project involves 2 laning of this stretch. The total cost of the project was Rs 1,641mn, which was financed by Rs 635 mn equity and Rs 1,006 mn debt. The project has a concession period of 15 years and is scheduled to end on Apr'17. The concession period includes construction period of 30 months. ABL started toll collection on this stretch in Oct -10, the concession provides for revision of toll rates at 7% p.a on April 1st every year

Key Financials	FY10	FY11	FY12E	FY13E	FY14E	FY15E
Revenues	511.98	576.77	656.09	744.13	844.00	957.26
EBIDTA	387.74	464.22	534.54	612.86	609.48	711.40
EBIDTA(%)	76%	80%	81%	82%	72%	74%
Reported PAT	255.73	334.87	340.08	425.47	405.52	499.68
Gross Cash accruals	323.86	389.91	408.64	494.03	419.61	499.68
ROE	27%	30%	26%	31%	26%	27%
Share capital	98.08	98.08	98.08	98.08	98.08	98.08
Net worth	953.88	1288.76	1322.77	1429.14	1672.45	1972.26
DEBT	1052.20	912.18	677.86	433.67	145.81	0.00
Capital Employed	2006.08	2200.95	2000.63	1862.81	1818.26	1972.26
Cash flows						
Cash flow from operations	313.79	160.07	602.65	456.42	386.47	466.54
Capital expenditure	-15.22	-15.92	15.92	0.00	0.00	0.00
Free Cash Flow to Firm (FCFF)	298.57	144.15	618.57	456.42	386.47	466.54
Less: Debt repayment / (raised)	-68.28	-140.01	-234.33	-244.18	-287.87	-145.81
Free Cash Flow to Equity (FCFE)	230.29	4.14	384.24	212.24	98.61	320.73

