

Disappointing quarter – Triggers lined up for growth

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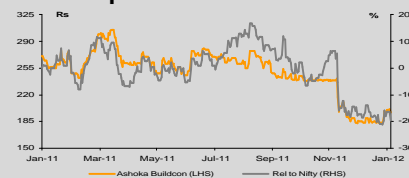
Rating	Previous Reco
Buy	Buy
CMP	Target Price
Rs196	Rs322
EPS Chg FY12E/FY13E (%)	-9/-16
Target Price change(%)	-5
Nifty	5,127
Sensex	16,996

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	(18)	(25)	(26)
Rel. to Nifty	1	(18)	(16)	(17)

Source: Bloomberg

Relative price chart



Source: Bloomberg

Stock Details

Sector	Construction
Bloomberg	ASBL IB
Equity Capital (Rs mn)	526
Face Value(Rs)	10
No of shares o/s (mn)	53
52 Week H/L	308/ 180
Market Cap (Rs bn/USD mn)	10/ 200
Daily Avg Volume (No of sh)	9,507
Daily Avg Turnover (US\$m)	0.0

Shareholding Pattern (%)

	Dec11	Sep11	Jun11
Promoters	67.2	73.3	73.3
FII/NRI	1.3	1.6	1.8
Institutions	17.2	17.2	17.2
Private Corp	6.6	6.5	6.1
Public	7.7	1.5	1.5

Source: Bloomberg

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- 3QFY12 EBITDA disappoints (Rs692 mn (+22% yoy) v/s est Rs 844mn) led by lower EBIDTA margins. Margins contracted 430 bps yoy to 19.6% dragged by major maintenance at VHPL
- Revenues at Rs3.5 bn (+49% yoy) - E&C Revenues +54% yoy & BOT reveues +30%yoy. Gross Toll collection +70.5% yoy to Rs 996mn led by several new SPV's commencing operations
- Debt tied up for Dhankuni Kharagpur, toll collection to start in Feb-12 driving further traction. Mgmt reiterates IRR guidance in excess of 16% for Angul-Cuttack (TPC Rs 11bn)
- Cut FY12/FY13 EPS by 9%/16% led by 3Q earning miss & factoring lower EBIDTA margins for the BOT projects. Fund raising critical to ramp up execution. Maintain BUY

3Q Earnings disappoints dragged by lower EBIDTA margins

ABL clocked an APAT of Rs 195mn v/s exp of Rs 266 mn led by lower operating performance. 3QFY12 EBITDA at Rs692 mn though up 22% yoy was lower than our estimates (Rs 844 mn) led by lower margins in both EPC & BOT segments. BOT margins were dragged by the major maintenance expenditure of Rs 65mn incurred for Indore Edalabad project (VHPL) & booking of routine maintenance exp in 3Q by Bhandara SPV (as bills settled in Dec-11) leading to lower E&C EBIDTA growth. In addition, total revenues stood at Rs 3.53bn witnessing a handsome 49% yoy growth, however the numbers were lower than anticipation led by lower execution at Sambhalpur project. Couple of projects already achieved full construction and are awaiting commencement of toll collection i.e. Durg, Jaora Naigon which are expected to drive traction in Q4.

Strong order inflow of Rs 4bn in power T&D – Order inflow to gain traction

ABL received Rs 4bn of turnkey EPC contract from MSEDCL over Q3FY12 for the power T&D segment which are executable over 24 months. Existing order backlog remains handsome at Rs 43.1bn providing 3.8x visibility on FY11 construction revenues. In addition, ABL emerged L1 in a 4 laning project between Cuttack to Angul section of 112 kms on NH-42 in the state of Orissa. The project is located in the mining and metal belt and is not included in Rs 43.1 bn of outstanding order backlog. The project will offer an additional EPC opportunity of Rs10bn enhancing visibility of order book.

