

**BUY**

TP: INR 300.00

▲ 34.6%

# Ashoka Buildcon

ASBL IN

## On a steady wicket despite sluggish order awards

**As per our recent interaction with ASBL's management, order progress in the roads sector remains sluggish and is likely to be back-ended this year. In our view, the recent decision by government to allow exit mechanisms for road developers (by introduction of substitute developers) from projects will alleviate the bleak scenario in road sector. We remain positive on ASBL given healthy revenue visibility across key projects in the next 12-24 months and a well-capitalised balance sheet. Reiterate BUY.**

- ➔ **Strong order book visibility:** ASBL's current order book stands at Rs 26bn (or 1.7x FY13 sales), excluding the Rs 10bn Cuttack–Angul project. The Chennai ORR and Karnataka State Highways Improvement projects are expected to add another Rs 0.8bn to the order book, and management expects to win a further Rs 1.5bn in orders over the next two quarters.
- ➔ **Equity requirements for project execution secured:** Management indicated that the equity requirements of Rs 5bn for FY14 are well secured: Macquarie will contribute Rs 3.5bn while Rs 1.5bn will come from internal accruals. The Dhankuni–Kharagpur/Belgaum–Dharwad/Sambalpur–Baragarh projects where execution is 30%/73%/50% complete will require an added Rs 3.5bn/Rs 0.5bn/Rs 1bn of equity funding.
- ➔ **Toll hikes ahead:** With completion of EPC work on the PNG project, ASBL expects to hike tolls from July'13. Hikes are also scheduled for Wainganga Bridge in July and Durg Chattisgarh in September, implying healthy revenue visibility ahead.
- ➔ **Valuation:** We like ASBL for its (1) well-capitalised balance sheet supplemented by funds from SBI Macquarie, (2) revenue visibility across key projects in the next 12-24 months, and (3) timely project execution. Reiterate BUY with a March'14 SOTP value of Rs 300 based on project NPV.

### Financial Highlights

Y/E 31 Mar	FY11A	FY12A	FY13E	FY14E	FY15E
Revenue (INR mln)	13,020	15,000	18,527	22,452	28,216
EBITDA (INR mln)	2,496	3,250	3,719	5,175	6,340
Adjusted net profit (INR mln)	1,008	1,248	947	1,508	1,803
Adjusted EPS (INR)	20.6	23.7	18.0	28.6	34.2
Adjusted EPS growth (%)	17.2	15.0	(24.1)	59.2	19.5
DPS (INR)	0.0	0.0	4.0	4.0	4.0
ROIC (%)	8.6	7.1	2.6	5.5	5.1
Adjusted ROAE (%)	14.9	12.9	9.1	13.4	14.0
Adjusted P/E (x)	14.6	8.5	12.4	7.8	6.5
EV/EBITDA (x)	10.7	8.6	10.1	9.7	9.9
P/BV (x)	1.7	1.0	1.1	1.0	0.8

Source: Company, Bloomberg, RCML Research

22 June 2013



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PRICE CLOSE (14 May 13)

INR 222.90

MARKET CAP

INR 11,730 mln

USD 214 mln

SHARES O/S

52.6 mln

FREE FLOAT

32.7%

3M AVG DAILY VOLUME./VALUE

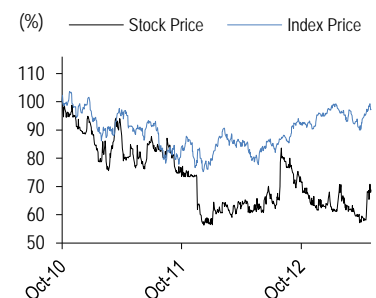
0.0 mln/ USD 0.0 mln

52 WK HIGH

INR 270.80

52 WK LOW

INR 185.00



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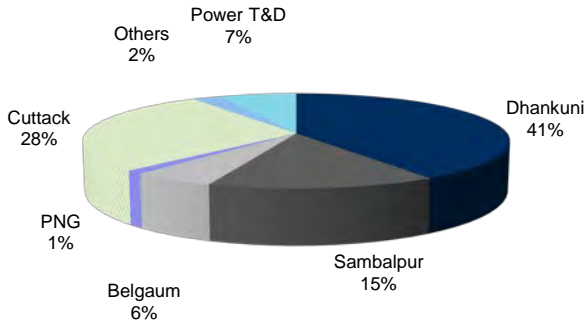


