



Current Market Price (Rs.)	191.25
Target Price (Rs.)	210.00
Potential Upside	9.80%
BSE Code	532947
NSE Code	IRB
Bloomberg Ticker	IRB:IN
Face Value (Rs.)	10
Share Outstanding (In Crs.)	33.24
Market Cap (Rs. Crs.)	6356.46
52 Week Range (Rs.)(H/L)	229.95/121.00
Beta	1.338
Risk Factor	Moderate

Buy on Dips

IRB Infrastructure, an early entrant in the road development business is leading toll road developer in the country with presence across two major growth corridors of Mumbai – Gujarat & Mumbai – Pune. IRB's toll collection has risen by 35% y-o-y over the last year, to ~Rs35m/day. Continued BOT revenue traction and expectation of easing competitive intensity are likely triggers in the medium term. We initiate coverage on IRB Infrastructure with a “Buy on Dips” recommendation for a medium term target of Rs. 210.

Investment Rationale:

High inflation and new projects will help increase BOT toll revenues

Due to high inflation IRB took a 10.5% toll rake hike in its two large projects (Bharuch-Surat, Surat Dahisar), while hikes at other projects were also in 6-7% range. This resulted in an increase in IRB's daily toll collection from Rs25-30 mn in the 1QFY12 to Rs 35 mn/day in 2QFY12. With toll collection on Kolhapur, Ahmedabad-Vadodara, Talegaon-Amravati and Jaipur-Deoli expected to commence over the next few quarters, FY13 BOT revenue is expected to rise by 24% y-o-y.

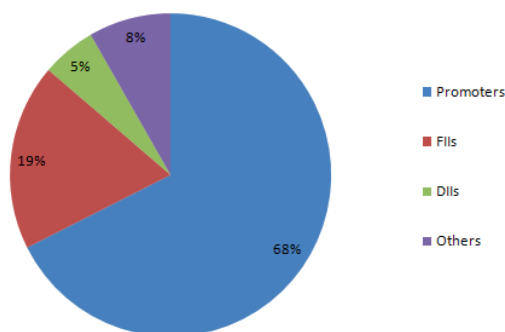
Traffic comfort on Tumkur-Chitradurga and Ahmedabad-Vadodara

NHAI had recently disclosed the financial statements of Ahmedabad-Vadodara Expressway and FY11 toll of Rs1.16bn (16% CAGR over FY09-11) and was ~4% higher than IRB's assumption.

Project awards by NHAI provides an opportunity for growth

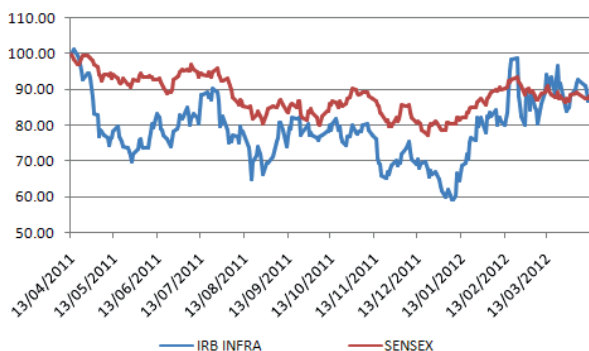
NHAI has awarded only 5,085km, falling way short of its target of 11,854 kms of road projects for FY 11. For FY 12e NHAI has awarded around 6600 km of projects. NHAI needs to award over 7000 Km to achieve the target of constructing 20 Km of road per day. The worth of new projects to be awarded by NHAI over the next 5 years is estimated by the industry at \$40 bn.

SHAREHOLDING PATTERN



Source : BSE, A C Choksi Research

SHARE PRICE DATA



Source :Capitaline, A C Choksi Research

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FINANCIAL OVERVIEW

(Rs Crs)	Q3 FY11	Q3 FY12	Y-o-Y	Q2 FY12	Q-o-Q
Net Sales	668.81	745.48	11.46%	735.88	1.30%
EBITDA	305.28	375.44	22.98%	351.56	6.79%
Net Profit After Tax (PAT)	135.97	132.04	-2.89%	110.87	19.09%
EBITDA Margin (%)	45.65%	50.36%	17 bps	47.77%	(17) bps
PAT Margin (%)	20.33%	17.71%	(13) bps	15.07%	(33) bps
Adjusted Earnings Per Share (Rs.)	4.09	3.97	-2.89%	3.34	19.09%

EPC Subsidiary MRM earns higher EBITDA margins as compared to the Industry

The 9MFY12 margins for IRB's wholly-owned subsidiary Modern Road Makers (MRM) which undertakes EPC work for its BOT projects stood at ~26.8% as against Industry margins of ~12-13%. MRM enjoys higher margins owing to its integrated operations and efficient execution capabilities.

