

RESULT UPDATE

MID CAP

Share Data

Reuters code	IVRC.BO
Bloomberg code	IVRC IN
Market cap. (US\$ mn)	988
6M avg. daily turnover (US\$ mn)	28.0
Issued shares (mn)	134
Target price (Rs)	412

Performance (%)	1M	3M	12M
Absolute	(12)	10	338
Relative	(5)	5	149

Valuation Ratios

Yr to 31 Mar	FY10E	FY11E
EPS (Rs)	18.4	21.9
+/- (%)	9.9	18.6
PER (x)	18.9	15.9
PBV (x)	2.3	2.0
Yield (%)	0.3	0.3
EV/Sales (x)	1.0	0.9
EV/EBITDA (x)	11.1	9.6

Major shareholders (%)

Promoters	10
MFs, FI's and Banks	19
Public & Others	23
FII's	48

Financial highlights

(Rs mn)	2QFY09	2QFY10	YoY (%)	1HFY09	1HFY10	YoY (%)	FY09	FY10E	YoY (%)	FY11E	YoY (%)
Net Sales	11,366	12,178	7.1	20,656	23,039	11.5	48,819	59,424	21.7	68,851	15.9
EBITDA	913	1,145	25.4	1,718	2,141	24.6	4,218	5,581	32.3	6,776	21.4
EBITDA Margin (%)	8.0	9.4	-	8.3	9.3	-	8.6	9.4	-	9.8	-
Depreciation	113	133	17.6	215	263	22.0	473	587	24.0	673	14.6
Other Income	172	57	(66.7)	194	96	(50.3)	973	738	(24.2)	598	(19.0)
Interest	304	354	16.3	495	743	50.1	1,980	2,183	10.2	2,367	8.4
PBT	667	313	(53.1)	1,201	1,231	2.5	2,738	3,549	29.6	4,335	22.1
Tax	96	227	136.5	206	392	90.6	478	1,065	122.7	1,387	30.3
PAT	571	488	(14.6)	996	839	(15.7)	2,260	2,485	9.9	2,948	18.6
PAT Margin (%)	5.0	4.0	-	4.8	3.6	-	4.6	4.2	-	4.3	-
EPS (Rs)	4.2	3.6	(14.6)	7.4	6.2	(15.7)	16.8	18.4	9.9	21.9	18.6

IVRCL Infrastructure

Maintain Outperformer

Price: Rs 348

BSE Index: 15,896

30 October 2009

2QFY10 Result – Visibility intact

IVRCL Infrastructure's (IVRCL) result is in-line with our expectations at the earnings level. Net sales registered a YoY growth of 7% and stood at Rs 12,178 mn. Net profit stood at Rs 488 mn down by 15% YoY. We would like to highlight that in 2QFY09, the company was taking Section 80IA benefit but now it has started paying tax at normal tax rate. Comparable (adjusted for normal tax rate) net profit for 2QFY09 is Rs 455 mn.

Outlook

Robust order book of Rs 150 bn (order inflow of ~Rs 17 bn in the 1HFY10), 2.5x FY10E and 2.2x FY11E, sales provides revenue visibility. Kumara Palayam BOT road project has commenced operation. The other two BOT road projects and the Chennai Water Desalination project are expected to become operational in FY10/early FY11.

Due to the aggressive approach taken by the Ministry of Roads, NHAI and various state governments in the road sector, the company is looking for few more BOT road projects. Success in winning new BOT projects will provide EPC orders in road segment to the company, apart from the development of the projects. It has been awarded a BOT road project by the Maharashtra government during the quarter and has also emerged as the lowest bidder in Sion Panvel Expressway BOT project.

Irrigation segment will remain the mainstay for the company. However, we expect road and power transmission segment contribution to the company's order book to increase going further, as significant opportunities are coming in these sectors. We remain a bit cautious on the order inflow and order execution in the irrigation segment in Andhra Pradesh (AP). However, with decent order book and improved outlook on order inflow in other segments, we expect growth momentum to continue and maintain our estimates.

At the current market price, the stock is trading at 14.3x FY10E and 12.1x FY11E (Ex-Investments) earnings. Maintain Outperformer.

Highlights

- The order book stood at Rs 150 bn, 2.5x FY10E and 2.2x FY11E, sales. The order book constitutes of orders from water & irrigation 68%, transportation 5%, building & structure 22% and power & transmission 5%.
- EBITDA margin improved by 140 bps YoY to 9.4% due to better project mix and reduced sub-contracting expenditure.
- A dividend income of Rs 171 mn constitutes the part of other income in 2QFY09 against Rs 20 mn in 2QFY10.

