

## IVRCL Infrastructure

|                    |              |
|--------------------|--------------|
| STOCK INFO.        | BLOOMBERG    |
| BSE Sensex: 10,939 | IVRC IN      |
| S&P CNX: 3,247     | REUTERS CODE |
|                    | IVRC.BO      |

19 May 2006

Buy

Rs234

Previous Recommendation: Buy

|                       |          |
|-----------------------|----------|
| Equity Shares (m)     | 119.7    |
| 52-Week Range         | 326/95   |
| 1,6,12 Rel. Perf. (%) | -9/35/75 |
| M.Cap. (Rs b)         | 28.0     |
| M.Cap. (US\$ b)       | 0.6      |

| YEAR END | NET SALES (RS M) | PAT* (RS M) | EPS* (RS) | EPS GROWTH (%) | P/E (X) | P/BV (X) | ROE (%) | ROCE (%) | EV/ SALES | EV/ EBITDA |
|----------|------------------|-------------|-----------|----------------|---------|----------|---------|----------|-----------|------------|
| 3/06A    | 15,546           | 907         | 7.8       | 17.1           | 29.9    | 3.6      | 15.8    | 14.9     | 1.7       | 20.1       |
| 3/07E    | 23,870           | 1,488       | 12.4      | 58.8           | 18.8    | 3.1      | 17.6    | 15.4     | 1.3       | 14.5       |
| 3/08E    | 35,795           | 2,166       | 18.1      | 45.6           | 12.9    | 2.6      | 21.6    | 18.6     | 1.0       | 10.3       |

**Establishing a strong position in power T&D:** IVRCL has been successful in building a strong presence in the power T&D segment (FY06 revenues Rs3b, v/s Rs320m in FY05), and this segment is expected to be a key growth driver over the next few years. IVRCL is also the largest construction companies in India in the 'water management' segment (52% of FY06 revenues). It has identified various verticals like railways, hydropower, ports, metro rail, etc as future drivers.

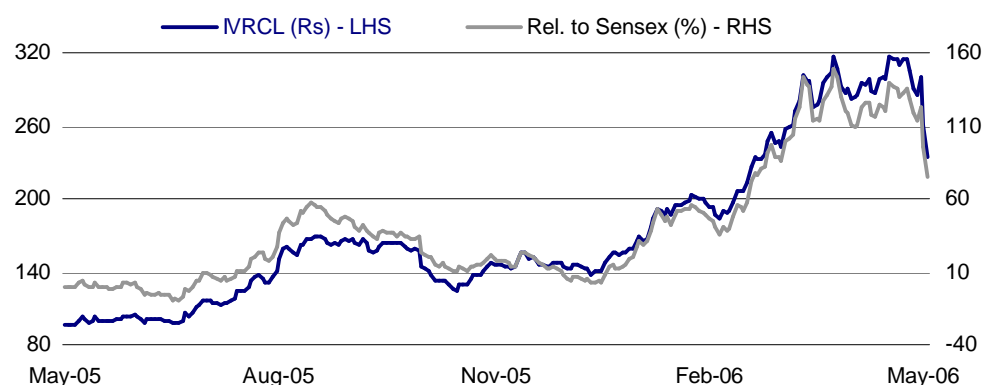
**Subsidiaries/investments provide value creation opportunities:** IVR Prime Urban Developers has aggressive growth plans to emerge as a sizeable national player in real estate development. Projects in hand (in Hyderabad) could potentially provide net profit of Rs4.5b during FY07 and FY08. In the BOT space, the company has plans to bid for projects in power T&D segments, through joint ventures. Hindustan Dorr Oliver has provided integration in water management systems, with access to high-end engineering and equipment manufacturing.

**Net profit CAGR 56.3% (FY05-08E):** Mirroring the strong revenue CAGR of 50.3% expected during FY05-FY08 and improvement in EBITDA margins, we expect IVRCL to report net profit CAGR of 56.3% during FY05-08.

**Recent stock price decline an opportunity to buy:** IVRCL has seen a decline of over 23% in its stock price in the last one week. We believe this presents an opportunity to **Buy**. The stock now quotes at a PER of 19x FY07E and 13x FY08E. Adjusted for the value of subsidiaries and investments, and also for dividends, it quotes at a PER of 9.3x FY07E and 6.4x FY08E. Our SOTP-based price target of Rs336 indicates an upside potential of 43%.



