

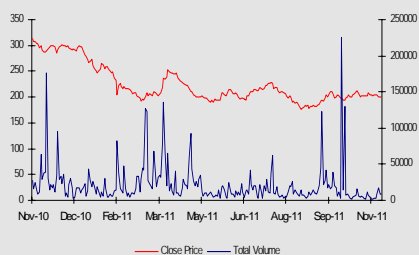
Infrastructure

CMP	Rs 200
Target Price	Rs 258

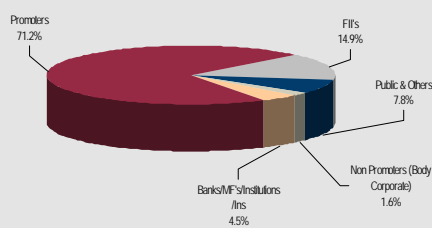
Key Data

Face Value (Rs)	10
Market Cap (Rs in mn)	38854
Total O/s Shares in (in mn)	194.3
Free Float	28.8%
52 Week High / Low	323/170
Avg. Monthly Volume (BSE)	6575
Avg. Monthly Volume (NSE)	27862
BSE Code	533177
NSE Code	IL&FSTRANS
Bloomberg Code	ILFT IN
Beta	0.71
Date of Incorporation	11/29/2000
Last Dividend Declared	35%
Six month return	0.55%
Indices	BSE500
FCCB's outstanding	N.A.
Warrants outstanding	N.A.

One Year Price Chart



Source: Capitaline

Share Holding Pattern (30th Sept' 2011)

Source: Company, KJMC Research

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IL&FS Transportation Networks Ltd

BUY

IL&FS Transportation Networks Ltd (ITNL) reported inline Q2FY12 results. The consolidated net revenue and PAT after minority interest for the quarter grew at 42.2% and 8.2% respectively on yoy basis. The company has current capital work order in hand to the tune of Rs 89 bn. The company has bid pipeline of Rs 680 bn of road projects which gives visibility on inflow of new projects in future.

Key Highlights

Strong execution supported 42.2% growth in consolidated net revenue: ITNL reported strong performance at consolidated level in Q2FY12. The consolidated net revenue for the quarter stood at Rs 12.5 bn which was up 42.2% yoy mainly on account of pick up in construction revenue. In H1FY12 the consolidated revenue grew at 41.5% yoy to Rs 23.48 bn. The half yearly revenue included 68% from construction, 14% from Elsamex, 11% from toll and annuity and rest from others. The standalone revenue was up 73.8% yoy to Rs 6.48 bn which included 48% construction revenue, 42% fee income and balance as O&M income & others. The standalone revenue did not include the construction revenue in Jharkhand State Road Project as it was booked at SPV level. The fee income was mainly on account of supervision fee in Jharkhand project.

EBITDA margin declined on higher construction revenue: In Q2FY12 the company reported 118 bps decline in EBITDA margin that stood at 28.4%. The decline in EBITDA margin was mainly on account of higher composition of low margin construction revenue. PAT for the quarter grew at 8.2% yoy to Rs 1.16 bn

Expect to add new project by FY12 end: ITNL has a robust capital work order in hand of Rs 89 bn which would translate into revenue in the next three years. In addition, it is participating in Rs 614.1 bn of projects including Rs 474.26 bn of NHAI projects. The company is not going aggressive in terms of pricing of new project and expects that the aggression in the bidding process would continue for some time. However, the company maintained its guidance to add new project (of earlier guided ~Rs 35 bn) by the end of FY12.

BOT projects on schedule: Most of the BOT projects are on schedule. Its key projects like Jharkhand Road, Moradabad Bareilly, Hazaribagh Ranchi and Chenani Nashri are completed to the extent of 80%, 35%, 45% and 20% respectively. Pune Sholapur project which got stuck on environmental issue got last stage clearance from Supreme Court. It has completed 15% work in this project and is expecting notification date very soon.

Financial Snapshot (Consolidated)

(Rs in mn)

Particulars	FY09	FY10	FY11	FY12E	FY13E
Net Revenue	12254	24029	40482	58970	67743
Revenue Growth (YoY %)	238.9%	96.1%	68.5%	45.6%	14.9%
EBITDA	1933	7941	11543	11441	15744
EBITDA Margins (%)	15.8%	33.0%	28.5%	19.4%	23.2%
PAT Aft Minority Int	262	3444	4329	5294	5384
PAT Margins (%)	2.1%	14.3%	10.7%	9.0%	7.9%
EPS	1.4	17.6	22.2	27.2	27.6
PE	140.7	11.3	8.6	7.4	7.2
EV/EBITDA	25.9	8.3	8.9	11.0	8.8
RONW (%)	3.5%	23.9%	21.5%	21.2%	16.4%

Source: Company, KJMC Research

Needs Rs 1.5 bn of equity infusion in BOT projects: The pending equity commitment for existing projects is to the tune of Rs 1.5 bn which would be invested in the current financial year. It is mainly in the Jharkhand State Road project.