Map showing Indore - Edalabad project



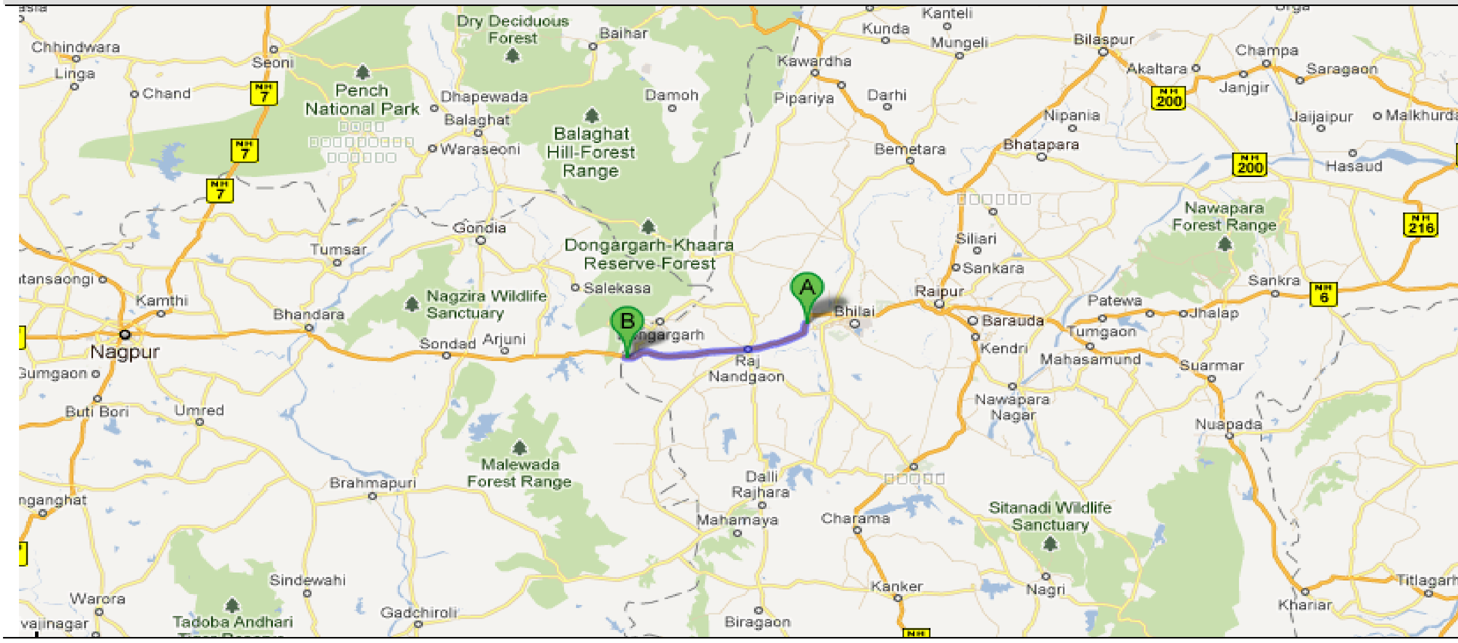
Source: Google Maps

Durg - Chattisgarh

The project involved widening and improvement of 368 lane kms from end of Durg bypass to Maharashtra border in Chatisgarh on NH-6. The scope of this project involves 4 laning of this stretch. The total cost of the project was Rs 5,870 mn, which was financed by Rs1,770 mn equity and Rs 4,100 mn debt. The project has a concession period of 20 years and is scheduled to end on Mar' 28. The concession period includes construction period of 30 months. Till Oct -11, ABL has accomplished 98.3% of the construction activity and it is expected to commence toll collection on Jan 2012.

Key Financials	FY10	FY11	FY12E	FY13E	FY14E	FY15E
Revenues	1.24	0.83	262.65	701.74	780.96	868.88
EBIDTA	0.00	0.00	236.22	667.38	743.99	829.81
EBIDTA(%)	0%	0%	90%	95%	95%	96%
Reported PAT	0.00	0.00	-37.23	-5.14	60.36	137.93
Gross Cash accruals	0.00	0.00	13.23	129.67	210.39	304.86
ROE	0%	0%	-2%	0%	3%	8%
Share capital	1135.80	1748.85	1770.00	1770.00	1770.00	1770.00
Net worth	1135.80	1748.85	1732.77	1727.63	1757.81	1826.78
DEBT	2635.00	3970.00	4100.00	4032.35	3899.10	3683.85
Capital Employed	3770.80	5718.85	5832.77	5759.98	5656.91	5510.63
Cash flow & NPV Workings						
Cash flow from operations	0.00	0.00	13.39	128.93	206.18	298.01
Capital expenditure	-3772.88	-1948.04	-149.08	0.00	0.00	0.00
Free Cash Flow to Firm (FCFF)	-3772.88	-1948.04	-135.69	128.93	206.18	298.01
Less: Debt repayment / (raised)	2635.00	1335.00	130.00	-67.65	-133.25	-215.25
Free Cash Flow to Equity (FCFE)	-1137.88	-613.04	-5.69	61.28	72.93	82.76

