

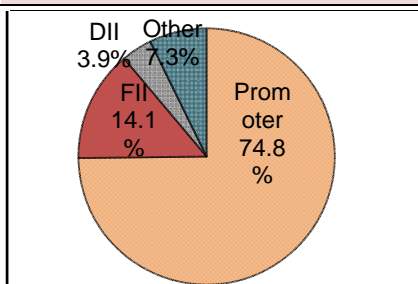
## IRB Infrastructure Developer Ltd.

Q4FY11 Result Update

May 27, 2011

Key Stock Data	
Sector:	Infra (Power)
CMP:	₹147.55
52wk High/Low:	₹312.80/148
Market Cap:	₹49.05bn (\$2205mn)
6m Avg. daily vol:	542778
BSE Sensex:	18044.64
Reco:	'Buy'
Target Price:	₹205
Stock Codes	
Bloomberg Codes:	IRB.IN
Reuters code:	IRBI.BO
BSE Code:	532947
NSE Code:	IRB
Face Value:	₹10

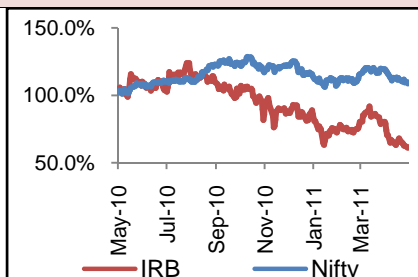
### Shareholding pattern (31<sup>st</sup> Mar, 2011):



### Price Performance (%)

1 Mth	3 Mths	6 Mths	1 Yr
-24.2%	-16.3%	-25.7%	-39.0%

### Stock Price Performance



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**IRB Infrastructure Developers Ltd, one of the largest and most experienced BOT players in the country has posted Q4FY11 results in line with our expectation.**

The consolidated revenue grew by 43% to ₹2503Cr from ₹1754Cr annually where as EBIDTA and PAT grew by 36.5% and 14% respectively. The muted growth in PAT was mainly due to the lower MAT credits and higher Interest cost as 4 new projects came under construction phase.

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.

### Key Performance Highlights

- Net Toll revenues rose by 5.2% to ₹211.9Cr in Q4FY11 from ₹201.6Cr in Q4FY10. Toll collection for the year grew 14% to ₹832.2Cr from ₹729.6Cr driven by higher growth in Surat-Dahisar and Bharuch-Surat.
- EPC revenues grew by 63% to ₹1670.4Cr from ₹1024.2Cr in FY11 driven by completion of Bharuch-Surat and starting of 4 new projects.
- EBIDTA Margins have fallen 220bps to 47.5% from 49.2% mainly due to higher contribution from EPC business to 69% from 60% as per our estimation.
- PAT margins have fallen 470bps to 19% from 23.7% due to higher tax effect and higher interest charges.
- The company's order backlog stands at ₹11741.2Cr which includes recently bagged Ahmedabad mega highway project worth ₹3600Cr and work on the same would be commenced only in FY13.
- The management expects 20% growth in both top line as well as bottom line which we feel very robust. However our expectation is much lower at 12-13%.

### Outlook & Valuation

NHAI has proposed for awarding orders worth ₹1000bn over the next 12-15months, targeting 20kms a day. Since IRB is 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 'buy' arriving revised target price of ₹205 per share. At CMP, stock is trading at a PE multiple of 10.6 and 8.5 of FY11 & FY12E earnings respectively.

## Our Analysis

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

Toll rates for Mumbai-Pune Expressway & NH4 are hiked by 18% from 1<sup>st</sup> April, 2011 (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 are more or less the same.

### **Rising cost of interest – Not a threat**

General concern for infrastructure companies is rise in interest rate. IRB's well hedged portfolio has fixed interest rates for next 2-3 yrs. Its prime project Pune-Mumbai expressway has outstanding debt of around ₹1040Cr which has fixed interest rate of 10.6% for the rest of the tenure i.e. for 8 yrs.

### **Improvement in execution of E&C business**

Currently, the company has 4 new projects on which construction work has already been started, major revenues are likely to be booked from these projects. The company expects 15-20% growth in the E&C business in FY12 whereas major growth would be in FY13 & FY14 as construction of the newly bagged project Ahmedabad-Vadodara Expressway worth ₹3600Cr could start only in FY13.