Income Statement

(Rs Crs)	FY07	FY08	FY09	FY10	FY11
Net Sales	305.72	732.71	991.88	1704.85	2438.11
Net Sales Growth (%)		139.67%	35.37%	71.88%	43.01%
Total Expenditure	140.28	320.82	553.06	905.85	1344.18
EBITDA	165.44	411.89	438.82	799.00	1093.93
EBITDA Margin (%)	54.11%	56.21%	44.24%	46.87%	44.87%
Depreciation	52.59	101.61	114.38	181.91	225.37
Interest	91.32	200.60	148.26	249.39	357.21
Other Income	23.02	56.87	38.77	48.95	64.49
Stock Adjustment	0.00	0.00	0.00	0.00	0.00
PBT	44.55	166.55	214.95	416.65	575.84
Taxes	14.77	39.99	37.78	13.30	111.75
Net Profit	29.78	126.56	177.17	403.35	464.09
Net Profit Growth (%)		324.98%	39.99%	127.66%	15.06%
Net Profit Margin (%)	9.74%	17.27%	17.86%	23.66%	19.03%
Adj. Net Profit	22	113.44	177.06	375.38	454.31
Adj. Net Profit Growth (%)		415.64%	56.08%	112.01%	21.03%

Balance Sheet

(Rs Crs)	FY07	FY08	FY09	FY10	FY11
Share Capital (Face Value : Rs.10)	247.27	332.36	332.36	332.36	332.36
Shareholder's Funds	377.54	1620.69	1730.07	2039.89	2432.58
Total Debt	2517.96	2021.25	2485.89	2915.24	4625.53
Current Liabilities and Provisions	231.35	259.95	306.46	481.63	794.06
Minority Interest	111.78	28.11	59.92	77.87	89.58
Total Liabilities	3238.63	3930.00	4582.34	5514.63	7941.75
Net Fixed Assets	1886.78	1884.81	2016.13	3467.42	3362.17
Capital Work in Progress	555.23	888.85	1454.54	880.25	2508.47
Investments	41.35	198.49	110.83	45.06	55.05
Loans and Advances	213.45	374.78	384.93	438.01	634.90
Inventory	9.17	50.21	205.40	169.77	163.84
Receivables	143.65	11.76	12.98	29.72	39.66
Cash & Bank balance	370.34	522.15	414.73	510.21	1199.96
Misc exp. Not w/off	18.06	1.58	0.96	0.91	0.91
Net Deferred Tax	0.60	-2.63	-18.16	-26.72	-23.21
Total Assets	3238.63	3930.00	4582.34	5514.63	7941.75

Ratios

	FY08	FY09	FY10	FY11
Growth Ratios				
Sales Growth (%)	139.67%	35.37%	71.88%	43.01%
EBITDA Growth (%)	149.0%	6.5%	82.1%	36.9%
Profitability Ratios				
EBITDA Margin (%)	56.21%	44.24%	46.87%	44.87%
PAT Margin (%)	17.27%	17.86%	23.66%	19.03%
RONW (%)	5.81%	8.59%	15.82%	16.43%
ROCE (%)	3.90%	8.52%	7.70%	12.45%
Per Share Ratios				
Adjusted Earnings Per Share (Rs.)	3.41	5.33	11.29	13.67
Cash Per Share	15.71	12.48	15.35	36.10
Book Value Per Share	48.76	52.05	61.38	73.19
Valuation Multiples				
P/E (x)	49.88	15.05	22.71	15.48
P/BV (x)	3.49	1.54	4.18	2.89

Source :Capitaline, A C Choksi Research

Cash Flow Statement

(Rs Crs)	FY07	FY08	FY09	FY10	FY11
Pre-tax Profit	44.55	166.55	214.95	416.66	575.84
Depreciation	52.58	101.61	114.38	181.91	225.37
Total Adjustments	69.69	143.48	114.78	200.92	291.77
Chg in Working Capital	103.48	(158.55)	(142.08)	184.95	131.42
Total Tax Paid	(23.12)	(41.21)	(40.50)	(81.17)	(146.35)
Other Operating activities	0.00	0.00	0.00	0.00	0.00
CF form Operations (I)	247.18	211.88	261.53	903.27	1078.05
Capital Expenditure	(666.34)	(428.60)	(811.40)	(1060.43)	(1750.98)
Chg in Investments	(402.83)	(280.39)	111.48	109.46	29.66
Other Investing activities	(98.83)	180.22	95.26	(71.34)	(667.89)
CF form Investing (II)	(1168.00)	(528.77)	(604.66)	(1022.31)	(2389.21)
Equity Raised/(repaid)	161.61	944.57	0.00	0.00	0.00
Debt Raised/(repaid)	813.48	(232.39)	457.94	431.54	1728.71
Dividend	(6.60)	(1.48)	(22.26)	(42.90)	(75.33)
Other financing activities	(37.13)	(303.05)	(104.89)	(245.54)	(320.47)
CF form Financing (III)	931.36	407.65	330.79	143.10	1332.91
Net Change in cash (I+II+III)	10.54	90.76	(12.34)	24.06	21.75
Beginning Cash	9.81	20.36	111.12	98.78	122.84
Ending Cash	20.35	111.12	98.78	122.84	144.59

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