Map showing Durg project



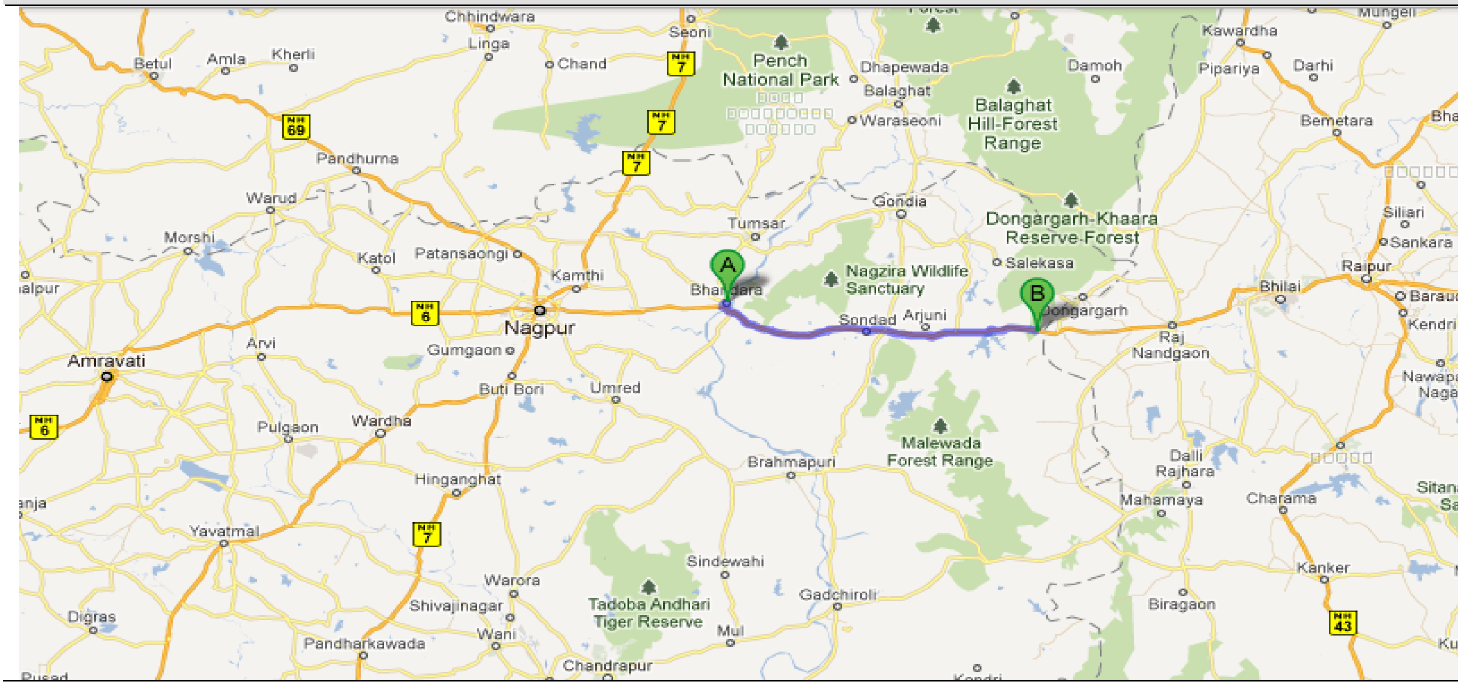
Source: Google Maps

Bhandara

The project involves widening and improvement of 376.8 lane kms from Chhatisgarh/Maharashtra border to the Wainganga bridge on NH-6. The scope of this project involved 4 laning of this stretch. The total cost of the project was Rs 5,350 mn, which was financed by Rs1,900 mn equity and Rs 3,450 mn debt. The project has a concession period of 20 years and is scheduled to end on Mar'28. The concession period includes construction period of 30 months. ABL started toll collection on this stretch in Oct'10. The toll rates are due for revision on 1st Sep every year and are benchmarked to the changes in India Wholesale price index.

Key Financials	FY10	FY11	FY12E	FY13E	FY14E	FY15E
Revenues	0.00	181.70	429.74	482.69	542.01	609.29
EBIDTA	0.00	129.71	376.02	424.24	478.35	540.44
EBIDTA(%)	0%	71%	88%	88%	88%	89%
Reported PAT	0.00	-128.25	-177.19	-141.92	-101.97	-57.79
Gross Cash accruals	0.00	-57.31	-68.79	-20.17	34.75	95.90
ROE	0%	-7%	-11%	-10%	-8%	-5%
Share capital	250.50	256.03	281.29	281.29	281.29	281.29
Net worth	2147.44	1665.49	1513.56	1371.63	1269.67	1211.88
DEBT	2956.00	3454.18	3621.88	3661.88	3626.88	3676.88
Capital Employed	5103.44	5119.67	5135.43	5033.51	4896.54	4888.75
Cash flow & NPV Workings						
Cash flow from operations	-40.99	80.89	-182.76	-21.37	32.77	93.93
Capital expenditure	-5051.98	-231.94	0.00	0.00	0.00	0.00
Free Cash Flow to Firm (FCFF)	-5092.97	178.95	-182.76	-21.37	32.77	93.93
Less: Debt repayment / (raised)	2956.00	498.18	167.70	40.00	-35.00	50.00
Free Cash Flow to Equity (FCFE)	-2136.97	677.13	-15.06	18.63	-2.23	143.93

