

Infrastructure

Road Show

Rating: **Buy**

Current Price (Rs): 165

Target Price (Rs): 221

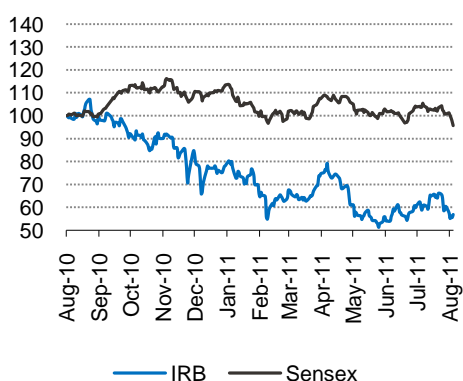
Stock Data

52-week high/low	315/145
O/S shares (m)	332.4
Mkt Cap Rs (bn)	55.0
Avg Daily Vol	1,835,432
Bloomberg Code	IRB.IN
Reuters Code	IRB.BO

Shareholding (%)

Jun-11

Promoters	74.8
FII's	13.4
DII's	4.0
Public	7.8



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Road Show – Highlights

We organized the IRB Road Show on 10th August 2011 at Trident BKC with senior management of IRB —Mr. Anil Yadav (CFO) and Mr. Mehul Patel (Group Company Secretary).

Toll revision and price increase in fuel unlikely to impact traffic: IRB increased toll for Mumbai Pune expressway (18% in Apr'11), Bharuch Surat (8% in Jul'11). An expected 10% toll increase for Surat-Dahisar road is due in Sep'11. Management indicates that traffic has not reduced despite the recent increases in fuel prices and toll rates. Despite stiff condition, toll collection on the Tumkur-Chitradurga road in is line with the company's estimates of Rs4.4mn daily.

Execution of projects on track due to in-house EPC: The two projects - Surat Dahisar (expected in Sep'11) and Kolhapur BOT would be delivered in FY12. Further, major construction revenue in FY13 would be due to execution of Jaipur-Deoli, Talegaon-Amravati, Pathankhot-Amritsar and the newly awarded Ahmedabad-Vadaodara projects. We have assumed revenue growth of 24% CAGR over FY11-13.

IRB would focus on high value projects; competition likely to ease: Management intends to bid for projects worth Rs15bn and above to achieve targeted IRR of 16%. Moreover, competition is likely to ease, given individual balance sheet constraints. In FY12, until date (Apr'11-Jul'11), NHAI awarded 2500km of projects as against a targeted 7000km for full year. Management believes the target is achievable given NHAI's pace of development vs. previous years.

Aggressive growth plans and strong unexecuted order book: IRB has qualified for projects worth Rs416.6bn, which provides strong revenue visibility. Of this, projects worth Rs120bn and Rs296.5bn are under the RFP and RFQ stages respectively. IRB has a strong unexecuted order book of Rs111.7bn, which provides visibility to construction revenue over the next four years based on FY12 estimates.

Valuation: We maintain our estimates and **BUY** rating. We have used SOTP-methodology to value IRB and arrive at FY12E TP of Rs221 per share. We use DCF method to arrive at NPV of each of the BOT assets.

Y/E Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
Net Sales	17,049	22,022	29,518	37,624
EBITDA	7,990	9,309	12,795	15,680
Net Profit	3,854	4,086	4,835	5,294
EPS (Rs)	11.6	13.6	14.5	15.9
EPS (growth)		17%	7%	9%
Book Value/(Rs.)	61.4	73.2	87.7	103.7
PER (x)	14.6	12.4	11.6	10.6
P/BV (x)	2.8	2.3	1.9	1.6
EV/EBITDA (x)	10.0	8.2	9.2	9.4
ROE (%)	20%	20%	18%	17%
ROCE (%)	14%	15%	12%	11%

Conference Highlights

Toll hike in Mumbai Pune Expressway by 18%, Bharuch Dahisar by 8% and expects toll hike of 10% in Surat Dahisar.

Tumkur Chitradurga toll collection of Rs4.4mn on a daily basis

CA for Ahmedabad Vadodara Expressway signed in Jul'11 and intends to part finance the project through ECB funding route.

Surat Dahisar and Kolhapur BOT will be delivered in FY12.

Major growth in construction revenue in FY13 on account of execution of Jaipur Deoli, Talegaon Amravati, Pathankhot Amritsar and Ahmedabad Vadodara expressway.

