

IRB Infrastructure Developer Ltd.

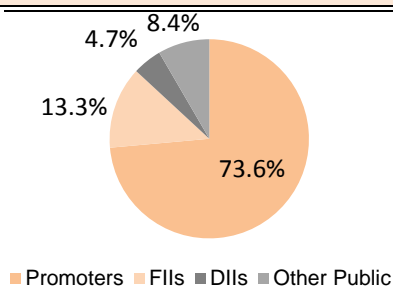
Q2FY12 Result Update

Nov 14, 2011

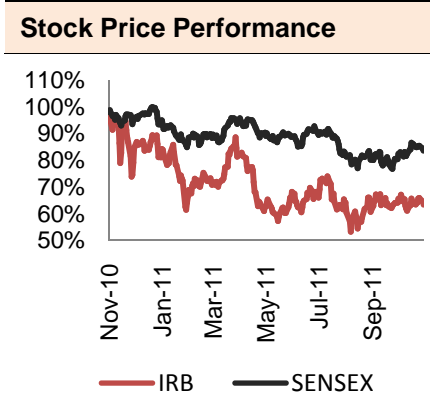
Key Stock Data	
Sector	Infra (Power)
CMP	₹160.75
52wk High/Low	₹266.9/132.0
Market Cap	₹53.43bn (\$1068.6mn)
6m Avg. daily vol	400438
BSE Sensex	17118.7
Reco	'Buy'
Target Price	₹197.9

Stock Codes	
Bloomberg Codes:	IRB.IN
Reuters code:	IRBI.BO
BSE Code:	532947
NSE Code:	IRB
Face Value:	₹10

Shareholding pattern (Sep 2011)



Price Performance (%)	
	(%)
1 Mth	-24.2%
3 Mths	-16.3%
6 Mths	-25.7%
1 Yr	-39.0%



Denil Savla, Analyst

(denil@keynoteindia.net)

(+9122-30266073)

IRB Infrastructure Developers Ltd, one of the largest and most experienced BOT players in the country has posted Q2FY12 results above our expectation.

Revenues grew at 50.1% to ₹735.88Cr from ₹490.31Cr whereas EBIDTA grew 43.7% to ₹351.44Cr from ₹244.68Cr mainly due to increase in input cost. However PAT grew marginally by 8.9% to ₹110.86Cr from ₹101.83Cr due more than double rise in interest cost further added by rise in tax due more higher contribution from construction revenues where the tax rates are higher. 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 two years.

Key Performance Highlights

- Net Toll revenues rose by 17.0% to ₹266.4Cr in Q2FY12 from ₹227.7Cr in Q2FY11 mainly due to higher growth from Mumbai-Pune, Pune-Solapur, Surat-Dahisar and Bharuch-Surat.
- Construction revenues grew by 78.6% to ₹527.5Cr from ₹295.3Cr in Q2 FY12 driven by contribution from the 4 under construction projects as well as from completion of Surat-Dahisar.
- EBIDTA Margins have fallen 316bps to 45.9% from 49.1% mainly due to higher contribution from EPC business where the margins are much lower as compared to toll business. However there was improvement in construction margins y-o-y due to fall in input cost from the peak.
- PAT margins have fallen significantly 595bps to 14.5% from 20.4% due to higher tax effect and higher interest charges.
- The company's order backlog stood at ₹9635.1Cr which includes recently bagged Ahmedabad mega highway project worth ₹3600Cr and work on the same would be commenced only in FY13.
- The management continues the guidance of 20% growth in both top line as well as bottom line. Reviewing the half yearly performance the company has achieved 53% of the expected growth. Even though there is slowdown in construction activities, the company will still achieve its target for FY12.

Outlook & Valuation

NHAI has awarded 3300kms of projects in the H1FY12 and continues with its targets of 7300kms (20kms a day). Since IRB is prominent player in BOT projects, we expect there will be immense opportunity for the company. We have added FY13 estimates in our valuation. On the basis of valuation, we maintain positive outlook with 'buy' arriving revised target price of ₹ 197.9 per share. At CMP, stock is trading at a PE multiple of 8.05 and 7.04 of FY12E & FY13E earnings respectively.

Keynote Capitals Institutional Research is also available on

Bloomberg KNTE <GO>, Thomson One Analytics, Reuters Knowledge, Capital IQ, TheMarkets.com and securities.com

Keynote Capitals Institutional Research –awarded "India's Best IPO Analyst 2009" by MCX-Zee Business

Our Analysis

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. 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 8Years

Improvement in execution of E&C business

As the company currently has 4 new projects on which construction has already 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 would 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 H2 FY12 or in H1FY13. IRB is confident of bagging new projects worth ~₹4500Cr in FY12.

