

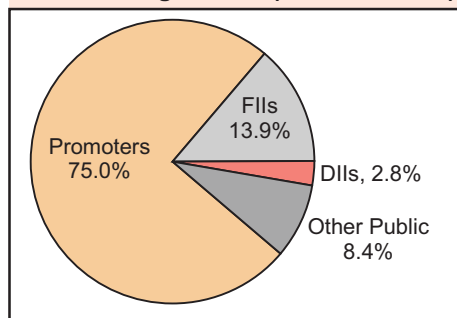
## IRB Infrastructure Developer Ltd.

Q3FY11 Result Update

January 31, 2011

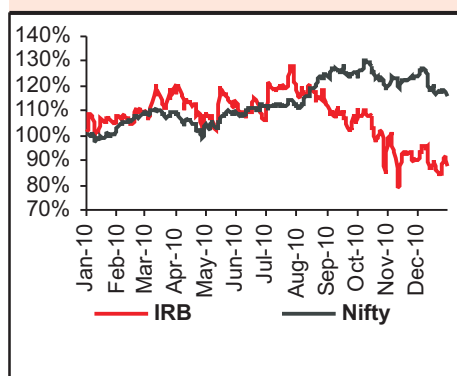
Key Stock Data	
Sector	Infra (Power)
CMP	₹201.85
52-wk High / Low	₹312.8/186.4
Market Cap	₹67.1bn (\$1491mn)
Avg 6m daily vol.	542778
BSE Sensex	18396
Reco:	Buy
Target Price:	₹265
Stock Codes	
Bloomberg Code	IRB IN
Reuters Code	IRBI.BO
BSE Code	532947
NSE Code	IRB
Face Value	₹10per share

### Shareholding Pattern (31st Dec, 2010)



Price Performance		(%)	
1 Mth	3 Mths	6 Mths	1 Yr
1.2%	-15.5%	-15.0%	-10.8%

### Relative Stock Price Movement:



**Denil Savla, Analyst**  
(denil@keynoteindia.net)  
(+9122-30266073)

**IRB Infrastructure Developers Ltd, one of the largest and most experienced BOT player in the country has posted Q3FY11 results in line with our expectation.**

The company has shown total revenue growth of 54.4% Y-o-Y to ₹668.9Cr from ₹433.1Cr for the quarter ended 31st Dec, 2010. EBIDTA grew 29.2% to ₹293.5.6Cr from ₹227.1Cr and PAT showed growth of 42.7% to ₹135.9Cr from ₹95.3Cr. During the quarter Net Sales, EBIDTA and PAT grew 36.4%, 24.2% and 33.5% Q-o-Q basis respectively.

### Key Performance Highlights

- IRB will continue to concentrate on road projects. It plans to maintain a healthy balance sheet and awaits the consolidation phase, which we expect over the next few years.
- **Toll Revenues:**
  - Net Toll revenues rose by 3.7% to ₹214.0Cr in Q3FY11 from ₹206.4Cr in Q3FY10.
  - Considerable growth in the toll revenue collection from Surat-Dahisar & Baruch-Surat by 9.3% and 7.3% respectively and in Mumbai-Pune Expressway increased by 5%
  - Out of the total toll collection, contribution from Surat-Dahisar was highest at 38.4% followed by Mumbai-Pune at 32.5% and Bharuch-Surat at 14.1%.
- **EPC Business:** EPC business has shown 68.5% as against 53.3% Y-o-Y.

### Outlook & Valuation

NHAI has proposed for awarding orders worth ₹1000bn over the next 12-15months targeting 20kms a day. Since IRB is a prominent player in BOT projects, we expect there will be immense opportunity for the company. On the basis of valuation, we maintain positive outlook with a 'buy' arriving at target price of ₹265 per share on the basis of 16.5x multiple of FY12E earnings. At CMP, the stock is trading at a PE multiples of 12.7 and 12.5 of FY11E & FY12E respectively.