Consolidated Result Table

(Rs in Mn)

Particulars	Q2FY12	Q2FY11	YoY Growth%	H1FY12	H1FY11	YoY Growth%
Net Sales	12555	8832	42.2	23486	16592	41.5
Expenditure	8989	6218	44.6	16608	11364	46.1
EBITDA	3566	2614	36.5	6878	5228	31.6
EBITDA margin%	28.4	29.6	-118.8 bps	29.3	31.5	-222.2 bps
Other Income	263	188	39.7	488	360	35.4
PBITD	3829	2802	36.7	7366	5588	31.8
Depreciation	160	142	12.9	321	272	17.8
Interest	1694	983	72.3	3119	2037	53.1
PBT	1975	1677	17.8	3926	3278	19.7
Tax	652	565	15.4	1417	1106	28.1
PAT	1324	1112	19.0	2508	2172	15.5
Min Int & Share of profit in JV	-161	-38	327.9	-190	-52	266.9
PAT (After Minority Int.)	1163	1075	8.2	2319	2121	9.3
PAT Margin%	10.5	12.6	-204.9 bps	9.9	12.8	-290.8 bps
Equity	1943	1943	0.0	1943	1943	0.0
EPS	6.0	5.5	8.2	11.9	10.9	9.3

Source: Company, KJMC Research

Average Daily Toll Collection (Operational)

(Rs in Mn)

Toll Projects under Operation	Q2FY12	Q1FY12	FY11
Ahmedabad Mehsana Road (Gujarat)	1.61	1.55	1.32
Vadodra Halol Road (Gujarat)	1.21	1.13	1.01
Noida Toll Bridge (UP)	1.97	1.93	1.91
Mega Highways – Rajasthan (Ph-I)	3.99	4.04	2.91
Rajkot to Jetpur – Gondal (Gujarat)	0.99	0.98	0.92
Beawer Gomti (Rajasthan)	0.46	0.44	0.43

Source: Company, KJMC Research

Outlook

We are bullish on the long term growth story of Indian road sector. We believe that the awarding of new projects to pickup pace in Q4FY12. We maintain our BUY recommendation on the stock with the target price of Rs 258 per share.

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Mr. Suresh Parmar	A.V.P. - Institutional Equities	suresh.parmar@kjmc.com	4094 5551 (D)
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Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	- appreciate more than 20% over a 12- month period
Accumulate	- appreciate 10% to 20% over a 12- month period
Hold / Neutral	- appreciate up to 10% over a 12- month period
Reduce	- depreciate up to 10% over a 12- month period
Sell	- depreciate more than 10% over a 12- month period

KJMC Research Basket

Products	Contains	Frequency
(A) Fundamental Reports		
Company Reports	Initiating Coverage on Company based on Fundamental Research	Time to Time
Company Updates	Quarterly / Event Update on companies covered	Time to Time
Visit Note / Analyst Meet Note / Concall Update	Reports containing management meet, analyst meet & concall update on companies	Time to Time
IPO Note	Reports based on IPO Analyst Meet and Company Fundamentals	Time to Time
Event Report	Reports based on special events such Budget, Monetary policy etc.	Time to Time
Morning Market Compass	Morning Market Compass containing information on Indian & Global Markets, Indices and key company events.	Mon-Fri
(B) Alternative Research		
Dividend Yield Stocks	Reports based on analysis of Dividend Yield.	Time to Time
Alternative Research Note	Investments based on Open Offer, Buy-Back, FPO Arbitrage, IPO/FPO leverage investments.	Time to Time
What's in & What's out	List of companies, Purchase / Sold in particular month by different AMC's.	Monthly
(C) Mutual Funds & IPO's Research		
Daily Performance Report for Liquid & Liquid Plus Funds	Report containing daily, weekly, monthly, half yearly & yearly performance of only Liquid & Liquid Plus plans along with ranking of each fund for Corporates & Institutions.	Mon-Fri
Daily Performance Report for all Debt & Equity Funds	Report containing daily, weekly, monthly, half yearly & yearly performance along with ranking of each fund.	Mon-Fri
Product Notes	Brief Details about different products like Mutual fund, Fixed Deposits, Bonds, IPOs, Insurance & Home Loans.	Time to time

Data Sources: Capitaline, Companies, Bloomberg, Various Websites & publication available on Public domain.

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MCX-Commodity*	:	MCX/TM/CORP/1772
Mutual Fund's AMFI No.	:	ARN - 2386

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