

Ashoka Buildcon : Good Issue ; subscribe IPO Note: Strong Order Book of Rs.1615 Crore Rating***

Issue details

Price band (Rs)	Rs.297-324
IPO Opening Date	24/09/10
IPO Closing Date	28/09/10
Issue Size	Rs.225 Crore

Valuations & Recommendation

Consolidated sales for the year ended March 2010 were higher by 53% to Rs 795.57 crore and net profit by 131% to Rs 80.37 crore. On post-IPO equity, EPS at the lower price band works out to Rs 15.1 and that at the upper price band was Rs 15.3. The PE works out to 19.7-21.2 times its FY 2010 consolidated EPS. On the other hand, larger player IRB Infrastructure given its superior profitability quotes at a PE of 24.4 times its FY 2010 consolidated EPS. Another larger player IL&FS Infrastructure, which gets construction of its BOT projects done through third parties, trades at P/E of 19.2 times its FY 2010 EPS.

The sector in which the company operates is going through a boom time. The company is having a good track report. The company is not comparable to market leaders IRB Infra and ITNL on account of having smaller scale of operations. The company has got two new orders. These two projects would provide upside in the near future. Overall the issue is good. With its good track record and strong order book. We recommend to subscribe in the issue for medium to long term view.

Highlights

- ◆ The company is having a strong order book of Rs 1615.36 crore as at May 31, 2010.
- ◆ CRISIL has assigned an IPO Grade 4 to Ashoka Buildcon Limited IPO.
- ◆ Consolidated sales for the year ended March 2010 were higher by 53% to Rs 795.57 crore and net profit by 131% to Rs 80.37 crore

Company Introduction

Company Profile and Business Activities

Business Operation

The company builds and operates roads and bridges in India on a build, operate and transfer ('BOT') basis. It currently operates one of the highest number of toll-based BOT projects in India. In addition, to BOT projects, the company also (1) engineer and design, procure the raw materials and equipment for and construct roads, bridges, distribution transformers, electricity substations, commercial buildings, industrial buildings and institutional buildings for third parties as well as perform maintenance for third parties, (2) manufacture and sell ready-mix concrete ('RMC'), bitumen and pre-cast concrete poles and (3) collect tolls on roads and bridges owned and constructed by third parties.

Projects

The company currently operates or have an interest in 23 BOT road projects totaling approximately 3,498.35 kilometres of lanes in Maharashtra, Madhya Pradesh, Chhattisgarh, Karnataka and Orissa the concessions for which were awarded on a BOT basis. The weighted average concession period (including toll collection period) for these 23 BOT road projects was 21.09 years as at March 31, 2010. In order to meet specific eligibility requirements for certain larger BOT projects, including requirements relating to particular types of experience and financial resources, it have entered into project-specific joint ventures or special purpose vehicles with other companies. Out of the 23 BOT



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projects mentioned above, 17 are in operation and six are under construction.

RMC & Bitumin Division

The company's RMC and bitumen division sells ready-mix concrete and bitumen and supports the EPC division by ensuring that it has an adequate and timely supply of high-quality RMC and bitumen. It has 14 RMC plants with a total production capacity of 650 cubic metres per hour and 86 concrete transit trucks and 19 concrete pumps. This division also sells and processes bitumen to a higher grade for use in road projects and supports the EPC division by supplying it with bitumen.

Promoters

Ashoka Buildcon, promoted by Ashok Katariya and Satish Parakh, undertakes EPC contracts for roads, bridges and commercial building projects and also operates them on BOT basis. It recently ventured into the power T&D domain and bagged EPC orders from MAHADISCOM.

Order Book

EPC order book as end of May 31, 2010, stood healthy at Rs 1615.36 crore, which translates into 2 times of its FY 2010 consolidated revenue, thereby giving decent revenue visibility. The order book is excluding the Rs 1638.0 crore for Belgaum-Dharwad and Sambalpur-Baragarh projects for which the company got work order in June 2010 only from the special purpose vehicles (SPVs) that signed the concession agreement in June 2010. Moreover, the order book is majorly made up of third party orders, aggregating to Rs 1408.92 crore, with just Rs 206.44 crore from the captive BOT projects.

Recently, it won two projects worth Rs 1638 crore from NHAI. The company is also developing a hydroelectric power plant (i.e., 1,500 Kwh Waghur hydroelectric power plant) on a BOOT basis.

Financial Summary

Particulars	1003 (12)	0903 (12)	0803 (12)
Sales	795.57	518.37	322.77
OPM (%)	26.9	31.6	38.2
Net Profit	80.37	34.81	33.08
EPS* (Rs)	15.3	6.6	6.3

* EPS on post-issue equity capital of Rs 52.64 crore.

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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