Recommendation	:	BUY
CMP	:	INR170
Target Price	:	INR217
Potential Return	:	28%

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Market data

Sector	:	Infrastructure
Market Cap (INRbn)	:	57
Market Cap (USDbn)	:	1.2
O/S Shares	:	332
Free Float (m)	:	75
52-wk HI/LO (INR)	:	230/121
Avg Daily Vol ('000)	:	2,609
Bloomberg	:	IRB IN

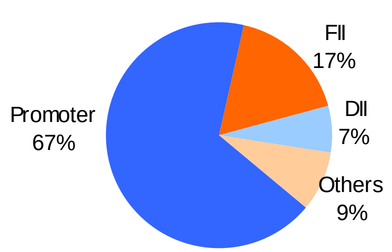
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	18.2	4.9	3.4	(0.1)
Relative	7.6	1.6	(1.9)	(0.2)

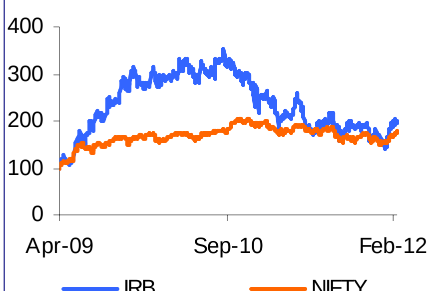
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

INITIATING COVERAGE

IRB Infrastructure Developers Ltd.

On the right path

Investment rationale

Robust order book provides visibility

IRB Infrastructure Developers Ltd. (IRB) has an order-book of INR91.3bn as on Dec 2011, executable over the next 3-4 years. The order-book comprises INR33.9bn worth of EPC contracts on ongoing BOT projects, INR36.8bn on BOT projects where construction is yet to commence, and INR20.6bn on projects in O&M phase. High order-book coverage (~4.1x TTM EPC revenues) provides enough visibility for the next few years.

Largest operational BOT portfolio

IRB has the largest operational road BOT portfolio in the country at 4,097 lane kms. It also has some of the most commercially remunerative projects like the Mumbai-Pune expressway, Surat-Dahisar, etc. In FY11, IRB earned a daily gross toll collection of INR26m, which we expect to go up to INR36m in FY13e and INR50m in FY15e.

Robust revenue mix

On a consolidated basis, while EPC operations will drive the revenue growth for the next 2-3 years, BOT operations will start contributing significantly to revenues post that with the commissioning of Jaipur-Tonk-Deoli, Amristar-Pathankot, Talegaon - Amravati and NH-8 section of Ahmedabad-Vadodara (from FY16e).

Integrated and efficient project execution capabilities

IRB has an in-house construction business under its wholly-owned subsidiary Modern Road Makers (MRM) which undertakes EPC work for its BOT projects. In-house execution of the entire project with minimal subcontracting and ownership of aggregate mines has enabled MRM to enjoy high margins (9MFY12 margins stood at 26.8%).

Valuation and outlook

At the CMP of INR170, the stock trades at a P/E and EV/EBIDTA of 12.4x and 7.3x, discounting its FY13e numbers respectively. Given the size, scale and ability to bid for large projects, IRB is well placed to capitalise on the potential robust order awarding by NHAI going forward. We initiate coverage on the stock with a BUY recommendation and arrive at an SOTP based target price of INR217.

Key financials

INRm (March end)	2009	2010	2011	2012e	2013e
Revenues	9,919	17,049	24,381	32,321	40,048
EBITDA	4,388	7,990	10,939	13,614	16,527
EBITDA margin (%)	44.2	46.9	44.9	42.1	41.3
EBITDA growth (%)	6.5	82.1	36.9	24.5	21.4
PAT	1,758	3,854	4,524	5,056	4,573
PAT growth (%)	54.4	119.2	17.4	11.8	(9.5)
EPS (INR)	5.3	12.1	14.0	15.2	13.5
P/E (x)	32.1	14.7	12.5	11.2	12.4
P/BV (x)	3.3	2.8	2.3	2.0	1.7
EV/EBITDA (x)	17.6	10.1	8.3	7.6	7.3
RoE (%)	10.2	18.9	18.6	17.6	13.9

Source: Company, Antique

Company background

IRB is engaged in the business of construction, development and operation of infrastructure, primarily road projects. The company was incorporated in 1998 and has emerged as one of India's leading road and highway developers. It has successfully executed numerous BOT projects in the roads and highways sectors including improvement of national highways and sections of the golden quadrilateral.

IRB is the holding company housing all the infrastructure and construction SPVs of the group and presently has the largest operational road BOT portfolio and the second largest total road BOT portfolio in India. It presently has 4,097 lane kms of operational assets, 1,362 lane kms of assets under development and 987 lane kms of assets under award stage, taking the total portfolio to 6,446 lane kms.

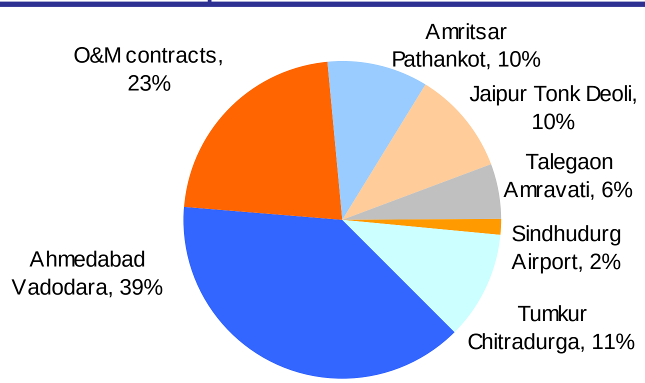
IRB was awarded India's first BOT project at Thane-Bhiwandi bypass in 1995, which will be handed over to NHAI in FY18e post the end of the concession period. Mumbai-Pune Expressway and Surat Dahisar highway are also some of the key projects in IRB's portfolio. Apart from construction, development and operation of road and highway projects, the company is also planning a foray into real estate development and developing a greenfield airport at Sindhudurg district in Maharashtra.