Map showing Bhandara project



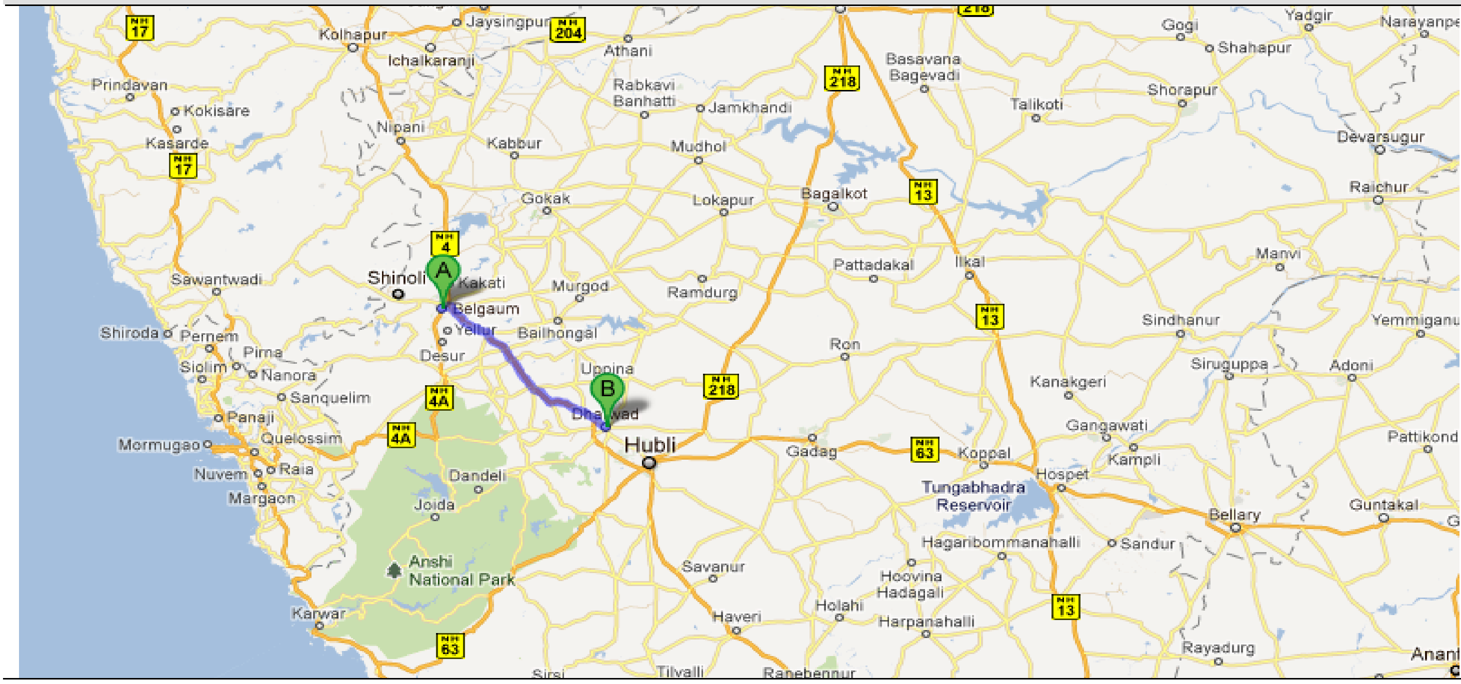
Source: Google Maps

Belgaum-Dharwad

The project involved widening and improvement of 454 lane kms from Belgaum to Dharwad in the state on Karnataka on NH-4. The scope of this project involves 6 laning of this stretch under NHDP – V. The total cost of the project was Rs 6,940 mn, which was financed by Rs1,630 mn equity and Rs4,780 mn debt. The project has a concession period of 30 years and is scheduled to end on May’ 41. The concession period includes construction period of 30 months, which commenced on May’ 11 and till Jun’ 11, ABL has accomplished less than 5% execution on the project.

Key Financials	**FY10**	**FY11**	**FY12E**	**FY13E**	**FY14E**	**FY15E**
Revenues	0.00	0.00	0.00	0.00	0.00	849.33
EBIDTA	0.00	0.00	0.00	0.00	0.00	737.10
EBIDTA(%)	0%	0%	0%	0%	0%	87%
Reported PAT	0.00	0.00	0.00	0.00	0.00	-81.52
Gross Cash accruals	0.00	0.00	0.00	0.00	0.00	157.35
ROE	-	0%	0%	0%	0%	-5%
Share capital	0.00	11.99	12.69	966.35	1066.35	1066.35
Net worth	0.00	575.40	576.10	1529.76	1629.76	1548.23
DEBT	0.00	0.00	1424.00	3970.80	4780.00	4685.44
Capital Employed	0.00	575.40	2000.10	5500.56	6409.76	6233.67
Cash flow & NPV Workings						
Cash flow from operations	0.00	2.56	-2.74	0.00	0.00	157.35
Capital expenditure	0.00	-577.82	-1232.98	-3249.13	-599.53	0.00
Free Cash Flow to Firm (FCFF)	0	-575	-1,516	-3,575	-941	-202
Less: Debt repayment / (raised)	0.00	0.00	1424.00	2546.80	809.20	-94.56
Free Cash Flow to Equity (FCFE)	0.00	-575.26	-91.99	-1027.83	-132.11	-296.08