Competition likely to ease due to individual balance sheet constraints

IRB to focus on high value projects to maintain project margins of 16%

Toll revision and price increase in fuel unlikely to impact traffic: IRB revised toll rates at major stretches – Mumbai-Pune Expressway in Apr'11 by 18% (increased every three years) and Bharuch-Surat Dahisar Expressway by 8% in Jul'11. The company stated this increase in toll rate or the steep rise in fuel prices had no impact on traffic. Management also indicated that toll rate for Surat-Dahisar is likely to increase 9-10% in Sep'11 based on NHAI WPI revised formulae of 2008. This will enhance tolling revenue for FY12. We have already factored this in our estimates (report dated Jun 22, 2011). Toll collection on the Tumkur-Chitradurga road is in line with company estimates of Rs4.4mn daily. This is despite adverse conditions: 1) mining ban in the region and 2) heavy rains.

Financial closure for Ahmedabad-Vadodara project by FY12: IRB signed a concession agreement (CA) for the Ahmedabad-Vadodara project under an SPV (IRB Ahmedabad-Vadodara Super Express Toll Pvt. Ltd) in Jul'11 and expects financial closure to be completed by FY12. Construction would commence by Apr'12. Management is looking at funding part of debt for Ahmedabad-Vadodara through the ECB route. Interest cost for ECB is likely to be 8-9%, which could bring down average interest cost to ~10%.

Construction on track due to in-house EPC: Management indicated that of the 6 BOT projects under construction (total 17 assets), IRB will deliver Surat Dahisar (expected in Sep'11) and Kolhapur BOT in FY12. Further, major construction revenue in FY13 would arise from execution of the Jaipur-Deoli, Amravati-Talegaon, Pathankhot-Amritsar and the newly-awarded Ahmedabad-Vadodara project. IRB signed concession agreement (CA) for Ahmedabad-Vadodara project in Jul'11 and expects financial closure to complete by FY12. We have factored this in our revenue growth estimate of 24% CAGR over FY11-13.

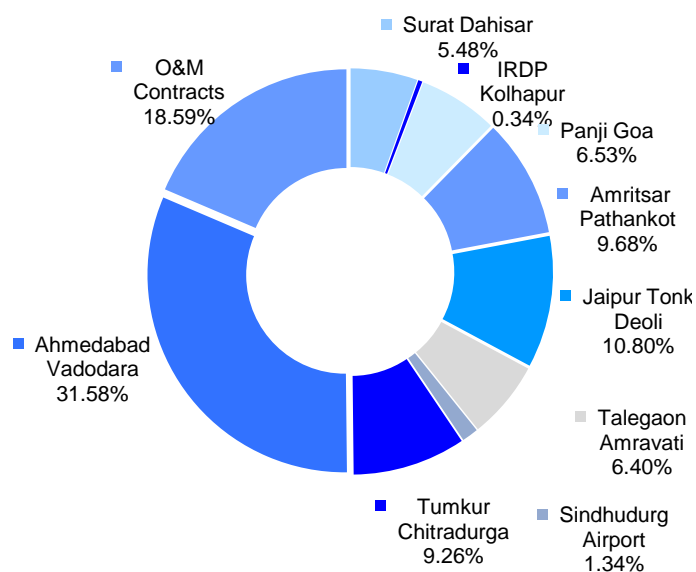
IRB to focus on high value projects; competition likely to ease: Given strong competition IRB intends to bid for projects worth Rs15bn and above to achieve its targeted IRR of 16%. Currently, for projects of up to Rs10bn, there are ~40 bidders participating in the bidding. Hence IRB has decided to focus more on projects above Rs15bn, since competition for high-value projects reduce 50% due to stipulations on financial capabilities and technical qualifications of the developer. This also helps IRB maintain margins. In FY12, until date (Apr'11- Jul'11), NHAI has awarded 2500km of projects against a targeted of 7000km; management indicated that the target is achievable owing to the pace of development at NHAI versus previous years.

IRB has strong unexecuted order book of Rs11.7bn

Strong unexecuted order book of Rs111.7bn: IRB has a strong unexecuted order book of Rs111.7bn, which provides visibility to construction revenue over the next four years based on FY12E. Of this, major order backlog relates to in-house construction of BOT projects.