STOCK PERFORMANCE (1 YEAR)



## Indian Infrastructure: Its just the Beginning

Infrastructure spending has witnessed a sharp acceleration, with most companies witnessing strong traction in order inflows. As a result, we expect the next three years to be eventful. Apart from the traditional segments like roads, irrigation, etc, new verticals like ports, airports, urban infrastructure, etc are likely to pick up. The industry is also witnessing consolidation, with bigger companies getting higher share of the incremental order flows.

- ☞ **Government commitment supported by ground level actions:** Increased government commitment towards infrastructure projects has led to several large projects taking off the ground. The high level committee on Infrastructure, chaired by the Prime Minister has been able to put in place an institutional framework to drive investments. Increased government commitment is being supported by several recent actions, which include: (a) Improved clarity on policy issues like approval of National Tariff Policy, FDI limit for telecom, etc (b) Finalization of National Maritime Development Program to channelize investments of Rs1,003b in ports and inland waterways (c) Modernization of Mumbai and Delhi Airports approved (d) Consultants being appointed for National Highway Development Programme Phase VI.
- ☞ **Vibrant new order pipeline:** (1) Scope of NHAI has been enlarged to Phase VII entailing a combined investment of Rs2.2t as compared to Phase II earlier (Rs646b) (2) Government pushing investments in ports (National Maritime Development Programme), Railways ('National Rail Vikas Yojana' and 'Freight Corridor'), Airports (modernization and Greenfield projects), etc (3) State governments emerging as sizeable spenders in segments like irrigation, urban infrastructure, hydro power, etc.
- ☞ **Margins improving also at bidding stage:** Over past 6 months, we notice a perceptible improvement in the margins for infrastructure projects, driven by (1) increased average order size, limiting competition in terms of number of players 2) increased number of orders, permitting companies to pick and choose 3) moving up the value curve from being just item rate contractors to project developers (4) large part of orders being awarded

on 'Public Private Partnerships', BOT and annuity basis which restricts competition from unorganized players (5) more complex projects from sectors like ports, airports, water and effluent treatment, hydro power, etc are picking up, which involves higher margins. We note that most of the construction companies are enhancing role as developers by taking minority stakes in several projects.

- ☞ **Market share gains for bigger players:** Industry sources indicate that market share of Top 30 construction companies has increased to 90% in FY04 vs 50% in FY00. This consolidation is being driven by: (1) Increased project complexity (2) Increased average project size and (3) Smaller players face issues in terms of funds availability, network, etc.

## IVRCL has the best pre-qualifications in 'water' segment

IVRCL is the largest construction company in India in the 'water management'. During FY06, this division is expected to account for revenues of Rs8b (52% of total). IVRCL has one of the best pre-qualifications in India for water and environment related projects. The company has been successful in moving up the value curve by becoming a Lump Sum Turnkey Contractor (LSTK) and Front end Engineering and Design (FEED) contractor in water segment. Acquisition of Hindustan Dorr Oliver in April 05 has provided forward and backward integration, with access to high end engineering capabilities and equipments.

During FY05, the company has had a 28% strike rate in water projects, a testimony to its strong positioning in the segment. (Strike rate is calculated as successful orders bagged divided by total bids submitted).

During FY02-FY05, this segment witnessed revenue CAGR of 44.3%, and we believe that a similar growth rate should be possible over medium term. This is being driven by the massive under-investments over past several years in both irrigation and drinking water segments, increased industrialization and urbanization, replacing ageing water systems, rivers inter-linking (intra state), operations and maintenance of water projects, etc.

IVRCL executes a wide range of water related projects, which includes:

(Listed in ascending order of contribution to order backlog)

- Industrial Water Supply System
- Irrigation (lift irrigation)
- Desalination, Drinking Water
- Sewer Water

**Building up qualifications in roads, building and power segments**

Apart from the dominant positioning in water segment, IVRCL has been successful in building up pre-qualifications in roads, buildings and power segments.

The company entered the road segment in 2000, with the first project in joint venture with Shapoorji Pallonji. In Dec 2000, the company executed a 400Kv transmission line system contract on EPC basis with a joint venture partner.

In **road projects**, IVRCL now has built up necessary pre-qualifications to bid for large projects independently. During H1FY06, the company has received road projects of Rs11b on a BOT basis, which includes 1) Jalandhar – Amritsar (Rs2.6b), 2) Salem – Kumarapalayam (Rs4.7b) and 3) Sumarapalayam – Chenagmpalli (Rs3.8b). This segment now accounts for ~27% of the order book of IVRCL.

