

11<sup>th</sup> March, 2010**Issue Details**

Offer Price Band	Rs. 242-258
Face Value	10
Shares Offered	2.7-2.9 crores
Type	Fresh Issue & Offer for sale
Promoters	IL&FS
Lead Manager	Enam, Nomura, JM, Avendus, SBI Caps
Listing (Stock Exchange)	NSE, BSE
Offer Open Date	11 <sup>th</sup> Mar, 2010
Offer Close Date	15 <sup>th</sup> Mar, 2010

Website: [www.itnindia.com](http://www.itnindia.com)**Scrip Estimates**

Market Cap (Rs Crores)	4848-5122
EPS – FY10E (Rs)	11.9
P/E(x) (fully diluted)	20.3-21.7

**Share Holding Pattern (%)**

	Pre Offer	Post Offer
Promoter & Promoter Group	85.1	73.5
Financial Institutions	14.9	18.9
Non-Institutions	-	3.5
Public	-	4.1

**Financials (Rs Crores)**

	FY08	FY09	H1FY10
Sales	361.6	1225.4	957.4
Expenditure	178.6	1032.1	621.4
EBIDTA	183.0	193.4	336.0
EBIDTA (%)	50.6	15.8	35.1
PBT	134.3	80.3	202.6
PAT	93.3	27.9	118.2
Equity	171.4	171.4	171.4
EPS (Rs)	5.4	1.6	6.9

Investors should read the risk factors and more detailed information in the Prospectus and the application form before investing in the issue.

Website: [www.way2wealth.com](http://www.way2wealth.com)

Analyst: Nisha Harchekar

Email: [nishaharchekar@way2wealth.com](mailto:nishaharchekar@way2wealth.com)

Contact: 022 - 40192900

**IL&FS Transportation Networks Ltd (ITNL)**, incorporated in 2000, is a private sector BOT road operator in India involved in the development, operation and maintenance of national and state highways, roads (including urban roads), flyovers and bridges. The company currently has a portfolio of 17 transportation projects aggregating 9397 lane km (4086 lane km operation and ~5300 lane km under development).

**Objects of the Issue:** The Company intends to use the IPO proceeds for repayment of loan and to support its growth plans. The company has unsecured loans totaling Rs 999 crores.

**Key Points**

- ❖ Strong Parentage- IL&FS has a track record of promoting and financing public infrastructure projects in India for over 21 years. The shareholders of IL&FS include LIC, Central Bank of India, SBI, HDFC Ltd, Abu Dhabi Investment Authority and Orix Corporation of Japan. Hence ITNL enjoys greater synergy regarding the financing options and to negotiate bilateral contracts with State and Central Government entities.
- ❖ ITNL has a current road project portfolio of 9,397 lane km, which is much higher than IRB Infrastructure and is the largest BOT player in the BOT space. Even in terms of operational BOT projects, ITNL currently has eight operational BOT projects aggregating 4081 lane km. ITNL's length of 4081 lane km is higher than IRB Infrastructure (3404 lane km).
- ❖ All of the BOT projects are implemented through special purpose vehicles (SPV's) and these SPV's enter into various types of concession agreements with Government agencies, which enable ITNL to generate revenues from toll receipts and annuities.
- ❖ In addition road projects, the company is also diversifying into urban development projects. In line with this, the company has already bagged two projects namely The Nagpur City Bus Transportation Service and Gurgaon Metro Link Rail project.
- ❖ ITNL acquired Elsamex in March 2008. Apart from the entry into international markets such as Spain, Portugal and Latin America, the acquisition of Elsamex has provided ITNL the maintenance capabilities of roads, buildings and petrol station. ITNL can utilize Elsamex's maintenance capabilities for its road project portfolio.

**Investment Concerns** Elsamex has incurred losses in the past and may continue to generate losses. Elsamex's maintenance business has very thin profit margins. Construction, completion risk and patronage risk in the initial years of some of the toll road assets remain a risk to the Company

**Valuations & Advise:** With increasing impetus on infrastructure development through greater private sector participation by public private partnership (PPP) model, ITNL, with its strong parentage and established track record in operating toll roads along with advanced execution capabilities stands well equipped to capitalize the growing opportunity in this sector. At the price band of Rs 242-258, the stock trades at a P/BV of 3.2-3.3x post dilution. The stock quotes at P/E of 20.3-21.7x its FY10E annualized EPS of Rs 11.9. One can **SUBSCRIBE** to the issue.

