

Q2FY2012 Review
 Sector: Infrastructure
 BSE Sensex: 17,193

IRB INFRASTRUCTURE DEVELOPERS

 Maintain BUY
 CMP Rs163
 TP Rs216

Execution on track

IRB reported a good Q2FY12, inline with expectation. Goa project has been removed from the OB as State Govt is yet to allot land while 4 new projects won in FY10 are likely to be the revenue driver in the near-term. The net impact on our EPC revenue estimate is +2.3% and +6.3% for FY12E and FY13E. We removed Goa project from our valuation. Now we value real estate land at cost and remove cash in hand from valuation. Our revised target price stands at Rs216 from Rs227 earlier, while we maintain BUY.

Can new projects drive the revenue...

Post the completion of Dahisar-Surat and the Kolhapur project, which are likely to have contributed 60%-65% of the revenue in H1FY12, the key question now remains whether the four new projects will be able to retain the execution run rate on a QoQ basis. We understand that it seems fairly likely that Amritsar-Pathankot, Jaipur-Deoli, Talegaon-Amravati and Tumkur-Chitradurg, which are between 10-20% completed will ramp up to execute an average ~Rs4.5bn each quarter in H2FY12E.

Net change in estimates...is positive

The net impact to EPC segment is 2.4% increase in total income in FY12, we also increase our EBITDA margin assumption to 22% from 19% thus leading to 21.5% increase in EPC PAT. While for BOT segment we have increased interest cost assumption leading to 16% reduction in PAT as interest rate and debt move up. We have also changed our FY13E the net impact of which is 4.5% increase in total income and 11% increase in total PAT (Please find the table on 3rd page).

Update on projects under construction

Panaji project has been removed from OB as no development has taken place from State and NHA front on land acquisition. The Dahisar-Surat & Kolhapur project have been 95% completed while Dahisar project is likely to receive substantial work completion certificate shortly, Kolhapur has already received it and tolling in Kolhapur project is likely to commence any time. As per the management Ahmedabad project is progressing well to achieve financial closure as per scheduled time by Jan'2012.

Update on operational projects

Baruch-Surat and Dahisar-Surat project had 10% increases in tariff in June'11 and Sept'11 respectively. The traffic growth is suboptimal in both the project between ~3-4%. Pune-Nashik witnessed a strong growth of 22% YoY for Q2FY12.

VALUATIONS AND RECOMMENDATION

We maintain our BUY recommendation with a lowered target price of Rs216 as we removed value for cash in hand and real estate is valued at cost vs market price. The removal of Panaji project is a near term negative but will not be a significant drag as it has been on hold and was largely factored in FY12E, its NAV valuation per share was only Rs2.6.

KEY FINANCIALS					
	(Rs mn)				
Particulars	FY09	FY10	FY11	FY12E	FY13E
Net Sales	10,411	17,390	24,381	31,257	38,220
YoY Gr.(%)	42.1	67.0	40.2	28.2	22.3
EBITDA	4,880	8,331	10,939	13,190	15,267
EBITDA Marg.(%)	46.9	47.9	44.9	42.2	39.9
Adjusted Net Profit	2,251	4,196	4,524	4,807	4,149
YoY Gr.(%)	97.5	86.4	7.8	6.3	(13.7)
KEY RATIOS					
Dil. EPS (Rs)	6.8	12.6	13.6	14.5	12.5
ROCE (%)	14.5	20.4	21.5	19.9	15.1
RoE (%)	13.4	22.3	20.2	18.2	13.7
PER (x)	24.1	12.9	12.0	11.3	13.1
EV/Net sales (x)	7.2	4.5	3.6	3.5	3.2
EV/EBDITA (x)	15.4	9.4	8.1	8.3	8.0

11 November 2011

 Vinod Nair +91-22-6618 6379
 vinod.nair@pinc.co.in

 Subramaniam Yadav +91-22-6618 6371
 subramaniam.yadav@pinc.co.in

QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Mar-11	Jun-11	Sep-11
Net Sales	7,670	8,013	7,359
YoY Gr. (%)	52.9	56.5	50.1
Op Profit	3,147	3,294	3,215
OPM (%)	41.0	41.1	43.7
Adj. Net Profit	1,028	1,342	1,101
YoY Gr. (%)	(27.5)	14.2	11.0