Earnings cut by -9//16% for FY12/13E-Retain Buy with reduced TP - Rs 322

ABL is on the cusp of achieving traction in the largest project in its Orderbook (i.e Dhankuni Kharagpur) which comprise ~45% of the existing order backlog which will lead to significant traction in the operating numbers for ABL. We have fine tuned our project execution schedule based on latest inputs on the project progress & revised our margin outlook for BOT & EPC segment which has led to -9/-16% cut in out FY12/13E earnings. Our revised SOTP fair value stands at Rs 322. With value of BOT portfolio at Rs265/share (CoE of 13% for operational projects, 14% for under construction project & 15% for under development projects) and E&C business at Rs150/share (8X its FY13E E&C earnings). Our fair value implies a 64% upside to current market price.

Financial Snapshot (Consolidated)

(Rsmn)

YE-	Net	EBITDA		EPS	EPS	RoE	EV/			
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY10A	7,956	2,143	26.9	805	20.5	131.2	19.9	10.2	8.7	1.8
FY11A	13,020	2,522	19.4	1,008	19.1	-6.8	14.9	11.0	9.2	1.2
FY12E	15,512	3,237	20.9	1,022	19.4	1.4	10.8	10.8	9.8	1.1
FY13E	21,423	4,801	22.4	1,301	24.7	27.3	12.3	8.5	10.1	1.0

Quarterly Results

Rs mn	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12A	YoY (%)	QoQ (%)	YTD FY12	YTD FY11	YoY (%)
Revenue	2,364	6,032	3,884	2,865	3,529	49.3	23.2	10,278	6,989	47.1
Expenditure	1,799	5,281	2,972	2,197	2,838	57.7	29.2	8,006	5,261	52.2
<i>as % of sales</i>	<i>76.1</i>	<i>87.5</i>	<i>76.5</i>	<i>76.7</i>	<i>80.4</i>			<i>77.9</i>	<i>75.3</i>	
Consumption of RM	1,674	5,139	2,792	1,999	2,602	55.5	30.1	7,393	4,889	51.2
<i>as % of sales</i>	<i>70.8</i>	<i>85.2</i>	<i>71.9</i>	<i>69.8</i>	<i>73.7</i>			<i>71.9</i>	<i>70.0</i>	
Employee Cost	57	142	103	114	110	93.2	-3.4	326	191	70.3
<i>as % of sales</i>	<i>2.4</i>	<i>2.3</i>	<i>2.6</i>	<i>4.0</i>	<i>3.1</i>			<i>3.2</i>	<i>2.7</i>	
Other expenditure	69	0	77	84	126	83.0	50.3	287	180	59.1
<i>as % of sales</i>	<i>2.9</i>	<i>0.0</i>	<i>2.0</i>	<i>2.9</i>	<i>3.6</i>			<i>2.8</i>	<i>2.6</i>	
EBITDA	565	751	912	669	692	22.4	3.4	2,272	1,728	31.5
Depreciation	243	99	271	279	290	19.6	3.8	840	591	42.2
EBIT	322	653	641	389	401	24.5	3.1	1,432	1,137	25.9
Other Income	112	1,180	44	52	138	23.7	167.6	233	231	0.9
Interest	160	244	234	246	273	70.6	10.9	753	429	75.6
PBT	274	1,589	451	195	266	-2.7	36.9	912	939	-2.9
Total Tax	110	148	142	45	112	2.3	151.7	299	276	8.2
Adjusted PAT	164	1,441	309	150	154	-6.1	2.7	613	663	-7.5
(Profit)/loss from JV's/Ass/MI	-3	-13	-14	-19	-41			-74	37	
APAT after MI	167	1,454	323	169	195	17.3	15.6	687	626	9.8
Extra ordinary items	0	1,072	0	0	0	0		0	0	
Reported PAT	167	2,526	323	169	195	17.3	15.6	687	626	9.8
Reported EPS	3.2	27.6	6.1	3.2	3.7	17.3	15.6	13.1	12.1	8.3

