

# IVRCL Infrastructure

BSE SENSEX	S&P CNX	CMP: INR60	TP: INR71	Buy
18,202	5,532			
Bloomberg	IVRC IN			
Equity Shares (m)	267.0			
52-Week Range (INR)	96/27			
1,6,12 Rel. Perf. (%)	39/44/-17			
M.Cap. (INR b)	16.0			
M.Cap. (USD b)	0.3			

Adj P/E - Adjusted for investments

- IVRCL Infrastructure's (IVRCL) 3QFY12 performance was significantly below expectations with revenue declining 15.2% YoY to INR12b, lower than our estimate of INR14.4b. Revenue growth was impacted by lack of clearances, slow decision-making and unseasonal rains.
- The company reported EBITDA of INR948m (down 32.5% YoY) v/s our estimate of INR1.3b. EBITDA margin was 7.9% (down 200bp YoY) v/s our estimate of 9%. Margin was impacted by lower fixed-cost absorption. PAT plunged 84% YoY to INR68m compared to our estimate of INR132m.
- Interest cost stood in 3QFY12 increased 11% YoY to INR661m from INR592m in 3QFY11, and INR652m in 2QFY12. Interest cost was significantly below our estimate of INR840m. Depreciation increased 15% YoY to INR229m. Debt as at end-3QFY12 was INR25b, up from INR21b in 4QFY11, and INR14.5b at end-FY10.
- Order book at end-3QFY12 was INR260b (including L1 orders of INR40b). Order intake during the quarter stood at INR34b (up 68% YoY), contributed by Water & Irrigation projects (22% of total), Buildings (12%), Transport (29%) and Mining (36%).
- 9MFY12 order intake is INR65b (down 12% YoY). In Jan-Feb 2012, order intake was INR42b, taking the total for YTD FY12 to INR107b (v/s INR89b for full year FY11). This includes 4 major orders: (1) INR12b order from Hindustan Copper for the development of an underground mine of 5mtpa capacity at Balaghat, Madhya Pradesh, (2) INR14.8m project from Ministry of Road, Transport and Highways, as part of Trans-Arunachal highway project, (3) INR12b project including 4/6-laning of the Raipur-Bilaspur section of NH-200 in the state of Chattisgarh; and (4) INR12b road project for 4-laning from Government of Haryana.
- We have cut our revenue estimates by 7% for FY12 and by 4% for FY13 to factor in lower-than-expected revenue traction in 3QFY12 and likely subdued performance in 4QFY12. We have also lowered our EBITDA margin estimates by 40bp for FY12 and by 10bp for FY13. Our revised EPS estimates are lower by 11% for FY12 and by 2% for FY13. We maintain **Buy** with an SOTP-based target price of INR71, valuing the core business at INR39 (6.5x FY13E EV/EBITDA), IVRC Assets at INR27 and HDO at INR5.

Y/E March	Quarterly Performance (INR Million)									
	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	11,064	10,750	14,188	20,522	11,219	10,461	12,025	19,983	56,515	53,689
Change (%)	1.9	-14.4	19.8	8.6	1.4	-2.7	-15.2	-2.6	2.9	-5.0
EBITDA	1,006	953	1,404	1,781	832	938	948	1,455	5,146	4,173
Change (%)	1.0	-23.2	21.5	-10.2	-17.2	-1.7	-32.5	-18.3	-3.1	-18.9
As of % Sales	9.1	8.9	9.9	8.7	7.4	9.0	7.9	7.3	9.1	7.8
Depreciation	157	184	199	217	228	250	229	288	758	994
Interest	453	480	592	656	628	652	661	738	2,182	2,679
Other Income	9	57	11	43	72	53	10	3	120	138
PBT	404	345	625	950	49	89	69	431	2,326	637
Tax	125	112	202	308	7	7	1	190	747	205
Effective Tax Rate (%)	31.0	32.6	32.3	32.4	13.6	8.3	0.9	44.0	32.1	32.1
Adj PAT	279	233	423	642	42	81	68	241	1,579	433
Change (%)	-20.6	-51.4	-7.7	-24.4	-84.9	-65.0	-84.0	-62.5	-25.2	-72.6

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@motilaloswal.com) +91 22 3029 5127