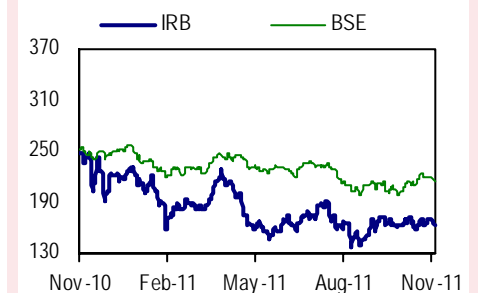
STOCK DATA

Market cap	Rs54.3bn
Book Value per share (FY 12)	Rs85.6
Shares O/S (F.V. Rs10)	332mn
Free Float	25.1%
Avg Trade Value (6 months)	Rs322.2mn
52 week High/Low	271/132
Bloomberg Code	IRBIN
Reuters Code	IRBI.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	(1.1)	(1.2)	(36.7)
Relative	4.0	2.1	(16.5)

RELATIVE PERFORMANCE



Financial Table (Consolidated)								(Rs mn)
Rs mn	Sep-11	Sep-10	YoY (%)	Jun-11	QoQ (%)	FY11	FY12E	YoY(%)
Net Sales	7,359	4,903	50.1	8,013	(8.2)	24,381	31,257	28.2
EBITDA	3,215	2,364	36.0	3,294	(2.4)	11,633	13,190	13.4
EBITDA Margins (%)	43.7	48.2	(452)	41.1	257	47.7	42.2	(551)
Other Income	301	82	265.9	282	6.6	645	1,241	92.4
Interest	1,411	693	103.7	1,174	20.2	3,572	5,265	47.4
Depreciation	629	544	15.5	602	4.4	2,254	2,736	21.4
PBT	1,476	1,209	22.1	1,800	(18.0)	6,452	6,429	(0.4)
Tax (%)	24.9	15.7	912	24.6	28	24.3	24.2	(10)
PAT (aft. MI)	1,101	991	11.0	1,342	(18.0)	4,765	4,807	0.9
EPS	3.3	3.0	11.0	4.0	(18.0)	14.3	14.5	0.9

Source: PINC Research, Company

Variance from our estimate									(Rs mn)
	Sept'11E			Sept'11A			Change (%)		
	Total	Const.	BOT	Total	Const.	BOT	Total	Const.	BOT
Total Income*	7,294	4,950	2,344	7,660	5,275	2,385	5.0	6.6	1.7
YoY Gr (%)	46.3	67.6	15.4	53.6	78.6	17.4			
PBITD	3,129	1,114	2,016	3,516	1,399	2,116	12.3	25.6	5.0
PBITD Margin	42.9	22.5	86.0	45.9	26.5	88.8	299	402	276
Interest cost	1,190	250	940	1,411	319	1,092	18.6	27.8	16.2
Depreciation	600	120	480	629	140	488	4.8	16.9	1.7
PBT	1,339	744	596	1,476	939	536	10.2	26.3	(10.0)
Tax	283	223	60	367	284	83	29.8	27.4	38.9
Tax rate	21.1	30.0	10.0	24.9	30.3	15.4			
PAT	1,057	521	536	1,109	655	453	4.9	25.9	(15.4)
Less: Minority Int	15	0	15	8	0	8	(46.1)	-	(46.1)
Profit after minority int	1,042	521	521	1,101	655	445	5.7	25.9	(14.5)
YoY Gr (%)	5.1	39.6	(15.7)	11.1	75.6	(27.9)			

* incl. other income Source: PINC Research, Company

Segmental Revenue breakup							(Rs mn)
	Sept'10			Sept'11			
	Total	Construction	BOT	Total	Construction	BOT	
Total Income*	4,985	2,954	2,032	7,660	5,275	2,385	
YoY Gr (%)	52.1	47.9	58.8	53.6	78.6	17.4	
PBITD	2,446	710	1,736	3,516	1,399	2,116	
PBITD Margin	49.1	24.0	85.4	45.9	26.5	88.8	
Interest cost	693	68	625	1,411	319	1,092	
Depreciation	544	118	426	629	140	488	
PBT	1,209	525	684	1,476	939	536	
Tax	190	152	39	367	284	83	
Tax rate	15.8	28.9	5.7	24.9	30.3	15.4	
PAT	1,018	373	645	1,109	655	453	
Less: Minority Int	27	-	27	8	0	8	
Profit after minority int	991	373	618	1,101	655	445	
YoY Gr (%)	21.7	157.8	9.7	11.1	75.6	(27.9)	