In real estate foray, it plans to construct a residential township and has already acquired ~1,200 acres of land at Mauje Taje and Mauje Pimploli taluka in Pune district. The real estate foray will be carried out by Aryan Infrastructure Investments Pvt. Ltd. where IRB holds 66% stake and the balance is held by promoter group entity.

Greenfield airport: IRB has won the development rights for constructing a greenfield airport in Sindhudurg district under DBFO for a concession period of 95 years, which includes an estimated construction period of 18 months. Spread over an area of ~670 acres, ~50% of land would be utilised for the construction of the airport while the balance land would be utilised for commercial developments. IRB has received the environmental clearance and expects to commence construction work in the next 2-3 quarters. The total cost is estimated at ~INR1.75bn and expected to be funded in the D: E of 3:2. The company has already spent ~INR200m on land acquisition.

As on Dec 2011, IRB has an order-book of INR91.3bn, consisting of INR33.9bn worth of EPC contracts, INR20.6bn of projects in O&M phase and INR36.8bn where LOAs have been issued but construction is yet to commence. High orderbook coverage (~4.1x TTM construction revenues) provides enough revenue visibility for the next few years.

Exhibit 1: Order-book break-up



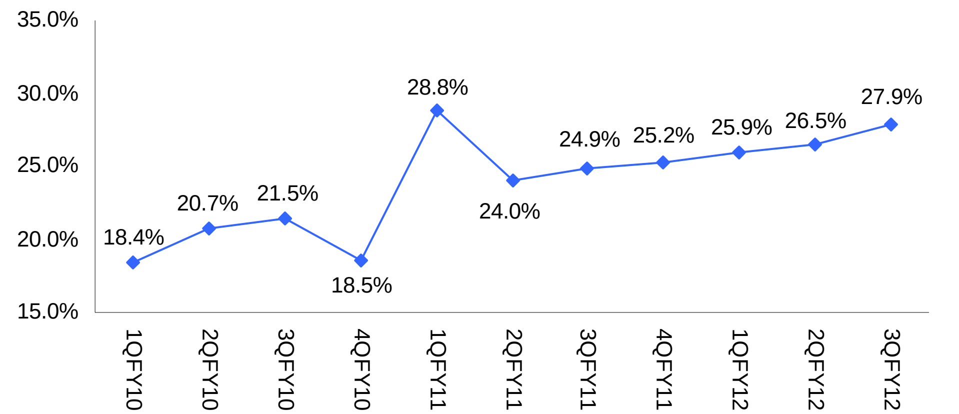
Source: Company

Business model

IRB is the holding company housing all the infrastructure and construction SPVs of the group. Apart from BOT road portfolio, IRB has an in-house construction business under its wholly-owned subsidiary Modern Road Makers (MRM) which undertakes EPC work for its BOT projects. Once the SPV is awarded the contract for the BOT asset, the EPC work is awarded to MRM. Thus, while the revenues prior to project commissioning are booked by MRM as EPC revenues, post commissioning revenues are accounted under the SPV till the concession period ends as toll revenues (IRB presently does not have any BOT annuity projects).

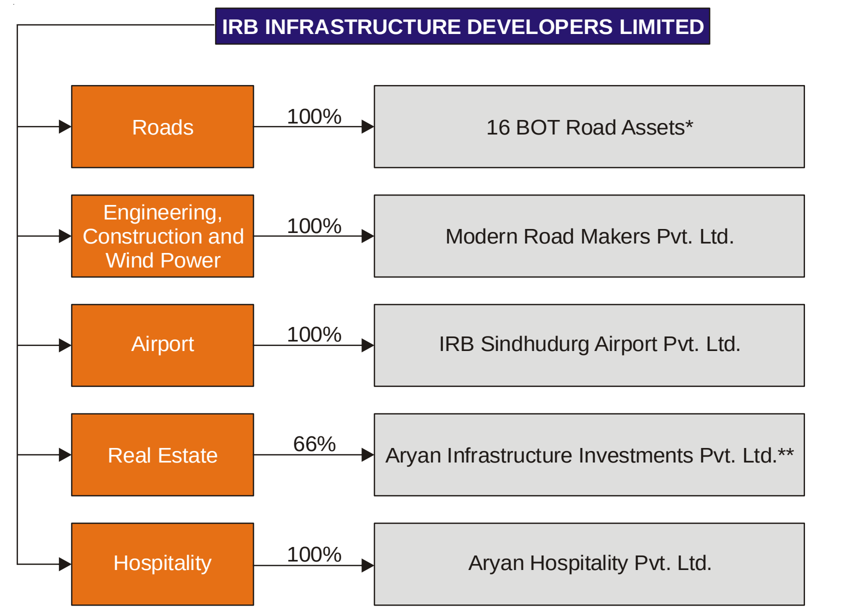
MRM enjoys high EBIDTA margins (9MFY12 margins stood at 26.8%) compared to the industry average of ~12-13% on the EPC work. This is largely due to in-house execution of the entire project with minimal subcontracting and ownership of aggregate mines. The EBIDTA margins of the SPVs are in the range of 80-90%.

Exhibit 2: Quarterly trend in margins of EPC (%)



Source: Company

Exhibit 3: IRB group structure



* Deutsche Bank AG holds 10% in IRB Surat Dahisar Tollway Pvt. Ltd.

** Remaining shareholding in Aryan Infrastructure Investments Pvt. Ltd. held by promoter group entities

Source: Company

High quality portfolio - projects on commercially important routes

IRB has some of the most commercially remunerative projects like the Mumbai - Pune, Surat - Dahisar and Bharuch - Surat under its portfolio. These three projects accounted for ~85% of the total gross BOT revenues in FY11. With commissioning of Tumkur-Chitradurg project in 1QFY12, these top four projects now account for 87% of revenues. One reason for high IRRs on these projects is the lack of competition at the time of bidding apart from execution track record.

The golden quadrilateral is a highway network connecting India's four metro cities i.e. Delhi, Mumbai, Chennai and Kolkata. Four other large cities Bangalore, Pune, Ahmedabad and Surat are also included in network. This project is part of the first phase of NHDP (National Highways Development Project) which is meant to upgrade and strengthen the country's highways. IRB has been awarded several national highway BOT projects and has a market share of 11.07% on the golden quadrilateral.

