RBS The Royal Bank of Scotland

4 November 2009

Produced and issued by: ABN AMRO Bank NV India Branch

IVRCL Infra & Projects

Restructuring to expand BOT

Buy

Target price
Rs448.90 (from Rs437.00)

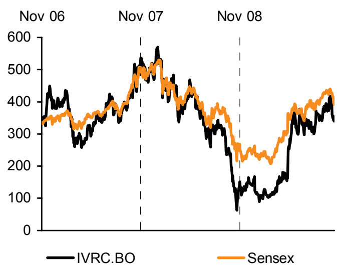
Price
Rs339.50

Short term (0-60 days)
n/a

Market relative to region
Underweight

Price performance

	(1M)	(3M)	(12M)
Price (Rs)	388.0	333.8	103.8
Absolute (%)	-12.5	1.7	227.2
Rel market (%)	-2.7	5.1	119.6
Rel sector (%)	-13.3	5.4	133.3



Market capitalisation
Rs45.32bn

Average (12M) daily turnover
Rs975.56m (US$20.22m)

RIC: IVRC.BO, IVRC IN
Priced at close of business 3 Nov 2009.
Source: Bloomberg

IVRCL 2QFY10 PAT was in line with our estimate as higher EBIDTA margin and lower interest costs compensated for sales disappointment. With the proposed BOT restructuring, management is confident it can create value from its aggressive BOT expansion plan with minimal equity dilution at the parent level.

Key forecasts

	FY08A	FY09A	FY10F	FY11F	FY12F
Revenue (Rsm)	36,624	48,819	63,568	79,329	96,571
EBITDA (Rsm)	3,655	4,237	5,955	7,630	9,147
Reported net profit (Rsm)	2,216	2,270	2,781	3,943	4,850
Normalised net profit (Rsm)[1]	2,216	2,270	2,781	3,943	4,850
Normalised EPS (Rs)	16.10	16.50	20.20	28.60	35.20
Dividend per share (Rs)	1.40	1.40	1.70	2.00	2.30
Dividend yield (%)	0.41	0.41	0.50	0.59	0.68
Normalised PE (x)	21.10	20.60	16.80	11.90	9.64
EV/EBITDA (x)	14.80	13.80	9.12	6.84	5.68
Price/book value (x)	2.91	2.58	2.22	1.88	1.63
ROIC (%)	13.30	9.96	11.30	15.00	16.80

1. Post-goodwill amortisation and pre-exceptional items
Accounting standard: Local GAAP
Source: Company data, ABN AMRO forecasts

year to Mar, fully diluted

Savings from interest costs and healthy margins for FY2Q10 extend comfort

For FY2Q10 IVRCL posted a 7.2% yoy rise in PBT to Rs715m on the back of a 7% yoy rise in net sales to Rs12.2bn and a 140bp yoy (20bp qoq) rise in EBITDA margins to 9.4%. The results were in line with our PAT forecast, as the higher EBIDTA margin and lower interest costs compensated for sales disappointment. Management highlighted the higher base effect as key reason for muted sales momentum and maintained its full-year guidance. The 9% qoq drop in interest expense (debt Rs17.5bn) despite a 12% qoq rise in sales surprised us.

BOT restructuring should help reduce pressure on parent's debt-to-equity ratio

The hiving off of fully owned BOT subsidiaries into IVR Prime should help IVRCL reduce the incremental funding requirement, as BOT requires regular equity investments towards project special purpose vehicles. As management's aggressive BOT expansion plan has recently helped secure L1 status in several prestigious projects valued at around Rs45bn (ie, Sion-Panvel highway, storage tank projects), the restructuring should be value accretive in the medium term. We maintain our BOT subsidiary value of Rs31.7 per share until management announces the swap ratio for the BOT restructuring.