### **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 Q1FY12 or Q2FY12. However, IRB would be selective in their bids as 70% of FY12 order bagged target, guided by management has been achieved.

### **Surat-Dahisar expressway to be completed by this fiscal year**

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

### **Toll collection of 2 projects are expected in H1FY12**

The company expects that toll collection of Tumkur-Chitradurg and Kolhapur City Roads would start somewhere in H1FY12. This will boost the toll revenues. Therefore the growth in toll revenue would be substantial.

### **Project wise toll revenue growth**

Projects	Q4FY10	Q3FY11	Q4FY11	Y-o-Y	Q-o-Q
TBB - 4 Mumbra	13.05	13.80	15.02	15.1%	8.8%
Kharpada	1.70	1.92	2.10	23.5%	9.4%
Nagar Karmala Tembhorni	3.60	3.59	3.70	2.8%	3.1%
Mohol Mandrup Kamptee	1.40	1.90	2.05	46.4%	7.9%
Pune Solapur	3.50	3.54	4.20	20.0%	18.6%
Pune Nashik	4.80	5.55	5.50	14.6%	-0.9%
Mumbai Pune	76.10	80.87	80.20	5.4%	-0.8%
Thane Ghodbandur	7.00	7.28	7.40	5.7%	1.6%
Surat Dahisar	90.70	95.46	98.20	8.3%	2.9%
Bharuch Surat	31.70	34.78	35.10	10.7%	0.9%
<b>Gross Toll Revenues</b>	<b>233.55</b>	<b>248.69</b>	<b>253.47</b>	<b>8.5%</b>	<b>1.9%</b>

(Source: Company & Keynote Capitals Institutional Research)

**Quarterly Results P&L**

(₹Cr)

Particulars	Q4FY10	Q3FY11	Q4FY11	Y-o-Y	Q-o-Q
<b>Net Sales</b>	501.74	668.81	766.96	52.9%	14.7%
<b>Total Expenditure</b>	270.71	375.27	452.27	67.1%	20.5%
PBIDT (Excl OI)	231.03	293.54	314.69	36.2%	7.2%
Other Income	11.36	11.71	22.88	101.4%	95.4%
<b>Operating Profit</b>	242.39	305.25	337.57	39.3%	10.6%
Interest	81.45	81.97	139.82	71.7%	70.6%
<b>PBDT</b>	160.94	223.28	197.75	22.9%	-11.4%
Depreciation	51.57	58.53	58.72	13.9%	0.3%
<b>PBT</b>	109.37	164.75	139.03	27.1%	-15.6%
Tax	-39.31	28.80	33.57	-185.4%	16.6%
<b>Profit After Tax</b>	148.68	135.95	105.46	-29.1%	-22.4%

(Source: Company and Keynote Capitals Institutional Research)

**Consolidated P&L**

(₹Cr)

Particulars	FY08	FY09	FY10	FY11	FY12E
<b>Net Sales</b>	732.70	991.90	1704.80	2438.11	2951.72
<b>Total Expenditure</b>	320.80	553.00	905.80	1344.20	1579.51
PBIDT (Excl OI)	411.90	438.90	799.00	1093.91	1372.20
Other Income	52.00	28.20	48.90	64.49	0.00
<b>Operating Profit</b>	463.90	467.10	847.90	1158.40	1372.20
Interest	195.80	137.70	249.40	357.20	397.21
<b>PBDT</b>	268.10	329.40	598.50	801.20	975.00
Depreciation	101.60	114.40	181.90	225.40	332.03
<b>PBT</b>	166.50	215.00	416.60	575.80	642.97
Tax	40.00	37.80	13.30	111.70	68.00
<b>Profit After Tax</b>	126.50	177.20	403.30	464.10	574.97

(E: Keynote Capitals Institutional Research Estimates)