One of the most important national highways forming part of the golden quadrilateral is NH-8 which connects the capital city Delhi with the country's financial and commercial capital Mumbai. IRB's BOT road portfolio includes projects on key sections of NH-8 and NH-4 in the states of Gujarat and Maharashtra which are amongst the most industrialised states in the country.

One of the largest highway projects undertaken by NHAI is upgradation of the Vadodara-Mumbai stretch on NH-8. Gujarat is one of the most industrialised states in the country and Mumbai is home to the country's busiest port, making it a heavy traffic route.

Mumbai-Pune

Mumbai Pune Expressway is India's first 6-laned concrete, high speed access controlled toll expressway. It connects Mumbai, the country's financial capital, with Pune, an important industrial area. In 1997, the Maharashtra government had appointed MSRDC (Maharashtra State Road Development Corporation) for construction of the expressway. The full length of the expressway was opened from April 2002.

In 2004, MSRDC awarded a contract for expansion of NH-4 (Old Mumbai-Pune Highway) and making some value additions to the Mumbai-Pune Expressway to IRB. As per the terms of the contract, IRB has been given rights to collect toll on the Mumbai-Pune Expressway and NH-4 for a concession period of 15 years which will expire in Aug 2019. The project is one of IRB's largest and contributed 33% of the company's total toll revenues each in FY11 as well as 9MFY12.

Bharuch-Surat

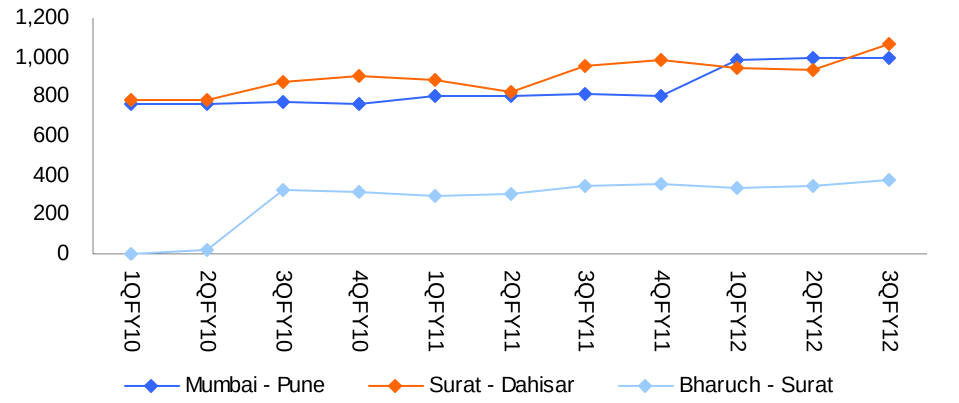
In 2006, NHAI awarded two contracts to upgrade the stretches between Bharuch and Surat (awarded to IRB) and Vadodara and Bharuch (awarded to L&T). The project involves 6-laning and making improvements to the existing 4-lane highway. IRB began construction on the Bharuch-Surat stretch in Jan 2007. The project has a concession period of 15 years which ends in Jan 2022.

Surat-Dahisar

In 2008, NHAI awarded IRB the contract to expand and improve the Surat-Dahisar section of NH-8. The scope of this project involved six laning of the existing Surat Dahisar highway for a total length of 240km at a cost of INR25.4bn. It is renowned for its diamond and textile industries and is considered the diamond capital of the world with 92% of the world's diamonds being cut and polished in the city. IRB holds 90% stake in the project while the balance 10% is held by Deutsche Bank. The project has a concession period of 12 years including a construction period of 30 months.

The concession agreement was signed in Apr 2008 and financial closure was achieved in Jan 2009. IRB is allowed to collect toll simultaneously while carrying out construction activity, thereby reducing the quantum of debt required for the project. The project has a revenue share component whereby 38% of revenues from the project have to be given to NHAI in the first year and this will be increased by 1% every year of the concession period.

Exhibit 4: Quarterly trend in gross toll revenues of key projects (INRm)



Source: Company, Antique

Ahmedabad - Vadodara project

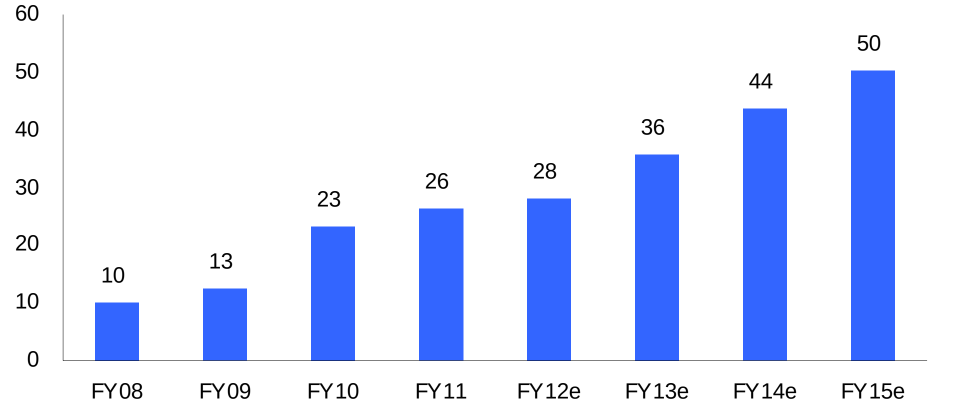
IRB has emerged as the preferred bidder for six-laning from the existing two lanes of the Ahmedabad-Vadodara section of NH-8, which is also one of the busiest roads in Gujarat. The project also covers value addition work to be done on the existing expressway, for which it will also get the toll collection rights. This is the first ultra mega project awarded by NHAI which extends over ~196km (~102km on NH-8 and ~93kms on the expressway). The construction cost of the project is expected to be ~INR36bn (excluding IDC) and will be constructed in three years. The concession period is 25 years.

