

August 9, 2010
Mumbai

CRISIL Equities assigns IPO grade 4/5 to Ashoka Buildcon Limited

CRISIL Equities has assigned a CRISIL IPO grade of "4/5" (pronounced "four on five") to the proposed initial public offer (IPO) of Ashoka Buildcon Ltd (Ashoka). This grade indicates that the fundamentals of the IPO are above average relative to other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy, sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The IPO grade assigned to Ashoka reflects the company's dominant position in the build-operate-transfer (BOT) road space and its established track record - most of its projects have been completed on time. The grading is supported by the strong management background with domain expertise, proven execution capabilities in the engineering procurement construction (EPC) segment and Ashoka's integrated business model. The grading factors in robust industry prospects driven by significant investments expected in the road (Rs 6,372 bn) and power transmission and distribution (Rs 3,442 bn) segments over the next five years. The grading has also taken into account the company's strong order book of Rs 16.2 bn and healthy revenue growth potential from the BOT segment. In addition, the company recently won two BOT road projects worth Rs 16.4 bn from the National Highways Authority of India.

The grading is constrained by the fact that Ashoka's BOT (toll) projects are largely restricted to Maharashtra and Madhya Pradesh. Despite having the early-mover advantage, the company has very few large projects in its portfolio. The grading also takes into account intense competition in a highly fragmented road development market, which leads to aggressive bidding and potentially low returns.

About the company and the issue

Ashoka Buildcon Private Ltd was incorporated as a private limited company on May 13, 1993. It was converted into a public limited company on April 22, 2002, and was renamed Ashoka Buildcon Ltd (Ashoka). Ashoka is in the business of undertaking EPC contracts in roads, bridges, commercial buildings, industrial buildings and power T&D projects. It also operates roads and bridges on a BOT basis. Promoters, Mr Ashok Katariya and Mr Satish Parakh, and their groups currently own 84.4% of Ashoka.

Ashoka has 17 operational road projects (1,100 lane km), six projects under construction (2,400 lane km) and third-party orders worth Rs 14.1 bn. The company has recently ventured into EPC - power T&D contracts, where it has outstanding orders of Rs 6.0 bn from Maharashtra State Electricity Distribution Company.

Ashoka's board comprises eight directors, four of whom are independent directors and one is a nominee director. The board is chaired by its promoter and executive director Mr Ashok Katariya, who has more than 34 years of experience. The managing director, Mr Satish Parakh, has over 29 years of experience in the construction industry. The nominee director of Infrastructure Development Finance Company Private Equity is also in Ashoka's board. The key management team has an average work experience of more than 20 years and has been with the company for over a decade on an average.

Ashoka is planning to raise Rs 2,250 mn from the IPO. Of this, Rs 700 mn will be utilised for purchasing capital equipments and for working capital requirements, and Rs 1,150 mn will be used to prepay the loans of the company and its subsidiaries. The balance will be utilised for general corporate use.

Ashoka registered top line and net profit five-year CAGR of 42.4% and 60.7%, respectively, in FY10. In FY10, the company reported net profit of Rs 859 mn on a turnover of Rs 7,975 mn, translating into a net margin of 10.8%. It posted an EPS of Rs 18.8 during the same period, while its book value per share was Rs 98.5. Ashoka's return on capital employed (RoCE) and return on equity (RoE) for the year were 10.9% and 21.3%, respectively.

About CRISIL IPO Grading

CRISIL IPO (Initial Public Offering) Grading is an opinion on the fundamentals of the graded issue that reflects CRISIL's independence and expertise. This opinion is expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research. A CRISIL IPO Grade 5/5 indicates strong fundamentals and a CRISIL IPO Grade 1/5 indicates poor fundamentals. CRISIL IPO Grading reflects its assessment of the graded company's equity fundamentals as distinct from an assessment of debt fundamentals. A CRISIL IPO Grade should not be construed to mean a comment on the price of the graded security nor is it a recommendation to invest or not to invest in the graded security.

Media Contacts	Analytical Contacts
<p>Mitu Samar Head, Market Development & Communications CRISIL Limited Tel: +91-22- 3342 1838 Mobile: +91- 98200 61934 Fax: +91-22- 3342 3001 E-mail: msamar@crisil.com</p> <p>Tanuja Abhinandan Market Development & Communications CRISIL Limited Phone: +91-22- 3342 1818 Mobile: +91- 98192 48980 Fax: +91-22- 3342 3001 E-mail: tabhinandan@crisil.com</p>	<p>Tarun Bhatia Director, Capital Markets CRISIL Research Tel: +91-22- 3342 3226 E-mail: tbatia@crisil.com</p> <p>Chetan Majithia Head, Equities CRISIL Research Tel: +91-22- 3342 4148 E-mail: chetanmajithia@crisil.com</p>

About CRISIL Limited

CRISIL is India's leading Ratings, Research, Risk and Policy Advisory Company.

About CRISIL Research

CRISIL Research is India's largest independent, integrated research house. We leverage our unique, integrated research platform and capabilities spanning the entire economy-industry company spectrum to deliver superior perspectives and insights to over 600 domestic and global clients, through a range of subscription products and customised solutions.

CRISIL PRIVACY NOTICE

Contacting us via e-mail or registering with CRISIL reveals your e-mail address and any other information you include such as phone number and/or mailing address. We will use this information to help us process your registration, fulfill your request or respond to your inquiry. All of your personal information will be stored in a secure database in India. Access to this database is limited to authorized persons.

Occasionally, we use data collected about customers and prospects to inform them about products or services from CRISIL, and our parent company Standard & Poor's (a subsidiary of The McGraw-Hill Companies), and reputable outside companies that may be of interest to them. Many of our customers find these e-mail promotions valuable, whether they are shopping for merchandise, taking advantage of a special offer, or purchasing unique services. On rare occasions, and subject to applicable laws, CRISIL may also share your information with outside "3rd Party" vendors who will be authorized to use this information solely to perform services (such as a "mailing" house) on our behalf.

If at any time you would like your name removed from lists that are shared for promotional reasons within CRISIL, Standard & Poor's, and with other units of The McGraw-Hill Companies, or with third parties simply send a written request to privacy@crisil.com or Privacy Official, CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076, India.

You can also send an email request to privacy@crisil.com if you would like to confirm the accuracy of the information we have collected from you, or if you have questions about the uses of this information.

For more information about The McGraw-Hill Companies Privacy Policy, please visit www.mcgrawhill.com/privacy.html

Last updated: 01 January, 2010

Disclaimer

A CRISIL IPO Grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO Grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO Grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO Grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IPO Gradings. For information on any IPO grading assigned by CRISIL, please contact 'Client Servicing' at +91-22-33423561, or via e-mail: clientservicing@crsil.com.

For more information on CRISIL IPO Gradings, please visit <http://www.crsil.com/ipo-gradings>

This press release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including websites, portals etc.