Strong sales growth and lowest equity-dilution risk among peers; Buy

IVRCL remains our preferred stock as it has the highest sales growth among its peers without having to raise equity funding, on our analysis, which is particularly impressive as the construction business is working-capital intensive. With large L1 orders that will be converted into BOT and cash contracts, coupled with the BOT restructuring reducing equity-dilution risk at the parent level (and a healthy debt:equity ratio of 0.8x at end-September 2009), we reiterate Buy with a revised SOTP-based target price of Rs448.90, which includes our upgraded total subsidiary value of Rs76.70 per share to reflect HDO and IVR Prime's current market price. Removing subsidiary value, the stock trades at 9.5x FY11F PE with 31.8% EPS CAGR for FY09-11F. We have assigned no value for the pending L1 BOT projects.

This note should be read along with our sector report (*Improved profitability*, 4 November 2009) for a better understanding of the investment argument.

Important disclosures can be found in the Disclosures Appendix.

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High sales growth; healthy debt to equity

IVRCL continues to deliver one of the highest sales growth rates amongst its peers without having to raise equity funding. We reiterate our Buy rating, owing to its attractive valuation, on our forecasts, and healthy debt:equity of 0.8x.

2QFY10 results – in-line PAT

2QFY10 PAT declines yoy, due to withdrawal of section 801A tax benefits; PBT increases 7.2% yoy

For 2QFY10, IVRCL reported PAT of Rs488m (up 39% qoq and down 15% yoy) on net sales of Rs12.2bn (up 7% qoq and 12% yoy) and an EBITDA margin of 9.4% (up 140bp yoy and 20bp qoq). The fall in PAT was due to withdrawal of section 80IA tax benefits in 4QFY09 (carried out retrospectively from the beginning of FY09), and hence we look at PBT, up 7.2% yoy to Rs1,231m, as well. Impressive EBITDA margins were further boosted by a 9% qoq fall in interest costs despite a 12% qoq increase in net sales. EPS for the quarter stood at Rs3.65. Subsidiary HDO recorded a 96% yoy rise in PAT to Rs156.4m on 75% sales growth to Rs2.1bn and a stable EBITDA margin of 13.2%.

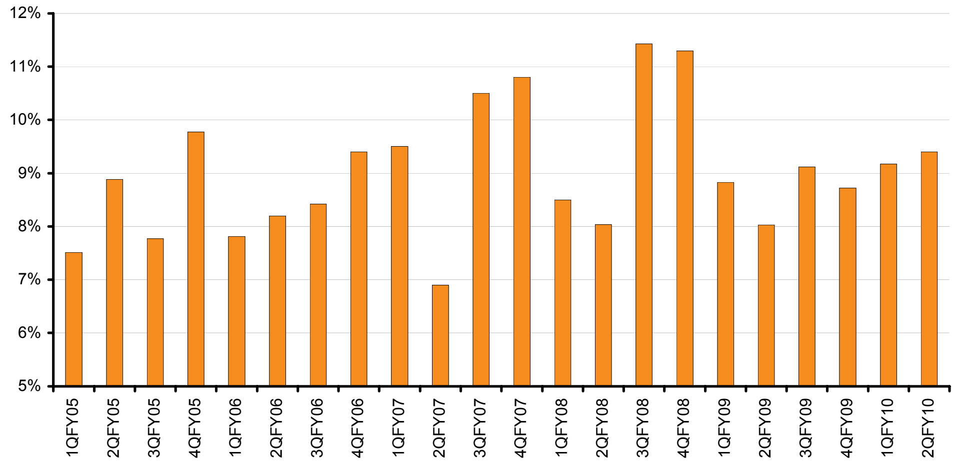
High interest costs mute PBT growth in 1HFY10

For 1HFY10, IVRCL recorded a 1% yoy rise in PBT to Rs1,231m on a 12% yoy increase in net sales to Rs23bn and 90bp yoy increase in EBITDA margin. High interest costs during 1QFY09 played the spoiler and muted PBT growth. EPS for 1HFY10 stood at Rs6.30.