IRB will also have to pay a premium of ~INR3.1bn to NHAI in the first year and will increase the same by 5% annually till the end of concession period. Of the total premium, 63% pertains to NH-8 which will be capitalised in the construction period and expensed from there on and balance 37% pertains to the expressway, which will be expensed from the first year. The total project cost including the premium capitalised on NH-8 stands at ~INR49.2bn.

Increase in daily toll collection

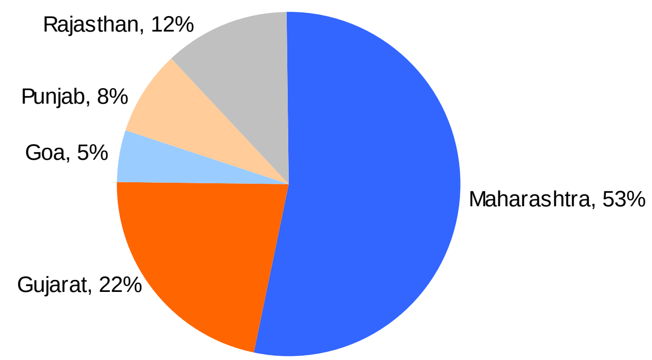
IRB has a total BOT road portfolio of 16 projects, of which 11 are operational. Of the 5 projects under implementation, all projects except Ahmedabad - Vadodara are expected to commission by FY14e while the Ahmedabad - Vadodara (NH-8 section) will commission in FY16e. Thus, commissioning of these projects would also increase the average daily gross toll collection from the present INR26m in FY11 to INR49m in FY15e. This should significantly improve the cash flows of the company.

Exhibit 5: Trend in daily gross toll collection (INRm)



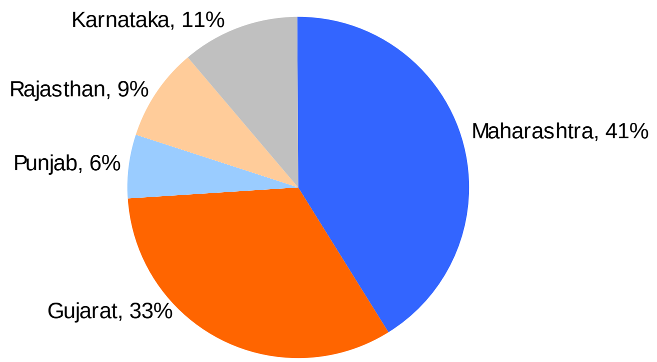
Source: Company, Antique

Exhibit 6: IRB's road portfolio as per lane km (FY11)



Source: Company, Antique

Exhibit 7: IRB's road portfolio as per lane km (FY12)



Source: Company, Antique

SWOT analysis

Strengths

Execution track record

IRB has the largest portfolio of operational road BOT assets with a total of 4,097 lane kms. It has consistently demonstrated excellent track record in execution of the completed projects.

Ability to bid for large projects

A proven execution track record coupled with sound financial strength has increased IRB's ability to bid for large scale projects. This is significantly important in light of increasing competition in small scale projects which impacts the IRRs.

Robust EPC operations

MRM enjoys high EBIDTA margins (9MFY12 margins stood at 26.8%) compared to the industry average of ~12-13% on the EPC work. This is largely due to in-house execution of the entire project with minimal subcontracting and ownership of aggregate mines.

Balanced revenue mix

On a consolidated basis, the revenue growth for the next couple of years would be led by higher execution of EPC orders; while post that, the same would be led by commissioning of the under construction BOT assets. Thus, we believe the company can bid for projects in excess of USD1bn annually without resorting to equity dilution.

Weakness

No annuity-based projects

All the operational BOT assets are based on toll, making the project viability highly sensitive to traffic and toll growth rates. Although the existing model captures the upside in case of a better than expected traffic growth, the project IRRs can get severely impacted in case of lower than expected traffic growth rates.

Increase in debt

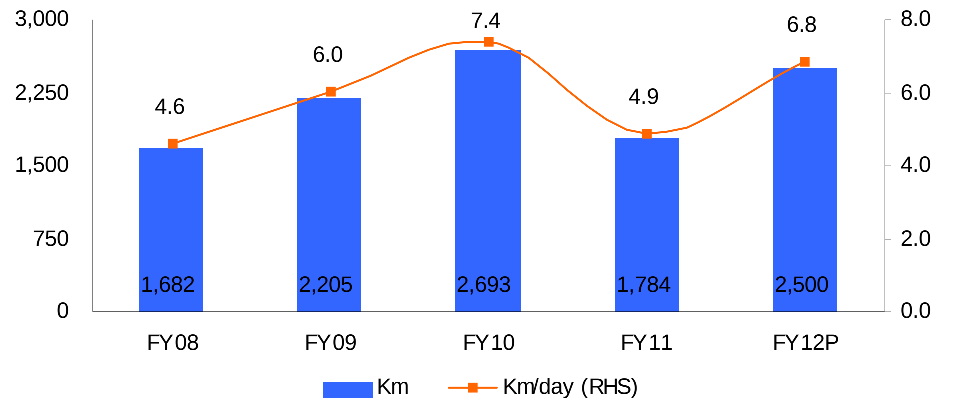
We expect IRB's debt to peak out in FY15e as it will have to rely on borrowings to fund the Ahmedabad - Vadodara, Jaipur - Deoli, Talegaon - Amravati and Amritsar-Pathankot projects. Thus, its profitability is exposed to the existing high interest rate environment. Additionally, IRB will have to infuse ~INR20bn as equity requirements for projects under construction/development, which will have to be met from borrowings at the parent level in case of adverse macro economic situation.

Opportunities

Increase in project awards by NHAI

Against the targeted 11,854kms of road projects, NHAI awarded only 5,083km in FY11. On the execution front too, only ~1,780km of the targeted 2,500kms projects were completed. However, NHAI plans to improve the track record and has set a target of 7,300km of projects award and 2,500km of construction in FY12e.