### Key Quarterly Updates

Particulars	(₹Cr)				
	Q3FY10	Q2FY11	Q3FY11	Y-o-Y	Q-o-Q
Net Sales	433.07	490.30	668.81	54.4%	36.4%
Total Expenditure	205.95	253.90	375.27	82.2%	47.8%
PBIDT (Excl OI)	227.12	236.40	293.54	29.2%	24.2%
Other Income	8.70	8.20	11.71	34.6%	42.8%
Operating Profit	235.82	244.60	305.25	29.4%	24.8%
Profit After Tax	95.27	101.80	135.95	42.7%	33.5%
EBIDTA Margins	54.5%	49.9%	45.6%	-880bps	-420bps
PAT Margins	22.0%	20.8%	20.3%	-170bps	-50bps
EPS (Annualised)	11.46	12.25	16.36	42.7%	33.5%
PE	17.61	16.48	12.34	-29.9%	-25.1%

(E- Keynote Capitals Institutional Research Estimates)

## Our Analysis

### Toll rate hike for Mumbai-Pune Expressway from 1<sup>st</sup> April 2011s

The company is set to hike toll rates for Mumbai-Pune Expressway & NH4 by 18% from 1<sup>st</sup> April, 2011 onwards (Concession agreement allows hike of 18% in the toll rates for every 3 year). This SPV will see a hike of 23% in top line which may increase EBIDTA, as operation costs may likely to be stable.

### Rising cost of interest – Not a threat

General concern for infrastructure companies is rise in interest rate. IRB is well hedged portfolio has fixed interest rates for next 3 yrs to 5 yrs. The company also has its prime project Pune-Mumbai expressway fixed interest rate of 10.6% for the rest of the tenure (8yrs) and it is expected that the margins would remain intact.

### Improvement in execution of E&C business

E&C business to be driven by pick up in order execution in key projects like Surat-Dahisar & Jaipur-Deoli. 5 out of 7 in house projects are going at reasonable pace whereas remaining 2 projects is expected to commence in Q4 FY11.

### Expecting substantial projects in another one year

Last 6 to 9 months NHA announced considerable amounts of bids worth ~₹36000Cr and prequalification documents have been submitted but dates are not confirmed for putting up financial bids. However, these bids are expected in Q4 FY11 or in Q1FY12. IRB is confident of bagging new projects worth ~₹4500Cr.

### Higher ticket size project on the way

It is noticed that average ticket size for the upcoming project is ~₹1500Cr compared to average ticket size of ~₹880Cr awarded in FY10 and ₹990Cr in Q1FY11. With such higher average ticket size on the way, we expect large developer like IRB (large scale operation & strong balance sheet) could be the key beneficiary.

### Surat-Dahisar expressway to be completed by next fiscal year

There has been rise in construction activity of Surat-Dahisar Expressway and it is expected to be fully operational by August 2011.

### Project wise toll revenue growth

Projects	Q3FY10	Q2FY11	Q3FY11	Y-o-Y	Q-o-Q
TBB - 4 Mumbra	11.84	12.18	13.8	16.6%	13.3%
Kharpada	1.61	1.49	1.92	19.3%	28.9%
Nagar Karmala Tembhurni	3.47	3.53	3.59	3.5%	1.7%
Mohol Mandrup Kamptee	1.38	1.96	1.9	37.7%	-3.1%
Pune Solapur	3.2	3.09	3.54	10.6%	14.6%
Pune Nashik	4.7	5.31	5.55	18.1%	4.5%
Mumbai Pune	77.01	80.26	80.87	5.0%	0.8%
Thane Ghodbandur	7.17	6.48	7.28	1.5%	12.3%
Surat Dahisar	87.33	82.86	95.46	9.3%	15.2%
Bharuch Surat	32.4	30.55	34.78	7.3%	13.8%
<b>Gross Toll Revenues</b>	<b>230.11</b>	<b>227.71</b>	<b>248.69</b>	<b>8.1%</b>	<b>9.2%</b>