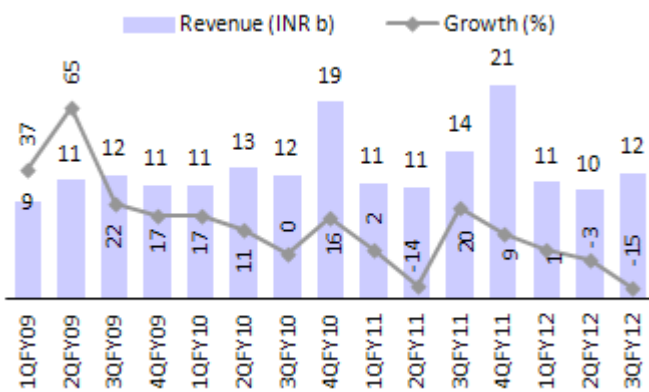
Pooja Kachhawa (Pooja.Kachhawa@MotilalOswal.com) +91 22 3982 5585

**IVRCL 3QFY12: Below est; Execution slippages impact operating performance;**

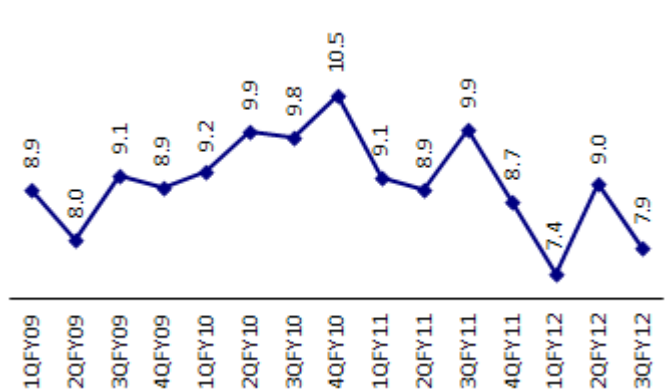
IVRCL's 3QFY12 performance was significantly below expectation with revenues at INR12b (down 15.2% YoY) v/s our estimate of INR14.4b (up 2% YoY). Revenue growth was impacted by lack of clearances, slow decision-making and unseasonal rains. EBITDA stood at INR948m (down 32.5% YoY) v/s our estimate of INR1.3b (down 7.1% YoY). EBITDA margin stood at 7.9% (down 200bp) v/s our estimate of 9% (down 90bp). Margin was impacted by lower fixed cost absorption. PAT was down 84% YoY at INR68m v/s our estimate of INR132m (down 69% YoY).

Interest cost stood at INR661m in 3QFY12 vs. INR592m in 3QFY11 (up 11% YoY), and INR652m in 2QFY12. Interest cost stood significantly below our estimates at INR840m. Depreciation stood at INR229m, up 15% YoY. Debt as at end 3QFY12 stood at INR25b, up from INR21b in 4QFY11, and INR14.5b at the end of FY10.