Other performance highlights:

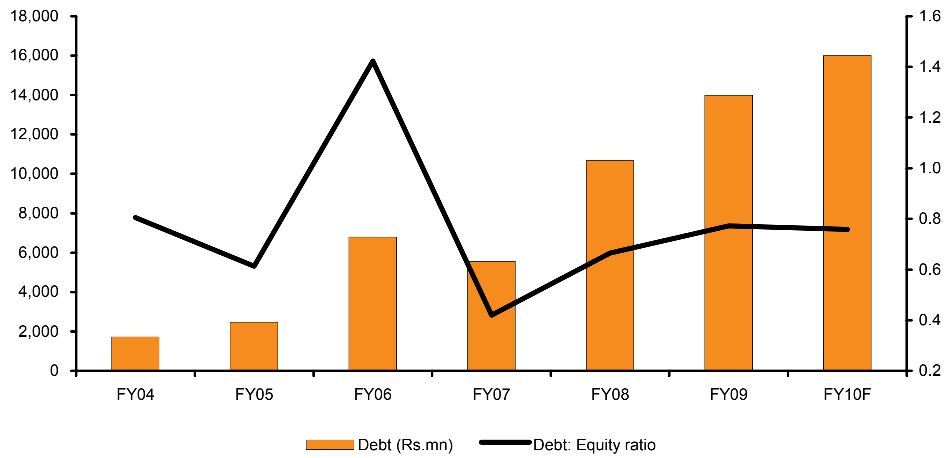
- The company had net debt of Rs17.5bn as at 30 September 2009.
- IVRCL's order book stood at Rs146bn, nearly two-thirds of which came from water projects.
- HDO performance during 2Q: sales were up 75% yoy to Rs2.06bn, EBITDA margin was stable at 13.2%, and PAT was up 96% yoy to Rs156.4m.

Chart 1 : Quarterly EBITDA margin trend



Source: Company data

Chart 2 : Parent-level debt trend



Source: Company data, ABN AMRO forecasts

Maintain EPS at parent level; upgrade SOTP TP to account for subsidiary stock price rise

We expect flat costs on rising sales in 2H, as interest rates ease

To meet our FY10 estimates, IVRCL will need to realise 44% yoy growth in the second half and maintain its EBITDA margin. We have built in easing interest rates in 2H, leading to flat interest costs vs 1H, despite higher sales. We feel the company is on course to meet our estimate as the worst of the political uncertainty and tight liquidity seen in 1H should be behind us. On the back of the strong momentum we expect in 2HFY10 for sales and order inflow (owing to the conversion of L1, valued at Rs40bn), we maintain our target parent valuation at 13x FY11F PE, which is at the top end of our target range for its construction peers. However, we upgrade the total subsidiary value to Rs76.70, from Rs64.70, to reflect the increased list prices for HDO and IVR Prime. This raises our SOTP-based target price to Rs448.90.

Table 1 : Subsidiary valuation summary

Rs	IVRCL Prime Urban	Hindustan Dorr-Oliver	BOT Subsidiary	Total
Current price / investment	**116.0**	**140.0**	**2,569.9**	
Valuation methodology	Current stock price	Current stock price	P/BV	
Range of valuation			2.00	
Equity value of subsidiary	7,233	5,040	5,138	
IVRCL holding	62.4%	55.0%	100%	
Equity value for IVRCL shareholder	**4,510**	**2,772.0**	**5,138.0**	**12,419.5**
Diluted equity (no of shares m)	137.7			
Value per share (Rs)	**32.7**	**20.1**	**37.3**	**90.2**
Holding company discount				15.0%
Value per share (Rs)	**27.8**	**17.1**	**31.7**	**76.7**

Source: Bloomberg prices as at 3 Nov 2009, ABN AMRO estimates for BOT subsidiary value

Key assumptions

Table 2 : Order inflow and backlog (Rsm)

Order Inflow/ Backlog	FY08	FY09	FY10F	FY11F	FY12F
Order Inflow	88,435.0	72,276.3	86,000.0	98,500.0	110,000.0
Growth(%)	*141.1%*	*-18.3%*	*19.0%*	*14.5%*	*11.7%*
Order Book Backlog	122,415.0	145,000.0	166,500.0	184,500.0	196,500.0
Growth(%)	*72.2%*	*18.4%*	*14.8%*	*10.8%*	*6.5%*

