

COMMENT

IRB Infrastructure Developers (IRBI.BO) Rs169.05**Neutral News**

Equity Research

Financial closure of mega project improves visibility – retain Buy

News

IRB Infrastructure today announced the financial closure of the Rs 48.8bn Ahmedabad Vadodara road project. The company has availed a debt of Rs 33bn on the project (including Rs 11bn of foreign currency borrowings) at 10.5% weighted average cost – ECB at Libor + 4.95% and domestic debt at 12.35%. IRB's equity commitment of Rs 15.8bn into the project would put its debt-to-equity ratio at 68:32. The company now has financially closed all projects under development.

Analysis

We view the 10.5% weighted average cost of debt positively vs. our estimate of 11.5%, but the lower-than-expected leverage increases the equity requirement by Rs 3bn from our earlier estimate of Rs 12.8bn.

We continue to view this project as being very aggressively bid – the positive impact of lower borrowing rates counterbalances the surplus equity requirement – hence we maintain our negative Rs 9 value for the project.

Implications

We believe the financial closure of this project has reduced the uncertainty in timing of project execution and also gives better visibility on construction revenue and toll collection for the company. Our estimates and target price are unchanged. Our estimates for the construction segment already incorporate this project into our SOTP valuation.

INVESTMENT LIST MEMBERSHIP

Asia Pacific Buy List

Coverage View: Neutral

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Reg AC

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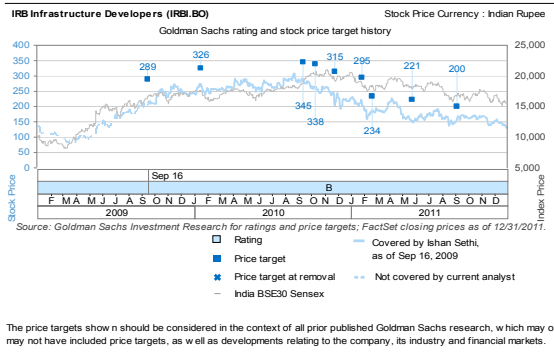
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Price target and rating history chart(s)



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