### Quarterly Results P&L

Particulars	Q3	Q2	Q3	Y-o-Y	Q-o-Q	9M	9M	Y-o-Y
	FY10	FY11	FY11			FY10	FY11	
Net Sales	433.07	490.30	668.81	54.4%	36.4%	1203.11	1671.14	38.9%
Total Expenditure	205.95	253.90	375.27	82.2%	47.8%	635.08	891.92	40.4%
PBIDT (Excl OI)	227.12	236.40	293.54	29.2%	24.2%	568.03	779.22	37.2%
Other Income	8.70	8.20	11.71	34.6%	42.8%	37.58	41.60	10.7%
Operating Profit	235.82	244.60	305.25	29.4%	24.8%	605.61	820.82	35.5%
Interest	73.56	69.30	81.97	11.4%	18.3%	167.93	217.39	29.5%
PBDT	162.26	175.30	223.28	37.6%	27.4%	437.68	603.43	37.9%
Depreciation	53.07	54.40	58.53	10.3%	7.6%	130.33	166.64	27.9%
PBT	109.19	120.90	164.75	50.9%	36.3%	307.35	436.79	42.1%
Tax	13.92	19.10	28.80	106.9%	50.8%	52.61	78.17	48.6%
Profit After Tax	95.27	101.80	135.95	42.7%	33.5%	254.74	358.62	40.8%

### Consolidated Profit & Loss Statements

Particulars	FY09	FY10	FY11E	FY12E
<b>Net Sales</b>	991.9	1704.8	2510.0	3815.6
<b>Growth (%)</b>	35.4%	71.9%	47.2%	52.0%
<b>Total Expenditure</b>	553	905.8	1459.7	2444.4
PBIDT (Excl OI)	438.9	799	1050.3	1371.2
Other Income	28.2	48.9	70.0	50.0
<b>Operating Profit</b>	467.1	847.9	1120.3	1421.2
% of Sales	47.1%	49.7%	44.6%	37.2%
Interest	137.7	249.4	245.4	468.9
<b>PBDT</b>	329.4	598.5	874.8	952.3
Depreciation	114.4	181.9	380.5	439.4
<b>PBT</b>	215	416.6	494.4	512.9
Tax	37.8	13.3	80.5	77.3
<b>Profit After Tax</b>	177.2	403.3	413.9	435.6
% of Sales	17.9%	23.7%	16.5%	11.4%

### Consolidated Balance sheet

Particulars	FY09	FY10	FY11E	FY12E
Share Capital	332.4	332.4	332.4	332.4
Total Reserves	1397.7	1707.5	2110.0	2534.3
Shareholder's Funds	1730.1	2039.9	2442.4	2866.7
Minority Interest	59.9	77.9	50.0	50.0
Deferred Liabilities	18.2	26.7	0.0	30.0
Total Debts	2485.9	2915.2	3808.1	3988.9
<b>Total Liabilities</b>	<b>4294.1</b>	<b>5059.7</b>	<b>6300.5</b>	<b>6935.6</b>
Net Block	2016.2	3467.4	4412.5	4757.9
Capital Work in Progress	1454.5	880.2	992.6	808.8
Total Fixed Assets	3470.7	4347.6	5405.0	5566.8
Investments	110.8	45.1	50.0	80.0
Inventories	205.5	169.8	209.2	318.0
Sundry Debtors	13.0	29.7	51.6	88.9
Cash and Bank	414.7	510.2	436.4	699.0
Loans and Advances	384.9	438.0	687.7	1097.6
Total Current Assets	1018.1	1147.7	1451.8	2103.4
Current Liabilities	130.3	158.7	251.9	401.8
Provisions	176.2	322.9	355.2	390.7
Total Current Liabilities	306.5	481.6	607.1	792.5
Net Current Assets	711.6	666.1	844.7	1310.9
Miscellaneous Expenditure	1.0	0.9	0.8	0.8
<b>Total Assets</b>	<b>4294.1</b>	<b>5059.7</b>	<b>6300.5</b>	<b>6958.5</b>

