

## IRB Infrastructure

### Performance Highlights

IRB Infrastructure (IRB) posted strong set of numbers for 3QFY2010, which were broadly in line with our expectations. Consolidated Top-line witnessed robust growth owing to traction in the Construction and BOT Segments. Strong Operating Margins and in-line Interest and Depreciation costs resulted in consolidated Bottom-line surging as well. In light of strong 3QFY2010 numbers, vast experience in areas of Road BOT Segment and huge upcoming opportunity in the Road Sector, of which IRB will be a prime beneficiary, **we maintain a Buy on the stock.**

**Outlier in the Infrastructure space:** IRB reported good 3QFY2010 performance, in line with our expectations. Income from Construction and Road BOT Segments grew by 66.6% and 93.2% respectively, resulting in Consolidated Top-line growing by 81.1% to Rs433.1cr. The Road BOT Segment grew primarily on account of the Surat-Dahisar and Bharuch Surat projects starting toll collections, excluding which the Segment grew by 5.2%. On the Operating front, the Construction arm reported Margins of 21.5%, while the Road BOT Segment reported Margins of 89.8% resulting in consolidated Margins at 52.4%. On the back of superior Top-line growth and robust performance at the Operating Margin level, Bottom-line spurted 139.1% to Rs91.4cr.

**Outlook and Valuation:** IRB has one of the largest domestic BOT project portfolios in the Road and Highway Sector comprising 16 projects of which 10 are operational. In light of the immense opportunities that exist in the Road Sector in the near future, IRB's vast experience and inter-dependent business model, we maintain our bullish stance on the company's performance. Moreover, IRB's Construction arm has a robust Order Book of Rs9,238cr (8.7x FY2010E Revenues), which lends the Segment high Revenue visibility. We have valued IRB's inter-dependent business model on SOTP basis. Individual Road BOT SPVs have been valued on NPV basis (FY2012E) using the Free Cash Flow to Equity (FCFE) approach (Rs165/share); the Construction Segment has been valued at 8x FY2012E EV/ EBITDA (Rs116/share); the company's investments in land (adjoining Mumbai- Pune Expressway) and its equity stake in the Sindhudurg Airport project have been valued at 1x FY2009 Book Value (Rs8/share). We maintain a Buy on the stock with a Target Price of Rs289.

### Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
<b>Net Sales</b>	<b>992</b>	<b>1,785</b>	<b>3,352</b>	<b>3,916</b>
% chg	35.4	80.0	87.8	16.8
<b>Net Profit</b>	<b>177.2</b>	<b>326.1</b>	<b>465.0</b>	<b>514.4</b>
% chg	54.4	85.4	42.6	10.6
<b>FDEPS (Rs)</b>	<b>5.3</b>	<b>9.8</b>	<b>14.0</b>	<b>15.5</b>
EBITDA Margin (%)	44.1	43.1	37.3	38.0
P/E (x)	46.8	25.4	17.8	16.1
RoE (%)	10.3	16.9	20.5	19.2
RoCE (%)	8.1	13.0	16.8	13.6
P/BV (x)	4.6	4.0	3.4	2.9
EV/Sales (x)	10.4	6.0	3.8	3.6
EV/EBITDA (x)	23.7	14.0	10.3	9.5

Source: Company, Angel Research

## BUY

CMP	Rs249
Target Price	Rs289

Investment Period	15 Months
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### Stock Info

Sector	Infrastructure
Market Cap (Rs cr)	8,284
Beta	0.8
52 WK High / Low	280/77
Avg. Daily Volume	771612
Face Value (Rs)	10
BSE Sensex	16,358
Nifty	4,882
Reuters Code	IRBI.BO
Bloomberg Code	IRB@IN

### Shareholding Pattern (%)

Promoters	73.9
MF/Banks/Indian FIIs	8.1
FII/NRIs/OCBs	14.4
Indian Public	3.6

Abs (%)	3m	1yr	3yr#
Sensex	1.9	77.1	(7.3)
IRB	7.9	123.5	31.8

# Since listing on Feb 25, 2008

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**Exhibit 1: 3QFY2010 Performance (Consolidated)**