Exhibit 8: Yearly project completion



Source: NHAI, Antique

Limited competition in bidding for large scale projects

With few players having the execution track record and financial strength matching IRB, the company is well placed to secure large sized project orders. IRB won the first ultra mega project awarded by NHAI, the Ahmedabad - Vadodara highway, which extends over ~196km (~102km on NH-8 and ~93kms on the expressway).

Threats

Increase in interest rates

With the projects being funded in the D:E of ~70:30 to 80:20, the viability is highly sensitive to interest costs and can adversely affect project returns. However, the IDC is usually fixed for the construction period which reduces the risks to project costs.

Poor traffic growth

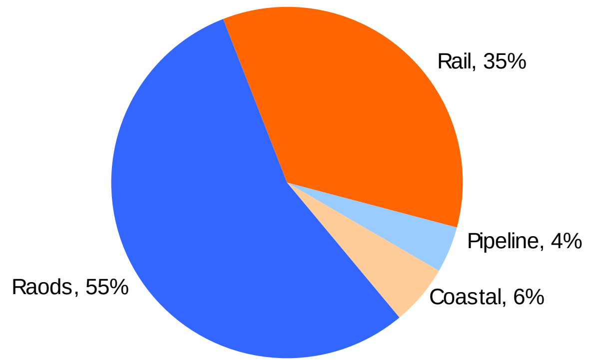
Profitability of a toll-based road BOT project is highly sensitive to traffic growth. Adverse economic downturn or a project specific change in external environment can impact the profitability of the asset. For e.g., the traffic growth on the Tumkur - Chitradurga stretch can be impacted by the iron ore mining ban in the region, thereby negatively impacting its profitability.

Industry overview

India has a road network of 4.24m km, the second largest in the world. The Indian road network comprises expressways, national highways, state highways, major district roads and rural roads. National Highways are the key constituents of India's road network since they carry ~40% of the total road traffic although they constitute only 2% of the total road network.

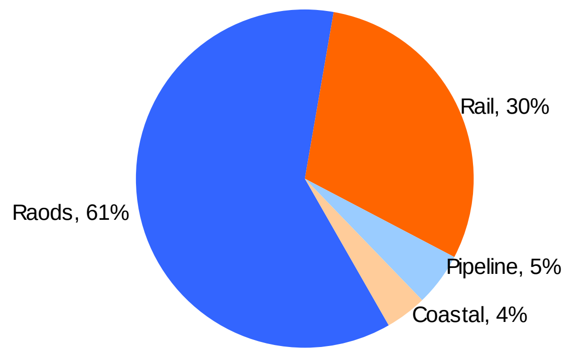
Roads result in better connectivity, enhance accessibility and promote trade and are therefore vital for economic development of a country. Roads are the dominant segment in India's transportation sector. According to the planning commission's working group report on road transport for the 11th FYP (2007-2012), the transport sector accounts for 6.4% share in India's GDP (2004-05) within which road transport has the highest contribution accounting for 4.5% of the GDP. Roads carries ~61% of the freight and ~85% of the passenger traffic.

Exhibit 9: Freight traffic across modes of transport (FY05)



Source: Crisil Research

Exhibit 10: Freight traffic across modes of transport (FY11)



Source: Crisil Research

Road network has expanded at a CAGR of 4.4% over the last five decades driven by growth in manufacturing and population mobility. Roads are a preferred mode of transportation as compared to railways for both freight as well as passenger traffic since roads offer advantages such as easy accessibility, more flexibility and better reliability.

Exhibit 11: India's road network

	Length (km)	% of total length	% of total traffic	Coordinating agency
National highways / Expressways	70,934	2	40	MoST, BRO
State highways	154,522	4	40	State PWDs
Major and other district roads	2,577,396	61		State PWDs
Rural roads	1,433,577	34	20	MoRD
Total	**4,236,429**	**100**	**100**	

Note: BRO = Border Roads Organisation
Source: MORTH FY11 annual report, Crisil Research

Although India's road network is large and has been increasing, the quality of roads is poor. With roads contributing significantly to the overall GDP from the transport sector, improving road infrastructure is essential for cost efficient and timely movement of goods and services. According to the World Economic Forum's Global Competitiveness Report 2010-11, India ranks 39th with respect to transport infrastructure.

NHAI and NHDP

NHAI (National Highways Authority of India) is a nodal agency responsible for the development, maintenance and management of national highways and other associated facilities. It was set up by an act of Parliament in 1988 and was operationalised in 1995. NHAI is mandated to implement NHDP (National Highways Development Programme) which is India's largest highways project aimed at creating world class roads and facilitate uninterrupted traffic flow. Various phases of NHDP have been launched so far to upgrade and strengthen national highways.

Exhibit 12: Phases of NHDP

	Description	Length (km)
Phase-I	Golden quadrilateral, NS - EW corridor, port connectivity and others	7,498
Phase-II	NS-EW corridor and other national highways	6,647
Phase-III	Upgrading and 4 laning of national highways	12,109
Phase-IV	2 laning with paved shoulders	20,000
Phase-V	6 laning of existing 4 lane highways	6,500
Phase-VI	Development of expressways	1,000
Phase-VII	Ring roads, bypasses, flyovers	700

Source: MORTH

Phase-I and Phase-II of the program are almost on the verge of completion as only 0.3% and 5.8% of the total length is pending for award. Thus, most of the upcoming projects for awarding will be part of Phase III - VII.

