

RESULT UPDATE

MID CAP

Share Data

Reuters code	IRBI.BO
Bloomberg code	IRBIN
Market cap. (US\$ mn)	1,642
6M avg. daily turnover (US\$ mn)	10.6
Issued shares (mn)	332.4
Target price (Rs)	218

Performance (%)	1M	3M	12M
Absolute	10	24	174
Relative	18	18	56

Valuation ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	8.8	12.5
+/- (%)	65.8	42.6
PER (x)	26.5	18.6
PBV (x)	3.8	3.3
Dividend/Yield (%)	0.9	1.1
EV/Sales (x)	5.6	3.0
EV/EBITDA (x)	13.0	8.9

Major shareholders (%)

Promoters	74
FII's	6
MF's	4
Public & Others	16

Financial highlights

(Rs mn)	2QFY09	2QFY10	QoQ (%)	1HFY09	1HFY10	YoY (%)	FY09	FY10E	YoY (%)	FY11E	YoY (%)
Net sales	2,016	3,559	76.5	4,317	7,700	78.4	9,919	17,464	76.1	32,355	85.3
EBITDA	985	1,747	77.4	2,159	3,409	57.9	4,374	7,503	71.5	10,999	46.6
EBITDA margin (%)	48.9	49.1	-	50.0	44.3	-	44.1	43.0	-	34.0	-
Other income	82	74	(9.5)	140	289	106.1	296	415	40.1	390	(6.0)
Interest	304	477	56.7	614	944	53.6	1,377	2,367	72.0	3,487	47.3
Depreciation	271	396	45.9	527	773	46.7	1,144	1,706	49.1	2,324	36.2
PBT	491	948	93.2	1,158	1,981	71.1	2,149	3,845	78.9	5,578	45.1
Tax	79	205	160.3	204	387	89.2	378	831	119.9	1,355	63.1
PAT before minority interest	412	743	80.3	954	1,595	67.2	1,772	3,014	70.1	4,223	40.1
Minority interest	0	35	-	-	72	-	13	98	646.2	66	(33.2)
PAT after minority interest	412	708	71.9	954	1,523	59.7	1,758	2,916	65.8	4,157	42.6
EPS (Rs)	1.2	2.1	71.9	2.9	4.6	59.7	5.3	8.8	65.8	12.5	42.6

IRB Infrastructure

Maintain Outperformer

Price: Rs 232

BSE Index: 15,896

31 October 2009

2QFY10 Result – Immense opportunities in the sector

IRB's earnings were better than our expectation on account of higher than expected margins in both construction and BOT segments. Net sales grew by 77% YoY to Rs 3,559 mn, driven mainly by good performance on Mumbai-Pune project, contribution from Surat-Dahisar project and a 107% growth in construction segment sales. EBITDA margin improved to 18.3% in the construction segment and 86.8% in BOT segment. PAT for the quarter was Rs 708 mn, a growth of 72% YoY.

Execution of construction order book, steady growth in the operational BOT projects' revenues, booking of revenue for whole year on Dahisar-Surat project from FY10 and commencement of Surat-Bharuch projects (started from 25 September 2009) are likely to result in a robust growth. The company has secured LOA on three projects and is L1 on one project. Also, the company plans to bid for new projects to be awarded by NHAI, Maharashtra and Gujarat states. Growth prospects of the company remain strong, as it is likely to be a major beneficiary from the vast opportunities in the road segment.

At the current market price, the stock is trading at 26.5x FY10E and 18.6x FY11E earnings. We have an Outperformer rating on the stock.

Segment results

Rs mn	2QFY09			2QFY10		
	Construction	BOT	Total	Construction	BOT	Total
Net sales	948	1,068	2,016	1,959	1,600	3,559
EBITDA (%)	10.0	83.3	48.9	18.3	86.8	49.1
PAT	88	324	412	145	564	708

Highlights

- With the addition of new projects, current construction order book of the company stands at Rs 73.5 bn.
- On the Surat-Dahisar project, toll rates have been increased by ~8% from September 2009.
- Surat-Bharuch project has become operational from 25 September 2009 and toll collection was Rs 3.52 mn per day in initial days. However, the company is hopeful that it will improve and stabilise at a higher level in the current quarter.
- The board of directors of IRB has approved raising additional capital up to Rs 12 bn, which the company plans to use for future projects.
- On the Sindhudurg airport project (95 years concession, project cost Rs 1.75 bn) which the company has bagged recently, the traffic of north Goa would be targeted. The company plans to capture ~20% of the Goa's air passengers in the next five years. Also, with good beaches nearby, there is possibility of new hotels opening up in the area. The company plans to use the part of total land available (670 acres) for real estate development.

