

June 1, 2009

	Accumulate
Rating	
Price	Rs332
Target Price	Rs364
Implied Upside	9.6%
Sensex	14,841

(Prices as on June 1, 2009)

Trading Data

Market Cap. (Rs bn)	44.8
Shares o/s (m)	134.7
Free Float	90.3%
3M Avg. Daily Vol ('000)	824.7
3M Avg. Daily Value (Rs m)	144.7

Major Shareholders

Promoters	9.7%
Foreign	47.7%
Domestic Inst.	19.3%
Public & Others	23.3%

Stock Performance

(%)	1M	6M	12M
Absolute	109.4	161.1	(19.9)
Relative	79.3	93.2	(10.3)

Price Performance (RIC: IVRC.BO, BB: IVRC IN)



Source: Bloomberg

IVRCL

Good performance continues

- Revenues, PAT above our expectations:** IVRCL has clocked a 23% YoY topline growth in Q4FY09 at Rs16.2bn, EBITDA at 8.7% and PAT at Rs656m. For FY09, the company has posted a topline of Rs49bn (33% YoY growth) and an EBITDA margin of 8.6%. The robust growth in revenues, however, did not trickle down to the PAT level on account of an increase in the interest cost and lower EBITDA margins. The PAT for FY09 stood at Rs2.3bn (7.4% YoY growth). PAT, at the corporate tax rate, would stand at Rs1.8bn.
- Order book - healthy:** The current order book stands at Rs145bn. The order book is dominated by water-related projects at 70%. We expect IVRCL to achieve a healthy order inflow during the year to the tune of Rs85bn.
- Valuations:** With the current growth run rate, we expect IVRCL to register revenue CAGR of 26.3% from FY09-FY11E. Post general elections, we expect the long awaited water-related projects to get tendered. As IVRCL is a technically dominant player in this sector, a huge opportunity lies ahead. At the CMP, the stock discounts full tax rate adjusted FY10 earnings by 17.0x, and FY11 earning by 14.2x. We value IVRCL's core business at Rs334 (P/E), BOT/BOOT Projects Annuity at Rs12 (discount to DCF & P/BV), stake in HDO at Rs7 and stake in IVR PUDL at Rs12 to arrive at a SOTP value of Rs364. We maintain our 'Accumulate' rating on the stock.

Key financials (Y/e March)	FY08	FY09	FY10E	FY11E
Revenues (Rs m)	36,606	48,819	63,622	77,881
Growth (%)	58.8	33.4	30.3	22.4
EBITDA (Rs m)	3,614	4,218	5,992	7,377
PAT (Rs m)	2,105	2,260	2,636	3,158
EPS (Rs)	15.8	16.8	19.6	23.5
Growth (%)	24.2	6.4	16.6	19.8
Net DPS (Rs)	1.4	0.9	1.7	2.2

Source: Company Data; PL Research

*FY10E-11E @full tax rate

Profitability & valuation	FY08	FY09	FY10E	FY11E
EBITDA margin (%)	9.9	8.6	9.4	9.5
RoE (%)	14.4	13.6	14.4	15.1
RoCE (%)	15.8	14.5	16.6	16.3
EV / sales (x)	1.5	1.2	1.0	0.9
EV / EBITDA (x)	14.8	13.5	10.8	9.4
PE (x)	21.1	19.8	17.0	14.2
P / BV (x)	2.8	2.6	2.3	2.0
Net dividend yield (%)	0.4	0.3	0.5	0.7

Source: Company Data; PL Research

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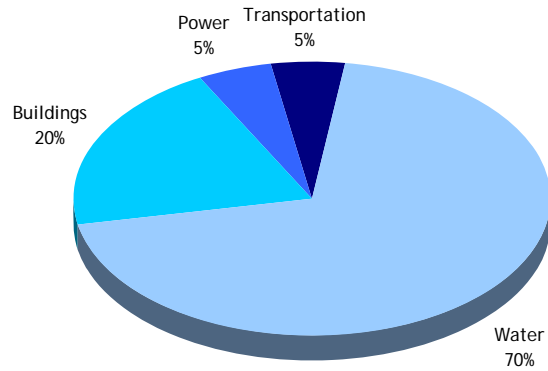
Q4FY09 Result Overview

(Rs m)