Source: Company data, ABN AMRO forecasts

Table 3 : Revenue breakdown

Rsm	FY08	FY09	FY10F	FY11F	FY12F
Water & Environmental	19,655.0	27,691.3	36,000.0	45,000.0	54,000.0
Growth	*71.8%*	*40.9%*	*30.0%*	*25.0%*	*20.0%*
as a % of total revenue	53.0%	55.7%	55.8%	55.9%	55.1%
Roads & Bridges	7,050.0	6,000.0	8,000.0	11,000.0	15,000.0
Growth	*88.7%*	*-14.9%*	*33.3%*	*37.5%*	*36.4%*
as a % of total revenue	19.0%	12.1%	12.4%	13.7%	15.3%
Buildings & Industrial Structures	4,450.0	10,000.0	9,500.0	11,000.0	13,000.0
Growth	*12.1%*	*124.7%*	*-5.0%*	*15.8%*	*18.2%*
as a % of total revenue	12.0%	20.1%	14.7%	13.7%	13.3%
Power & Transmission Lines	5,935.0	6,000.0	11,000.0	13,500.0	16,000.0
Growth	*41.2%*	*1.1%*	*83.3%*	*22.7%*	*18.5%*
as a % of total revenue	16.0%	12.1%	17.1%	16.8%	16.3%
Total Revenue	37,090.0	49,691.3	64,500.0	80,500.0	98,000.0
Growth	*58.9%*	*34.0%*	*29.8%*	*24.8%*	*21.7%*
EBITDA margin	10.0%	8.7%	9.4%	9.6%	9.5%

Source: Company data, ABN AMRO forecasts

Income statement

Rsm	FY08A	FY09A	FY10F	FY11F	FY12F
Revenue	36624	48819	63568	79329	96571
Cost of sales	-23417	-30091	-37632	-47915	-58329
Operating costs	-9552	-14491	-19981	-23784	-29095
EBITDA	**3655**	**4237**	**5955**	**7630**	**9147**
DDA & Impairment (ex gw)	-328.2	-473.0	-641.1	-761.6	-918.2
EBITA	**3327**	**3764**	**5313**	**6869**	**8229**
Goodwill (amort/impaired)	n/a	n/a	n/a	n/a	n/a
EBIT	**3327**	**3764**	**5313**	**6869**	**8229**
Net interest	-407.3	-1309	-1550	-1500	-1600
Associates (pre-tax)	n/a	n/a	n/a	n/a	n/a
Forex gain / (loss)	n/a	n/a	n/a	n/a	n/a
Exceptionals (pre-tax)	n/a	n/a	n/a	n/a	n/a
Other pre-tax items	45.3	298.6	210.0	264.5	300.0
Reported PTP	**2965**	**2753**	**3973**	**5633**	**6929**
Taxation	-748.5	-483.4	-1192	-1690	-2079
Minority interests	n/a	n/a	n/a	n/a	n/a
Exceptionals (post-tax)	n/a	n/a	n/a	n/a	n/a
Other post-tax items	0.00	0.00	0.00	0.00	0.00
Reported net profit	**2216**	**2270**	**2781**	**3943**	**4850**
Normalised Items Excl. GW	0.00	0.00	0.00	0.00	0.00
Normalised net profit	**2216**	**2270**	**2781**	**3943**	**4850**

Source: Company data, ABN AMRO forecasts — year to Mar

Balance sheet

Rsm	FY08A	FY09A	FY10F	FY11F	FY12F
Cash & market secs (1)	1797	1032	7007	6637	6884
Other current assets	27059	37127	36292	41496	47586
Tangible fixed assets	3733	5402	6072	6710	7492
Intang assets (incl gw)	n/a	n/a	n/a	n/a	n/a
Oth non-curr assets	3383	3868	6368	8368	10368
Total assets	**35973**	**47430**	**55739**	**63211**	**72331**
Short term debt (2)	n/a	n/a	n/a	n/a	n/a
Trade & oth current liab	9132	15226	18297	24115	28974
Long term debt (3)	10678	13980	16000	13500	13500
Oth non-current liab	103.1	117.4	355.8	693.8	1110
Total liabilities	**19913**	**29324**	**34653**	**38308**	**43584**
Total equity (incl min)	16060	18106	21086	24903	28747
Total liab & sh equity	**35973**	**47430**	**55739**	**63211**	**72331**
Net debt	8881	12948	8993	6863	6616