Surat-Dahisar expressway to be completed by this fiscal year

95% of the work is been completed and application of substantial completion certificate is be send to NHA. We expect the complete COD by end of this fiscal year. However there won't be any substantial rise in the revenue as the traffic is diverted through Bhiwandi-Thane route. We expect normal growth of 10-12% Y-o-Y.

Daily gross toll collection of ₹3.04Cr

There has been substantial increase in the daily toll collection to ₹3.04Cr per day from ₹2.4Cr per day mainly due to the rise in the toll rate in Pune-Mumbai of about 18%, toll revenue from Tumkur-chitradurg and rise in Thane-Bhiwandi traffic growth.

Project wise toll revenue growth					(₹ Cr)
Projects	Q2FY11	Q1FY12	Q2FY12	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%
Tumkur Chitradurga	-	11.40	38.70	-	239.5%
Gross Toll Revenues	227.7	266.927	305.1	34.0%	14.3%

(Source: Company and Keynote Capitals Institutional Research)

Equity Infused till date is ₹481Cr

The company has infused total equity of ₹481Cr in their 4 under construction projects out of ₹1366Cr. It will also infuse around full equity in 2 of their projects so that they could avail the government grant which will help them to execute projects in faster manner. The company doesn't expect any delay in the completion of the under construction projects till date. All equity requirements would be funded through internal accruals only. The company has already infused 35% of the equity where as only 10-15% of work is completed on these projects as time taken for the earth evacuation is longer.

Vadodara-Ahmedabad 1st Mega highways project bagged by IRB

The company has bagged Vadodara Ahmedabad mega highway project worth ₹3678Cr with the concession of 25 year including 3 years of construction at a premium of ₹309.6Cr in 1st year and thereafter 5% increase every year. We have not included this project in our valuation due to lack of clarity. However we may add it in FY13 as the construction work would only start in FY13.

Revision of order book

The company has revised its order book and has deleted the Panji-Goa project worth ₹833Cr due to the land acquisition issues faced by NHAI and the government has not given appointed date. Therefore we have also deleted the Panji-Goa projects from our valuation as the project is expected to be cancelled.

Recent Bulk Deal happened

The promoter group sold about 10% of the stake and reduced their holding to 7.5%. Out of this 10% sell Mr. Virendra Mhaiskar has bought about 1.6% taking its holding to 60% and rest were bought by FIIs as well as DIIs. The proceedings from the sale were used for their own business plan. Currently, the promoters and its group holding is 67.5% of which 10.65% of shares are pledge. As this happened post Sept 2011 the effect would appear in Q3FY12.

Toll collection from Tumkur started and Kolhapur City project is expected in Q3 FY12

Toll collection started from Tumkur-Chitradurg project from June 2011 as expected and the toll collection for the Q2FY12 was ₹38.7Cr. Due to some procedural delay Kolhapur City Roads would start somewhere in Q3FY12. The company expects first full year operational revenue in the range ₹35-40Cr.

Quarterly Results P&L

(₹ Cr)

Particulars	Q2FY11	Q1FY12	Q2FY12	Y-o-Y	Q-o-Q	H1 FY11	H1 FY12	Y-o-Y
Net Sales	490.31	801.33	735.88	50.1%	-8.2%	1002.34	1537.22	53.4%
Total Expenditure	253.94	471.89	414.40	63.2%	-12.2%	516.67	886.28	71.5%
PBIDT (Excl OI)	236.37	329.44	321.48	36.0%	-2.4%	485.67	650.94	34.0%
Other Income	8.22	28.22	30.07	265.8%	6.6%	29.89	58.28	95.0%
Operating Profit	244.59	357.66	351.55	43.7%	-1.7%	515.56	709.22	37.6%
Interest	69.30	117.43	141.15	103.7%	20.2%	135.42	258.58	90.9%
PBDT	175.29	240.23	210.40	20.0%	-12.4%	380.14	450.64	18.5%
Depreciation	54.43	60.23	62.85	15.5%	4.3%	108.11	123.08	13.8%
PBT	120.86	180.00	147.55	22.1%	-18.0%	272.03	327.56	20.4%
Tax	19.03	44.26	36.69	92.8%	-17.1%	49.37	80.94	63.9%
Profit After Tax	101.83	135.74	110.86	8.9%	-18.3%	222.66	246.62	10.8%