Margins (%)						(bps)	(bps)			(bps)
EBITDA	23.9	12.5	23.5	23.3	19.6	-429.7	-374.3	22.1	24.7	-261.8
EBIT	13.6	10.8	16.5	13.6	11.4	-226.0	-220.9	13.9	16.3	-233.7
EBT	11.6	26.3	11.6	6.8	7.5	-403.6	76.0	8.9	13.4	-456.5
PAT	7.0	24.1	8.3	5.9	5.5	-151.1	-36.3	6.7	9.0	-226.9
Effective Tax rate	40.2	9.3	31.4	23.0	42.2	205.5	1,924.1	32.8	29.4	336.2

Order Backlog at Rs 43.1 bn at 3.8x FY11 construction revenue

ABL enjoys a 3.8x visibility on the FY11 construction revenues with an order backlog of Rs 43.1bn. We have not included the order backlog from the Cuttack Angul project (TPC-Rs 11bn) for which ABL emerged as L1 in Dec 11. ABL received order worth Rs 4bn in Q3FY12 from the Power T&D segment which is executable over 24 months.

Segment wise	Outstanding order book (Rs mn)
BOT Contracts	36,900
Power T&D	6,220
Total order backlog	43,120

Gross toll collection +70.5% yoy to Rs 996mn led by Bhandara, Pune Shirur

ABL gross toll collection for the quarter grew by a healthy 70.5% yoy to Rs996 mn driven by Bhandara & Pune Shirur project. Other segment which majorly comprise of Bankapur project also witnessed handsome yoy growth. Bhandara & Jaora Naigon projects witnessed a reset in toll collection which boosted the quarterly toll collection. Gross toll collection on a like to like basis also witnessed a handsome 9.3% yoy growth which indicates robust outlook on the toll collection front.

Quarterly BOT revenue - Project wise & growth

(Rs Millions)	Q3 FY 11	Q4 FY 11	Q1 FY 12	Q2 FY12	Q3 FY12	Y-o-Y (%)	Q-o-Q (%)
Indore -Edalabad	146.5	148.2	167.8	155.2	163.6	11.7%	5.4%
Ahmednagar - Aurangabad	42.6	40.5	42.6	41.6	40.2	-5.6%	-3.4%
Wainganga Bridge	47.4	48.3	46.1	50.3	56.8	19.8%	12.9%
Dewas Bypass	45.1	44.3	48.9	48.3	47.5	5.3%	-1.7%
Katni Bypass	42.1	48.2	49.2	46.2	45.8	8.8%	-0.9%
Pune - Shirur \$	59	8.9	51.9	47.3	54.2	-8.1%	14.6%
Nagar - Karmala	33.4	40.9	64.9	63.2	62.5	87.1%	-1.1%
Jaora - Nayagaon **	39.1	49.5	104.0	156.1	162.7	316.1%	4.2%
Bhandara	82	99.8	100.0	104.8	119.7	46.0%	14.2%
Belgaum Dharwad #	0	0	86.7	131.8	127.3	-	-3.4%
Others *	47.2	11.9	12.1	111.8	116.2	146.2%	3.9%
Gross collection	584.4	540.5	774.2	956.6	996.5	70.5%	4.2%
Like to like	323.7	329.5	354.6	341.6	353.9		
Like to Like Growth (YoY)			-1.7%	1.4%	9.3%		

Debt tied up for Dhankuni Kharagpur – Targeting collection of toll by Feb 12

Dhankuni Kharagpur (TPC Rs 22bn) which constitutes ~45% of the existing order backlog is expected to achieve financial closure over Jan 12. We believe the event would mark significant traction for the EPC arm.

ABL expects to raise private equity by Mar 12 – Valuation holds the key

Management affirmed that they have incorporated a separate holding company which will hold investments in 7 of the existing projects which were erstwhile held under the parent company. Management expects to raise ~USD 100-150 mn by Mar-12 which will ease of the financial requirement for ABL. Value at which such a transaction is executed remains the key trigger to watch.