Source: Company data, ABN AMRO forecasts — year ended Mar

Cash flow statement

Rsm	FY08A	FY09A	FY10F	FY11F	FY12F
EBITDA	3655	4237	5955	7630	9147
Change in working capital	-5602	-390.6	-3950	2216	-1055
Net interest (pd) / rec	-362.0	-1011	-1340	-1236	-1300
Taxes paid	-697.6	-450.0	-953.6	-1352	-1663
Other oper cash items	-1066	-3568	8094	-1265	239.9
Cash flow from ops (1)	**-4072**	**-1182**	**7805**	**5994**	**5369**
Capex (2)	-1626	-2143	-1310	-1400	-1700
Disposals/(acquisitions)	0.00	0.00	0.00	0.00	0.00
Other investing cash flow	316.3	-514.8	-5746	-870.7	-3418
Cash flow from invest (3)	**-1310**	**-2657**	**-7057**	**-2271**	**-5118**
Incr / (decr) in equity	7.66	0.03	4.20	4.20	0.00
Incr / (decr) in debt	5126	3302	2020	-2500	0.00
Ordinary dividend paid	-218.6	-225.6	-273.9	-597.6	-1004
Preferred dividends (4)	n/a	n/a	n/a	n/a	n/a
Other financing cash flow	n/a	n/a	n/a	n/a	n/a
Cash flow from fin (5)	**4915**	**3076**	**1750**	**-3093**	**-1004**
Forex & disc ops (6)	n/a	n/a	n/a	n/a	n/a
Inc/(decr) cash (1+3+5+6)	**-466.5**	**-763.0**	**2498**	**629.7**	**-752.3**
Equity FCF (1+2+4)	-5698	-3325	6495	4594	3669

Lines in bold can be derived from the immediately preceding lines. — year to Mar
Source: Company data, ABN AMRO forecasts

Standard ratios

Performance	IVRCL FY08A	IVRCL FY09A	IVRCL FY10F	IVRCL FY11F	IVRCL FY12F	Hindustan Construction FY10F	Hindustan Construction FY11F	Hindustan Construction FY12F	Gammon India FY10F	Gammon India FY11F	Gammon India FY12F
Sales growth (%)	58.8	33.3	30.2	24.8	21.7	14.0	20.0	16.0	20.0	15.0	15.0
EBITDA growth (%)	57.7	15.9	40.5	28.1	19.9	23.5	17.0	9.25	37.8	10.1	12.1
EBIT growth (%)	58.3	13.1	41.2	29.3	19.8	24.8	18.8	6.32	46.7	10.2	12.4
Normalised EPS growth (%)	51.3	2.43	22.5	41.8	23.0	89.4	18.2	-15.2	105.8	5.14	7.67
EBITDA margin (%)	9.98	8.68	9.37	9.62	9.47	14.1	13.8	12.9	10.5	10.1	9.80
EBIT margin (%)	9.08	7.71	8.36	8.66	8.52	10.4	10.3	9.48	9.04	8.66	8.47
Net profit margin (%)	6.05	4.65	4.38	4.97	5.02	3.72	3.67	2.68	4.39	4.02	3.76
Return on avg assets (%)	7.32	7.52	7.38	8.30	8.72	5.39	5.57	5.22	5.58	5.63	5.85
Return on avg equity (%)	15.1	13.3	14.2	17.1	18.1	11.0	10.2	8.02	11.8	10.7	10.4
ROIC (%)	13.3	9.96	11.3	15.0	16.8	7.94	8.19	7.89	10.3	12.4	10.7
ROIC - WACC (%)	0.72	-2.61	-1.27	2.39	4.23	-4.65	-9.79	-10.1	-2.28	-0.19	-1.94
					year to Mar			year to Mar			year to Mar
Valuation											
EV/sales (x)	1.48	1.19	0.85	0.66	0.54	1.52	1.31	1.18	0.71	0.72	0.62
EV/EBITDA (x)	14.8	13.8	9.12	6.84	5.68	10.8	9.56	9.10	6.74	7.16	6.29
EV/EBITDA @ tgt price (x)	18.8	17.2	11.6	8.75	7.27	10.3	9.12	8.70	5.44	5.97	5.23
EV/EBIT (x)	16.3	15.5	10.2	7.60	6.31	14.6	12.7	12.4	7.83	8.30	7.28
EV/invested capital (x)	2.16	1.87	1.78	1.61	1.42	1.52	1.43	1.36	1.33	1.18	1.11
Price/book value (x)	2.91	2.58	2.22	1.88	1.63	2.34	2.15	2.02	1.46	1.32	1.19
Equity FCF yield (%)	-12.2	-7.11	13.9	9.83	7.85	-4.90	-2.46	-3.06	11.7	-19.5	2.30
Normalised PE (x)	21.1	20.6	16.8	11.9	9.64	26.0	22.0	25.9	13.6	13.0	12.0
Norm PE @tgt price (x)	27.9	27.2	22.2	15.7	12.7	24.0	20.3	24.0	10.5	10.00	9.29
Dividend yield (%)	0.41	0.41	0.50	0.59	0.68	0.54	0.62	0.71	0.23	0.28	0.28
					year to Mar			year to Mar			year to Mar