Map showing Belgaum - Dharwad project



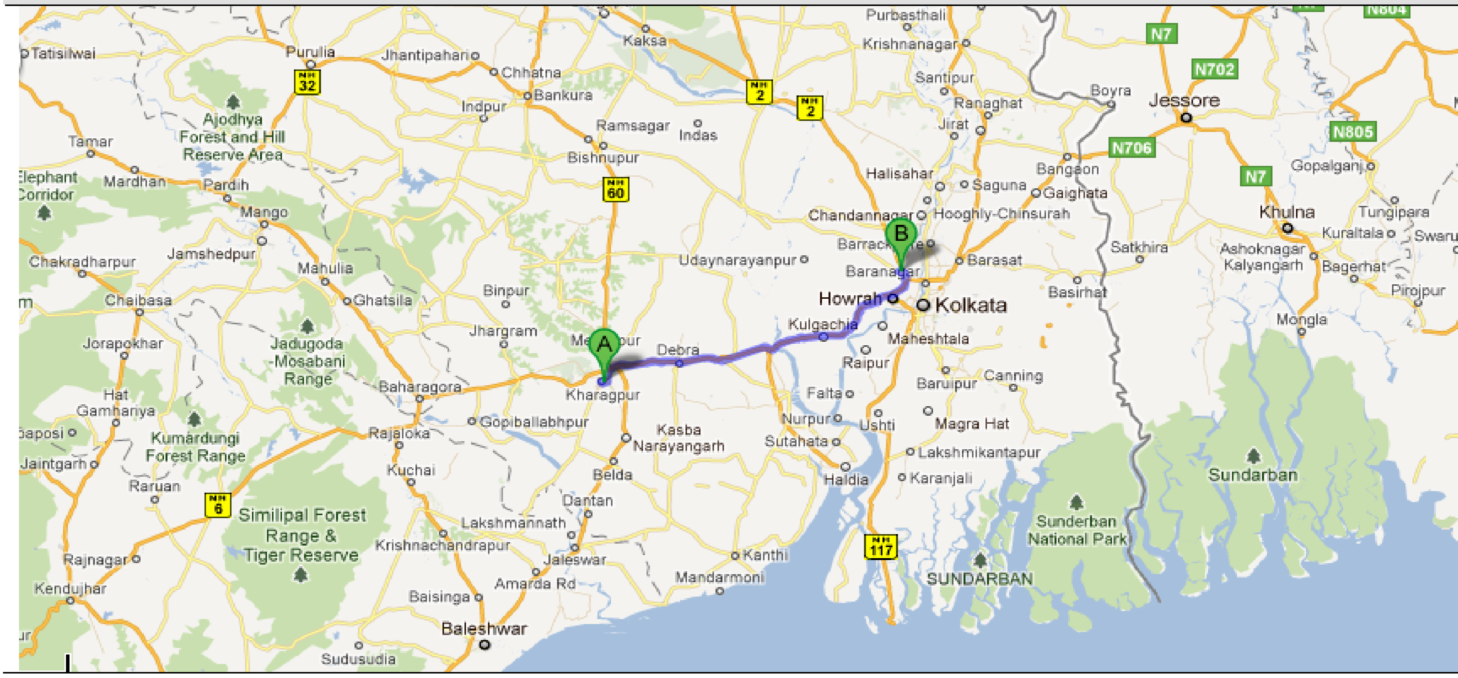
Source: Google Maps

Dhankuni Kharagpur

The project involved widening and improvement of 841 lane kms from Dhankuni to Kharagpur in the state on West Bengal on NH-6. The scope of this project involves 6 laning of this stretch under NHDP – V. The total cost of the project was Rs 22,250 mn, which was financed by Rs7,750 mn equity and Rs14,500 mn debt. The project has a concession period of 30 years and is scheduled to end on Mar’42. The concession period includes construction period of 30 months, which is expected to commence in Apr 12. Till Oct’ 11, ABL has not accomplished the financial closure for this project.