SOTP valuation

Business	Basis	Value (Rs/share)
Construction	15x FY11E EPS	328
BOT projects	DCF	36
IVR Prime	20% discount to the current market price	18
Hind Dorr-Oliver	20% discount to the target price	30
Total		412

Income Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Net Sales	36,606	48,819	59,424	68,851
Growth (%)	58.7	33.4	21.7	15.9
Operating Expenses	(32,992)	(44,601)	(53,843)	(62,075)
Operating Profit	3,614	4,218	5,581	6,776
EBITDA	3,614	4,218	5,581	6,776
Growth (%)	57.1	16.7	32.3	21.4
Depreciation	(328)	(473)	(587)	(673)
Other Income	732	973	738	598
EBIT	4,018	4,718	5,732	6,701
Interest Paid	(1,165)	(1,980)	(2,183)	(2,367)
Pre-tax profit	2,853	2,738	3,549	4,335
(before non-recurring items)				
Pre-tax profit	2,853	2,738	3,549	4,335
(after non recurring items)				
Tax (current + deferred)	(749)	(478)	(1,065)	(1,387)
Net Profit	2,105	2,260	2,485	2,948
Adjusted net profit	2,105	2,260	2,485	2,948
Growth (%)	48.8	7.4	9.9	18.6

Balance Sheet

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Current assets	28,830	38,135	43,592	51,206
Cash & Marketable Securities	1,771	1,009	734	945
Other Current Assets	27,059	37,127	42,858	50,261
Investments	3,410	3,892	4,395	4,896
Net fixed assets	3,733	5,402	6,070	6,447
Total assets	35,973	47,430	54,057	62,549
Current Liabilities	9,132	15,226	17,105	19,697
Total debt	10,678	13,980	16,385	19,600
Other non-current liabilities	103	117	117	117
Total Liabilities	19,913	29,324	33,607	39,414
Share capital	267	267	267	269
Reserves & Surplus	15,793	17,839	20,183	22,866
Shareholder's funds	16,060	18,106	20,450	23,135
Total equity & liabilities	35,973	47,430	54,057	62,549
Capital employed	26,841	32,203	36,953	42,852

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY08	FY09	FY10E	FY11E
Pre-tax profit	2,853	2,738	3,549	4,335
Depreciation	(320)	(433)	(587)	(673)
Chg in working capital	(6,605)	(3,973)	(3,853)	(4,811)
Total tax paid	(701)	(464)	(1,065)	(1,387)
Cash flow from Oper. (a)	(4,133)	(1,266)	(782)	(1,191)
Capital expenditure	(1,618)	(2,102)	(1,254)	(1,050)
Chg in investments	(581)	(482)	(503)	(501)
Cash flow from Inv. (b)	(2,198)	(2,585)	(1,757)	(1,551)
Free cash flow (a+b)	(6,331)	(3,851)	(2,540)	(2,741)
Equity raised / (repaid)	1,000	(20)	0	1,285
Debt raised / (repaid)	5,126	3,302	2,405	3,215
Dividend (incl tax.)	(219)	(141)	(141)	(137)
Cash flow from fin. (c)	5,864	3,088	2,265	2,952
Net chg in cash (a+b+c)	(467)	(763)	(275)	211

Key Ratios

Yr end 31 Mar (%)	FY08	FY09	FY10E	FY11E
Adjusted EPS (Rs.)	15.6	16.8	18.4	21.9
Growth	48.8	7.4	9.9	18.6
Book NAV/Share (Rs)	119	134.2	151.6	171.6
Dividend/Share (Rs)	1.4	0.9	0.9	0.9
Dividend payout ratio	10.4	6.2	5.7	4.6
Tax	26.2	17.5	30.0	32.0
EBITDA margin	9.9	8.6	9.4	9.8
EBIT margin	11.0	9.7	9.6	9.7
RoCE	17.6	16.0	16.6	16.8
Net debt / Equity	55.5	71.6	76.5	80.6

Valuations

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
PER	22.3	20.7	18.9	15.9
PCE	19.3	17.1	15.3	12.9
Price / Book	2.9	2.6	2.3	2.0
Yield (%)	0.4	0.3	0.3	0.3
EV / Net sales	1.5	1.2	1.0	0.9
EV / EBITDA	15.3	14.1	11.1	9.6

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY08	FY09	FY10E	FY11E
Net margin (%)	5.7	4.6	4.2	4.3
Asset turnover	1.1	1.2	1.2	1.2
Leverage factor	2.3	2.4	2.6	2.7
Return on equity (%)	14.4	13.2	12.9	13.5

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