Per share data	FY08A	FY09A	FY10F	FY11F	FY12F
Tot adj dil sh, ave (m)	137.7	137.7	137.7	137.7	137.7
Reported EPS (INR)	16.1	16.5	20.2	28.6	35.2
Normalised EPS (INR)	16.1	16.5	20.2	28.6	35.2
Dividend per share (INR)	1.40	1.40	1.70	2.00	2.30
Equity FCF per share (INR)	-41.4	-24.1	47.2	33.4	26.6
Book value per sh (INR)	116.6	131.5	153.1	180.8	208.8
					year to Mar

Solvency	FY08A	FY09A	FY10F	FY11F	FY12F
Net debt to equity (%)	55.3	71.5	42.6	27.6	23.0
Net debt to tot ass (%)	24.7	27.3	16.1	10.9	9.15
Net debt to EBITDA	2.43	3.06	1.51	0.90	0.72
Current ratio (x)	3.16	2.51	2.37	2.00	1.88
Operating CF int cov (x)	-8.32	0.28	7.54	6.95	6.41
Dividend cover (x)	10.1	10.1	10.2	6.60	4.83
					year to Mar

Priced as follows: IVRC.BO - Rs339.50; HCNS.BO - Rs120.40; GAMM.BO - Rs214.00
Source: Company data, ABN AMRO forecasts

Valuation methodology – SOTP valuation

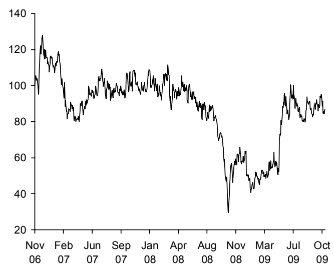
Rs	IVRCL Prime Urban	Hindustan Dorr-Oliver	BOT Subsidary	Total
Current price / investment	116.0	140.0	2,569.9	
Valuation methodology	Current stock price	Current stock price	P/BV	
Range of valuation			2.0	
Equity value of subsidiary	7,232.6	5,040.0	5,138.0	
IVRCL holding	62.4%	55.0%	-	
Equity value for IVRCL shareholder	**4,509.5**	**2,772.0**	**5,138.0**	**12,419.5**
Diluted equity (no of shares mn)	137.7			
Value per share (Rs)	32.7	20.1	37.3	90.2
Holding company discount	15.0%			
Value per share (Rs)	**27.8**	**17.1**	**31.7**	**76.7**
Core construction value				372.2
EPS FY11F	28.6			
PE for FY11F	13.0			
SOTP				**448.9**