* incl. other income Source: PINC Research, Company

Change in estimates

	Old FY12			Revised FY12			Change		
	Total	Const.	BOT	Total	Const.	BOT	Total	Const.	BOT
Total Income	32,078	22,210	9,868	32,618	22,750	9,868	1.7%	2.4%	0.0%
PBITD	13,364	4,796	8,568	14,431	5,863	8,568	8.0%	22.3%	0.0%
Interest cost	4,205	946	3,259	5,265	1,298	3,968	25.2%	37.1%	21.7%
Depreciation	2,720	591	2,129	2,736	607	2,129	0.6%	2.8%	0.0%
PBT	6,439	3,259	3,180	6,429	3,958	2,471	(0.1)%	21.5%	(22.3)%
Tax	1,649	978	672	1,558	1,187	371	(5.5)%	21.5%	(44.8)%
PAT	4,789	2,281	2,508	4,871	2,771	2,101	1.7%	21.5%	(16.2)%
Les: Minority Int	71	-	71	64	-	64	(10.2)%	-	(10.2)%
Profit after minority int	4,718	2,281	2,437	4,807	2,771	2,037	1.9%	21.5%	(16.4)%

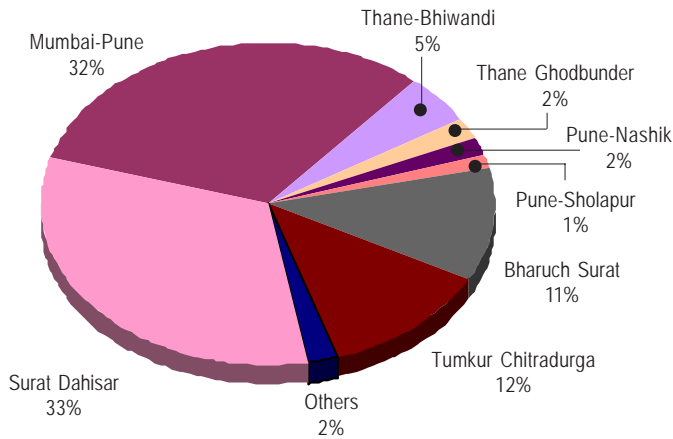
Source: PINC Research, Company

Change in estimates

	Old FY13			Revised FY13			Change		
	Total	Const.	BOT	Total	Const.	BOT	Total	Const.	BOT
Total Income	37,932	26,821	11,111	39,623	28,500	11,123	4.5%	6.3%	0.1%
PBITD	14,923	5,411	9,512	16,216	6,696	9,520	8.7%	23.8%	0.1%
Interest cost	4,842	1,230	3,612	5,843	1,817	4,026	20.7%	47.7%	11.5%
Depreciation	4,738	616	4,123	4,788	676	4,111	1.0%	9.8%	(0.3)%
PBT	5,343	3,565	1,777	5,586	4,203	1,382	4.5%	17.9%	(22.2)%
Tax	1,695	1,070	625	1,537	1,261	276	(9.3)%	17.9%	(55.8)%
PAT	3,648	2,496	1,152	4,048	2,942	1,106	11.0%	17.9%	(4.0)%
Les: Minority Int	(94)	-	(94)	(101)	-	(101)	7.0%	-	7.0%
Profit after minority int	3,742	2,496	1,247	4,149	2,942	1,207	10.9%	17.9%	(3.2)%

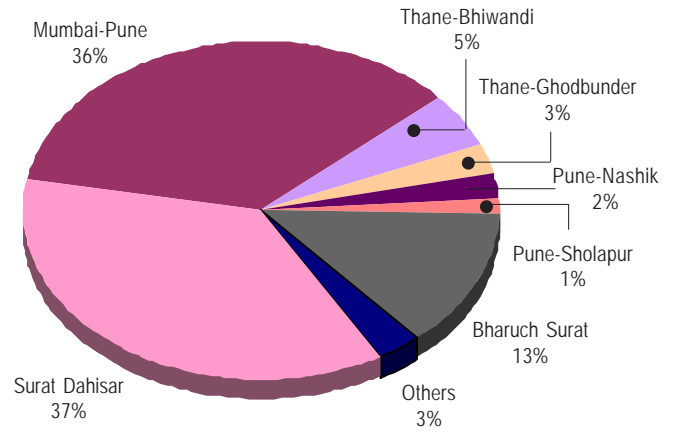
Source: PINC Research, Company

BOT revenue breakup (Q2FY12)