**Revenues (down 15% YoY): led by poor execution**

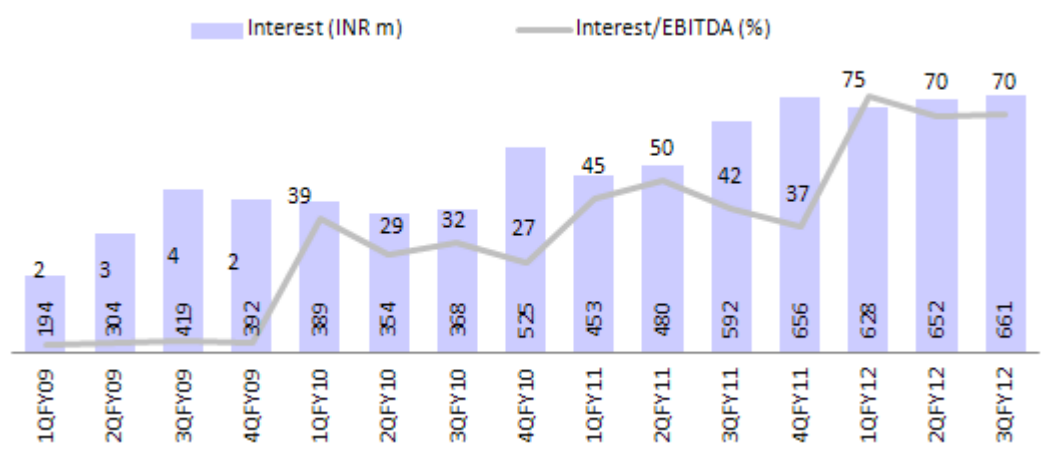


**EBITDA margins at 7.9% (down 200bp YoY); due to mounting operating cost**



Source: Company/MOSL

**Interest/ EBITDA stood at 70% vs 42% in 3QFY12**



Source: Company/MOSL

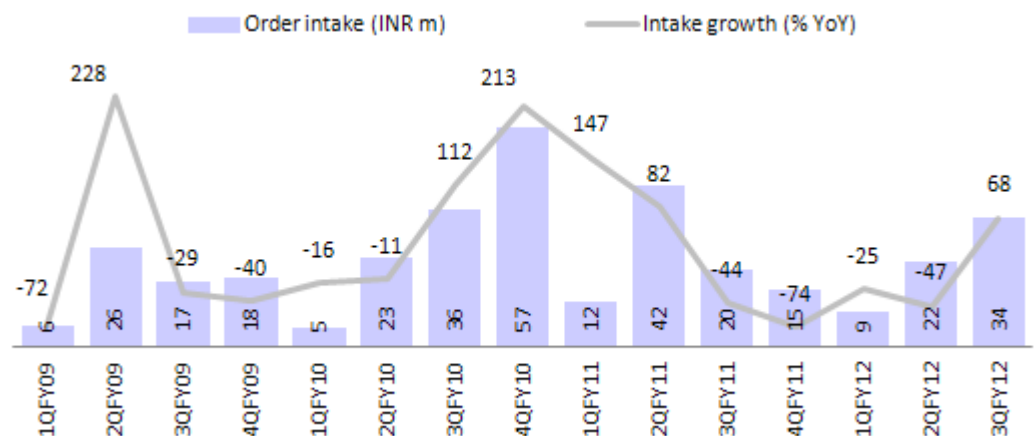
### Order book INR260b (up 14% YoY), stands at 4x TTM revenues

Order book as at end-3QFY12 stands at INR260b (including L1 orders of INR40b). Order intake during the quarter stood at INR34b (up 68% YoY), contributed by Water & irrigation 22%, Buildings 12%, Transport 29% and Mining 36%.

9MFY12 order intake is INR65b (down 12% YoY). In Jan-Feb 2012, order intake was INR42b, taking the total for YTD FY12 to INR107b (v/s INR89b for full year FY11). This includes 4 major orders, namely: (i) INR12b order from Hindustan Copper for the development of an underground mine of 5mtpa capacity at Balaghat, Madhya Pradesh. (ii) INR14.8m project from Ministry of Road, Transport and Highways, as part of Trans Arunachal highway project. (iii) INR12b project including 4/6-laning of Raipur Bilaspur section of NH-200, in the state of Chhattisgarh. (iv) INR12b road project for four-laning from Government of Haryana.

We understand that the execution of the mining project will be a key challenge for IVRC, considering the company's limited expertise of managing a large mining project over a number of years. Nonetheless, YTD, IVRC has fared better than peers - HCC bagged orders worth INR15b (down 46% YoY), NCC (excluding INR50b captive order) INR40b (down 23% YoY), and Simplex INR38b (down 34% YoY).

### Order intake remained robust (up 68% YoY)



Source: Company/MOSL

### Net interest cost in 3QFY12 up 11% YoY; average interest cost rises to over 12%

- Interest cost in 3QFY12 stood at INR661m, up 11% YoY. Interest cost has gone up to 5.5% of sales vs. 4.2% YoY. The management stated that increased cost is largely due to higher bank guarantee charges (given increased project bids), higher working capital for a large part of the quarter and rising interest rates.
- Advances to subsidiaries stood at INR8.5b in 3QFY12 from INR5.4 in FY11

## Conference call highlights

### Proposed amalgamation: Pending court approval expected by March 2012

- IVRCL has received the approval from the Competition Commission of India (CCI) for the proposed composite scheme of amalgamation. Further to this, it has filed the amalgamation papers in the court, and the hearing is expected on 27th February 2012. The final approval is expected by March 2012.
- IVRCL has proposed amalgamation of IVRCL A&H with itself, followed by demerger of the manufacturing factory of the company into an SPV, and also the real estate activity of IVRCL A&H into a separate subsidiary. The swap ratio has been fixed at five shares of IVRC for every six shares held in IVRCL A&H.