Exhibit 13: NHDP status (as on November 30, 2011)

	Unit	Phase I	Phase II	Phase III	Phase IV	Phase V	Phase VI	Phase VII	Total
Total length	km	7,616	7,300	12,109	14,799	6,500	1,000	700	50,024
Completed till date	km	7,113	5,886	2,865	0	684	-	5	16,553
Completion rate as % of total	%	93.4%	80.6%	23.7%	0.0%	10.5%	-	0.7%	33.1%
Completion from March 31, 2011- Nov 30, 2011	km	42	264	623	-	102	-	-	1,031
Under implementation (UI)	km	483	836	6,507	2,422	2,793	0	36	13,077
UI as a % of total	%	6.3%	11.5%	53.7%	16.4%	43.0%	0.0%	5.1%	26.1%
Balance length for award (BFA)	km	20	420	2,737	12,377	3,023	1,000	659	20,236
BFA as a % of total	%	0.3%	5.8%	22.6%	83.6%	46.5%	100.0%	94.1%	40.5%
Cost incurred so far	INRbn	403	494	349	5.0	113	0	0	1,364

Source: NHAI, CRISIL Research

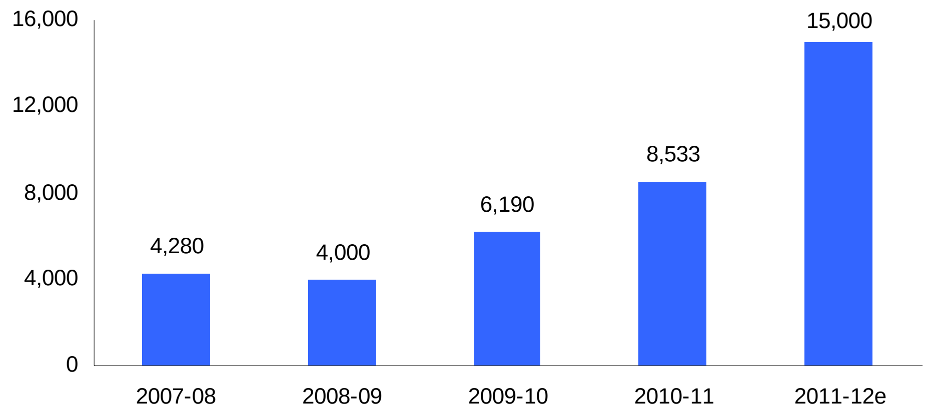
NHAI has awarded ~3,937km of projects in YTD FY12 (till Jan 30, 2012), of which IRB has bagged the 195km Ahmedabad-Vadodara mega project. Other notable awards are: 555km Kishangarh-Udaipur-Ahmedabad project awarded to GMR Infrastructure and 330km Shivpuri-Dewas project awarded to GVK Power and Infrastructure. For FY12e, NHAI plans to award 7,300km against 5,083km awarded in FY11.

NHAI raises INR100bn through tax free bonds

In Jan 2012, NHAI successfully raised INR100bn through issue of tax free bonds for a tenure of 10 and 15 years. Post the issue, we believe the sector will benefit on two fronts:

1) NHAI can increase the pace of land acquisition, which would reduce the delay in handing over the required land (80% of total requirement) to the concessionaire.

Exhibit 14: Yearly land acquired by NHAI (hectares)



Source: NHAI, Crisil Research, Antique

2) Timely release of the payment for projects working on a grant from NHAI. This can help smoothen the project funding and reduce the time lag for project execution.

Exhibit 15: Status of major project awards in FY12 (till January 30, 2012)

S.No.	Name of Stretch	NH No.	NHDP Phase	Length (km)	Project Cost* (INRm)	Concession period (in years)	Name of the Awardee
1	Ahmedabad to Vadodara	8	V	195	36,000	25	IRB Infrastructure Developers
2	Kota - Jhalawar	12	III	88	5,300	25	Keti Constructions Ltd.
3	Beawar - Pindwara	14	III	244	26,000	23	Larsen & Toubro
4	Kishangarh-Udaipur-Ahmedabad	79A, 79 ,76 & 8	V	555	57,000	26	GMR Infrastructure
5	Jabalpur-Katni-Rewa	7		226	18,955	-	Soma Tollway
6	Shivpuri-Dewas	3		330	28,150	-	GVK Power and Infrastructure
7	Orissa border-Aurang-Saraipalli	6	IV	150	12,320	-	B Seenaiah
8	Panikoill - Rimuli Section	215	III	163	14,100	-	Gayatri Projects
9	Lucknow-Sultanpur	56	IV	126	10,435	23	Essar-Atlanta
10	Muzaffarpur-Barauni	28	IV	108	3,540	-	KNR Construction
11	Gwalior-Shivpuri	3	IV	125	10,550	-	Essel Infraprojects
12	Four laning of Meerut Bulandshahar	235	IV	66	5,086	-	C&C Constructions
13	Krishnagiri-Tindivanam	66	III	177	6,240	-	Transstroy OJSC Consortium
14	Reengus - Sikar	11	III	44	3,335	-	G.R.Infraprojects Ltd.
15	Barwa Adda Panagarh	2	V	123	16,650	-	DSC Ltd.
16	Nagpur Wainganga	6	III	45	4,842	-	JMC Projects India Ltd.
17	Jabalpur Lakhanandone	7	IV	81	7,767	-	Gannon Dunkerley & Co. Ltd
18	Vijayawada - Machilipatnam	9	IV	65	7,360	-	Madhucon Projects Ltd
19	Agra – Etawah bypass	2	V	125	12,070	30	Ramky Infrastructure
20	Hospet - Chitradurga	3	III	120	10,340	25	Ramky Infrastructure
21	Cuttack-Angul Section	42	IV	112	11,237	23	Ashoka Buildcon Ltd
22	Hospet-Bellary-KNT/AP Border	63	IV	95	9,101	-	PNC Infratech Ltd
23	Rohtak-Jind	71	III	49	2,830	-	-
24	Raipur-Bilaspur	200	IV	127	12,160	25	IVRCL Ltd
25	Mah/KNT Border-Sangareddy	9	IV	145	12,670	-	Larsen & Toubro
26	Rampur-Katgodam	87	III	93	7,900	-	Era Infra Engineering Limited
27	Etawah-Chakeri	2	V	160	15,730	16	Oriental Structural Engineers Private Limited
	Total			**3,937**	**367,667**		

* Figures are indicative; n.a : not available; Note: Project length awarded in 2010-11 as per the above list does not fully reflect in NHAI Balance for award status on account of lag in MIS reporting
Source: NHAI, PIB, CRISIL Research, Antique