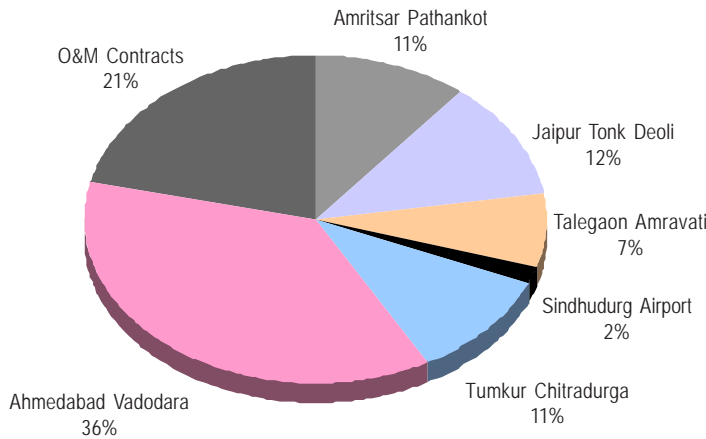
Source: PINC Research, Company

BOT revenue breakup (Q2FY11)



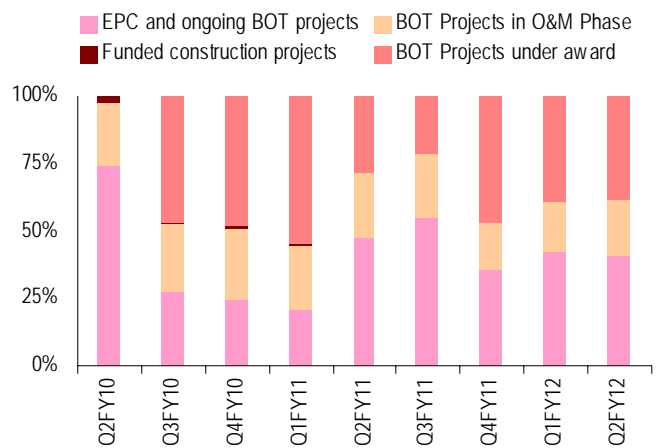
Source: PINC Research, Company

Orderbook breakup project wise (Q2FY12)



Source: PINC Research, Company

Orderbook breakup segment wise (Q2FY12)

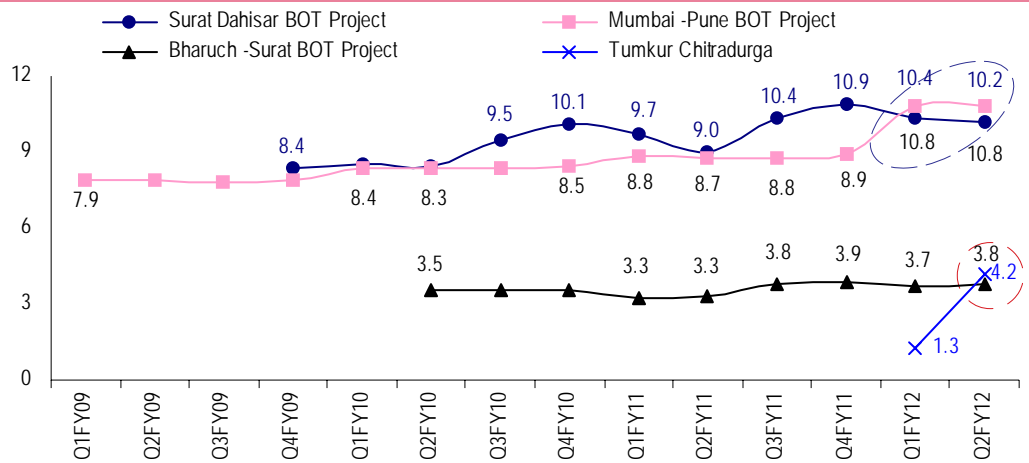


Source: PINC Research, Company

Surat-Dahisar and Bharuch-Surat has seen rate hike of 10% on Sep'11 and July'11 resp, still the revenue is flat QoQ largely due to rain which impacted traffic...