**Company Update**

**INDIA**  
INDUSTRIALS

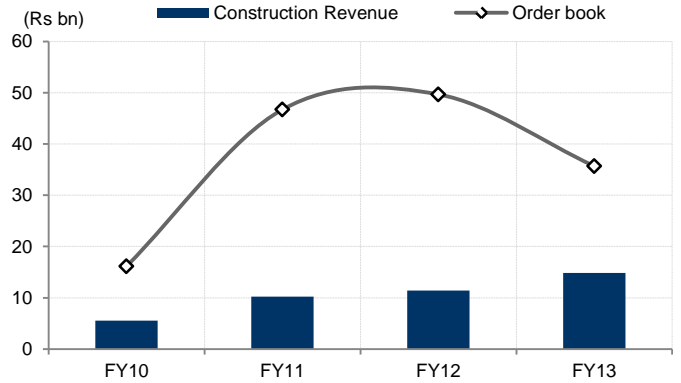
**Order book position**

**Fig 1 - Break-up of order book, FY13**



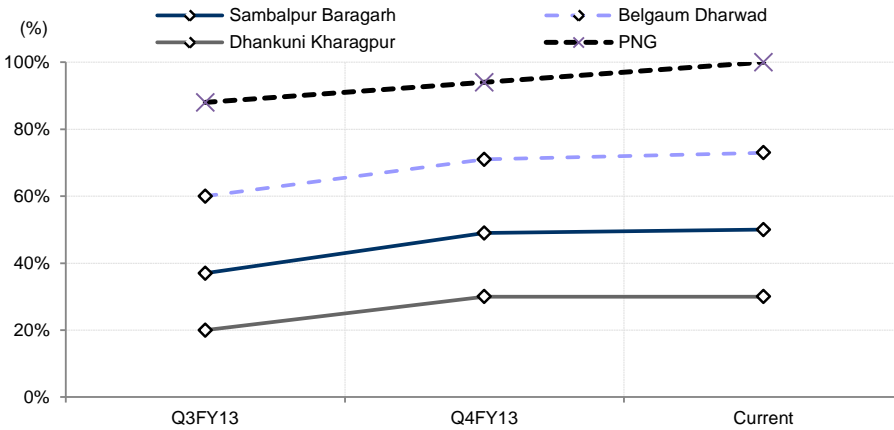
Source: Company, RCML Research

**Fig 2 - Order book and construction revenue**



Source: Company, RCML Research

**Fig 3 - Project execution status**



Source: Company, RCML Research

**Current execution status of key projects: Sambalpur–Baragarh - 50%; Belgaum–Dharwad - 73%; Dhankuni–Kharagpur - 30%**

**We expect these three projects to contribute significantly to EPC revenue**



## Cash flow and Capex

Fig 4 - Free cash flow – Consolidated

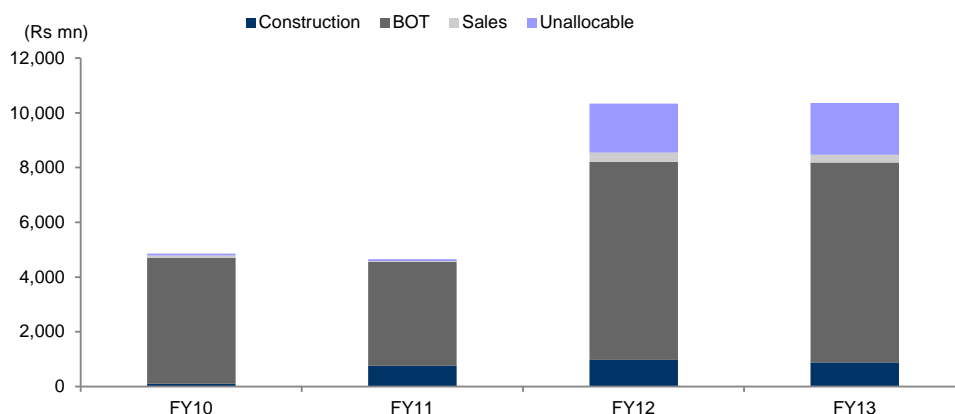
Rs mn	FY11	FY12	FY13
Net Profit	1,361	1,248	947
Add: Depreciation	690	850	1,324
Decrease/(increase) in inventory	(449)	(213)	(2,773)
Decrease/(increase) in sundry debtors	(256)	609	605
Decrease/(increase) in other current assets	(48)	27	(41)
Decrease/(increase) in loans and advances	194	(9)	826
(Decrease)/increase in payables	(232)	1,451	2,729
(Decrease)/increase in provisions	209	188	973
Change in working capital	(584)	2,054	2,319
<b>Operating Cash Flow</b>	<b>1,467</b>	<b>4,151</b>	<b>4,590</b>
Less: Capex	(4,657)	(10,341)	(10,358)
<b>Free Cash Flow</b>	<b>(3,190)</b>	<b>(6,190)</b>	<b>(5,768)</b>