Exhibit 1: Order Book composition

Order Book Composition (Rs mn)	Q1FY12
Ongoing BOT projects	46,879
BOT projects in O&M phase	20,764
BOT projects - LOA received, Construction yet to commence	44,070
Total	111,713



Rs120bn of projects are in RFQ stage and Rs296.5bn of projects are under RFQ stage

Aggressive growth plans: IRB has aggressive plans to increase BOT assets from Rs17.6bn to Rs25bn over the next four years. IRB has qualified for Rs416.6bn worth projects. Of this, projects worth Rs120bn and Rs296.5bn are under the RFP and RFQ stages respectively.

Exhibit 2 : Upcoming Opportunities as in Q1FY12

S No	Name of the client	RFP Stage	RFQ stage
1	NHAI projects - Phase III	17,441	27,309
2	NHAI projects - Phase IV	32,453	135,445
3	NHAI projects - Phase V	51,340	28,460
4	NHAI projects - Phase VI		11,369
5	NHAI projects - Phase VII		2,785
6	NHAI projects - BOT (Annuity)		7,057
7	NHAI projects – OMT		5,440
8	NHAI projects - NE-II		26,990
9	Other clients	18,853	51,795
	Total	120,087	296,650

IRB has passed enabling resolution to raise Rs12bn through QIP route

IRB to raise Rs12bn through QIP: IRB's Board of directors has passed an enabling resolution to raise Rs12bn through the QIP route. Our discussions with the management indicate that this move was prompted considering the strong pipeline of upcoming projects. We believe this indicates the preparedness of the management for meeting funding requirements of upcoming projects.

Valuation & View

We maintain our estimates for FY12 and FY13.

No Change in estimates;

	Changes in estimates				
	FY12e			FY13e	
	Old	New	% Change	Old	% YoY
Net Sales (Rs.bn)	29.5	29.5	0%	37.6	0%
PAT (Rs.bn)	4.83	4.83	0%	5.29	0%
EPS (Rs)	14.5	14.5	0%	15.9	0%

Valuations

Using the SOTP methodology to value IRB's portfolio, we arrive at valued at TP of Rs221/share based on FY12E. We use the DCF method to derive NPV for each of BOT asset. We forecast P&L, balance sheet and cash flows of each SPV (BOT assets) based on the terms of the concession agreements and suitably discount cash flows to derive cash flows at equity levels. As each asset has a limited life, we value the assets on NPV at equity and not on earnings multiples. We have discounted all operational assets at 12% and other assets under implementation at 13-14%. We value IRB's construction business at 12x FY12E EPS at Rs70/share. We value the real estate business at 1x BV at Rs11/ share.

We estimate target price based on SOTP valuation of Rs221 per share

Exhibit 3: Valuation

Sr No	Name of the Project	Client	State	Km	Project Cost (Rs mn)	Debt as on Mar31, 11	Grant Sought/ (Given)	Start of Concession	Concession Period years	IRB Stake	Discount rate	NPV FY12 E	Per Share
Operational Project													
1	Mumbai - Pune Expressway	MSRDC	Maharashtra	206	13,016	10,609		10-Aug-04	15	100%	12%	12,894	39
2	Bharuch- Surat	NHAI	Gujarat	65	14,091	7,945		2-Jan-07	15	100%	12%	2,656	8
3	Surat- Dahisar	NHAI	Maharashtra / Gujarat	240	28,350	5,836		20-Feb-09	12	90%	12%	1,683	5
4	Pune- Solapur	MOSRT&H	Maharashtra	26	630	-		20-Mar-03	16	100%	12%	843	3
5	Pune - Nashik	MOSRT&H	Maharashtra	30	737	-		25-Mar-03	18	100%	12%	1,435	4
6	Thane -Bhiwandi Bypass	PWD	Maharashtra	24	1,040	-		1-Jan-99	18.5	100%	12%	2,305	7
7	Kharpada Bridge project	MOSRT&H	Maharashtra	1.4	320	-		29-Nov-97	17.8	100%	12%	234.2	1
8	Thane Ghodbunder Project	MSRDC	Maharashtra	15	2,462	473		24-Dec-05	15	100%	12%	2,192	7
9	Nagar Karnala	PWD	Maharashtra	60	368	-		12-Dec-00	15	100%	12%	411	1
10	Tembhuni Mohol Kurul Mandrup Kamti	PWD	Maharashtra	33.4	180	-		29-May-02	16	100%	12%	357	1
Under Implementation													
11	Panaji- Goa	NHAI	Goa	69.1	8,332	848	1,863	19-Feb-10	30	100%	13%	1,412	4
12	Kolhapur - IRDP	MSRDC	Maharashtra	50	5,000	1,245	(270)		30	100%	13%	5,286	16
13	Amritsar- Pathankot	NHAI	Punjab	102	14,453	960	1,269	16-Nov-09	20	100%	13%	722	2
14	Jaipur-Tonk- Deoli	NHAI	Rajasthan	146	17,330	1,110	3,060	16-Dec-09	25	100%	13%	1,897	6
15	Talegaon- Amravati	NHAI	Maharashtra	66.7	8,880	1,089	2,160	18-Nov-09	22	100%	13%	1,212	4
16	Tumkur Chitradurga	NHAI	Karnataka	114	12300		(1,404)*	1-Oct-11	26	100%	13%	2,082	6
	No. of shares											332	
	Total											37,621	113
Other Business													
	EPC business	FY12 -12										23,184	70
	Real Estate	P/E											
	Investments - 1200 acre Rs 3 mn/acre -1 x BV											3,624	11
	Cash at parent level FY 12E											9,049	27
	SOTP value											73,477	221