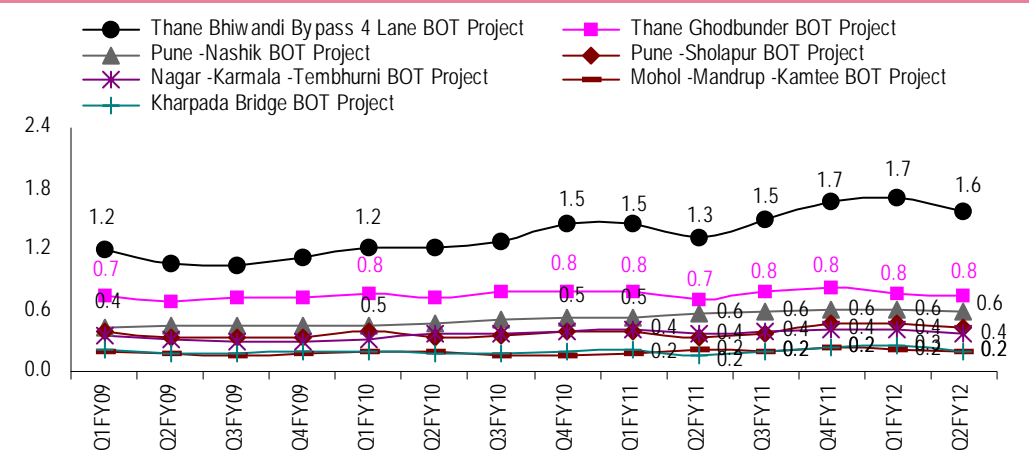
In last quarter Tumkur-Chitradurga project was operational for one month, the project is doing avg revenue of Rs4.2mn/day...

Average revenue per day of key projects (Rs mn)



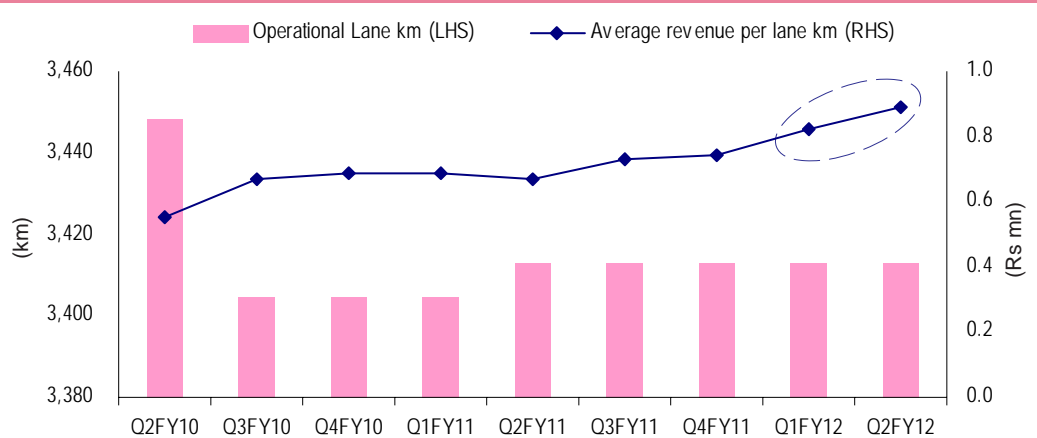
Source: PINC Research, Company

Average revenue per day of other projects (Rs mn)



Source: PINC Research, Company

Average revenue per lane km of operational projects



Source: PINC Research, Company

While Operational lane km has remained same, average revenue/lane km has improved by 8.5% QoQ and 32.8% YoY...