Segmental Financials – Including other income in the Revenues

(Y/E Mar, Rs mn)	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	YoY	QoQ
Revenue	2476.0	NA	3927.1	2917.0	3667.2	48%	26%
Construction	1966.4	NA	3278.6	2267.8	3004.4	53%	32%
BOT	509.6	NA	648.5	649.2	662.8	30%	2%
EBITDA (incl Other Income)	676.9	NA	969.3	720.3	829.7	23%	15%
Construction	344.7	NA	452.1	239.3	420.4	22%	76%
BOT	332.2	NA	517.2	481.0	409.3	23%	-15%
Depreciation	242.50	NA	270.90	279.50	290.10	20%	4%
Construction	41.0	NA	62.2	69.1	77.0	88%	11%
BOT	201.5	NA	208.7	210.4	213.1	6%	1%
EBIT	434.40	NA	698.40	440.80	539.60	24%	22%
Construction	303.7	NA	389.9	170.2	343.4	13%	102%
BOT	130.7	NA	308.5	270.6	196.2	50%	-27%
Interest	160.00	NA	247.70	246.30	273.00	71%	11%
Construction	12.4	NA	82.3	79.0	108.2	773%	37%
BOT	147.6	NA	165.4	167.3	164.8	12%	-1%
PBT	274.4	NA	450.7	194.5	266.6	-3%	37%
Construction	291.3	NA	307.6	91.2	235.2	-19%	158%
BOT	-16.9	NA	143.1	103.3	31.4	-286%	-70%
Tax expense	111.00	NA	141.70	44.70	112.50	1%	152%
Construction	88.1	NA	101.5	23.2	74.4	-16%	221%
BOT	22.9	NA	40.2	21.5	38.1	66%	77%
PAT (Incl minority interest)	163.4	NA	309.0	149.8	154.1	-6%	3%
Construction	203.2	NA	206.1	68.0	160.8	-21%	136%
BOT	-39.8	NA	102.9	81.8	-6.7	-83%	-108%

Segmental Share (%)	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12
Revenue					
Construction	79%	NA	83%	78%	82%
BOT	21%	NA	17%	22%	18%
EBITDA (incl Other Income)					
Construction	51%	NA	47%	33%	51%
BOT	49%	NA	53%	67%	49%
Depreciation					
Construction	17%	NA	23%	25%	27%
BOT	83%	NA	77%	75%	73%
EBIT					
Construction	70%	NA	56%	39%	64%
BOT	30%	NA	44%	61%	36%
Interest					
Construction	8%	NA	33%	32%	40%
BOT	92%	NA	67%	68%	60%
PBT					
Construction	106%	NA	68%	47%	88%
BOT	-6%	NA	32%	53%	12%
Tax expense					
Construction	79%	NA	72%	52%	66%
BOT	21%	NA	28%	48%	34%
PAT					
Construction	124%	NA	67%	45%	104%
BOT	-24%	NA	33%	55%	-4%

Earnings cut by -9%/16% for FY12E/13E led by declining operating margins

We have fine tuned our projections led by earnings miss in Q3FY12E & delay in commissioning of toll collection at Durg project which has hampered our earning estimate for FY12E. In addition we have also increased a operating expenditure for a couple of concessions which has led to correction in overall margins for the BOT projects in line with the contraction witnessed by ABL on the BOT segment. Delays in raising equity beyond March -12 will put further pressure on our earnings case as it would result in raising additional leverage at either at the parent level or at the SPV level. We believe that although minor delays in raising equity won't hamper our valuation case due to several options which ABL has in meeting the funding requirement, however this definitely poses the largest risk to ABL.

Rs Mn	FY12E			FY13E		
	Earlier	Revised	change	Earlier	Revised	change
Sales	16,336	15,512	-5%	21,348	21,423	0%
EBIDTA	3,977	3,237	-19%	5,103	4,801	-6%
EBIDTA (%)	24.3	20.9	-347.7	23.9	22.4	-149.1
APAT	1,126	1,022	-9%	1,554	1,301	-16%
EPS	21.4	19.4	-9%	29.5	24.7	-16%

Retain Buy – Lower target price to Rs 322 for factoring earnings downgrade

ABL is on the cusp of achieving traction in the largest project in its Orderbook (i.e Dhankuni Kharagpur) which comprise ~45% of the existing order backlog which will lead to significant traction in the operating numbers for ABL. We have fine tuned our margin and expense estimation for Ashoka Buildcon leading to a revision in our SOTP fair value to Rs 322. With value of BOT portfolio at Rs265/ share (CoE of 13% for operational projects, 14% for under construction project & 15% for under development projects) and E&C business at Rs150/share (8X its FY13E E&C earnings). At current levels of Rs 196, the fair value implies a 64% upside to current market price.