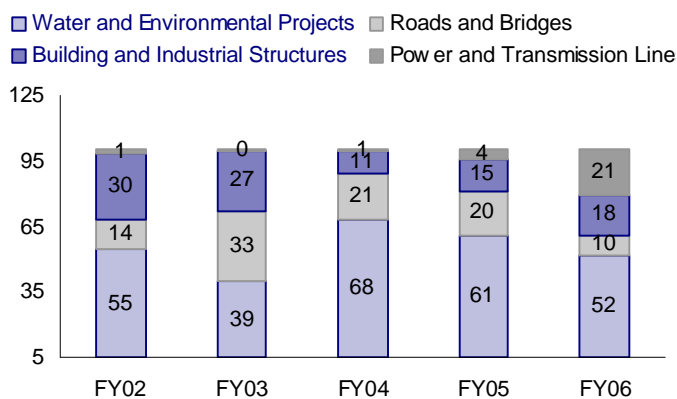
In **power segment**, IVRCL is primarily engaged in construction of transmission lines and sub-stations. The company has already built up sizeable pre-qualifications, also due to its experience from executing EPC water management programs which involved building the power related infrastructure. During FY06, revenues from this segment increased 10x to Rs3b (21% of total), vs Rs320m (4% of total) in FY05, and is expected to be a key growth driver during the next 2-3 years. The company has also entered into tie ups with several MNC’s like ABB, Alsthom, etc for execution various projects in this segment.

IVRCL has also announced plans of backward integration into setting up steel fabrication and galvanization unit for manufacture of transmission-line-tower-parts (24,000 ton) at a capex of Rs100m. The plant would be commissioned by 3QFY07, and would enable the company to improve margins in this segment.

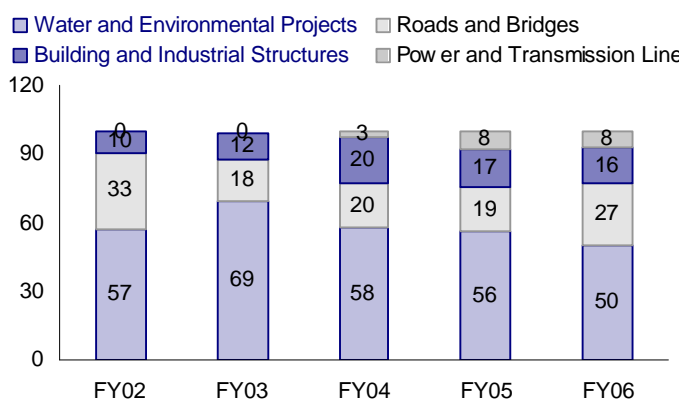
In terms of forward integration, the company has plans to bid for power transmission and distribution projects on ‘Public Private Partnership’ basis through joint ventures.

**Buildings** and Industrial structures was the foundation of IVRCL’s origin in 1987. The company has already has a varied experience in executing several projects relating to integrated township, hospital buildings, residential buildings, commercial buildings, independent housing, low cost housing and industrial structures.

TREND IN REVENUE COMPOSITION



TREND IN ORDER BOOK COMPOSITION



Source: Company/Motilal Oswal Securities

Apart from these, IVRCL has also identified several segments as the future focus areas:

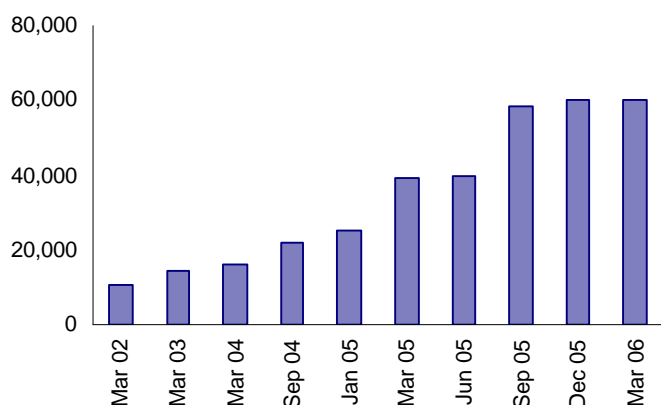
- ✂ Railway Permanent Way Construction and Electrification
- ✂ Hydel power plant construction
- ✂ Port Development, Port Berths and On Shore facilities, Dredging

- ✍ International Infrastructure Market
- ✍ Steel plant expansion projects
- ✍ Parking Management Systems
- ✍ Metro Rail Projects
- ✍ Urban Townships

**Robust order backlog (4x FY06E revenues)**

As at March 06, we expect IVRCL’s order book at Rs60b, including the possible EPC contract from own BOT projects. This corresponds to 4x FY06E revenues, providing revenue visibility till FY08.