**Project portfolio**

Project Description	Commercial Format	Length (in lane Km)	Main Revenue Source	(Direct & Indirect)	(Beneficial Interest)
<b>Projects Under Operations - Road Sector</b>		<b>3,601</b>	<b>(holding by ITNL)</b>		
North Karnataka Expressway Limited Maharashtra Border to Belgaum, Karnataka	BOT	472	Annuity	74.50	19.00
Gujarat Road and Infrastructure Company Limited Vadodara to Halol and Ahmedabad to Mehsana, Gujarat	BOOT	523	Toll	83.61	-
Noida Toll Bridge Company Limited Delhi to NOIDA, Uttar Pradesh	BOT	60	Toll	25.35	-
West Gujarat Expressway Limited Jetpur to Rajkot, Gujarat	BOT	389	Toll	49.00	51.00
Road Infrastructure Development Company of Rajasthan Limited Multiple Stretches under Mega Highways Project, Rajasthan	PPP	2,106	Toll	-	50.00
Thiruvananthapuram Road Development Company Limited Phase-I Thiruvananthapuram City, Kerala	BOT	51	Annuity	49.93	-
Andhra Pradesh Expressway Limited Kotakatta to Kurnool, Andhra Pradesh	BOT	328	Annuity	49.00	51.00
Ramky Elsamex Hyderabad Ring Road Limited Outer Ring Road, Hyderabad, Andhra Pradesh	BOT	152	Annuity	26.00	-
<b>Projects Under Development - Road Sector</b>		<b>5,274</b>			
Road Infrastructure Development Company of Rajasthan Limited Multiple Stretches under Mega Highways Project, Rajasthan	PPP	476	Toll	-	50.00
Chhattisgarh Highway Development Company Limited Multiple Stretches, Chhattisgarh	BOT	1368	Annuity	-	74.00
Jharkhand Accelerated Road Development Company Limited Multiple Stretches, Jharkhand	BOT	1002	Annuity	-	74.00
East Hyderabad Expressway Limited Hyderabad City - Outer Ring Road, Andhra Pradesh	BOT	173	Annuity	74.00	-
Thiruvananthapuram Road Development Company Limited Phase-I Thiruvananthapuram City, Kerala	BOT	107	Annuity	49.93	-
ITNL Road Infrastructure Development Company Limited Beawer to Gomti, Rajasthan	DBFOT	248	Toll	100.00	-
Warora Chandrapur Ballarpur Toll Road Company Chandrapur to Warora to Bamni, Maharashtra	DBFOT	275	Toll	35.00	-
Hazaribagh Ranchi Expressway Limited Hazaribagh to Ranchi, Jharkhand	BOT	319	Annuity	73.88	-
Pune Sholapur Road Development Company Limited* Pune to Sholapur, Maharashtra	DBFOT	571	Toll	99.88	-
Moradabad Bareilly Expressway Limited Moradabad to Bareilly, Uttar Pradesh	DBFOT	522	Toll	100.00	-
<b>International Projects</b>					
Sociedad Concessionaria Autovia A-4 Madrid S.A. Highway A-4 from Km 3.78 to 67.50 stretch Madrid- R4, Spain	Concession	255	Toll	48.75	-
<b>ITNL's Presence in Road Sector (Toll: 6,313 lane Km; Annuity: 3,972 lane Km)</b>				<b>Total 9,397 Lane km</b>	
<b>Other Projects</b>					
Vansh Nimay Infraprojects Ltd. -Nagpur City Bus Transportation Service, Maharashtra	BOO	-	Ticket Receipts	80.00	-
Rapid MetroRail Gurgaon Ltd. (under Development) Gurgaon Metro Link Rail Project, Haryana	Concession	-	Ticket Receipts	70.00	-
Elsamex S.A. - Operating Subsidiary with projects in Europe, Mexico and Latin America covering road maintenance, building maintenance and petrol station concession.	Contracts	Road Maintenance -21,000 Gas stations -3,100	Fees	100.00	-
-PPP (Public Private Partnership) / BOT (Build Operate and Transfer) have different mechanisms such as:					
- BOO : Build own and operate, - BOOT : Build own operate transfer					
DBFOT : Design, build, finance, operate and transfer					
Source: RHP					

**RESEARCH TEAM**

K.N.Rahaman	Deputy Research Head	Equities & Commodities	rahaman@way2wealth.com
Jigisha Jaini	Sr. Research Analyst	Capital Goods & Engineering	jigishajaini@way2wealth.com
Nisha Harchekar	Sr. Research Analyst	FMCG, Hotels, Media	nishaharchekar@way2wealth.com
Sejal Jhunjunwala	Sr. Research Analyst	Auto, Shipping & Metals	sejal@way2wealth.com
Abhishek Kothari	Research Analyst	Banking, NBFC & Financial Services	abhishekkothari@way2wealth.com
Vishwa Doshi	Research Analyst	IT, Telecom, Midcaps	vishwadoshi@way2wealth.com
Krishna Reddy	Research Analyst	Commodities, Economic Update	krishnareddy@way2wealth.com
MSR Prasad	Research Analyst	Commodities	Prasad.m@way2wealth.com
Prateek Jain	Sr. Research Analyst	Mutual Funds & Economic update	prateek@way2wealth.com
Ritu Gupta	Research Analyst	Mutual Funds	ritugupta@way2wealth.com
Aditya Agarwal	Sr. Derivative Analyst	Derivative Strategist & Technicals	aditya@way2wealth.com
Amrut Deshmukh	Sr. Technical Analyst	Technical Analysis	amrut@way2wealth.com
Parag Joshi	Technical Analyst	Technical Analysis - Commodities	paragjoshi@way2wealth.com
Rupali Prabhu	Research Assistant	Database Management	rupali@way2wealth.com
<b>Contact</b>		<b>022-40192900</b>	

**DISCLAIMER**

The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific investment objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s. A qualified professional should be consulted before making an investment decisions or acting on any information contained in this material. All investments involve risk and past performance does not guarantee future results. Investigate before you invest. You are strongly cautioned to verify any information before using it for any personal or business purpose.

Way2wealth Brokers (P) Limited (herein after called Way2Wealth) does not guarantee the accuracy, quality or completeness of any information. Much of the information is relevant only in India. Way2wealth makes no warranties, either express or implied, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement.

In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities thereof, of companies mentioned herein.