**Consolidated Cash Flow**

Particulars	FY09	FY10	FY11E	FY12E
Profit Before Tax	215.0	416.6	494.4	512.9
Add: Depreciation	114.4	181.9	380.5	439.4
Add: Interest Expenses	115.9	214.4	328.1	468.9
Add: Others	-1.2	-13.4	0.0	0.0
Operating profit before WC changes	444.1	799.5	1203.0	1421.2
Changes In working Capital	-140.1	185.0	-185.4	-236.4
Cash Flow after changes in WC	304.0	984.5	1017.6	1184.8
Tax Paid	42.4	81.2	80.5	77.3
Cash From Operating Activities	261.6	903.3	937.1	1107.5
Cash Flow from Investing Activities	-604.7	-1022.3	-1592.8	-553.1
Cash from Financing Activities	330.9	142.6	569.7	-291.8
Net Cash Inflow / Outflow	-12.2	23.6	314.0	262.6
Opening Cash & Cash Equivalents	111.0	98.8	122.4	436.4
Closing Cash & Cash Equivalent	98.8	122.4	436.4	699.0

**Ratios**

Turnover Ratios	FY09	FY10	FY11E	FY12E
Total Assets Turnover	0.2	0.3	0.4	0.5
Fixed Assets Turnover	0.3	0.4	0.5	0.7
Net sales to working capital	1.4	2.6	3.0	2.9
Net Working Capital Days	261.9	142.6	122.8	125.4
Inventory Turnover	4.8	10.0	12.0	12.0
Inventory Days	75.6	36.4	30.4	30.4
Advances Turnover	2.6	3.9	3.7	3.5
Advances Days	141.6	93.8	100.0	105.0
Debtors Turnover	76.30	57.40	48.67	42.94
Debtors Days	4.8	6.4	7.5	8.5
Creditors Turnover	4.2	5.7	5.8	6.1
Creditors Days	86.0	63.9	63.0	60.0

Valuation Ratios (x)	FY09	FY10	FY11E	FY12E
Market Price (₹)	244.7	201.5	201.5	201.5
EPS (x)	5.3	12.1	15.8	16.1
Book Value Per Share	52.0	61.4	76.9	92.6
PE (x)	45.9	16.6	12.7	12.5
P/BV (x)	4.7	3.3	2.6	2.2
EV/EBIDTA (x)	19.5	10.7	7.6	6.2
Market Cap / Sales (x)	6.7	3.9	2.7	1.8

Return Ratios (%)	FY09	FY10	FY11E	FY12E
ROCE	8.2%	13.2%	13.8%	13.1%
ROE	10.2%	19.8%	20.6%	17.4%

Margins (%)	FY09	FY10	FY11E	FY12E
PBIDTA	47.1%	49.7%	47.7%	40.8%
PBIT	35.6%	39.1%	34.4%	28.2%
PBDT	33.2%	35.1%	35.2%	29.3%
PBT	21.7%	24.4%	22.0%	16.7%
PAT	17.9%	23.7%	21.1%	14.8%

<b>Other Ratios</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
Payout Ratio (%)	28.1%	12.4%	12.6%	12.4%
Interest Cover (x)	2.6	2.7	2.8	2.4
EPS Growth (%)	40.1%	127.6%	30.5%	1.6%

**Institutional Equity Team**

Subramanyam Ravisankar  
 Director - Equities sravisankar@keynotecapitals.net +91 22 3026 6018

**Analysts / Associates**

Krishna Mahale krishna@keynoteindia.net +91 22 3026 6059  
 Denil Savla denil@keynoteindia.net +91 22 3026 6043  
 Hetal Shah hetal@keynoteindia.net +91 22 2269 4325  
 Ashwin Chavan ashwin@keynoteindia.net +91 22 3026 6059  
 Rohan Admane rohan@keynoteindia.net +91 22 2269 4322  
 Rajesh Sinha rajesh@keynotecapitals.net +91 22 2269 4322  
 Mamta Singh mamta.singh@keynotecapitals.net +91 22 3026 6057

**Technical Analyst**

Sanjay Bhatia sanjay@keynotecapitals.net +91 22 3026 6065

**Dealing / Sales**

Nilesh Dhruv Nilesh@keynoteindia.net +91 22 3026 6040  
 Puja Shah puja.shah@keynoteindia.net +91 22 3026 6057  
 Farha Shaikh farha@keynoteindia.net +91 22 3026 6057

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4th Floor, Balmer Lawrie Building, 5, J. N. Heredia Marg, Ballard Estate, Mumbai 400 001. INDIA  
 Tel. : 9122-2269 4322 / 24 / 25 • www.keynoteindia.net

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