Key Financials	FY10	FY11	FY12E	FY13E	FY14E	FY15E
Revenues	0.00	0.00	0.00	0.00	0.00	0.00
EBIDTA	0.00	0.00	0.00	0.00	0.00	0.00
EBIDTA(%)	0%	0%	0%	0%	0%	0%
Reported PAT	0.00	0.00	0.00	0.00	0.00	0.00
Gross Cash accruals	0.00	0.00	0.00	0.00	0.00	0.00
ROE	-	-	0%	0%	0%	0%
Share capital	0.00	0.00	1162.50	4094.84	7166.09	9037.61
Net worth	0.00	0.00	1162.50	4094.84	7166.09	9037.61
DEBT	0.00	0.00	2175.00	7250.00	12325.00	17500.00
Capital Employed	0.00	0.00	3337.50	11344.84	19491.09	26537.61
Cash flow & NPV Workings						
Cash flow from operations	0.00	0.00	0.00	219.84	358.75	709.02
Capital expenditure	0.00	0.00	-3337.50	-7787.50	-7787.50	-3337.50
Free Cash Flow to Firm (FCFF)	0.00	0.00	-3337.50	-7567.66	-7428.75	-2628.48
Less: Debt repayment / (raised)	0.00	0.00	2175.00	5075.00	5075.00	5175.00
Free Cash Flow to Equity (FCFE)	0.00	0.00	-1162.50	-2492.66	-2353.75	2546.52