### Execution slippages led to dismal performance; net working capital at elevated levels

- The company cited that revenue growth was impacted by lack of clearances in few projects, slow decision making in various states. Unseasonal rains in parts of country in Nov-Dec also impacted execution.
- IVRC is targeting to reduce its debt from INR25b to INR20b by end of March 2012, from the sale proceeds of Noida land and one road BOT asset. IVRC holds 128 acres of land in Noida, and it plans to sell 50-60% of this in FY12. Net working cycle continues to remain at elevated levels
- IVRC is hoping that interest rates ease 200bp over the next two years from 12-13% currently to 9.5-10%. This will create significant value for the developer portfolio as IVRC had bagged 3 BOT road assets in the peak of interest rate cycle.

### Order inflows outlook robust

- IVRCL has submitted bids worth INR150b, with a strike rate of 20-25%; management is quite optimistic of converting INR30-40b in the next few quarters.
- Management is positive on the order flow from the Building and Transportation verticals over the coming years with on-ground activity seeing a pick up.
- IVRCL infrastructure bagged 4/6 laning of Raipur-Bilaspur Section on NH-200 in the State of Chhattisgarh under NHDP Phase IV-A at a project cost of INR13b. IVRCL quoted a premium of INR450m v/s INR430m quoted by Era Infra, the L2 bidder for the project.

### BOT and real estate update

- On the road BOT front, Karanji - Wani - Chandrapur project has just started the construction work, Sion - Panvel project has also commenced construction work, though billing will start in ½ quarters.
- The Goa-Karnataka BOT road project has been cancelled by NHA
- Company aims to receive INR4.5-5b in FY12 by selling one road project and land parcel at Noida (128 acres).
- IVRCL has 1,000 acres of land parcel at Sri Perumbudur, Chennai. In 700 acres, it is doing a project and in the balance 300 acres, an airport is expected to come up, which will lead to a significant appreciation in the land value.

### Land Bank details

Particulars	Area (acres)
Noida	128
Panvel	94
Lonaval	100
Bangalore	177
Sriperumbdur	1,200
Vizag	240
Pondicheery	75
Hyderabad	11
Bengur	160
<b>Total</b>	<b>2,185</b>

Source: Company/MOSL

## IVRCL A&amp;H

Project name	Length	Concession	Project cost	Equity	Grant	IVRCL Share(%)	Completed
<b>Operational Projects (INR m)</b>							
Jalandhar - Amritsar Road Project	49	20 years	3,436	641	395	100	FY11
Salem - Kumarapalayam	53.53	20 years	5,020	800	1,290	100	FY11
Kumarapalayam - Chenagmpalli	48.51	20 years	4,215	651	175	100	FY10
Chennai Desalination*	100MLD	25 years	5,679	1,730	0	75	FY11
<b>Aggregate</b>			<b>18,349</b>	<b>3,821</b>	<b>1,860</b>		

\*IVRCL has only 75% stake

## Projects under execution (INR m)

Project name	Length	Concession	Project cost	Equity	Grant	IVRCL Share(%)	Commissioned
Sion - Panvel	25	18.9 years	14,500	2,175	3,900	51	FY14
Baramati - Phaltan	77.9	25 years	3,820	690	1,220	75	FY14
IOCL Tankage	12 tanks	15 years	30,000		0	38	-
Chengapalli - Walayar	42	27 years	11,250	2,250	0	100	FY14
Indore-Jhabua-Gujrat/MP (Approved Length 168)	155	27 years	15,237	3,000	0	100	FY14
Goa - Maharashtra	122.06	23 years	31,000	2,290	6,647	100	-
Karanji - Wani - Ghuggus - Chandrapur project	80	30 years	7,500	700		100	
(widening of Nechipu to Hoj via Seppa, Khodaso, Saggalee (part of Trans Arunachal Highway)	311	17 years	14,860	1,205	10,040	26	FY16
<b>Aggregate</b>			<b>128,167</b>	<b>12,310</b>	<b>21,807</b>		