Y/e March	Q4FY09	Q4FY08	YoY gr. (%)	Q3FY09	FY09	FY08	YoY gr. (%)
Net Sales	16,272	13,217	23.1	11,896	48,819	36,606	33.4
Expenditure							
Consumption of Raw Materials	4,710	3,927	19.9	3,879	16,678	12,473	33.7
<i>% of Net Sales</i>	<i>28.9</i>	<i>29.7</i>		<i>32.6</i>	<i>34.2</i>	<i>34.1</i>	
Subcontracting expenses	5,351	4,455	20.1	2,720	13,513	10,923	23.7
<i>% of Net Sales</i>	<i>32.9</i>	<i>33.7</i>		<i>22.9</i>	<i>27.7</i>	<i>29.8</i>	
Other Construction Expenditure	3,991	2,774	43.9	3,517	11,881	7,567	57.0
<i>% of Net Sales</i>	<i>24.5</i>	<i>21.0</i>		<i>29.6</i>	<i>24.3</i>	<i>20.7</i>	
Personnel Cost	538	480	12.1	483	1,953	1,442	35.4
<i>% of Net Sales</i>	<i>3.3</i>	<i>3.6</i>		<i>4.1</i>	<i>4.0</i>	<i>3.9</i>	
Other Expenditure	264.0	183.0	44.3	212.8	876.0	583.0	50.3
<i>% of Net Sales</i>	<i>1.6</i>	<i>1.4</i>		<i>1.8</i>	<i>1.8</i>	<i>1.6</i>	
Total Expenditure	14,853	11,829	25.6	10,812	44,601	32,992	35.2
EBIDTA	1,419	1,388	2.2	1,084	4,218	3,614	16.7
<i>Margin (%)</i>	<i>8.7</i>	<i>10.5</i>	<i>(178.4)</i>	<i>9.1</i>	<i>8.6</i>	<i>9.9</i>	<i>(123.3)</i>
Depreciation	134	99	35.4	123	473	328	44.2
EBIT	1,285	1,289	(0.3)	960	3,745	3,286	14.0
Interest	392	208	88.7	419	1,306	478	173.2
Other Income	87	10	769.0	14	299	45	560.3
PBT	980	1,092	(10.3)	555	2,738	2,853	(4.0)
Tax	323	359	(9.9)	91	478	749	(36.2)
<i>Tax Rate (%)</i>	<i>19.8</i>	<i>32.9</i>		<i>16.4</i>	<i>17.5</i>	<i>26.3</i>	
Recurring PAT	656	733	(10.5)	464	2,260	2,104	7.4

Highlights

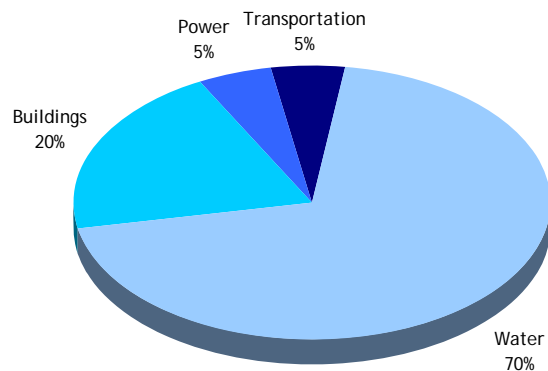
Order book break-up



Source: Company Data, PL Research

The current order backlog of IVRCL stands at Rs145bn.

Q4FY09 Rev break-up

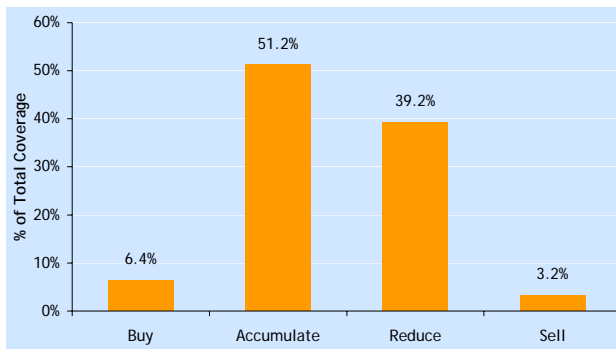


Source: Company Data, PL Research

Change in estimate

We have kept our FY10E revenue and EBITDA numbers unchanged. However, on account of factoring lower interest rates, we upgrade our PAT (at corporate tax rate) at Rs2.6bn from our earlier PAT of Rs2.5bn. For FY11E, we have marginally increased the topline and lowered the EBITDA margins along with interest expenses, resulting in PAT of Rs3.2bn from our earlier estimates of Rs2.8bn. We maintain 'Accumulate' on the stock.

Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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