Map showing Dankuni - Kharagpur project



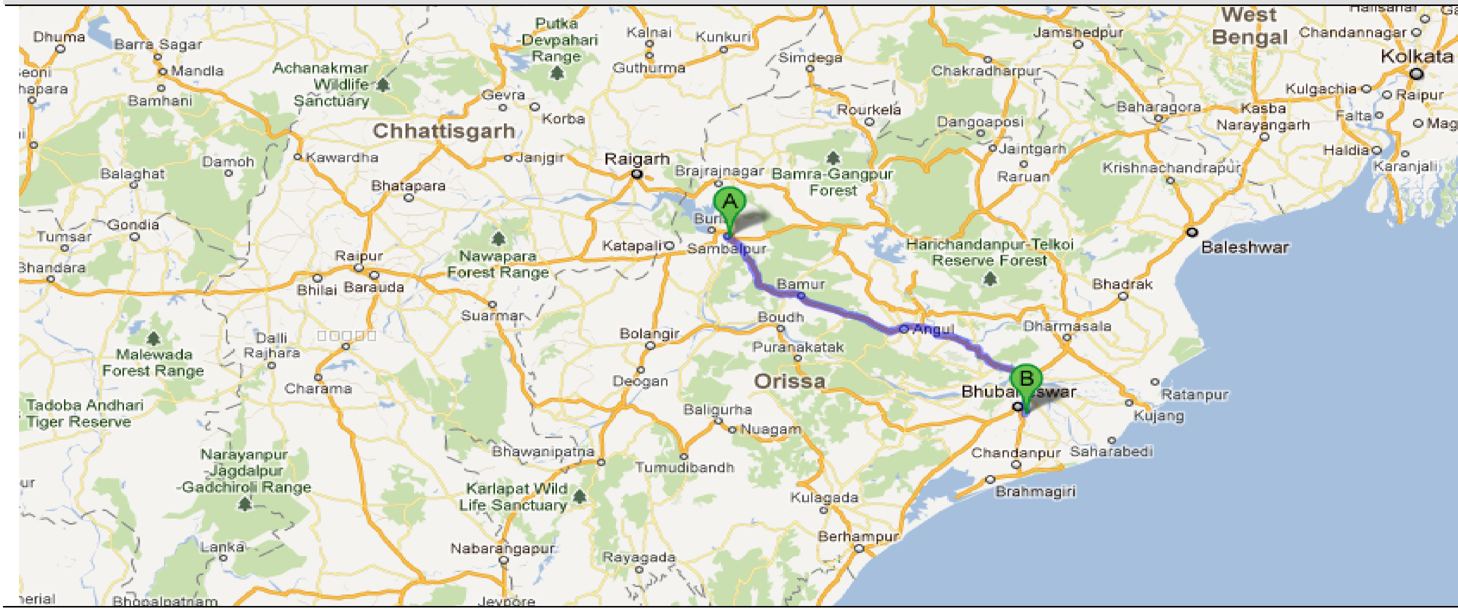
Source: Google Maps

Sambhalpur - Baragarh

The project involved widening and improvement of 407.6 lane kms from Sambhalpur to Baragarh in the state on Orissa/Chattisgarh on NH-6. The scope of this project involves 4 laning of this stretch. The total cost of the project was Rs 11,421 mn, which was financed by Rs 3,321 mn equity and Rs 8,100 mn debt. The project has a concession period of 30 years and is scheduled to end on Mar 41. The concession period includes construction period of 30 months, which is expected to commence on Apr'12. Till Oct -11, ABL has achieved financial closure and is currently pursuing land acquisition actively.

Key Financials	**FY10**	**FY11**	**FY12E**	**FY13E**	**FY14E**	**FY15E**
Revenues	0.00	0.00	0.00	0.00	0.00	901.53
EBIDTA	0.00	0.00	0.00	0.00	0.00	829.63
EBIDTA(%)	0%	0%	0%	0%	0%	92%
Reported PAT	0.00	0.00	0.00	0.00	0.00	-234.00
Gross Cash accruals	0.00	0.00	0.00	0.00	0.00	-154.38
ROE		0%	0%	0%	0%	-7%
Share capital	0.00	830.45	1826.99	2491.35	3321.00	3321.00
Net worth	0.00	830.45	1826.99	2491.35	3321.00	3087.00
DEBT	0.00	425.95	2855.96	7331.43	8100.04	8300.04
Capital Employed	0.00	1256.40	4682.95	9822.78	11421.04	11387.04
Cash flow & NPV Workings						
Cash flow from operations	0.00	0.00	0.00	0.00	0.00	-154.38
Capital expenditure	0.00	-1256.40	-3426.55	-5139.83	-1598.26	0.00
Free Cash Flow to Firm (FCFF)	0.00	-1256.40	-3426.55	-5139.83	-1598.26	-154.38
Less: Debt repayment / (raised)	0.00	425.95	2430.01	4475.47	768.61	200.00
Free Cash Flow to Equity (FCFE)	0.00	-830.45	-996.54	-664.36	-829.65	45.62

Map showing Sambalpur - Baragarh project



Source: Google Maps

Key Financials (Consolidated)

Income statement

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
Net Sales	**7,956**	**13,020**	**16,336**	**21,348**
Growth (%)	*53*	*64*	*25*	*31*
Expenditure	**5,813**	**10,499**	**12,358**	**16,244**
Materials Consumed	585	613	820	882
Employee Cost	213	333	0	0
Other Exp	0	0	0	0
EBITDA	**2,143**	**2,522**	**3,977**	**5,103**
Growth (%)	*31*	*18*	*58*	*28*
EBITDA margin (%)	***27***	***19***	***24***	***24***
Depreciation	661	690	962	1,092
EBIT	**1,481**	**1,832**	**3,015**	**4,011**
EBIT margin (%)	***19***	***14***	***18***	***19***
Other Income	186	339	130	-41
Interest expenses	490	715	1,518	1,779
PBT	**1,177**	**1,456**	**1,626**	**2,191**
Tax	**317**	**424**	**446**	**631**
Effective tax rate (%)	*27*	*29*	*27*	*29*
Adjusted PAT	**860**	**1,031**	**1,180**	**1,560**
Growth (%)	*125*	*20*	*14*	*32*
Net Margin (%)	***11***	***8***	***7***	***7***
(Profit)/loss from JVs/Ass/MI	0	0	0	0
Adjusted PAT After JVs/Ass/MI	**915**	**1,055**	**1,126**	**1,554**
E/O items	0	1,072	0	0
Reported PAT	**915**	**2,127**	**1,126**	**1,554**
PAT after MI	**915**	**1,055**	**1,126**	**1,554**
Growth (%)	119	15	7	38