Source: Company data, ABN AMRO forecasts, Bloomberg prices on 3 November 2009

Company description — Buy

IVRCL is an integrated construction and development company in India, with FEED skills and LSTK-implementation capabilities. It has built domain knowledge and the ability to secure pre-qualification approval in important infrastructure segments, ranging from water and environment to power transmission and distribution. The company derives more than 60% of its sales from water and environment projects, which is likely to gradually ease to 50% as the power and roads divisions are growing at a rapid pace. The company is forward-integrating into BOT/BOOT projects, where it will execute about Rs16bn worth of projects this year. The acquisition of Hindustan Dorr-Oliver helps it improve its standing in water-infrastructure projects and also diversify into the industrial segment.

Price relative to country



Strategic analysis — Average SWOT company score: 4

Strengths — 4
Strong project-management skills, requisite experience and expertise in all major segments of the construction industry and integrated execution capabilities should improve growth visibility as it successfully completes the large order book in hand.

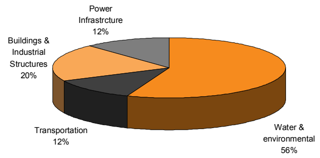
Weaknesses — 2
Management has been resorting to repeated equity dilution to improve IVRCL's net worth and hence its bidding capability. With incremental infrastructure spending planned through PPP, the pressure on equity dilution is a concern.

Opportunities — 5
The Indian government's US$500bn infrastructure spending plan over FY07-12 provides scale opportunities for construction companies. By expanding into new areas, IVRCL is increasing the potential of sustaining high growth.

Threats — 3
Low promoter holding is a threat. However, the company is confident of managing this threat through its ESOP plan.

Scoring range is 1-5 (high score is good)

Sales breakdown, FY09



Source: Company data

Market data

Headquarters
M-22/3RT Vijayanagar Colony, Hyderabad 500057, India

Website
www.ivrcl.com

Shares in issue
133.5m

Freefloat
90%

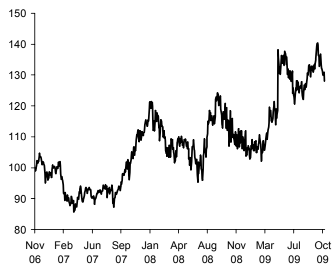
Majority shareholders
HSBC Global Investment Funds (8%), ICICI Pru Life Insurance (7%), Fidelity (3%)

Country view — Underweight

Valuations have run ahead of regional counterparts, while the market also looks expensive relative to where it traded in the past. Another concern is the market seems to believe that policy reform will act as a catalyst for a never-ending re-rating of risky assets. Meanwhile, it appears that monetary policy might turn sooner than the market is anticipating, due to possible rising inflationary pressure. Recent statements from the central bank (RBI) suggest it may be steering the country down a tighter policy path going forward.

The country view is set in consultation with the relevant company analyst but is the ultimate responsibility of the Strategy Team.

Country rel to Asia Pacific



Competitive position — Average competitive score: 3-

Supplier power — 3-
Low supplier power, but with a pass-through clause in several projects this can be easily overcome. In some cases, the supply of raw materials by customers eases this concern.

Barriers to entry — 4+
Low barriers to entry in the construction business, but the pre-qualification criteria in many government projects create entry barriers.

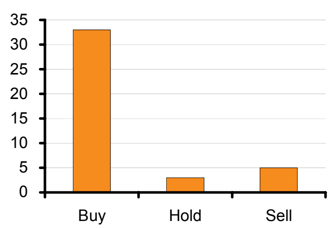
Customer power — 2-
In the current weak environment customer power is high. To maintain long-term client relationships, despite large order books for quality construction companies, they may have to accommodate clients.

Substitute products — 3+
Substitutes are limited, as the industry works on a cost-plus basis and design comes primarily from the customer. At the design stage only, many substitutes are evaluated.

Rivalry — 2-
Even though companies overlap in terms of different areas of work, rivalry is usually low during a cyclical uptrend. With the order books of all leading companies appearing healthy, rivalry is low.

