EQUITY RESEARCH | **June 24, 2010**

RESULTS REVIEW

Share Data	
Market Cap	Rs. 90.2 bn
Price	Rs. 271.25
BSE Sensex	17,730.24
Reuters	IRBI.BO
Bloomberg	IRB IN
Avg. Volume (52 Week)	0.49 mn
52-Week High/Low	Rs. 299.95 / 135
Shares Outstanding	332.4 mn

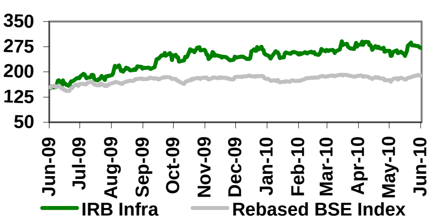
Valuation Ratios (Consolidated)

Year to 31 March	FY11E	FY12E
EPS (Rs.)	15.3	20.1
+/- (%)	31.7%	31.8%
PER (x)	17.8x	13.5x
EV/Sales (x)	4.2x	2.9x
EV/EBITDA (x)	9.8x	7.7x

Shareholding Pattern (%)	
Promoters	73.9
FIIs	14.9
Institutions	5.7
Public & Others	5.5

Holding >1% (Non-Promoter)	
HSBC Global Investment Funds	1.8
HDFC Trustee Company Ltd	1.2
Stiching Pendioenfonds ABP	1.4
New Vernon India Ltd	1.1

Relative Performance



IRB Infrastructure Developers Limited — Buy

Huge opportunity in road segment to propel growth

IRB Infrastructure reported strong set of numbers for FY10 with revenues jumping by 71.7% yoy to Rs. 17.5 bn primarily due to concession of two new projects and strong performance of construction segment. In addition, the Company's bottom line was also boosted by strong operating performance and MAT credit entitlement. The company's current order book and uptrend in toll revenues provides strong revenue visibility in the near to medium term. In addition, IRB with its largest domestic BOT portfolio of 16 projects is an ideal play on government's focus on developing road infrastructure through PPP model. Therefore, we maintain our Buy rating with a target price of Rs. 319.

Strong revenue visibility: The construction segment's order book stood at Rs. 89.5 bn out of which Rs. 65.3 bn is for the own BOT project with an execution time frame of three years and Rs. 24.2 bn is for operation and maintenance over a period of 10-12 years. The order backlog at 8.8x FY10 construction revenues of Rs. 10.2 bn provides an extremely strong earnings visibility. In addition, the management has indicated that upward revision from Surat-Dahisar project has resulted in toll collection of Rs. 10 mn on a daily basis, up 8.4% yoy. Moreover, the toll revenues have started to kick in from Bharuch-Surat project from September 2009, averaging at Rs. 3.5 mn. We believe that toll collection is likely to improve going forward, further improving revenue visibility.

Margins to remain stable despite regulatory changes: We believe that the new Model Concession Agreement, under which bidders are required to quote a level of revenue-sharing that they are ready to offer NHAI, is likely to have limited effect on the Company. IRB's high traffic BOT projects like Mumbai-Pune Expressway, part of NH-4 and Pune-Nashik road do not have any toll-sharing arrangement. This will result in high internal rate of return on its projects compared to peers who have recently entered the segment and have settled for less attractive terms.

Key Figures (Standalone)

Quarterly Data	Q4'09	Q3'10	Q4'10	YoY%	QoQ%	FY09	FY10	YoY%
(Figures in Rs. mn, except per share data)								
Net Sales	3,276	4,418	5,131	56.6%	16.1%	10,215	17,538	71.7%
EBITDA	1,271	2,358	2,424	90.8%	2.8%	4,670	8,480	81.6%
Net Profit	422	914	1,417	235.6%	55.0%	1,758	3,854	119.2%
Margins(%)								
EBITDA	38.8%	53.4%	47.2%			45.7%	48.4%	
NPM	12.9%	20.7%	27.6%			17.2%	22.0%	
Per Share Data (Rs.)								
EPS	1.3	2.8	4.3	235.6%	55.0%	5.3	11.6	119.2%

However, new projects like Surat-Dahisar in which the Company does have a toll sharing arrangement, might result in less lucrative IRR. Nonetheless, we expect the Company to mitigate this affect on margins through its mutually dependent business model. EPC related to road projects are done in house resulting in lower subcontracting expenses. Besides, large fleet equipment, ownership of aggregate mines and lower raw material costs due to relatively cheap imported bitumen are likely to further alleviate the pressure on margins.