SOTP Valuations

BOT Details	Holding (%)	Length (kms)	Debt: Equity	Total Cost (mn)	New NPV/ Share	Old NPV/ Share	Comments
MIPL	100	206	11.3	12,920	42.9	43.7	
Surat Dahisar	90	239	1.1	25,870	0.3	0.5	
IDAA (surat Bharuch)	100	65	6.3	14,040	9.8	10.8	
IRB Infra (Kharpada Bridge)	100	1	2.2	320	0.8	0.8	
NKT (Nagar -Karmala- Tembhumni)	100	60	1.5	368	1.8	1.7	
TGTRPL (Thane Ghodbunder)	100	15	6.8	2,485	8.6	8.2	
ATR Infra (Pune Solapur)	100	30	11.3	740	5.7	5.4	
ATRPL (Pune Nashik)	100	26	2.5	630	2.6	2.5	
Thane Bhiwandi	100	24	2.1	1,040	7.9	7.4	
MMK (Mohol Kamtee)	100	33	2.0	450	1.1	1.0	
IRDPL, Kolhapur	100	49	1.5	4,300	13.6	12.8	
Panji Goa	100	65	0.9	8,213	0.0	2.4	Removed from valuation
Amritsar Pathankot	100	102	2.4	14,417	10.7	10.0	
Jaipur to Deoli	100	149	1.8	17,057	12.6	11.8	
Talegaon Amravati	100	67	2.4	8,850	8.8	8.2	
Tumkur Chitradurga	100	114	2.3	10,800	6.5	7.1	Adjusted for cost of equity for
Ahm-Vado	100	196	2.8	43,020	(8.4)	(7.8)	under construction projects at
Fair Value					125	126	14% and adjusting for time value
Construction Business							
MRMPL FY13E Net Profits					2,942	2,281	
No. of Shares (IRB Cons.)					332	332	
EPS contribution to IRB					9	7	
Assigned P/E multiple					10	11	
Fair Value per Share					89	75	Rolled over to FY13 valuation
Real Estate							
@ cost					858	3,300	
Fair Value per Share					3	10	Valuing at cost, earlier at Rs4mn/acre
Cash in Holding Company's Books					0	15	Currently not valuing cash
SOTP					216	227	SOTP stands reduced by 4.6%

Source: PINC Estimates

Consolidated Financials

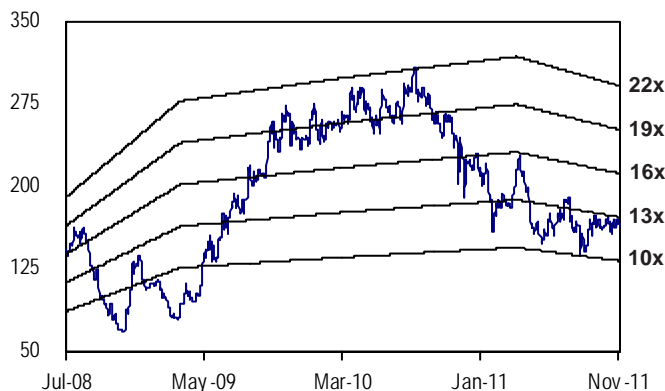
Income Statement	FY09	FY10	FY11	FY12E	FY13E
Net sales	10,411	17,390	24,381	31,257	38,220
Growth (%)	42.1	67.0	40.2	28.2	22.3
Operating profit	4,880	8,331	10,939	13,190	15,267
Operating income	282	490	645	1,241	949
EBITDA	5,162	8,821	11,584	14,431	16,216
Growth (%)	11.3	70.9	31.3	24.6	12.4
Depreciation	1,144	1,819	2,254	2,736	4,788
EBIT	4,018	7,002	9,330	11,695	11,428
Interest paid	1,377	2,494	3,572	5,265	5,843
PBT (before E/o items)	2,642	4,508	5,758	6,429	5,586
Tax provision	378	787	1,535	1,558	1,537
E/o Income / (loss)	13	179	117	64	(101)
Net profit	2,251	4,196	4,524	4,807	4,149
Adjusted net profit	2,251	4,196	4,524	4,807	4,149
Growth (%)	98	86	8	6	(14)
Basic EPS (Rs)	6.8	12.6	13.6	14.5	12.5
Diluted EPS (Rs)	6.8	12.6	13.6	14.5	12.5
Diluted EPS Growth (%)	97.5	86.4	7.8	6.3	(13.7)

Cash Flow Statement	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	2,149	4,167	5,758	6,429	5,586
Depreciation	1,144	1,819	2,254	2,736	4,788
Inc. from invt & int (profit)	(184)	(291)	-	(1,241)	(949)
Interest paid	1,344	2,437	3,040	5,265	5,843
Taxes	(424)	(812)	(1,463)	(1,558)	(1,537)
(Inc)/Dec in working capital	(1,401)	1,849	1,314	(2,811)	(201)
Other operating activities	35	15	31	-	-
Cash from operations	2,615	9,033	10,781	8,821	13,529
Net capital expenditure	(8,114)	(10,657)	(17,561)	(24,744)	(19,385)
Net Investments	953	(713)	(6,679)	-	-
Interest & dividend recd	90	4	234	1,241	949
Cash from inv. activities	(6,047)	(10,223)	(23,892)	(23,503)	(18,436)
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	5,686	15,315	32,850	22,000	17,000
Dividend (incl. tax)	(223)	(429)	(753)	(681)	(700)
Other financing activities	(952)	(2,455)	(3,283)	(5,265)	(5,843)
Cash from fin. activities	3,308	1,431	13,329	16,054	10,457
Inc/(Dec.) in cash	(123)	241	217	1,373	5,550