Source: Company, RCML Research

Consol. operating cash flows strong at Rs 4.6bn for FY13 or 25% of sales

Changes in working capital contributed Rs 2.3bn of cash inflows during the year

Fig 5 - Consolidated capital expenditure



Source: Company, RCML Research

Consol. capex for FY13 was Rs 10.4bn, flat YoY – where construction/BOT/sales goods accounted for Rs 0.9bn/ Rs 7.3bn/ Rs 0.3bn

BOT segment continues to account for ~70% of consol. capex, leading to creation of intangible assets in the form of toll collection rights

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Company Update

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**Per Share Data**

Y/E 31 Mar (INR)	FY11A	FY12A	FY13E	FY14E	FY15E
Reported EPS	39.5	23.7	16.0	28.6	34.2
Adjusted EPS	25.9	23.7	18.0	28.6	34.2
DPS	0.0	0.0	4.0	4.0	4.0
BVPS	182.5	196.4	199.6	228.2	262.5

**Valuation Ratios**

Y/E 31 Mar (x)	FY11A	FY12A	FY13E	FY14E	FY15E
EV/Sales	2.0	1.9	2.0	2.2	2.2
EV/EBITDA	10.7	8.6	10.1	9.7	9.9
Adjusted P/E	14.6	8.5	12.4	7.8	6.5
P/BV	1.7	1.0	1.1	1.0	0.8

**Financial Ratios**

Y/E 31 Mar	FY11A	FY12A	FY13E	FY14E	FY15E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	19.2	21.7	20.1	23.0	22.5
EBIT margin	13.9	16.0	12.9	16.3	15.6
Adjusted profit margin	7.7	8.3	5.1	6.7	6.4
Adjusted ROAE	14.9	12.9	9.1	13.4	14.0
ROCE	7.6	6.7	2.6	5.3	4.8
<b>YoY Growth (%)</b>					
Revenue	63.7	15.2	23.5	21.2	25.7
EBITDA	16.5	30.2	14.4	39.2	22.5
Adjusted EPS	17.2	15.0	(24.1)	59.2	19.5
Invested capital	45.0	33.4	30.8	39.8	29.7
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	66	53	23	16	17
Inventory (days)	81	86	108	134	126
Payables (days)	129	132	1,141	1,860	1,484
Current ratio (x)	2.2	2.0	0.1	0.1	0.2
Quick ratio (x)	1.5	1.5	0.0	0.1	0.1
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	1.2	0.8	0.3	0.2	0.2
Total asset turnover	0.5	0.5	0.2	0.2	0.2
Net interest coverage ratio	2.6	2.1	1.7	2.1	2.0
Adjusted debt/equity	1.4	1.7	2.2	2.9	3.3

**DuPont Analysis**

Y/E 31 Mar (%)	FY11A	FY12A	FY13E	FY14E	FY15E
Tax burden (Net income/PBT)	39.9	77.5	89.5	67.8	66.8
Interest burden (PBT/EBIT)	139.9	67.1	44.2	60.9	61.2
EBIT margin (EBIT/Revenue)	13.9	16.0	12.9	16.3	15.6
Asset turnover (Revenue/Avg TA)	54.7	49.7	23.4	16.8	18.7
Leverage (Avg TA/Avg equities)	351.5	313.1	759.6	1187.2	1170.7
Adjusted ROAE	14.9	12.9	9.1	13.4	14.0