S No	Description	Length (kms)	Cost of Equity	Stake	Value FY13		
					Eq value	ABL value	ABL per share/value
1	Dhankuni – Kharagpur	111.6	15%	1,377.4	100.0%	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%	1,953.2	100.0%	1,953.2	37.1
3	Belgaum – Dharwad	82.0	14%	1,434.5	100.0%	1,434.5	27.3
4	Jaora – Naigaon	85.1	14%	5,540.9	37.5%	2,077.8	39.5
5	Pimpalgaon-Nasik	60.0	14%	2,384.9	26.0%	620.1	11.8
6	Durg – Chhattisgarh	71.1	14%	3,250.1	51.0%	1,657.5	31.5
	Value for Under construction projects	386		14,564	0.0%	7,743	147.1
7	Chhattisgarh – Bhandara	82.6	14%	425.9	51.0%	217.2	4.1
8	Indore – Edalabad	203.0	13%	1,578.4	100.0%	1,578.4	30.0
9	Wainganga river Bridge	13.0	13%	454.7	50.0%	227.3	4.3
10	Pune – Shirur	54.0	13%	259.9	100.0%	259.9	4.9
11	Dewas Bypass	20.0	13%	579.3	100.0%	579.3	11.0
12	Katni Bypass	17.6	13%	439.8	99.9%	439.3	8.3
13	A'nagar – Karmala	80.6	13%	964.0	100.0%	964.0	18.3
14	A'nagar – Aurangabad	42.0	13%	385.5	100.0%	385.5	7.3
15	Nasirabad Road ROB	4.0	13%	-	100.0%	-	-
16	Sherinallah Bridge	4.0	13%	114.6	100.0%	114.6	2.2
17	Dhule Bypass	6.0	13%	28.8	100.0%	28.8	0.5
18	Anwali Kasegaon (5% stake)	11.0			5.0%		
19	FOBs - Eastern Exp H'way – 6	NA	13%	13.8	100.0%	13.8	0.3
	Value for operating projects	538				4,808.1	91.4
	Total - BOT Fair value	1,035.6				13,928.7	264.7
	Add: Net holding company cash/debt					(2,310)	(44)
	Funding Gap					(2,569)	(49)
	Add: EPC valuation					7,880	150
	Fair value per share					16,930.1	321.7

Key Financials (Consolidated)

Income statement

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
Net Sales	7,956	13,020	15,512	21,423
Growth (%)	53	64	19	38
Expenditure	5,813	10,499	12,275	16,621
Materials Consumed	585	613	825	872
Employee Cost	213	333	491	491
Other Exp	0	0	0	0
EBITDA	2,143	2,522	3,237	4,801
Growth (%)	31	18	28	48
EBITDA margin (%)	27	19	21	22
Depreciation	661	690	1,146	1,216
EBIT	1,481	1,832	2,091	3,585
EBIT margin (%)	19	14	13	17
Other Income	186	339	260	53
Interest expenses	490	715	1,016	1,801
PBT	1,177	1,456	1,334	1,837
Tax	317	424	440	612
Effective tax rate (%)	27	29	33	33
Adjusted PAT	860	1,031	894	1,225
Growth (%)	125	20	-13	37
Net Margin (%)	11	8	6	6
(Profit)/loss from JVs/Ass/MI	0	0	0	0
Adjusted PAT After	805	1,008	1,022	1,301
E/O items	0	1,072	0	0
Reported PAT	805	2,079	1,022	1,301
PAT after MI	805	1,008	1,022	1,301
Growth (%)	131	25	1	27