Valuation of New project will be considered post signing of Concession Agreement; * Rs 1404 mn payment in 1st year and then increases by 5% YoY

Source : IFIN Research

Financials

Income Statement		(Rs Million)			
Y/E March	FY10	FY11	FY12E	FY13E	
Net Sales	17,049	24,381	29,518	37,624	
Sales Growth (%)	72	43	21	27	
Cost of Revenues	7,851	11,812	14,824	19,800	
Selling & Mktg Exp.	710	929	1,094	1,181	
Admin Exp	497	700	806	964	
EBITDA	7,990	10,939	12,795	15,680	
EBITDA (%)	47%	45%	43%	42%	
Depreciation	1,819	2,254	3,036	3,835	
Other Income	490	645	767	1,129	
Interest	2,494	3,572	4,201	6,038	
Tax	133	1,117	1,265	1,387	
PAT before minority	4,034	4,641	5,060	5,549	
Minority Interest	179	117	225	255	
Reported PAT	3,854	4,524	4,835	5,294	
PAT Growth (%)	119%	17%	7%	9%	

Source: Company IFIN Research

Ratios

Y/E March	FY10	FY11	FY12E	FY13E
EPS (Rs)	11.6	13.6	14.5	15.9
CEPS (Rs)	17.1	20.4	23.7	27.5
BV (Rs.)	61.4	73.2	87.7	103.7
DPS	2.3	2.2	1.8	2.4
Payout %	20%	16%	12%	15%
Valuation (x)				
P/E	14.6	12.4	11.6	10.6
EV/EBITDA	10.0	8.2	9.2	9.4
EV/Sales	4.7	3.7	4.0	3.9
Price/Book Value	2.8	2.3	1.9	1.6
Dividend Yield (%)	1.3	1.3	1.0	1.4
Profitability Ratio (%)				
RoE	20%	20%	18%	17%
RoCE	14%	15%	12%	11%
Turnover Ratios				
Debtors (Days)	6	6	6	6
Fixed Asset Turnover (x)	0.4	0.5	0.4	0.3

Source: Company IFIN Research

Balance Sheet		(Rs Million)			
Y/E March	FY10	FY11	FY12E	FY13E	
Share Capital	3,324	3,324	3,324	3,324	
Reserves	17,075	21,002	25,837	31,131	
Net Worth	20,399	24,326	29,161	34,454	
Debt	29,152	46,255	71,255	101,255	
Total Current Liabilities	5,862	9,069	11,216	13,646	
Total Equity & Liabilities	55,413	79,650	111,632	149,356	
Net Block	34,674	38,692	67,826	95,774	
CWP	8,802	20,014	24,017	31,222	
Investments	451	551	551	551	
Curr. Assets	11,485	20,393	19,239	21,809	
Debtors	297	397	485	618	
Cash & Bank Balance	5,102	12,000	9,049	9,852	
Loans & Advance	4,380	6,349	6,470	6,700	
Other Current Assets	1,706	1,647	3,235	4,639	
Total Assets	55,413	79,650	111,632	149,356	