Source: Company/MOSL

## Valuation and view

- We have cut our revenue estimates by 7% for FY12 and by 4% for FY13 to factor in lower-than-expected revenue traction in 3QFY12 and likely subdued 4QFY12. We have lowered EBITDA margin by 40bp for FY12 and 10bp for FY13. Our EPS estimates stand downgraded by 11% for FY12 and 2% for FY13.
- We now expect IVRCL to report PAT of INR433m in FY12 (down 72.6% YoY) and INR844m in FY13 (up 95% YoY), translating into an EPS of INR1.6/sh in FY12 and INR3.2/sh in FY13.
- We maintain **Buy** with an SOTP-based target price of INR71 - core business INR39/sh (6.5x FY13E EV/EBITDA), IVRC Assets (INR27/sh) and HDO (INR5/sh).

## Equity Valuation of IVRCL

	Method	Valuation (x)	Value (INR m)	Value (INR/sh)
IVRCL Standalone	FY13E EV/EBITDA	6.5	10422	39
<b>Subsidiaries</b>				
- Hindustan Dorr Oliver	Market price		1,369	5
- IVR Prime Urban Developers	Market price		7,274	27
<b>Total</b>			<b>19,065</b>	<b>71</b>

Source: Company/MOSL

## IVRCL Infrastructure: an investment profile

### Company description

IVRCL is a Hyderabad-based construction company incorporated in 1987 and promoted by Mr E Sudhir Reddy. Its niche and key area of operations is the 'water' segment, under which it executes industrial projects, irrigation works, desalination projects and sewerage systems. In FY10, the company restructured the infrastructure ownership portfolio, and merged the same into IVRCL Assets (80.5% subsidiary). IVRCL also has 52.8% stake in Hindustan Dorr Oliver.

### Key investment arguments

- Order book as at 3QFY12 stands at INR260b, while order intake during the quarter stood at INR34b. The L1 orders stood at INR40.
- Has one of the largest BOT portfolios, with diversified presence in roads and desalination projects.

### Key investment risks

- Promoter stake is low at 11.2% as on December 2011.
- BOT projects depress initial RoE.
- Andhra irrigation projects contribute ~20% (slow moving) and in-house projects 19-20% (execution

pickup contingent on fund raising / real estate monetization in IVRCL Assets) of the order book.

### Recent developments

- IVRCL Ltd. and IVRCL Assets & Holdings Ltd. (IVRCL A&H) has announced the proposal for amalgamation of IVRCL A&H with IVRCL, followed with the demerger of the manufacturing factory of the Company into an SPV and also the real estate activity of IVRCL A&H into a separate subsidiary company.

### Valuation and view

- We maintain **Buy** with an SOTP-based target price of INR71 - core business INR39/sh (6.5x FY13E EV/EBITDA), IVRCL Assets (INR27/sh) and HDO (INR5/sh).

### Sector view

- Increased government commitment towards infrastructure projects is a long term positive.
- Investments in BOT/Real estate projects have adversely impacted the core balance sheet. This will continue to have negative impact on the core business till the SPV's in real estate and BOT start generating cash.

### Comparative valuations

		IVRCL	Simplex	NCC
P/E (x)	FY12E	37.0	13.4	31.7
	FY13E	19.0	9.0	20.8
P/BV (x)	FY12E	0.8	0.9	0.6
	FY13E	0.8	0.9	0.6
EV/Sales (x)	FY12E	0.7	0.5	0.9
	FY13E	0.7	0.5	0.9
EV/EBITDA (x)	FY12E	9.1	6.0	10.5
	FY13E	7.5	5.1	9.4

### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	1.6	2.5	-34.1
FY13	3.2	4.0	-20.8

