

IRB Infrastructure

4 May 2012

Reuters: IRBI.BO; Bloomberg: IRB IN

Promoter Agrees to Undergo Polygraph Test in Murder Case

The additional sessions court (Pune) has allowed the Central Bureau of Investigation (CBI) to conduct polygraph test on 10 suspects in the murder of Right To Information (RTI) activist Satish Shetty that took place in Pune district on 13 January 2010, which includes the promoter of IRB infrastructure Mr. Virendra Dattatray Mhaiskar and two company officials Mr. Deepak Gadgil (head of real estate) and Mr. Jayant Dangare (head of liasoning).

Brief details

- The deceased RTI activist's brother has named various persons, including Mr. Mhaiskar, as suspects. Earlier, the local police had conducted a detailed inquiry into the matter and given a clean chit to Mr. Mhaiskar.
- The deceased activist's brother was not satisfied with the investigation conducted by the local police and filed a petition in this regard following which the Maharashtra government handed over the case to the CBI. During the course of the investigations, the CBI asked Mr. Mhaiskar, Mr. Gadgil, Mr. Dangare and others allegedly involved in the case to undergo a polygraph test.
- Mr. Mhaiskar and the two company officials have agreed to undergo the polygraph test.
- The polygraph test will take place in the next couple of weeks.
- The company and its management are fully co-operating with the investigating agency and have reiterated their full faith in the judiciary.

Outlook: The stock has corrected 18% intraday on Thursday (ending 10% down) and 23% in the past one month on the news of the CBI probing the company promoter's alleged involvement in the RTI activist's murder case as well on weak market conditions. The management has clarified the matter in detail, but we believe the sentiment would be negative for the stock in near term until further clarity emerges. However, the company is doing well operationally and has achieved the financial closure for its Ahmedabad-Vadodara project with a weighted average blended cost of debt at 10.5% per annum. Its current portfolio of 17 road projects (11 operational), construction order book of Rs91bn (3.7x FY11 revenue) and strong operating cash flow as well as project financing capability would keep future growth intact. We retain our Buy rating on the stock with a target price of Rs235.

Y/E Mar (Rsmn)	FY09	FY10	FY11	FY12E	FY13E
Net sales	9,919	17,049	24,381	31,941	45,863
EBITDA	4,374	7,990	10,939	13,543	17,247
Net profit	1,759	3,855	4,524	4,642	5,967
EPS (Rs)	5.3	11.6	13.6	14.0	18.0
EPS growth (%)	26.6	119.2	17.4	2.6	28.5
EBITDA margin (%)	44.1	46.9	44.9	42.4	37.6
PER (x)	28.3	12.9	11.0	10.7	8.4
P/BV (x)	2.9	2.4	2.0	1.7	1.4
Price/sales (x)	5.0	2.9	2.0	1.6	1.1
EV/EBITDA (x)	11.4	6.2	4.6	3.7	2.9
Dividend yield (%)	1.12	1.30	1.00	1.33	1.33
RoCE (%)	6.2	11.8	9.8	8.0	8.6
RoE (%)	10.2	18.9	18.6	16.0	17.1

Source: Company, Nirmal Bang Institutional Equities Research

BUY

Sector: Infrastructure

CMP: Rs149

Target Price: Rs235

Upside: 57%

Amit Srivastava

 amit.srivastava@nirmalbang.com
 +91-22-3926 8116

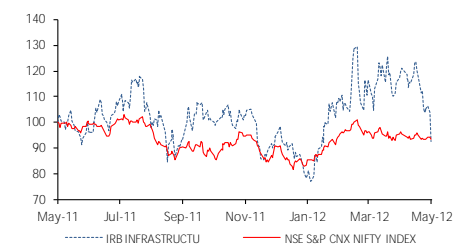
Nitin Arora

 nitin.arora@nirmalbang.com
 +91-22-3926 8169

Key Data

Current Shares O/S (mn)	332.4
Mkt Cap (Rsbn/US\$m)	49.8/931.5
52 Wk H / L (Rs)	211/121
Daily Vol. (3M NSE Avg.)	3,100,915

One Year Indexed Stock Performance



Price Performance (%)

	1 M	6 M	1 Yr
IRB Infra	(23.5)	(11.7)	(10.0)
Nifty Index	(2.5)	(1.8)	(6.3)

Source: Bloomberg

Murder case background

During FY07-09, the company acquired a total land bank of ~1,200 acres in Taje and Pimpawadi village (close to Mumbai-Pune Expressway), jointly owned by its real estate special purpose vehicle Aryan Infrastructure Pvt. Ltd. (66% stake) and the promoter group (44% stake). Total investments made till date stood at Rs1.5bn and the land was acquired to develop an integrated township alongside the Mumbai-Pune Expressway.

Meanwhile, the RTI activist received complaints from farmers regarding irregularities in land dealings in that area. He then sought information regarding all land dealings in that area (including IRB's deals) through the RTI Act and later filed a complaint with the local police regarding some irregularities in land acquisition. As per the activist's complaint to the police, most of the land acquired in that area belonged to the government. The company's promoter, however, was given a clean chit by the local police in the land acquisition case. Later, in January 2010, the activist was found murdered and the deceased's brother subsequently named all the parties against whom the RTI activist was conducting an inquiry in respect of land dealings (including IRB Infrastructure promoter and two company officials) as prime suspects in the case.. In June 2010, the state government transferred the case to the CBI following a petition filed by the brother of the deceased RTI activist. The additional sessions court has allowed the CBI to conduct polygraph test on all 10 suspects in the case, including Mr. Mhaiskar.

Date	Rating	Market price (Rs)	Target price (Rs)
29 September 2011	Buy	163	235
11 November 2011	Buy	167	235
18 November 2011	Buy	143	235
12 January 2012	Buy	137	235
27 January 2012	Buy	168	235
10 April 2012	Buy	188	235

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

HOLD 0-15%

SELL < 0%

This report is published by Nirmal Bang's Institutional Equities Research desk. Nirmal Bang has other business units with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets. This report is for the personal information of the authorised recipient and is not for public distribution. This should not be reproduced or redistributed to any other person or in any form. This report is for the general information for the clients of Nirmal Bang Equities Pvt. Ltd., a division of Nirmal Bang, and should not be construed as an offer or solicitation of an offer to buy/sell any securities.

We have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time without notice.

Nirmal Bang or any persons connected with it do not accept any liability arising from the use of this document or the information contained therein. The recipients of this material should rely on their own judgment and take their own professional advice before acting on this information. Nirmal Bang or any of its connected persons including its directors or subsidiaries or associates or employees or agents shall not be in any way responsible for any loss or damage that may arise to any person/s from any inadvertent error in the information contained, views and opinions expressed in this publication.

['Access our reports on Bloomberg Type NBIE <GO>'](#)

Team Details:

Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	+91 22 3926 8098 / 99
Hemindra Hazari	Head of Research	hemindra.hazari@nirmalbang.com	+91 22 3926 8017 / 18

Sales and Dealing:

Neha Grover	AVP Sales	neha.grover@nirmalbang.com	+91 22 3926 8093
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 3926 8230, +91 22 6636 8833
Sudhindar Rao	Dealing Desk	sudhindar.rao@nirmalbang.com	+91 22 3926 8229, +91 22 6636 8832
Pradeep Kasat	Dealing Desk	pradeep.kasat@nirmalbang.com	+91 22 3926 8100/8101, +91 22 6636 8831
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 3926 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park
 Lower Parel (W), Mumbai-400013.
 Board No. : 91 22 3926 8000/1
 Fax. : 022 3926 8010