B.K. Chaturvedi report

In August 2009, NHAI had appointed a committee under the chairmanship of Mr. B. K. Chaturvedi to prepare a detailed report to study and suggest means of overcoming the barriers to the speedy implementation and execution of the NHDP. The recommendations made by the committee included relaxation of conflict of interest clause, annual qualification exercise and awarding projects with single bids. In Nov 2009, NHAI accepted all the recommendations of the committee. With the procedural bottlenecks being addressed and project economics improving, participation from private sector has increased significantly since then. Mentioned below are some of the recommendations of the committee:

Exhibit 16: Changes suggested by B. K. Chaturvedi committee

	Earlier Policy	**Changes**
Mode of Award	All projects first bid out as BOT(Toll). In case no bids are received then bid out as BOT (Annuity). If this also fails, then offered as EPC project. This waterfall process resulted in delays.	BOT(Toll) is the preferred mode. However, where traffic does not justify toll project, alternative modes of BOT(Annuity) or EPC will be considered upfront.
Land acquisition	NHAI to have 50% land in place before award.	NHAI to have 80% land in place before award.
Single bids	Projects could not be awarded if they received single bids.	NHAI board empowered to accept single bids after examining reasonableness of the same.
Pre qualification	Separate pre-qualification for each project or set of projects (up to three).	Pre-qualification assessment is an annual exercise. Applicant can quote accepted technical score/threshold capacity.
Exit clause	Shareholding of the bidders in the SPV cannot be less than 51% during the construction period. 33% shareholding to be maintained for at least 3 years after commencement of operations. Post this 26% shareholding required till the end of concession period.	Bidders should hold at least 51% stake in the SPV during the construction and up to three years thereafter.
Viability gap funding	Equity grant of upto 20% during construction and up to 20% for O&M.	Equity grant of up to 40% of the total project cost can be availed.
Termination	NHAI can terminate a concession if the average daily traffic in any accounting year exceeds the designed capacity of the project and continues to exceed capacity for three accounting years thereafter.	If the average daily traffic exceeds the designed capacity in any accounting year, NHAI can ask concessionaire to augment capacity. The concessionaire will be compensated by granting extension to concession period up to five years such that he will earn a post-tax Equity IRR of 16% p.a.

Source: B K Chaturvedi Committee Report on NHDP, Antique

Valuation and outlook

At the CMP of INR170, the stock trades at a P/E and EV/EBIDTA of 12.4x and 7.3x, discounting its FY13e numbers respectively.

Given the size, scale and ability to bid for large projects, IRB is well placed to capitalize on the potential robust order awarding by NHAI going forward. We initiate coverage on the stock with a BUY recommendation and arrive at a SOTP based target price of INR217. While we have valued MRM at 7x FY13e EPS, we have valued the road SPVs using the NPV model.

Exhibit 17: SPV valuation

SPV	Stake (%)	NPV (INRm)	Value of IRB's stake (INRm)	Per share value (INR)
Mumbai-Pune	100%	14,086	14,086	42
Surat-Dahisar	90%	2,657	2,392	7
Kolhapur	100%	3,277	3,277	10
Thane Bhiwandi bypass	100%	2,936	2,936	9
Bharuch Surat	100%	1,460	1,460	4
Mohol-Mandrup	100%	450	450	1
Thane - Ghodbunder	100%	676	676	2
Tumkur - Chitradurga	100%	2,230	2,230	7
Pune-Nashik	100%	1,671	1,671	5
Pune-Sholapur	100%	753	753	2
NKT	100%	547	547	2
Kharpada bridge	100%	212	212	1
Jaipur - Tonk - Deoli BOT	100%	9,101	9,101	27
Talegaon Amravati	100%	2,210	2,210	7
Amritsar Pathankot	100%	2,190	2,190	7
Ahmedabad Vadodara	100%	2,733	2,733	8
Total value of BOT				**141**

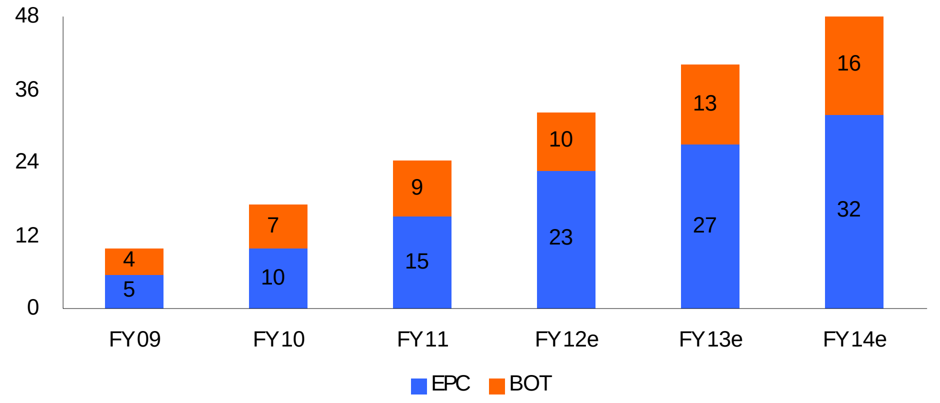
Source: Antique

Exhibit 18: SOTP Valuation

	Valuation method	
EPC	(7x FY13e EPS)	73
BOT	NPV	141
Real Estate	0.75x BV	3
Airports	BV	1
Target price		**217**

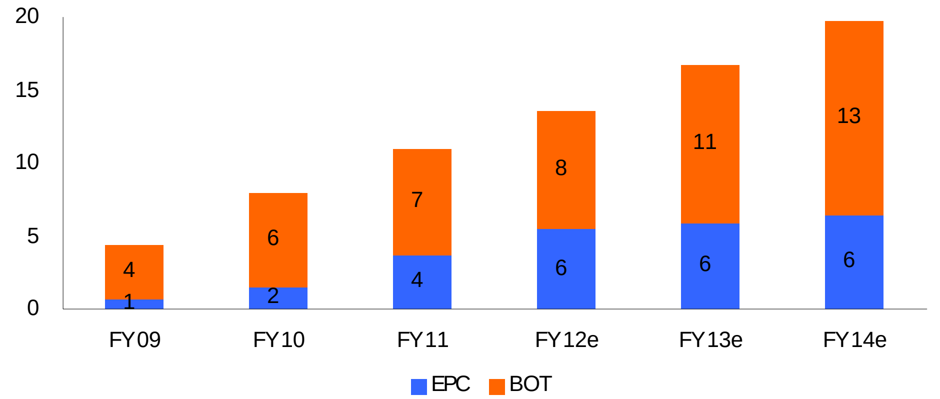
Source: Antique

Exhibit 19: Yearly revenue breakup (INRbn)