Result Highlights

- During the quarter ended March 2010, IRB's consolidated net sales surged 56.6% yoy to Rs. 5.1 bn driven by strong performance of construction segment due to peak execution in new projects like Kolhapur project.
- At the same time, EBITDA jumped by 90.8% to Rs. 2.4 bn primarily because of 16% yoy decline in office and other expenditure. On an annual basis EBITDA jumped 81.6% to Rs. 8.5 bn aided by 98% yoy surge in construction segment's EBITDA to Rs. 2 bn.
- EBITDA margin improved by 840 bps yoy to 47.2% for Q4'10 primarily because of 690 bps yoy decline in direct expenses as a percentage of sales.
- In Q4'10, the interest expenditure jumped by 102% yoy to Rs. 815 mn. On an annual basis interest cost was up 81.2% to Rs. 2.5 bn on account interest paid on Surat Dahisar project, as well as Surat Bharuch project.
- Despite jump in interest cost net profit for the quarter jumped by 235.6% yoy to Rs. 1.4 bn primarily because of a tax credit of Rs. 3.93 mn, on account of MAT credit entitlement booked by the Company on its various road projects.
- Driven by strong operating performance net profit for FY10 jumped 119.2% to Rs. 3.9 bn
- Additionally, on the back of growth in top-line, robust operating margins and MAT credit entitlement, the net profit margin for Q4'10 improved by 14.7 pps (percentage points) yoy to 27.6%.

Key Events

- IRB Infrastructure Developers has been selected for the six-laning of Tumkur-Chitradurga section of NH-4 in the state of Karnataka. Based on the

DBFO pattern, the project is on Premium basis and the estimated project cost is Rs. 12 bn.

- IRB Infrastructure Developers Ltd has recommended dividend of Rs. 1.50 (15%) per equity share of face value of Rs. 10 each for the financial year 2009-10.
- The Company has said that IRB Jaipur Deoli Tollway Pvt. Ltd. and IRB Pathankot Amritsar Toll Road Pvt. Ltd. have achieved financial closure in terms of the Concession Agreement executed with NHAI, by tying up of debt of Rs. 9 bn & Rs. 9.24 bn, respectively.

Key Figures (Consolidated)

Year to March	FY08	FY09	FY10	FY11E	FY12E	CAGR (%)
(Figures in Rs mn, except per share data)						(FY10-12E)
Net Sales	7,847	10,215	17,538	27,550	39,947	50.9%
Adj. EBITDA	4,639	4,670	8,480	11,721	14,780	32.0%
Adj. Net Profit	1,139	1,758	3,854	5,074	6,689	31.7%
Margins(%)						
EBITDA	59.1%	45.7%	48.4%	42.5%	37.0%	
NPM	14.5%	17.2%	22.0%	18.4%	16.7%	
Per Share Data (Rs.)						
Adj. EPS	4.2	5.3	11.6	15.3	20.1	31.7%
PER (x)	40.7x	15.1x	23.4x	17.8x	13.5x	

Valuation

We are extremely optimistic on IRB's current BOT portfolio of 16 projects and the Company's ability to capitalize on humongous opportunity in the road development segment. Moreover, the Company's construction segment's order book of Rs. 89.5 mn lends sturdy revenue visibility to the Company. Thus, we expect revenues to grow at a CAGR of 50.9% during FY10-12. In addition, we believe that the Company will be able to out perform its peers in terms of margins due to its unique and integrated business model. We have valued the Company using the SOTP valuation and thus, we recommend Buy rating on the stock with a TP of Rs. 319, with a significant upside of 18%.

SOTP	Valuation measure	Value Per Share
BOT	FCFE	INR 233
Construction	PE	INR 81
Realty	Investment	INR 5
Total		**INR 319**

Disclaimer

This report is not for public distribution and is only for private circulation and use. The Report should not be reproduced or redistributed to any other person or person(s) in any form. No action is solicited on the basis of the contents of this report.

This material is for the general information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be considered as an offer to sell or the solicitation of an offer to buy any stock or derivative in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Indiabulls Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. You are advised to independently evaluate the investments and strategies discussed herein and also seek the advice of your financial adviser.

Past performance is not a guide for future performance. The value of, and income from investments may vary because of changes in the macro and micro economic conditions. Past performance is not necessarily a guide to future performance.

This report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Any opinions expressed here in reflect judgments at this date and are subject to change without notice. Indiabulls Securities Limited (ISL) and any/all of its group companies or directors or employees reserves its right to suspend the publication of this Report and are not under any obligation to tell you when opinions or information in this report change. In addition, ISL has no obligation to continue to publish reports on all the stocks currently under its coverage or to notify you in the event it terminates its coverage. Neither Indiabulls Securities Limited nor any of its affiliates, associates, directors or employees shall in any way be responsible for any loss or damage that may arise to any person from any error in the information contained in this report.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject stock and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. No part of this material may be duplicated in any form and/or redistributed without Indiabulls Securities Limited prior written consent.

The information given herein should be treated as only factor, while making investment decision. The report does not provide individually tailor-made investment advice. Indiabulls Securities Limited recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. Indiabulls Securities Limited shall not be responsible for any transaction conducted based on the information given in this report, which is in violation of rules and regulations of National Stock Exchange or Bombay Stock Exchange.