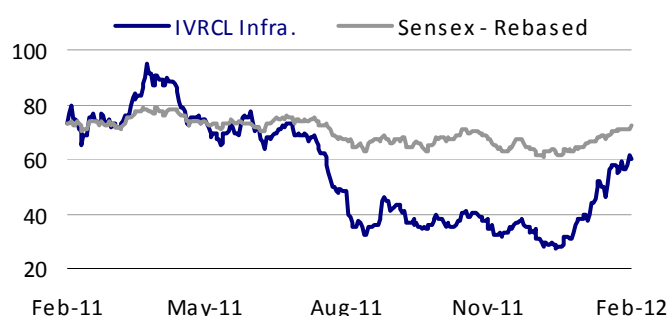
### Target price and recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
60	71	18.3	Buy

### Shareholding pattern (%)

	Dec-11	Sep-11	Dec-10
Promoter	11.2	11.0	9.5
Domestic Inst	5.4	3.6	5.3
Foreign	38.5	40.7	57.9
Others	45.0	44.7	27.3

### Stock performance (1 year)





## Financials and Valuation

Income Statement		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
<b>Net Sales</b>	<b>48,819</b>	<b>54,923</b>	<b>56,515</b>	<b>53,689</b>	<b>60,380</b>	
Change (%)	33.4	12.5	2.9	-5.0	12.5	
Total Expenditure	44,601	49,610	51,369	49,516	54,954	
<b>EBITDA</b>	<b>4,218</b>	<b>5,313</b>	<b>5,146</b>	<b>4,173</b>	<b>5,427</b>	
% of Net Sales	8.6	9.7	9.1	7.8	9.0	
Depreciation	473	543	758	994	1,147	
Interest	1,306	1,637	2,182	2,679	3,171	
Other Income	299	155	120	138	134	
<b>PBT</b>	<b>2,738</b>	<b>3,289</b>	<b>2,326</b>	<b>637</b>	<b>1,243</b>	
Tax	478	1,177	747	205	399	
Rate (%)	17.5	35.8	32.1	32.1	32.1	
<b>Reported PAT</b>	<b>2,260</b>	<b>2,111</b>	<b>1,579</b>	<b>433</b>	<b>844</b>	
EO Income (net of ex)	-30	0	0	0	0	
<b>Adjusted PAT</b>	<b>2,290</b>	<b>2,111</b>	<b>1,579</b>	<b>433</b>	<b>844</b>	
Change (%)	11.6	-7.8	-25.2	-72.6	95.1	

Balance Sheet		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
Share Capital	270	534	534	534	534	
Reserves	17,839	17,999	19,340	19,679	20,336	
<b>Net Worth</b>	<b>18,109</b>	<b>18,533</b>	<b>19,874</b>	<b>20,213</b>	<b>20,870</b>	
Loans	13,980	16,133	20,958	24,458	26,458	
Deffered Tax Liability	117	125	87	87	87	
<b>Capital Employed</b>	<b>32,206</b>	<b>34,791</b>	<b>40,919</b>	<b>44,758</b>	<b>47,415</b>	
Gross Fixed Assets	6,624	7,502	9,242	11,052	12,552	
Less: Depreciation	1,417	1,838	2,324	3,319	4,466	
<b>Net Fixed Assets</b>	<b>5,207</b>	<b>5,664</b>	<b>6,918</b>	<b>7,733</b>	<b>8,086</b>	
Capital WIP	196	353	260	200	200	
Investments	3,895	6,137	6,347	7,242	7,742	
<b>Curr. Assets</b>	<b>38,135</b>	<b>47,007</b>	<b>54,523</b>	<b>56,053</b>	<b>60,946</b>	
Inventory	2,093	2,447	2,732	2,942	3,309	
Debtors	11,430	19,446	19,298	18,828	21,174	
Cash & Bank Balance	1,009	1,644	1,432	2,644	1,607	
Loans & Advances	9,319	6,606	9,532	11,124	13,586	
Other Current Assets	14,284	16,865	21,529	20,515	21,270	
<b>Current Liab. &amp; Prov.</b>	<b>15,226</b>	<b>24,370</b>	<b>27,130</b>	<b>26,471</b>	<b>29,560</b>	
Creditors	10,800	14,837	19,437	16,621	18,424	
Other Liabilities	3,986	9,088	7,290	9,561	10,753	
Provisions	440	445	403	289	383	
<b>Net Current Assets</b>	<b>22,909</b>	<b>22,637</b>	<b>27,393</b>	<b>29,582</b>	<b>31,386</b>	
<b>Application of Funds</b>	<b>32,207</b>	<b>34,791</b>	<b>40,918</b>	<b>44,758</b>	<b>47,415</b>	