TREND IN ORDER BACKLOG (RS M)



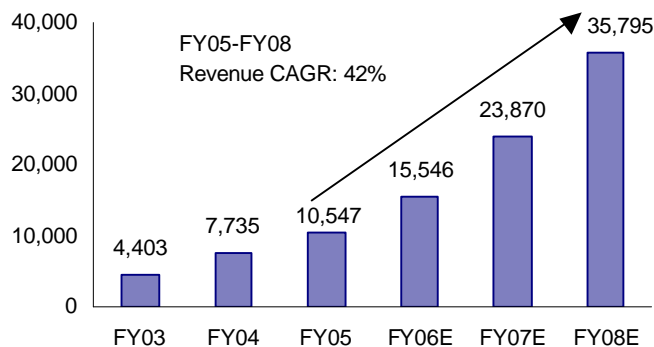
Source: Company/Motilal Oswal Securities

**Revenue CAGR 50.3% (FY05-08E)**

We expect IVRCL to report robust growth in revenues: FY06 Rs15b (up 47.4% YoY), FY07 Rs24b (up 53.5% YoY) and FY08 Rs36b (up 50% YoY).

Based on the robust order book of Rs60b as at March 2006 and average execution period of ~24 months, our revenue assumptions for FY07 and FY08 (combined Rs60b) just assumes completion of this order backlog. Thus, we believe that there exists a possibility of earnings upgrade, driven by strong order intake in FY07 and FY08.

TREND IN REVENUES (RS M)



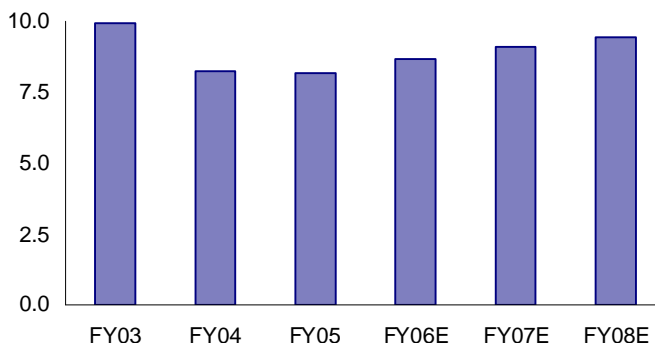
Source: Company/Motilal Oswal Securities

**EBITDA margins improvement seems imminent**

The key reasons for decline in EBITDA margins during FY05 to 8.2% vs 9.9% in FY03 has been the intense competitive pressures. Further, sharp increase in commodity prices post FY04 further eroded margins on such contracts. We believe that most of the low margin orders have already been executed. Further, the proportion of fixed price contracts as a percentage of the order book has reduced to 5% in FY06 vs 20-25% in FY05.

Also, we notice a perceptible improvement in the margins for infrastructure projects at the bidding stage, driven by increased order size, surge in the number of orders, change in composition towards high margin orders, increasing complexity, etc. Thus, we believe that there exists strong case for increase in margins. During FY06-08E, we expect IVRCL’s EBITDA margins to increase from 8.6% in FY06E to 9.4% in FY08E. The margin improvement is also driven by increased share of power segment revenues, where the margin profile is much better.