**Consolidated Balance sheet**

(₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Share Capital	332.4	332.4	332.4	332.4	332.4
Total Reserves	1288.3	1397.7	1707.5	2163.1	2726.8
Shareholder's Funds	1620.7	1730.1	2039.9	2495.5	3059.2
Minority Interest	28.1	59.9	77.9	95.0	110.0
Deferred Liabilities	2.6	18.2	26.7	30.0	26.4
Total Debts	2021.2	2485.9	2915.2	3379.9	4563.4
<b>Total Liabilities</b>	<b>3672.6</b>	<b>4294.1</b>	<b>5059.7</b>	<b>6000.4</b>	<b>7759.0</b>
Net Block	1884.9	2016.2	3467.4	4052.0	4901.8
Capital Work in Progress	888.8	1454.5	880.2	897.6	1200.8
Total Fixed Assets	2773.7	3470.7	4347.6	4949.6	6102.6
Investments	198.5	110.8	45.1	50.0	80.0
Total Current Assets	958.8	1018.1	1147.7	1630.5	2239.2
Total Current Liabilities	260.0	306.5	481.6	630.5	664.2
Net Current Assets	698.8	711.6	666.1	1000.0	1574.9
<b>Total Assets</b>	<b>3672.6</b>	<b>4294.1</b>	<b>5059.7</b>	<b>6000.4</b>	<b>7759.0</b>

(E: Keynote Capitals Institutional Research Estimates)

<b>Consolidated Cash Flow</b>					(₹Cr)
<b>Particulars</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12E</b>
Profit Before Tax	166.5	215.0	416.6	575.80	642.97
Add: Depreciation	101.6	114.4	181.9	225.40	332.03
Add: Interest Expenses	193.4	115.9	214.4	357.20	397.21
Op. profit before WC changes	411.6	444.1	799.5	1158.40	1372.20
Changes in working Capital	-158.5	-140.1	185.0	54.64	-198.34
Cash Flow after changes in WC	253.1	304.0	984.5	1213.04	1173.86
Tax Paid	41.2	42.4	81.2	111.70	68.00
Cash From Operating Activities	211.9	261.6	903.3	1101.34	1105.86
Cash from Investing Activities	-528.8	-604.7	-1022.3	-782.31	-1437.75
Cash from Financing Activities	407.6	330.9	142.6	257.27	708.49
Net Cash Inflow / Outflow	90.7	-12.2	23.6	576.29	376.60
Opening Cash & Cash Equivalent	20.3	111.0	98.8	122.44	698.73
Closing Cash & Cash Equivalent	111.0	98.8	122.4	698.73	1075.34

(E: Keynote Capitals Institutional Research Estimates)

### Ratios

<b>Turnover Ratios</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
Total Assets Turnover	0.2	0.2	0.3	0.4	0.4
Fixed Assets Turnover	0.3	0.3	0.4	0.5	0.5
Net sales to net working capital	1.0	1.4	2.6	2.4	1.9
Net Working Capital Days	348.1	261.9	142.6	149.7	194.8
Inventory Turnover	14.6	4.8	10.0	12.0	12.0
Inventory Days	25.0	75.6	36.4	30.4	30.4
Advances Turnover	2.0	2.6	3.9	3.7	3.5
Advances Days	186.7	141.6	93.8	100.0	105.0
Debtors Turnover	62.1	76.3	57.4	40.2	42.9
Debtors Days	5.9	4.8	6.4	9.1	8.5
Creditors Turnover	3.1	4.2	5.7	5.5	6.6
Creditors Days	119.4	86.0	63.9	66.0	55.0
<b>Valuation Ratios</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
Market Price (₹)	147.6	147.6	147.6	147.6	147.6
EPS (x)	3.8	5.3	12.1	14.0	17.3
Book Value Per Share	48.8	52.0	61.4	75.1	92.0
PE (x)	38.8	27.7	12.2	10.6	8.5
P/BV (x)	3.0	2.8	2.4	2.0	1.6
EV/EBIDTA (x)	16.0	15.9	8.8	6.4	5.4
Maketcap/Sales (x)	6.9	5.1	2.9	2.1	1.7
<b>Return Ratios (%)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
ROCE	9.9%	8.2%	13.2%	15.7%	13.3%
ROE	7.8%	10.2%	19.8%	18.6%	18.8%
<b>Margins (%)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
PBIDTA	63.3%	47.1%	49.7%	47.5%	46.5%
PBT	22.7%	21.7%	24.4%	23.6%	21.8%
PAT	17.3%	17.9%	23.7%	19.0%	19.5%
<b>Other Ratios</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
Payout Ratio (%)	0.0%	28.1%	12.4%	10.7%	11.6%
Interest Cover (x)	1.9	2.6	2.7	2.6	2.6
EPS Growth (%)	0.0%	40.1%	127.6%	15.1%	23.9%

(E: Keynote Capitals Institutional Research Estimates)