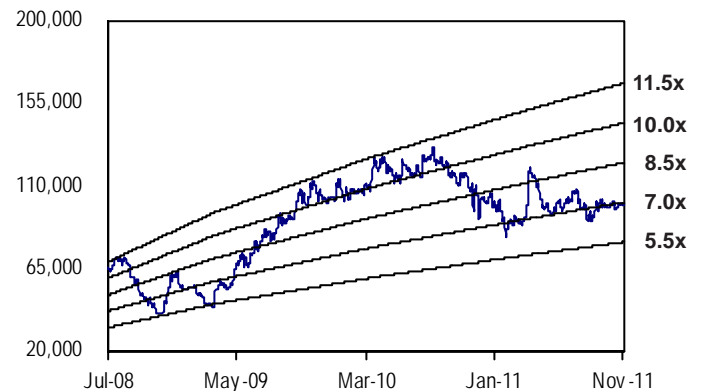
Balance Sheet	FY09	FY10	FY11	FY12E	FY13E
Equity capital	3,324	3,324	3,324	3,324	3,324
Reserves & surplus	13,977	17,075	21,002	25,129	28,578
Shareholders' funds	17,301	20,399	24,326	28,453	31,902
Minorities Interest	599	779	896	960	859
Total Debt	24,859	29,152	46,255	68,255	85,255
Deferred Tax liability	182	267	232	232	232
Capital Employed	42,940	50,597	71,709	97,900	118,248
Fixed Assets	34,707	43,477	58,706	81,185	96,174
Cash & cash eq.	4,147	5,102	12,000	12,901	18,059
Net current assets	7,116	6,661	12,443	16,155	21,514
Investments	1,108	451	551	551	551
Total assets	42,940	50,597	71,709	97,900	118,248

Key Ratios	FY09	FY10	FY11	FY12E	FY13E
OPM margin (%)	46.9	47.9	44.9	42.2	39.9
Net margin (%)	21.6	24.1	18.6	15.4	10.9
Dividend yield (%)	1.0	0.9	1.1	1.1	1.1
Net debt/Equity (x)	1.2	1.2	1.4	1.9	2.1
Net Working Capital (days)	103	32	7	37	33
ROCE (%)	14.5	20.4	21.5	19.9	15.1
RoE (%)	13.4	22.3	20.2	18.2	13.7
EV/Net sales (x)	7.2	4.5	3.6	3.5	3.2
EV/EBITDA (x)	15.4	9.4	8.1	8.3	8.0
PER (x)	24.1	12.9	12.0	11.3	13.1
PCE (x)	16.0	9.0	8.0	7.2	6.1
Price/Book (x)	3.1	2.7	2.2	1.9	1.7

1 year forward rolling P/E Band



1 year forward rolling EV/EBITDA Band



T E A M

EQUITY DESK

Sadanand Raje	Head - Institutional Sales Technical Analyst	sadanand.raje@pinc.co.in	91-22-6618 6366
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RESEARCH