Source: Company IFIN Research

Cash Flow Statement		(Rs million)			
Y/E March	FY10	FY11	FY12E	FY13E	
Consolidated PAT	3,854	4,524	4,835	5,294	
Depreciation	1,819	2,254	3,036	3,835	
Deferred Tax	86	(35)	-	-	
Cash Flow from Operation	5,759	6,742	7,871	9,128	
Inc/(Dec) in WC	1,410	1,116	117	408	
Operating Cash Flow	7,168	7,858	7,988	9,536	
Capex	(9,841)	(17,483)	(36,173)	(38,988)	
Free Cash Flow	(2,673)	(9,625)	(28,185)	(29,452)	
Equity Raised	-	-	-	-	
Debt Raised	4,294	17,103	25,000	30,000	
Investment	658	(100)	-	-	
Dividend Paid	(646)	(499)	(499)	(665)	
Others	(678)	19	733	920	
Net Cash Flow	955	6,898	(2,951)	803	
Opening Cash Bal.	4,147	5,102	12,000	9,049	
Add: Net Cash	955	6,898	(2,951)	803	
Closing Cash Bal.	5,102	12,000	9,049	9,852	

Source: Company IFIN Research

Annexure 1: Details of toll revenue of operational BOT assets

Exhibit 4: Thane Bhiwandi Bypass					
Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June	74.96	108.75	111.52	133.44	156.12
YoY %		45.1	2.5	19.7	17.0
QoQ%		2.4	10.0	2.3	3.9
Sept	72.67	97.63	111.57	121.85	
YoY %		34.3	14.3	9.2	
QoQ%	-3.1	-10.2	0.0	-8.7	
Dec	80.77	95.66	118.44	138.03	
YoY %		18.4	23.8	16.5	
QoQ%	11.1	-2.0	6.2	13.3	
Mar	106.2	101.42	130.5	150.29	
YoY %		-4.5	28.7	15.2	
QoQ%	31.5	6.0	10.2	8.9	
Total	334.6	403.46	472.03	543.61	156.12
YoY %		20.6	17.0	15.2	-71.3

Exhibit 8: Kharpada					
Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June	21.02	20.28	18.15	18.63	23.51
YoY %		-3.5	-10.5	2.6	26.2
QoQ%		7.5	7.7	6.5	10.2
Sept	17.13	17.06	15.45	14.93	
YoY %		-0.4	-9.4	-3.4	
QoQ%	-18.5	-15.9	-14.9	-19.9	
Dec	17.92	16.31	16.14	19.26	
YoY %		-9.0	-1.0	19.3	
QoQ%	4.6	-4.4	4.5	29.0	
Mar	18.86	16.86	17.49	21.34	
YoY %		-10.6	3.7	22.0	
QoQ%	5.2	3.4	8.4	10.8	
Total	74.93	70.51	67.23	74.16	23.51
YoY %		-5.9	-4.7	10.3	-68.3

Exhibit 5: Nagar Karnala Tembhorni					
Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June	21.02	20.28	18.15	18.63	37.36
YoY %		-3.5	-10.5	2.6	100.5
QoQ%		7.5	7.7	6.5	0.4
Sept	17.13	17.06	15.45	14.93	
YoY %		-0.4	-9.4	-3.4	
QoQ%	-18.5	-15.9	-14.9	-19.9	
Dec	17.92	16.31	16.14	19.26	
YoY %		-9.0	-1.0	19.3	
QoQ%	4.6	-4.4	4.5	29.0	
Mar	18.86	16.86	17.49	37.22	
YoY %		-10.6	3.7	112.8	
QoQ%	5.2	3.4	8.4	93.3	
Total	74.93	70.51	67.23	90.04	37.36
YoY %		-5.9	-4.7	33.9	-58.5

Exhibit 6: Mohol Mandrup Kamtee

Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June	12.59	18.01	17.12	17.22	19.89
YoY %		43.1	-4.9	0.6	15.5
QoQ%		7.5	8.3	20.9	-2.8
Sept	15.69	16.69	17.86	19.69	
YoY %		6.4	7.0	10.2	
QoQ%	24.6	-7.3	4.3	14.3	
Dec	15.89	14.95	13.8	18.98	
YoY %		-5.9	-7.7	37.5	
QoQ%	1.3	-10.4	-22.7	-3.6	
Mar	16.76	15.81	14.24	20.47	
YoY %		-5.7	-9.9	43.8	
QoQ%	5.5	5.8	3.2	7.9	
Total	60.93	65.46	63.02	76.36	19.89
YoY %		7.4	-3.7	21.2	-74.0