E: MOSL Estimates

Ratios						
Y/E March	2009	2010	2011	2012E	2013E	
<b>Basic (INR)</b>						
<b>Adjusted EPS</b>	<b>8.5</b>	<b>7.9</b>	<b>5.9</b>	<b>1.6</b>	<b>3.2</b>	
<b>Growth (%)</b>	<b>10.5</b>	<b>-6.9</b>	<b>-25.2</b>	<b>-72.6</b>	<b>95.1</b>	
Cash EPS	20.5	9.9	8.8	5.3	7.5	
Book Value	134.3	69.4	74.4	75.7	78.2	
DPS	1.4	1.3	1.0	0.3	0.6	
Payout (incl. Div. Tax.)	0.1	0.2	0.2	0.2	0.2	
<b>Valuation (x)</b>						
P/E (standalone)			10.1	37.0	19.0	
Cash P/E			6.9	11.2	8.0	
EV/EBITDA			6.9	9.1	7.5	
EV/Sales			0.6	0.7	0.7	
Price/Book Value			0.8	0.8	0.8	
Dividend Yield (%)			1.7	0.5	1.0	
<b>Profitability Ratios (%)</b>						
RoE	13.4	11.5	8.2	2.2	4.1	
RoCE	13.7	14.7	11.9	7.7	9.6	
<b>Turnover Ratios</b>						
Debtors (Days)	84	129	125	128	128	
Inventory (Days)	16	16	18	20	20	
Creditors. (Days)	94	117	150	135	135	
Asset Turnover (x)	1.7	1.6	1.5	1.3	1.3	
<b>Leverage Ratio</b>						
Debt/Equity (x)	0.8	0.9	1.1	1.2	1.3	

Cash Flow Statement		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
<b>PBT before Extraordina</b>	<b>2,738</b>	<b>3,289</b>	<b>2,326</b>	<b>637</b>	<b>1,243</b>	
Add : Depreciation	473	543	758	994	1,147	
Interest	1,306	1,637	2,182	2,679	3,171	
Less : Direct Taxes Pa	478	1,177	747	205	399	
(Inc)/Dec in WC	-3,951	906	-4,968	-976	-2,841	
<b>CF from Operations</b>	<b>88</b>	<b>5,197</b>	<b>-450</b>	<b>3,131</b>	<b>2,321</b>	
(Inc)/Dec in FA	-2,143	-1,157	-1,919	-1,750	-1,500	
(Pur)/Sale of Investm	-486	-2,242	-210	-895	-500	
<b>CF from Investments</b>	<b>-2,629</b>	<b>-3,399</b>	<b>-2,129</b>	<b>-2,645</b>	<b>-2,000</b>	
(Inc)/Dec in Network	1	-1,274	36	0	0	
(Inc)/Dec in Debt	3,302	2,153	4,825	3,500	2,000	
Less : Interest Paid	1,306	1,637	2,182	2,679	3,171	
Dividend Paid	219	406	312	94	187	
<b>CF from Fin. Activity</b>	<b>1,778</b>	<b>-1,163</b>	<b>2,367</b>	<b>727</b>	<b>-1,358</b>	
<b>Inc/Dec of Cash</b>	<b>-763</b>	<b>635</b>	<b>-212</b>	<b>1,213</b>	<b>-1,037</b>	
Add: Beginning Balar	1,772	1,009	1,644	1,432	2,644	
<b>Closing Balance</b>	<b>1,009</b>	<b>1,644</b>	<b>1,432</b>	<b>2,644</b>	<b>1,607</b>	

## Disclosures

This report is for personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOST) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

### Disclosure of Interest Statement

1. Analyst ownership of the stock
2. Group/Directors ownership of the stock
3. Broking relationship with company covered
4. Investment Banking relationship with company covered

### VRCL Infrastructure

No  
No  
No  
No

## Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

## Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.

## For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

## For U.S.

MOST is not a registered broker-dealer in the United States (U.S.) and, therefore, is not subject to U.S. rules. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., Motilal Oswal has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, Marco Polo and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.



## Motilal Oswal Securities Ltd

3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021  
Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com