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INDIA

INDUSTRIALS

**Income Statement**

Y/E 31 Mar (INR mln)	FY11A	FY12A	FY13E	FY14E	FY15E
<b>Total revenue</b>	<b>13,020</b>	<b>15,000</b>	<b>18,527</b>	<b>22,452</b>	<b>28,216</b>
EBITDA	2,496	3,250	3,719	5,175	6,340
EBIT	1,806	2,401	2,395	3,653	4,409
Net interest income/(expenses)	(689)	(1,144)	(1,395)	(1,754)	(2,220)
Other income/(expenses)	339	354	215	326	509
Exceptional items	1,072	0	(157)	0	0
EBT	2,528	1,610	1,058	2,224	2,699
Income taxes	(424)	(451)	(685)	(759)	(866)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	(24)	89	468	43	(30)
<b>Reported net profit</b>	<b>2,080</b>	<b>1,248</b>	<b>842</b>	<b>1,508</b>	<b>1,803</b>
Adjustments	(1,072)	0	105	0	0
<b>Adjusted net profit</b>	<b>1,008</b>	<b>1,248</b>	<b>947</b>	<b>1,508</b>	<b>1,803</b>

**Balance Sheet**

Y/E 31 Mar (INR mln)	FY11A	FY12A	FY13E	FY14E	FY15E
Accounts payables	3,498	4,976	87,624	88,500	89,385
Other current liabilities	0	0	0	0	0
Provisions	209	200	220	240	260
Debt funds	12,830	17,604	23,469	35,220	45,468
Other liabilities	1,112	630	2,787	6,822	10,713
Equity capital	489	526	526	526	526
Reserves & surplus	8,441	9,815	9,981	11,490	13,292
Shareholders' fund	8,930	10,341	10,508	12,016	13,819
<b>Total liabilities and equities</b>	<b>26,579</b>	<b>33,752</b>	<b>124,608</b>	<b>142,798</b>	<b>159,645</b>
Cash and cash eq.	602	500	517	3,301	4,198
Accounts receivables	2,854	1,467	862	1,121	1,457
Inventories	2,413	2,770	5,399	6,479	7,775
Other current assets	2,286	5,620	1,963	2,159	2,807
Investments	1,503	366	0	100	100
Net fixed assets	10,203	18,490	111,100	116,982	122,553
CWIP	6,733	4,538	4,547	12,656	20,221
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(16)	0	0	0	0
Other assets	0	0	220	0	534
<b>Total assets</b>	<b>26,579</b>	<b>33,752</b>	<b>124,608</b>	<b>142,798</b>	<b>159,645</b>

**Cash Flow Statement**

Y/E 31 Mar (INR mln)	FY11A	FY12A	FY13E	FY14E	FY15E
Net income + Depreciation	2,770	2,097	2,166	3,030	3,734
Interest expenses	689	1,144	1,395	1,754	2,220
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(2,012)	(851)	(359)	(393)	(2,250)
Other operating cash flows	(1,402)	(458)	(551)	(368)	(479)
<b>Cash flow from operations</b>	<b>45</b>	<b>1,932</b>	<b>2,651</b>	<b>4,023</b>	<b>3,225</b>
Capital expenditures	(4,657)	(10,341)	(10,358)	(11,316)	(10,619)
Change in investments	(16)	1,138	366	0	0
Other investing cash flows	339	354	215	326	509
<b>Cash flow from investing</b>	<b>(4,334)</b>	<b>(8,849)</b>	<b>(9,777)</b>	<b>(10,990)</b>	<b>(10,110)</b>
Equities issued	2,791	0	0	0	0
Debt raised/repaid	1,609	4,774	5,865	11,751	10,248
Interest expenses	(689)	(1,144)	(1,395)	(1,754)	(2,220)
Dividends paid	0	0	(246)	(246)	(246)
Other financing cash flows	206	(267)	0	0	0
<b>Cash flow from financing</b>	<b>3,917</b>	<b>3,363</b>	<b>4,224</b>	<b>9,751</b>	<b>7,782</b>
<b>Changes in cash and cash eq</b>	<b>(243)</b>	<b>(102)</b>	<b>17</b>	<b>2,784</b>	<b>897</b>
<b>Closing cash and cash eq</b>	<b>602</b>	<b>500</b>	<b>517</b>	<b>3,301</b>	<b>4,198</b>

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