Exhibit 7: Pune Solapur

Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June	33.75	36.54	35.58	36.07	43.48
YoY %		8.3	-2.6	1.4	20.5
QoQ%		-4.1	17.4	3.7	6.0
Sept	29.36	30.73	30.61	30.87	
YoY %		4.7	-0.4	0.8	
QoQ%	-13.0	-15.9	-14.0	-14.4	
Dec	35.22	29.51	31.99	35.65	
YoY %		-16.2	8.4	11.4	
QoQ%	20.0	-4.0	4.5	15.5	
Mar	38.12	30.31	34.79	41	
YoY %		-20.5	14.8	17.8	
QoQ%	8.2	2.7	8.8	15.0	
Total	136.45	127.09	132.97	143.59	43.48
YoY %		-6.9	4.6	8.0	-69.7

Exhibit 8: Pune Nashik

Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June	40.3	40.01	42.04	47.96	55.79
YoY %		-0.7	5.1	14.1	16.3
QoQ%		-0.6	2.1	0.1	1.4
Sept	39.05	42.11	43.33	53.18	
YoY %		7.8	2.9	22.7	
QoQ%	-3.1	5.2	3.1	10.9	
Dec	40.28	40.64	47.33	55.46	
YoY %		0.9	16.5	17.2	
QoQ%	3.1	-3.5	9.2	4.3	
Mar	40.26	41.19	47.9	55.03	
YoY %		2.3	16.3	14.9	
QoQ%	0.0	1.4	1.2	-0.8	
Total	159.89	163.95	180.6	211.63	55.79
YoY %		2.5	10.2	17.2	-73.6

Exhibit 9: Mumbai Pune

Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June	587.74	721.14	763.97	801.67	985.9
YoY %		22.7	5.9	4.9	23.0
QoQ%		21.3	7.5	5.3	22.9
Sept	584.38	726.28	766.98	802.58	
YoY %		24.3	5.6	4.6	
QoQ%	-0.6	0.7	0.4	0.1	
Dec	594.45	721.74	770.69	808.7	
YoY %		21.4	6.8	4.9	
QoQ%	1.7	-0.6	0.5	0.8	
Mar	594.43	710.36	761.22	802.09	
YoY %		19.5	7.2	5.4	
QoQ%	0.0	-1.6	-1.2	-0.8	
Total	2361	2879.52	3062.86	3215.04	985.9
YoY %		22.0	6.4	5.0	-69.3

Exhibit 10: Thane Ghodbunder

Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June	66.48	68.09	69.1	72.43	70.04
YoY %		2.4	1.5	4.8	-3.3
QoQ%		-3.9	4.5	4.1	-5.1
Sept	62.67	63.88	66.94	64.83	
YoY %		1.9	4.8	-3.2	
QoQ%	-5.7	-6.2	-3.1	-10.5	
Dec	69.5	66.62	71.13	72.77	
YoY %		-4.1	6.8	2.3	
QoQ%	10.9	4.3	6.3	12.2	
Mar	70.86	66.15	69.55	73.84	
YoY %		-6.6	5.1	6.2	
QoQ%	2.0	-0.7	-2.2	1.5	
Total	269.51	264.74	276.72	283.87	70.04
YoY %		-1.8	4.5	2.6	-75.3

Exhibit 11: Surat Dahisar

Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June			778.29	882.25	941.65
YoY %				13.4	6.7
QoQ%				-2.7	-4.1
Sept			779.62	828.59	
YoY %				6.3	
QoQ%			0.2	-6.1	
Dec			873.26	954.59	
YoY %				9.3	
QoQ%			12.0	15.2	
Mar			906.54	981.53	
YoY %				8.3	
QoQ%			3.8	2.8	
Total	-	-	3337.71	3646.96	941.65
YoY %				9.3	-74.2

Exhibit 12: Bharuch Surat					
Quarter	2007-08	2008-09	2009-10	2010-11	2011-12
June			-	297.65	335.53
YoY %					12.7
QoQ%				-6.2	-4.4
Sept			21.13	305.51	
YoY %				1345.9	
QoQ%				2.6	
Dec			324.06	347.77	
YoY %				7.3	
QoQ%			1433.6	13.8	
Mar			317.41	351.01	
YoY %				10.6	
QoQ%			-2.1	0.9	
Total	-	-	662.6	1301.94	335.53
YoY %				96.5	-74.2

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