TREND IN EBITDA MARGINS (%)

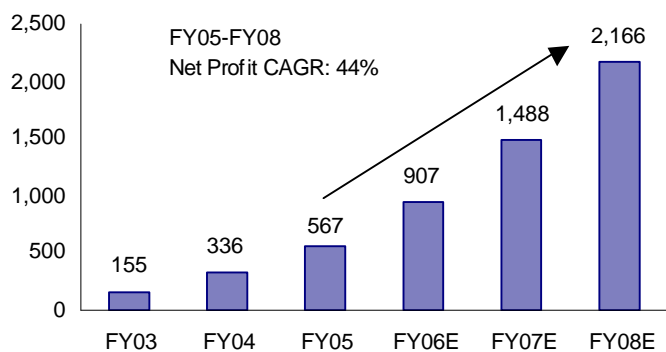


Source: Company/Motilal Oswal Securities

### Net Profit CAGR 56.3% (FY05-08E)

Mirroring the strong CAGR revenue growth of 50.3% during FY05-FY08E and improvement in EBITDA margins, we expect IVRCL to report net profit CAGR of 56.3% during FY05-08E. This will result in EPS increasing from Rs6.7/sh in FY05 to Rs7.8/sh in FY06, Rs12.4/sh in FY07 and Rs18.1/sh in FY08. For calculation of EPS, we consider fully diluted equity, including conversion of outstanding convertible bonds (in the money) and additional issue of shares due to Employee Stock Options.

TREND IN NET PROFIT (RS M)



Source: Company/Motilal Oswal Securities

### Subsidiaries / investments provide value creation opportunities

☞ **Hindustan Dorr Oliver:** During September 2005, IVRCL acquired 70% stake in Hindustan Dorr Oliver from Jumbo World Holdings and Firestorm Finance and Trading Pvt Ltd for a consideration of Rs539m including non compete fees. Post preferential issue of capital and conversion of warrants, IVRCL's stake now stands at 52%.

HDO is a high end engineering company with core business areas as Designing, Manufacturing, Supplying & Installing Equipment, systems & processes for liquid-solid separation and pollution control. IVRCL will gain from HDO's expertise in manufacturing, supplying and installing equipment, systems and processes. HDO, along with its associate companies also have a sizeable export presence. The engineering capabilities of HDO

can be judged from the fact that while IVRCL has ~35-40 design engineers, HDO has 140+ design engineers. Also, HDO is more into process industries and private clients, while IVRCL is more into government works. Thus the strengths and client profile of HDO make a perfect compliment with IVRCL.

HDO: KEY FINANCIALS (RS M)

|            | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 |
|------------|------|------|------|------|------|------|
| Revenues   | 702  | 768  | 838  | 1257 | 2263 | 3281 |
| EBITDA     | 49   | 29   | 15   | 75   | 181  | 262  |
| Net Profit | 33   | 97   | 11   | 59   | 132  | 188  |

Source: Company/Motilal Oswal Securities

☞ **IVR Prime Urban Developers:** IVR Prime Urban Development (100% subsidiary) is focused on real estate development. The ongoing project of the company has been the construction of residential apartments and plans for commercial development at the National Games Village, Hyderabad.

The company received government land for the National Games held in Hyderabad in Dec 2002 to construct National Games Village. The government offered 50 acres of land to IVRCL at Rs2.9m/acre. IVRCL has constructed 1.5m sq ft of residential property, and is in the process of selling the same.

Also, the company has vacant land of 11.83 acres, which has been bought from government at Rs2.9m/acre and we conservatively estimate the market value at ~Rs300m/acre (recently, ICICI Venture led consortium has acquired 6acre plot at Jubilee Hills for ~Rs600m/acre, which is 5-6kms from IVRCL's property). IVRCL has firmed up plans to set up Shopping mall and IT Park (8 acres) and hotel (4 acres). The company has appointed Bentel & Bentel, South Africa for designing the project, and Old Mutual, South Africa for advising on property and lease management.

Thus, total profit expected from this SPV in FY07 (excluding gains from 11.83 acres of commercial property) is Rs600m. Further, the company has

aggressive growth plans to undertake property development in various cities like Pune, Hyderabad, Chennai, Bangalore, etc. We believe that over the next two years, IVRCL Prime Urban Developers will emerge as a sizeable player in the real estate development market, leveraging on the presence of IVRCL in 23 states in the country. Further, the company is adopting a unique business model, whereby it focuses largely on property development (JV or otherwise), and not land bank accumulation. Thus, the intent is to gain from profits in property development, without taking a risk on movement in land prices.

✍ **BOT projects:** IVRCL currently has a BOT portfolio of 4 projects, with combined investment of Rs14.6b (IVRCL's share). Going forward, the company has plans to bid for BOT projects in power Transmission and Distribution segments, in joint ventures.