Scoring range 1-5 (high score is good) Plus = getting better Minus = getting worse

Broker recommendations



Source: Bloomberg

Recommendation structure

Absolute performance, short term (trading) recommendation: A Trading Buy recommendation implies upside of 5% or more and a Trading Sell indicates downside of 5% or more. The trading recommendation time horizon is 0-60 days. For Australian coverage, a Trading Buy recommendation implies upside of 5% or more from the suggested entry price range, and a Trading Sell recommendation implies downside of 5% or more from the suggested entry price range. The trading recommendation time horizon is 0-60 days.

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. For UK-based Investment Funds research the recommendation structure is not based on upside/downside to the target price. Rather it is the subjective view of the analyst based on an assessment of the resources and track record of the fund management company. For listed property trusts (LPT) or real estate investment trusts (REIT) the recommendation is based upon the target price plus the dividend yield, ie total return.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months. Sector relative to market: The sector view relative to the market is the responsibility of the strategy team. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside. Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Distribution of recommendations

The tables below show the distribution of ABN AMRO's recommendations (both long term and trading). The first column displays the distribution of recommendations globally and the second column shows the distribution for the region. Numbers in brackets show the percentage for each category where ABN AMRO has an investment banking relationship.

Long Term recommendations (as at 04 Nov 2009)

	Global total (IB%)	Asia Pacific total (IB%)
Buy	583 (10)	358 (1)
Add	0 (0)	0 (0)
Hold	409 (5)	233 (0)
Reduce	0 (0)	0 (0)
Sell	122 (0)	76 (0)
Total (IB%)	1114 (7)	667 (0)

Source: ABN AMRO

Trading recommendations (as at 04 Nov 2009)

	Global total (IB%)	Asia Pacific total (IB%)
Trading Buy	3 (0)	3 (0)
Trading Sell	1 (0)	1 (0)
Total (IB%)	4 (0)	4 (0)

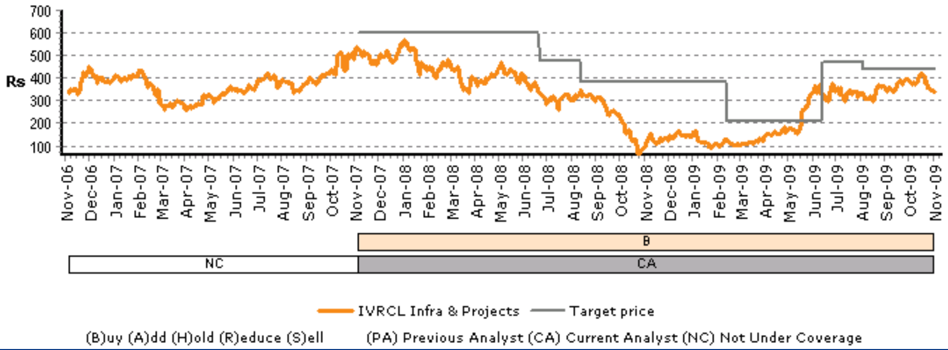
Source: ABN AMRO

Valuation and risks to target price

IVRCL Infra & Projects (RIC: IVRC.BO, Rec: Buy, CP: Rs339.50, TP: Rs448.90): Key risks to our SOTP-based target price are: 1) lack of availability of skilled and experienced professionals in the high-growth construction industry; 2) a sharp increase in steel and cement prices affecting margins, although most new orders have a cost-escalation clause; 3) sharply lower-than-expected ramp-up in infrastructure spending by key clients; and 4) equity fund-raising by IVRCL or its subsidiaries to meet expansion needs.

IVRCL Infra & Projects coverage data

Stock performance, recommendations and coverage (as at 3 Nov 2009)



Pramod Amthe started covering this stock on 5 Nov 07
Moved to new recommendation structure between 1 November 2005 and 31 January 2006
Source: ABN AMRO

Trading recommendation history (as at 04 Nov 2009)

Date	Rec	Analyst
	n/a	

Source: ABN AMRO

Regulatory disclosures

Subject companies: **IVRC.BO**

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