New projects

Project	Length (km)	Project cost (Rs bn)	NHAI grant (Rs bn)	Concession period (years)	Status
Goa/Karnataka Border-Panaji	65	8	1.86	30	L1
Pathankot-Amritsar	102	12	1.27	20	LOA received
Jaipur-Deoli	149	15	3.06	25	LOA received
Talegaon-Amravati	67	8	2.16	22	LOA received

Income Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net Sales	7,327	9,919	17,464	32,355
<i>Growth (%)</i>	<i>140.0</i>	<i>35.0</i>	<i>76.0</i>	<i>85.0</i>
Operating Expenses	(3,208)	(5,545)	(9,961)	(21,356)
Operating Profit	4,119	4,374	7,503	10,999
EBITDA	4,119	4,374	7,503	10,999
<i>Growth (%)</i>	<i>149.0</i>	<i>6.2</i>	<i>71.5</i>	<i>46.6</i>
Depreciation	(1,016)	(1,144)	(1,706)	(2,324)
Other Income	520	296	415	390
EBIT	3,623	3,526	6,212	9,065
Interest Paid	(1,958)	(1,377)	(2,367)	(3,487)
Pre-tax profit	1,666	2,149	3,845	5,578
(before non-recurring items)				
Pre-tax profit	1,666	2,149	3,845	5,578
(after non recurring items)				
Tax (current + deferred)	(400)	(378)	(831)	(1,355)
Net Profit	1,266	1,772	3,014	4,223
Minority interests	(126)	(13)	(98)	(66)
Reported PAT	1,139	1,758	2,916	4,157
Adjusted net profit	1,139	1,758	2,916	4,157
<i>Growth (%)</i>	<i>405.4</i>	<i>54.4</i>	<i>65.8</i>	<i>42.6</i>

Balance Sheet

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Current assets	9,589	10,326	10,539	13,172
Cash & marketable securities	5,221	4,147	2,645	2,091
Other current assets	4,367	6,179	7,895	11,081
Investments	1,985	1,108	1,042	542
Net fixed assets	27,737	34,707	44,569	54,328
Other non-current assets	16	10	10	10
Total assets	39,326	46,151	56,160	68,052
Current liabilities	2,600	3,210	5,494	8,349
Total debt	20,212	24,859	30,190	35,812
Other non-current liabilities	26	182	182	182
Total liabilities	22,838	28,251	35,865	44,343
Share capital	3,324	3,324	3,324	3,324
Reserves & Surplus	12,883	13,977	16,135	19,345
Shareholders' funds	16,207	17,301	19,458	22,668
Minorities interests	281	599	836	1,040
Total equity & liabilities	39,326	46,151	56,160	68,052
Capital employed	36,727	42,940	50,666	59,702

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	1,666	2,149	3,845	5,578
Depreciation	(153)	(213)	(489)	(679)
Chg in working capital	(254)	(1,194)	567	(330)
Total tax paid	(368)	(222)	(831)	(1,355)
Cash flow from oper. (a)	1,197	946	4,071	4,571
Capital expenditure	(4,331)	(8,069)	(11,568)	(12,083)
Chg in investments	(1,571)	877	66	500
Others	861	886	1,217	1,645
Cash flow from inv. (b)	(5,041)	(6,306)	(10,285)	(9,938)
Free cash flow (a+b)	(3,844)	(5,361)	(6,214)	(5,366)
Equity raised/(repaid)	10,899	(13)	0	0
Debt raised/(repaid)	(4,967)	4,646	5,331	5,622
Dividend (incl tax.)	(15)	(652)	(758)	(947)
Cash flow from fin. (c)	5,362	4,287	4,712	4,813
Net chg in cash (a+b+c)	1,518	(1,074)	(1,503)	(553)

Key Ratios

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs)	3.4	5.3	8.8	12.5
Growth	276.0	54.4	65.8	42.6
Book NAV/Share (Rs)	49.6	53.9	61.1	71.3
Dividend/Share (Rs)	0.0	1.7	2.0	2.5
Dividend payout ratio	1.3	37.1	26.0	22.8
Tax	24.0	17.6	21.6	24.3
EBITDA margin	56.2	44.1	43.0	34.0
EBIT margin	49.4	35.5	35.6	28.0
RoCE	10.8	8.9	13.3	16.4
Net debt/Equity	90.9	115.7	135.7	142.2

Valuations

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	67.3	43.9	26.5	18.6
PCE	35.6	26.6	16.7	11.9
Price/Book	4.7	4.3	3.8	3.3
Yield (%)	0.0	0.7	0.9	1.1
EV/Net sales	13.3	9.9	5.6	3.0
EV/EBITDA	23.7	22.4	13.0	8.9

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	15.5	17.7	16.7	12.8
Asset turnover	0.2	0.2	0.3	0.5
Leverage factor	3.4	2.5	2.7	2.8
Return on equity (%)	10.7	10.2	15.3	18.9

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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