Source: Company, Antique

Exhibit 20: Yearly EBIDTA break-up (INRbn)



Source: Company, Antique

Consolidated Financials

Profit and loss account (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Revenues	**9,919**	**17,049**	**24,381**	**32,321**	**40,048**
Expenses	5,531	9,059	13,442	18,707	23,521
Operating Profit	**4,388**	**7,990**	**10,939**	**13,614**	**16,527**
Other income	282	490	645	840	1,115
EBIDT	4,670	8,480	11,584	14,454	17,642
Depreciation	1,144	1,819	2,254	3,223	5,436
Interest expense	1,377	2,494	3,572	4,477	5,779
Profit before tax	**2,149**	**4,167**	**5,758**	**6,755**	**6,428**
Taxes incl deferred taxation	378	133	1,117	1,707	1,926
Profit after tax before MI	1,772	4,034	4,641	5,048	4,502
Minority Interest	13	179	117	(8)	(71)
Profit after tax	**1,758**	**3,854**	**4,524**	**5,056**	**4,573**
Diluted EPS (INR)	**5.3**	**12.1**	**14.0**	**15.2**	**13.5**

Balance sheet (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Share Capital	3,324	3,324	3,324	3,324	3,324
Reserves & Surplus	13,977	17,075	21,002	25,475	29,465
Networth	**17,301**	**20,399**	**24,326**	**28,798**	**32,788**
Debt	24,859	29,152	46,255	53,609	69,268
Minority Interest	599	779	896	888	817
Deferred Tax Liability	182	267	232	97	(32)
Capital Employed	**42,940**	**50,597**	**71,709**	**83,393**	**102,841**
Gross Fixed Assets & CWIP	39,146	48,988	66,401	85,190	111,159
Accumulated Depreciation	4,440	5,511	7,695	10,918	16,353
Net Assets	34,707	43,477	58,706	74,273	94,806
Investments	1,108	451	551	551	551
Current Assets, Loans & Advances					
Inventory	2,054	1,698	1,638	2,050	2,578
Debtors	130	297	397	531	658
Cash & Bank balance	4,147	5,102	12,000	6,706	5,455
Loans & advances and others	3,849	4,380	6,349	6,984	7,682
Current Liabilities & Provisions					
Creditors	1,303	1,587	4,842	4,613	5,800
Other liabilities & provisions	1,762	3,229	3,099	3,099	3,099
Net Current Assets	**7,116**	**6,661**	**12,443**	**8,560**	**7,475**
Misc.Expenses	10	9	9	9	9
Application of Funds	**42,940**	**50,597**	**71,709**	**83,393**	**102,841**

Per share data

Year ended 31st Mar	2009	2010	2011	2012e	2013e
No. of shares (m)	332	332	332	332	332
BVPS (INR)	52.1	61.4	73.2	86.6	98.7
CEPS (INR)	8.7	17.1	20.4	24.9	30.1
DPS (INR)	1.5	1.5	1.5	1.5	1.5

Margins (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
EBITDA	44.2	46.9	44.9	42.1	41.3
EBIT	35.5	39.1	38.3	34.7	30.5
PAT	17.7	22.6	18.6	15.6	11.4

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
PBT	**2,149**	**4,167**	**5,758**	**6,755**	**6,428**
Depreciation & amortisation	1,144	1,819	2,254	3,223	5,436
Interest expense	1,344	2,437	3,040	4,477	5,779
Interest / Dividend Recd	(278)	(297)	(618)	(840)	(1,115)
Other Adjustments	82	(130)	496	-	-
(Inc)/Dec in working capital	(1,401)	1,849	1,314	(1,411)	(166)
Tax paid	(424)	(812)	(1,463)	(1,842)	(2,055)
CF from operating activities	**2,615**	**9,033**	**10,781**	**10,362**	**14,307**
Capital expenditure	(8,112)	(10,603)	(17,509)	(18,789)	(25,969)
Net Investments	1,782	549	(6,398)	-	-
Income from investments	286	291	394	840	1,115
CF from investing activities	**(6,045)**	**(9,763)**	**(23,513)**	**(17,949)**	**(24,854)**
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	4,788	4,315	17,365	7,354	15,659
Dividends & Interest paid	(1,480)	(2,884)	(4,036)	(5,060)	(6,362)
CF from financing activities	**3,308**	**1,431**	**13,329**	**2,294**	**9,296**
Net cash flow	**(121)**	**700**	**596**	**(5,293)**	**(1,251)**
Opening balance	5,221	4,147	5,102	12,000	6,706
Closing balance	**5,100**	**4,848**	**5,699**	**6,706**	**5,455**

Growth indicators (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Revenue	35.4	71.9	43.0	32.6	23.9
EBITDA	6.5	82.1	36.9	24.5	21.4
PAT	54.4	119.2	17.4	11.8	(9.5)
EPS	54.4	119.2	17.4	11.8	(9.5)

Valuation (x)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
PE	32.1	14.7	12.5	11.2	12.4
P/BV	3.3	2.8	2.3	2.0	1.7
EV/EBITDA	17.6	10.1	8.3	7.6	7.3
EV/Sales	7.8	4.7	3.7	3.2	3.0
Dividend Yield (%)	0.9	0.9	0.9	0.9	0.9

Financial ratios

Year ended 31st Mar	2009	2010	2011	2012e	2013e
RoE (%)	10.2	18.9	18.6	17.6	13.9
RoCE (%)	12.4	15.9	20.0	13.5	11.9
Debt/Equity (x)	1.4	1.4	1.9	1.9	2.1
EBIT/Interest (x)	2.6	2.7	2.6	2.5	2.1

Source: Company Antique

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