Balance Sheet

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
Equity share capital	581	628	628	628
Reserves & surplus	4,042	8,302	9,536	11,102
Net worth	**4,623**	**8,930**	**10,164**	**11,730**
Minority Interest	**813**	**1,112**	**1,077**	**1,087**
Secured Loans	9,678	10,872	21,493	37,445
Unsecured Loans	1,543	1,958	0	0
Loan Funds	**11,221**	**12,830**	**21,493**	**37,445**
Net deferred tax liability	30	16	83,459	83,459
Total Liabilities	**16,688**	**22,888**	**116,193**	**133,721**
Gross Block	7,906	13,887	103,010	103,260
Less: Depreciation	3,300	3,683	4,646	5,738
Net block	**4,605**	**10,203**	**98,364**	**97,522**
Capital work in progress	8,144	6,733	9,444	26,128
Investment	**1,487**	**1,503**	**1,791**	**2,048**
Current Assets	**6,383**	**8,155**	**10,841**	**13,508**
Inventories	1,964	2,413	2,805	3,715
Sundry debtors	1,820	2,854	4,709	5,901
Cash & bank balance	845	602	459	245
Loans & advances	1,753	2,286	2,867	3,647
Other current assets	0	0	0	0
Current lia & Prov	**3,932**	**3,706**	**4,246**	**5,485**
Current liabilities	3,932	3,706	4,246	5,485
Provisions	0	0	0	0
Net current assets	**2,451**	**4,448**	**6,595**	**8,024**
Misc. exp	0	0	0	0
Total Assets	**16,688**	**22,888**	**116,193**	**133,721**

Cash Flow

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
PBT (Ex-Other income)	**1,177**	**2,528**	**1,626**	**2,191**
Depreciation	661	691	962	1,092
Interest Provided	490	715	1,518	1,779
Other Non-Cash items	-33	-116	0	0
Chg in working cap	-379	-2,012	-2,290	-1,643
Tax paid	-307	-438	-446	-631
Operating Cashflow	**1,553**	**1,340**	**1,371**	**2,788**
Capital expenditure	-4,777	-4,880	-8,390	-16,934
Free Cash Flow	**-3,224**	**-3,540**	**-7,019**	**-14,146**
Other income	466	352	0	0
Investments	-576	93	-396	-257
Investing Cashflow	**-4,397**	**-4,436**	**-8,786**	**-17,191**
Equity Capital Raised	0	2,020	109	0
Loans Taken / (Repaid)	3,979	1,548	8,662	15,952
Interest Paid	-490	-715	-1,518	-1,779
Dividend paid (incl tax)	0	0	0	0
Income from investments	0	0	0	0
Others	0	0	19	16
Financing Cashflow	**3,488**	**2,852**	**7,272**	**14,189**
Net chg in cash	**644**	**-243**	**-144**	**-214**
Opening cash position	692	845	602	459
Closing cash position	**1,336**	**602**	**459**	**245**

Key Ratios

Y/E Mar	FY10A	FY11A	FY12E	FY13E
Profitability (%)				
EBITDA Margin	26.9	19.4	24.3	23.9
Net Margin	10.8	7.9	7.2	7.3
ROCE	12.1	11	4.5	3.2
ROE	22.6	15.6	11.8	14.2
RoIC	25	18.1	5.1	3.8
Per Share Data (Rs)				
EPS	23.4	40.4	21.4	29.5
CEPS	40.3	33.1	39.7	50.3
BVPS	118.1	169.7	193.1	222.9
DPS	0	0	0	0
Valuations (x)				
PER	10.2	11.9	11.2	8.1
P/CEPS	5.9	7.2	6	4.8
P/BV	2	1.4	1.2	1.1
EV / Sales	2.5	1.9	2.1	2.3
EV / EBITDA	9.2	9.8	8.5	9.8
Dividend Yield (%)	0	0	0	0
Gearing Ratio (x)				
Net Debt/ Equity	2.2	1.4	2.1	3.2
Net Debt/EBIDTA	4.8	4.8	5.3	7.3
Working Cap Cycle (days)	73.6	107.8	137.1	133

Emkay Rating Distribution

BUY	Expected total return (%) (stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (stock price depreciation) of upto (-)10% within the next 12-18 months.
SELL	The stock is believed to under perform the broad market indices or its related universe within the next 12-18 months.

Emkay Global Financial Services Ltd.

Corporate Add: B-RubyMillsTower,7 Floor, South East Wing, Senapati Bapat Marg, Dadar (W), Mumbai - 400028 India.

Tel.: +912266121212 Web:www.emkayglobal.coml