Vineet Hetamasaria, CFA	Head of Research, Auto, Cement	<i>vineet.hetamasaria@pinc.co.in</i>	91-22-6618 6388
Nikhil Deshpande	<i>Auto, Auto Ancillary, Cement</i>	<i>nikhil.deshpande@pinc.co.in</i>	91-22-6618 6339
Tasmai Merchant	<i>Auto, Auto Ancillary, Cement</i>	<i>tasmai.merchant@pinc.co.in</i>	91-22-6618 6377
Vinod Nair	<i>Construction, Power, Capital Goods</i>	<i>vinod.nair@pinc.co.in</i>	91-22-6618 6379
Ankit Babel	<i>Capital Goods, Engineering</i>	<i>ankit.b@pinc.co.in</i>	91-22-6618 6551
Hitul Gutka	<i>Power</i>	<i>hitul.gutka@pinc.co.in</i>	91-22-6618 6410
Subramaniam Yadav	<i>Construction</i>	<i>subramaniam.yadav@pinc.co.in</i>	91-22-6618 6371
Madhura Joshi	<i>Power</i>	<i>madhura.joshi@pinc.co.in</i>	91-22-6618 6395
Satish Mishra	<i>Fertiliser, Natural Gas</i>	<i>satish.mishra@pinc.co.in</i>	91-22-6618 6488
Urvashi Biyani	<i>Fertiliser, Natural Gas</i>	<i>urvashi.biyani@pinc.co.in</i>	91-22-6618 6334
Naveen Trivedi	<i>FMCG</i>	<i>naveent@pinc.co.in</i>	91-22-6618 6384
Rohit Kumar Anand	<i>IT Services</i>	<i>rohit.anand@pinc.co.in</i>	91-22-6618 6372
Namrata Sharma	<i>Media</i>	<i>namrata.sharma@pinc.co.in</i>	91-22-6618 6412
Sakshee Chhabra	<i>Media</i>	<i>sakshee.chhabra@pinc.co.in</i>	91-22-6618 6516
Bikash Bhalotia	<i>Metals, Mining</i>	<i>bikash.bhalotia@pinc.co.in</i>	91-22-6618 6387
Harleen Babber	<i>Metals, Mining</i>	<i>harleen.babber@pinc.co.in</i>	91-22-6618 6389
Dipti Vijaywargi	<i>Metals, Mining</i>	<i>dipti.vijaywargi@pinc.co.in</i>	91-22-6618 6393
Sushant Dalmia, CFA	<i>Pharma</i>	<i>sushant.dalmia@pinc.co.in</i>	91-22-6618 6462
Poonam Sanghavi	<i>Pharma</i>	<i>poonam.sanghavi@pinc.co.in</i>	91-22-6618 6709
Suman Memani	<i>Real Estate, Mid caps</i>	<i>suman.memani@pinc.co.in</i>	91-22-6618 6479
Abhishek Kumar	<i>Real Estate, Mid caps</i>	<i>abhishek.kumar@pinc.co.in</i>	91-22-6618 6398
C Krishnamurthy	<i>Technical Analyst</i>	<i>krishnamurthy.c@pinc.co.in</i>	91-22-6618 6747

SALES

Rajeev Gupta	<i>Equities</i>	<i>rajeev.gupta@pinc.co.in</i>	91-22-6618 6486
Ankur Varman	<i>Equities</i>	<i>ankur.varman@pinc.co.in</i>	91-22-6618 6380
Himanshu Varia	<i>Equities</i>	<i>himanshu.varia@pinc.co.in</i>	91-22-6618 6342
Shailesh Kadam	<i>Derivatives</i>	<i>shaileshk@pinc.co.in</i>	91-22-6618 6349
Ganesh Gokhale	<i>Derivatives</i>	<i>ganeshg@pinc.co.in</i>	91-22-6618 6347

DEALING

Mehul Desai	<i>Head - Sales Trading</i>	<i>mehul.desai@pinc.co.in</i>	91-22-6618 6303
Amar Margaje		<i>amar.margaje@pinc.co.in</i>	91-22-6618 6327
Ashok Savla		<i>ashok.savla@pinc.co.in</i>	91-22-6618 6321
Sajjid Lala		<i>sajjid.lala@pinc.co.in</i>	91-22-6618 6337
Raju Bhavsar		<i>rajub@pinc.co.in</i>	91-22-6618 6322
Hasmukh D. Prajapati		<i>hasmukhp@pinc.co.in</i>	91-22-6618 6325

SINGAPORE DESK

Amul Shah		<i>amul.shah@sg.pinc.co.in</i>	65-6327 0626
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DIRECTORS

Gaurang Gandhi		<i>gaurangg@pinc.co.in</i>	91-22-6618 6400
Hemang Gandhi		<i>hemangg@pinc.co.in</i>	91-22-6618 6400
Ketan Gandhi		<i>ketang@pinc.co.in</i>	91-22-6618 6400

COMPLIANCE

Rakesh Bhatia	Head Compliance	<i>rakeshb@pinc.co.in</i>	91-22-6618 6400
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Member : Bombay Stock Exchange & National Stock Exchange of India Ltd. : Sebi Reg No: INB 010989331. Clearing No : 211
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