Cash Flow

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
PBT (Ex-Other income)	1,177	2,528	1,334	1,837
Depreciation	661	691	1,146	1,216
Interest Provided	490	715	1,016	1,801
Other Non-Cash items	-33	-116	0	0
Chg in working cap	-379	-2,012	-2,008	-1,942
Tax paid	-307	-438	-440	-612
Operating Cashflow	1,553	1,340	1,049	2,300
Capital expenditure	-4,777	-4,880	-8,307	-16,934
Free Cash Flow	-3,224	-3,540	-7,258	-14,635
Other income	466	352	0	0
Investments	-576	93	-396	-257
Investing Cashflow	-4,397	-4,436	-8,704	-17,191
Equity Capital Raised	0	2,020	109	0
Loans Taken / (Repaid)	3,979	1,548	8,762	15,952
Interest Paid	-490	-715	-1,016	-1,801
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	7,874	14,168
Net chg in cash	644	-243	220	-724
Opening cash position	692	845	602	822
Closing cash position	1,336	602	822	98

Balance Sheet

Y/E Mar (Rsmn)	FY10A	FY11A	FY12E	FY13E
Equity share capital	581	628	628	628
Reserves & surplus	4,042	8,302	9,324	10,625
Net worth	4,623	8,930	9,952	11,253
Minority Interest	813	1,112	1,004	944
Secured Loans	9,678	10,872	21,593	37,545
Unsecured Loans	1,543	1,958	0	0
Loan Funds	11,221	12,830	21,593	37,545
Net deferred tax liability	30	16	83,459	83,459
Total Liabilities	16,688	22,888	116,008	133,201
Gross Block	7,906	13,887	103,273	103,523
Less: Depreciation	3,300	3,683	4,830	6,046
Net block	4,605	10,203	98,443	97,477
Capital work in progress	8,144	6,733	9,098	25,783
Investment	1,487	1,503	1,791	2,048
Current Assets	6,383	8,155	10,718	13,397
Inventories	1,964	2,413	2,650	3,726
Sundry debtors	1,820	2,854	4,523	5,913
Cash & bank balance	845	602	822	98
Loans & advances	1,753	2,286	2,723	3,660
Other current assets	0	0	0	0
Current lia & Prov	3,932	3,706	4,043	5,503
Current liabilities	3,932	3,706	4,043	5,503
Provisions	0	0	0	0
Net current assets	2,451	4,448	6,676	7,894
Misc. exp	0	0	0	0
Total Assets	16,688	22,888	116,008	133,201

Key Ratios

Y/E Mar	FY10A	FY11A	FY12E	FY13E
Profitability (%)				
EBITDA Margin	26.9	19.4	20.9	22.4
Net Margin	10.8	7.9	5.8	5.7
ROCE	12.1	11.0	3.4	2.9
ROE	19.9	14.9	10.8	12.3
RoIC	25.0	18.1	3.5	3.4
Per Share Data (Rs)				
EPS	20.5	39.5	19.4	24.7
CEPS	37.4	32.3	41.2	47.8
BVPS	118.1	169.7	189.1	213.8
DPS	0.0	0.0	0.0	0.0
Valuations (x)				
PER	10.2	11.0	10.8	8.5
P/CEPS	5.6	6.5	5.1	4.4
P/BV	1.8	1.2	1.1	1.0
EV / Sales	2.3	1.8	2.1	2.3
EV / EBITDA	8.7	9.2	9.8	10.1
Dividend Yield (%)	0.0	0.0	0.0	0.0
Gearing Ratio (x)				
Net Debt/ Equity	2.2	1.4	2.1	3.3
Net Debt/EBITDA	4.8	4.8	6.4	7.8
Working Cap Cycle (days)	73.6	107.8	137.7	132.8

Recommendation History: Ashoka Buildcon – ASBL IN

Date	Reports	Reco	CMP	Target
17/11/2011	Ashoka Buildcon Initiating Coverage	Buy	240	337

Recent Research Reports

Date	Reports	Reco	CMP	Target
20/01/2012	Cement Sector Update			
20/01/2012	Aban Offshore Company Update	Accumulate	440	485
06/01/2012	GMR Infrastructure Event Update	UR	23	UR
16/11/2011	Jaiprakash Associates Q2FY12 Result Update	Hold	67	66

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