Source: Company and Keynote Capitals Institutional Research

Consolidated P&L					(₹ Cr)
Particulars	FY09	FY10	FY11	FY12E	FY13E
Net Sales	991.90	1704.80	2438.11	3169.55	3699.31
Total Expenditure	553.00	905.80	1344.20	1655.01	1993.16
PBIDT (Excl OI)	438.90	799.00	1093.91	1514.54	1706.15
Other Income	28.20	48.90	64.49	80.00	75.00
Operating Profit	467.10	847.90	1158.40	1594.54	1781.15
Interest	137.70	249.40	357.20	452.46	481.11
PBDT	329.40	598.50	801.20	1142.08	1300.04
Depreciation	114.40	181.90	225.40	332.73	380.92
PBT	215.00	416.60	575.80	809.35	919.12
Tax	37.80	13.30	111.70	146.41	160.28
Profit After Tax	177.20	403.30	464.10	662.95	758.85

(E: Keynote Capitals Institutional Research Estimates)

Consolidated Balance sheet					(₹ Cr)
Particulars	FY09	FY10	FY11	FY12E	FY13E
Share Capital	332.4	332.4	332.4	332.4	333.4
Total Reserves	1397.7	1707.5	2163.1	2814.8	3562.0
Shareholder's Funds	1730.1	2039.9	2495.5	3147.2	3895.4
Minority Interest	59.9	77.9	95.0	110.0	118.0
Deferred Liabilities	18.2	26.7	30.0	26.4	27.2
Total Debts	2485.9	2915.2	3379.9	4963.4	6091.3
Total Liabilities	4294.1	5059.7	6000.4	8246.9	10131.9
Net Block	2016.2	3467.4	4052.0	5301.8	6464.6
Capital Work in Progress	1454.5	880.2	897.6	1300.8	1380.9
Total Fixed Assets	3470.7	4347.6	4949.6	6602.6	7845.4
Investments	110.8	45.1	50.0	80.0	81.0
Total Current Assets	1018.1	1147.7	1630.5	2238.5	2896.4
Total Current Liabilities	306.5	481.6	630.5	675.6	693.3
Net Current Assets	711.6	666.1	1000.0	1562.9	2203.1
Total Assets	4294.1	5059.7	6000.4	8246.9	10131.9

(E: Keynote Capitals Institutional Research Estimates)

Consolidated Cash Flow					(₹ Cr)
Particulars	FY09	FY10	FY11	FY12E	FY13E
Profit Before Tax	215.00	416.60	575.80	809.35	919.12
Add: Depreciation	114.40	181.90	225.40	332.73	380.92
Add: Interest Expenses	115.90	214.40	357.20	452.46	481.11
Changes In working Capital	-140.10	185.00	50.16	-268.38	-526.53
Cash Flow after changes in WC	304.00	984.52	1208.56	1326.16	1255.63
Less:Tax Paid	42.40	81.20	111.70	146.41	160.28
Cash from Operating Activities	261.60	903.32	1096.86	1179.75	1095.35
Cash from Investing Activities	-604.70	-1022.30	-782.31	-1938.45	-1547.45
Cash from Financing Activities	330.90	142.60	257.27	1053.24	565.74
Net Cash Inflow / Outflow	-12.20	23.62	571.82	294.54	113.65
Opening Cash balance	111.02	98.82	122.44	694.26	988.80
Closing Cash balance	98.82	122.44	694.26	988.80	1102.45

(E: Keynote Capitals Institutional Research Estimates)

Ratios

Turnover Ratios	FY08	FY09	FY10	FY11E	FY12E
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
Valuation Ratios	FY08	FY09	FY10	FY11E	FY12E
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
Market cap/Sales (x)	6.9	5.1	2.9	2.1	1.7
Return Ratios (%)	FY08	FY09	FY10	FY11E	FY12E
ROCE	9.9%	8.2%	13.2%	15.7%	13.3%
ROE	7.8%	10.2%	19.8%	18.6%	18.8%
Margins (%)	FY08	FY09	FY10	FY11E	FY12E
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%
Other Ratios	FY08	FY09	FY10	FY11E	FY12E
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)

Institutional Equity Team

Rakesh Chaudhary

(CEO)

rakesh@keynotecapitals.net

Analysts / Associates

Denil Savla	denil@keynoteindia.net	+91 22 3026 6073
Deepak Kolhe	deepak@keynotecapitals.net	+9122 3026 6084
Rohan Admane	rohan@keynoteindia.net	+91 22 2269 6059
Rajesh Sinha	rajesh@keynotecapitals.net	+91 22 30266088
Mamta Singh	mamta.singh@keynotecapitals.net	+91 22 3026 6057

Technical Analyst

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

Nilesh Dhruv	nilesh@keynoteindia.net	+91 22 3026 6040
Puja Shah	puja.shah@keynoteindia.net	+91 22 3026 6072
Nisha Sharma	nisha@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

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