**IVRCL has formed domain specific holding companies:** IVRCL Water Infrastructure Ltd and IVRCL Road Toll Holdings Ltd for BOT projects in desalination and road projects. The various BOT projects (SPV) would be part of the respective subsidiaries.

| IVRCL'S BOT PORTFOLIO                              | (RS B)      |
|--|-------------|
| Desalination Plant, Chennai                        | 3.8*        |
| Jalandhar – Amritsar Highway                       | 2.3         |
| Salem – Kumarapalayam Road, Tamilnadu (2 projects) | 8.5         |
| <b>Total</b>                                       | <b>14.6</b> |

\* IVRCL has a 75% stake, with project cost at Rs5b

Source: Company

We believe that most of the existing projects of IVRCL have RoE of 18-28%. Also over the past few months there has been a significant improvement in project IRR for Jalandhar-Amritsar Highway, post openings up of Wagah borders with Pakistan resulting in higher than expected traffic growth.

### Valuations and target price estimation

Given the various subsidiaries, BOT projects, etc we value IVRCL on sum of parts methodology. We value core business of IVRCL at 12x PER (FY08E). Based on this, we arrive at a price target of Rs336/sh, an upside potential of 43%.

At the CMP of Rs234/sh, the stock quotes at a PER of 19x FY07E and 13x FY08E. Adjusted for the value of subsidiaries and investments, and also for dividends etc, the stock quotes at PER of 9.3x FY07 and 6.4x FY08E, which is attractive. Upside potential exists from upgrades in earnings estimates and value unlocking possible through subsidiaries and investments.

#### IVRCL: SUM OF THE PARTS VALUATION

|   | BUSINESS SEGMENT     | METHOD  | VALUATION MULTIPLE | VALUE (RS M)  | VALUE (RS/SH) | RATIONALE  |
|---|----------------------|---|--------------------|---------------|---------------|--|
| IVRCL Standalone                            | Construction         | FY08E PER (x)   | 12                 | 25,991        | 217           | At par with industry average   |
| <b>Subsidiaries</b>                         |                      |   |                    |               |               |  |
| - Hind. Dorr Oliver                         | Engineering          | Rs/Sh   | 635                | 1,885         | 16            | 25% Discount to current stock price  |
| - IVR Prime Urban Developers                | Real Estate          | Land Value, plus development profits of existing projects |                    | 4,000         | 33            | Based on expected cash flows of property constructed / under development at National Games Village |
| <b>Appreciation in Subsidiary Valuation</b> |                      |   |                    |               |               |  |
| - Chennai Desalination Project              | Desalination project | DCF, WACC: 8.4%   |                    | 1,050         | 9             | Based on expected cash flows at 23% Equity IRR   |
| - Jalandhar Amritsar Road Project           | BOT Road             | NPV, P/BV (x)   |                    | 643           | 3             | Expected equity IRR = 19%, Cost of Equity 16%  |
| - Tamil Nadu Road Projects (2 Nos)          | BOT Roads            | NPV, P/BV (x)   |                    | 1,980         | 17            | Expected equity IRR = 20%, Cost of Equity 16%  |
| Investments (at Book Value)                 |                      |   |                    | 5,015         | 42            |  |
| <b>Total</b>                                |                      |   |                    | <b>40,263</b> | <b>336</b>    |  |

Source: Motilal Oswal Securities

## INCOME STATEMENT (RS MILLION)

| Y/E MARCH               | 2004         | 2005          | 2006E         | 2007E         | 2008E         |
|-------------------------|--------------|---------------|---------------|---------------|---------------|
| <b>Net Sales</b>        | <b>7,735</b> | <b>10,547</b> | <b>15,546</b> | <b>23,870</b> | <b>35,795</b> |
| Change (%)              | 75.6         | 36.4          | 47.4          | 53.5          | 50.0          |
| Total Expenditure       | 7,099        | 9,682         | 14,205        | 21,706        | 32,426        |
| <b>EBITDA</b>           | <b>636</b>   | <b>865</b>    | <b>1,341</b>  | <b>2,164</b>  | <b>3,369</b>  |
| % of Net Sales          | 8.2          | 8.2           | 8.6           | 9.1           | 9.4           |
| Depreciation            | 98           | 80            | 107           | 162           | 222           |
| Interest                | 220          | 214           | 308           | 282           | 629           |
| Other Income            | 21           | 24            | 114           | 30            | 30            |
| <b>PBT</b>              | <b>339</b>   | <b>595</b>    | <b>1,041</b>  | <b>1,751</b>  | <b>2,548</b>  |
| Tax                     | -53          | 28            | 104           | 263           | 382           |
| Rate (%)                | -15.6        | 4.6           | 10.0          | 15.0          | 15.0          |
| <b>Reported PAT</b>     | <b>392</b>   | <b>567</b>    | <b>907</b>    | <b>1,488</b>  | <b>2,166</b>  |
| EO Income (Net of Exp.) | 56           | 0             | 0             | 0             | 0             |
| <b>Adjusted PAT</b>     | <b>336</b>   | <b>567</b>    | <b>937</b>    | <b>1,488</b>  | <b>2,166</b>  |
| Change (%)              | 116.5        | 68.9          | 65.1          | 58.8          | 45.6          |

