

14th India Investor Conference

Bank of America
Merrill Lynch 

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Having met with management today at our 14th Annual India Investor Conference in New Delhi, here are our key takeaways:

Key takeaways were:

Mr. Kamal Nath, Minister, Ministry of Road Transport & Highways, highlighted the government's focus on governance reforms especially the change in attitude, without which no amount of regulatory change will succeed. The minister said fixing infra deficit is key to managing growth.

Mr. Kamal Nath reiterated the government's continued focus on building 20kms of new roads/day from June 2010 vs 2kms in FY09.

India is also likely to launch access controlled expressway projects in 2010 to connect densely populated stretches such as Mumbai-Ahmedabad.

The minister estimates capex of US\$50bn to build over 20K kms of roads in the next 3 years, approx. 60% of which is likely offered on toll, ~25% on annuity and balance on EPC. This should create a strong macro framework for the construction and developer sector. Buy IVRCL Infrastructure (IIFRF; C-1-7; Rs313.85).

Land acquisition is an issue but likely to pick-up as the minister hopes to muster state support.

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Price objective basis & risk

IVRCL Infrastruc (IIFRF)

Our PO of Rs395 is based on SOTP valuation. We have valued IVRCL core construction business at 12x PER of 1-year forward EPS, a 40pct discount to E&C majors at Rs299 (Rs307) per share. Hind-dorr-Oliver where IVRCL has 55pct stake is valued at CMP giving a per share value of Rs25 (Rs20). IVR Prime where IVRCL has 62.4pct stake is valued at 50pct discount to NPV at Rs27 (Rs30) per share in line with Mid Cap real estate companies. Chennai desalination plant where IVRCL has 75pct stake is valued on a DCF basis at Rs10 (Rs13) per share. Similarly, Jalandhar-Amritsar project, Kumarapalayam-Chengapally project, and Salem-Kumarapalayam project where IVRCL has 100pct stake are valued based on DCF of Rs6 (Rs5), Rs15 (Rs17) and Rs15 (Rs16) per share respectively. We arrive at an SOTP value of Rs396 per share. Risks: Unrelated acquisition in Oil & Gas space, Government capex, raw material costs, competition, traffic/interest rate risk in toll/annuity projects and project execution risk.

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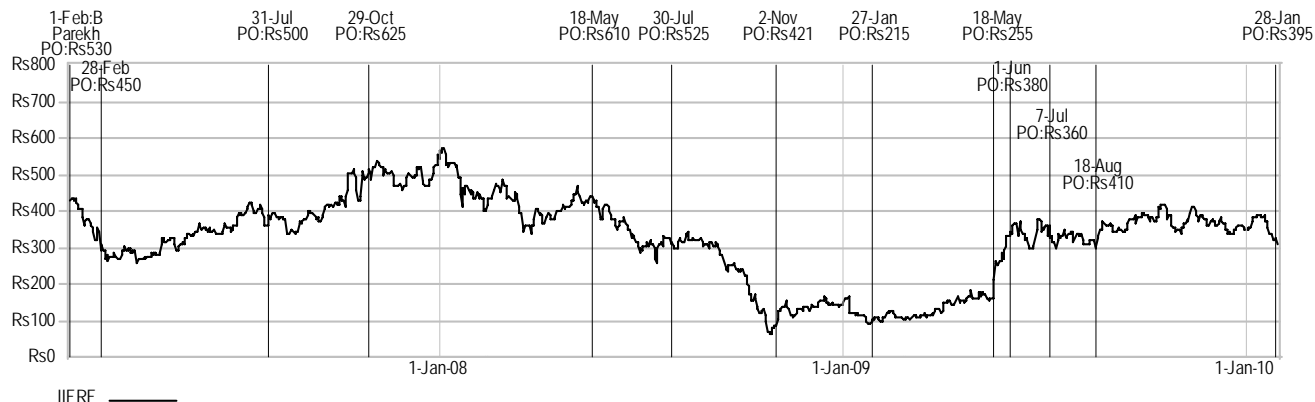
09 February 2010

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Gujarat State Petronet Ltd	GJRSF	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Manish Sarawagi
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh
	Lanco Infratech Ltd.	LNIFF	LANCI IN	Manish Sarawagi
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
NEUTRAL				
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
UNDERPERFORM				
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	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Manish Sarawagi
	NTPC Ltd	NTHPF	NATP IN	Bharat Parekh
	Suzlon Energy	SZEYF	SUEL IN	Bharat Parekh
RVW				
	Indraprastha Gas	IAGSF	IGL IN	Vidyadhar Ginde

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IIFRF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of January 31, 2010 or such later date as indicated.

BofAML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

Investment Rating Distribution: Engineering & Construction Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	20	62.50%	Buy	8	47.06%
Neutral	5	15.63%	Neutral	1	20.00%
Sell	7	21.88%	Sell	6	85.71%

Investment Rating Distribution: Global Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1699	50.78%	Buy	904	58.82%
Neutral	841	25.13%	Neutral	491	65.03%
Sell	806	24.09%	Sell	368	49.80%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
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