## BALANCE SHEET (RS MILLION)

| Y/E MARCH                        | 2004         | 2005          | 2006E         | 2007E         | 2008E         |
|----------------------------------|--------------|---------------|---------------|---------------|---------------|
| Share Capital                    | 106          | 170           | 239           | 239           | 239           |
| Share Application Money          | 785          | 1,454         | 0             | 0             | 0             |
| Reserves                         | 1,248        | 2,407         | 7,580         | 8,850         | 10,699        |
| <b>Net Worth</b>                 | <b>2,139</b> | <b>4,030</b>  | <b>7,820</b>  | <b>9,090</b>  | <b>10,939</b> |
| Loans                            | 1,882        | 2,472         | 3,805         | 5,750         | 8,450         |
| Deferred Tax Liability           | 74           | 30            | 0             | 0             | 0             |
| <b>Capital Employed</b>          | <b>4,095</b> | <b>6,532</b>  | <b>11,626</b> | <b>14,840</b> | <b>19,388</b> |
| Gross Fixed Assets               | 964          | 1,107         | 1,523         | 2,023         | 2,773         |
| Less: Depreciation               | 291          | 366           | 473           | 635           | 856           |
| <b>Net Fixed Assets</b>          | <b>673</b>   | <b>741</b>    | <b>1,050</b>  | <b>1,388</b>  | <b>1,917</b>  |
| Capital WIP                      | 8            | 216           | 150           | 150           | 150           |
| Investments                      | 222          | 316           | 1,418         | 4,418         | 5,918         |
| <b>Curr. Assets</b>              | <b>5,650</b> | <b>11,607</b> | <b>14,356</b> | <b>17,061</b> | <b>23,610</b> |
| Inventory                        | 185          | 178           | 200           | 240           | 288           |
| Debtors                          | 1,744        | 3,066         | 3,833         | 5,886         | 8,826         |
| Cash & Bank Balance              | 1,234        | 4,527         | 4,833         | 2,507         | 1,856         |
| Loans & Advances                 | 791          | 787           | 1,278         | 1,962         | 2,942         |
| Other Current Assets             | 1,696        | 3,050         | 4,212         | 6,467         | 9,698         |
| <b>Current Liab. &amp; Prov.</b> | <b>2,457</b> | <b>6,348</b>  | <b>5,348</b>  | <b>8,177</b>  | <b>12,206</b> |
| Creditors                        | 1,952        | 3,470         | 4,475         | 6,839         | 10,217        |
| Other Liabilities                | 437          | 2,791         | 719           | 1,103         | 1,654         |
| Provisions                       | 68           | 87            | 154           | 235           | 335           |
| <b>Net Current Assets</b>        | <b>3,193</b> | <b>5,259</b>  | <b>9,007</b>  | <b>8,884</b>  | <b>11,404</b> |
| <b>Application of Funds</b>      | <b>4,095</b> | <b>6,532</b>  | <b>11,626</b> | <b>14,840</b> | <b>19,388</b> |

E: MOST Estimates

## RATIOS

| Y/E MARCH                       | 2004       | 2005       | 2006E      | 2007E       | 2008E       |
|---------------------------------|------------|------------|------------|-------------|-------------|
| <b>Basic (Rs)</b>               |            |            |            |             |             |
| <b>Adjusted EPS</b>             | <b>7.4</b> | <b>6.7</b> | <b>7.8</b> | <b>12.4</b> | <b>18.1</b> |
| Growth (%)                      | 149.7      | -9.4       | 17.1       | 58.8        | 45.6        |
| Cash EPS                        | 8.2        | 7.6        | 8.7        | 13.8        | 19.9        |
| Book Value                      | 40.3       | 47.5       | 65.3       | 75.9        | 91.4        |
| DPS                             | 1.0        | 0.7        | 1.0        | 1.6         | 2.4         |
| Payout (incl. Div. Tax.)        | 14.6       | 12.7       | 13.0       | 13.0        | 13.0        |
| <b>Valuation (x)</b>            |            |            |            |             |             |
| P/E (standalone)                |            | 35.1       | 29.9       | 18.8        | 12.9        |
| Cash P/E                        |            | 30.7       | 26.9       | 17.0        | 11.7        |
| EV/EBITDA                       |            | 30.0       | 20.1       | 14.5        | 10.3        |
| EV/Sales                        |            | 2.5        | 1.7        | 1.3         | 1.0         |
| Price/Book Value                |            | 4.9        | 3.6        | 3.1         | 2.6         |
| Dividend Yield (%)              |            | 26.9       | 52.0       | 82.6        | 120.2       |
| <b>Profitability Ratios (%)</b> |            |            |            |             |             |
| RoE                             | 21.3       | 18.4       | 15.8       | 17.6        | 21.6        |
| RoCE                            | 17.0       | 15.2       | 14.9       | 15.4        | 18.6        |

## Turnover Ratios

|                    |     |     |     |     |     |
|--------------------|-----|-----|-----|-----|-----|
| Debtors (Days)     | 82  | 106 | 90  | 90  | 90  |
| Inventory (Days)   | 9   | 6   | 5   | 4   | 3   |
| Creditors. (Days)  | 106 | 137 | 0   | 0   | 0   |
| Asset Turnover (x) | 2.4 | 2.0 | 1.7 | 1.8 | 2.1 |

## Leverage Ratio

|                 |     |     |     |     |     |
|-----------------|-----|-----|-----|-----|-----|
| Debt/Equity (x) | 0.9 | 0.6 | 0.5 | 0.6 | 0.8 |
|-----------------|-----|-----|-----|-----|-----|

## CASH FLOW STATEMENT (RS MILLION)

| Y/E MARCH                    | 2004         | 2005         | 2006E         | 2007E         | 2008E         |
|------------------------------|--------------|--------------|---------------|---------------|---------------|
| PBT before EO Items          | 339          | 595          | 1,041         | 1,751         | 2,548         |
| Add: Depreciation            | 98           | 80           | 107           | 162           | 222           |
| Interest                     | 220          | 214          | 308           | 282           | 629           |
| Less: Direct Taxes Paid      | -53          | 28           | 104           | 263           | 382           |
| (Inc)/Dec in WC              | -652         | 1,227        | -3,442        | -2,203        | -3,171        |
| <b>CF from Operations</b>    | <b>57</b>    | <b>2,088</b> | <b>-2,091</b> | <b>-271</b>   | <b>-154</b>   |
| (Inc)/Dec in FA              | -73          | -356         | -350          | -500          | -750          |
| (Pur)/Sale of Investments    | -28          | -95          | -1,102        | -3,000        | -1,500        |
| <b>CF from Investments</b>   | <b>-101</b>  | <b>-451</b>  | <b>-1,452</b> | <b>-3,500</b> | <b>-2,250</b> |
| (Inc)/Dec in Networth        | 699          | 1,351        | 2,961         | 0             | 0             |
| (Inc)/Dec in Debt            | 594          | 590          | 1,334         | 1,944         | 2,700         |
| Less: Interest Paid          | 220          | 214          | 308           | 282           | 629           |
| Dividend Paid                | 57           | 72           | 137           | 218           | 318           |
| <b>CF from Fin. Activity</b> | <b>1,015</b> | <b>1,655</b> | <b>3,849</b>  | <b>1,445</b>  | <b>1,754</b>  |
| <b>Inc/Dec of Cash</b>       | <b>972</b>   | <b>3,292</b> | <b>307</b>    | <b>-2,327</b> | <b>-651</b>   |
| Add: Beginning Balance       | 262          | 1,234        | 4,527         | 4,833         | 2,507         |
| <b>Closing Balance</b>       | <b>1,234</b> | <b>4,527</b> | <b>4,833</b>  | <b>2,507</b>  | <b>1,856</b>  |



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**Disclosure of Interest Statement**

**IVRCL Infrastructure**

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|--|----|
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