Y/E March (Rs cr)	3QFY10	3QFY29	% chg	9MFY10	9MFY09	% chg
<b>Income from Operations</b>	<b>433.1</b>	<b>239.1</b>	<b>81.1</b>	<b>1,203</b>	<b>670.8</b>	<b>79.4</b>
Total Expenditure	205.9	137.5	49.8	635.1	352.0	80.4
<b>Operating Profit</b>	<b>227.1</b>	<b>101.6</b>	<b>123.5</b>	<b>568.0</b>	<b>318.8</b>	<b>78.2</b>
OPM (%)	52.4	42.5		47.2	47.5	
Interest	73.6	36.5	101.3	167.9	99.2	69.2
Depreciation	53.1	28.6	85.5	130.3	81.3	60.3
Non Operating Income	8.7	9.0	(3.3)	37.6	23.0	63.1
Nonrecurring items	0.0	0.0	0.0	0.0	0.0	
<b>Profit Before tax</b>	<b>109.2</b>	<b>45.5</b>	<b>140.1</b>	<b>307.3</b>	<b>161.3</b>	<b>90.5</b>
Tax	13.9	7.2	92.2	52.6	27.7	90.0
<b>PAT</b>	<b>95.3</b>	<b>38.2</b>	<b>149.2</b>	<b>254.7</b>	<b>133.6</b>	<b>90.6</b>
Share of Profits/(Losses) of Assoc.	0.0	0.0	-	(11.0)	0.0	-
Share of Profits/ (Losses) of MI	(3.8)	0.0	-	0.0	0.0	-
<b>PAT after Share of MI and Assoc.</b>	<b>91.4</b>	<b>38.2</b>	<b>139.1</b>	<b>243.7</b>	<b>133.6</b>	<b>-</b>
PAT (%)	21.1	16.0	-	20.3	19.9	-
<b>FDEPS (Rs)</b>	<b>2.75</b>	<b>1.15</b>	<b>139.1</b>	<b>7.33</b>	<b>4.02</b>	<b>82.4</b>

Source: Company, Angel Research

**Exhibit 2: 3QFY2010 Segmental Performance (Consolidated)**

Particulars	3QFY10	3QFY09	% chg	9MFY10	9MFY09	% chg
Const. Segment	235.4	141.3	66.6	712.1	367.5	93.8
BOT Segment	206.4	106.8	93.2	528.6	326.4	62.0
<b>Total Income</b>	<b>441.8</b>	<b>248.1</b>	<b>78.1</b>	<b>1,241</b>	<b>693.8</b>	<b>78.8</b>
Const. Segment	50.5	19.8	155.3	142.8	65.0	119.8
BOT Segment	185.3	90.7	104.2	462.8	275.0	68.3
<b>EBITDA</b>	<b>235.9</b>	<b>110.5</b>	<b>113.4</b>	<b>605.6</b>	<b>339.9</b>	<b>78.2</b>
Const. Segment (%)	21.5	14.0	-	20.0	17.7	-
BOT Segment (%)	89.8	85.0	-	87.6	84.3	-
<b>EBITDA M (%)</b>	<b>53.4</b>	<b>44.5</b>	<b>-</b>	<b>48.8</b>	<b>49.0</b>	<b>-</b>
Const. Segment	5.4	1.0	423.8	17.8	3.7	385.9
BOT Segment	68.1	35.4	92.5	150.1	93.7	60.3
<b>Financial Expenses</b>	<b>73.6</b>	<b>36.4</b>	<b>101.9</b>	<b>167.9</b>	<b>97.3</b>	<b>72.5</b>
Const. Segment	12.6	4.5	181.4	38.8	11.2	245.9
BOT Segment	40.5	24.1	67.6	91.5	70.1	30.6
<b>Dep. &amp; Amortisation</b>	<b>53.1</b>	<b>28.6</b>	<b>85.5</b>	<b>130.3</b>	<b>81.3</b>	<b>60.3</b>
Const. Segment	32.4	14.3	127.4	86.1	50.1	72.1
BOT Segment	76.8	31.2	145.9	221.2	111.2	98.9
<b>PBT</b>	<b>109.2</b>	<b>45.5</b>	<b>140.1</b>	<b>307.3</b>	<b>161.3</b>	<b>90.5</b>
Const. Segment	25.8	10.3	149.6	65.6	35.5	84.7
BOT Segment	69.5	27.9	149.0	189.2	98.1	92.8
<b>PAT before share of MI and Associates</b>	<b>95.3</b>	<b>38.2</b>	<b>149.2</b>	<b>254.7</b>	<b>133.6</b>	<b>90.6</b>

Source: Company, Angel Research

**Exhibit 3: Toll Revenue growth**

Project Name	3QFY10	3QFY09	%chg	9MFY10	9MFY09	%chg
Surat Dahisar ^	87.3	-	-	243.1	-	-
Mumbai - Pune	77.1	72.2	6.8	230.2	216.9	6.1
Thane Bhiwandi	11.8	9.6	22.9	34.2	30.2	13.1
Thane Ghodbunder	7.2	6.7	7.5	20.8	19.9	4.5
Pune - Nashik	4.7	4.1	14.6	13.3	12.3	8.0
Pune - Sholapur	3.2	3.0	6.7	9.8	9.7	0.8
NKT Project	3.5	2.7	29.6	9.8	8.7	12.8
MMK Project	1.4	1.5	(6.7)	4.9	5.0	(1.4)
Kharpada Bridge	1.6	1.6	-	5.0	5.3	(6.4)
Bharuch - Surat \$	32.4	-	-	34.5	-	-
Kaman - Paygaon **	0.5	0.9	(44.4)	2.1	2.8	(24.2)
Khambatki Ghat *	-	3.2	(100.0)	1.2	9.7	(87.6)
Bhiwandi - Wada #	-	-	-	-	1.6	-
<b>Total</b>	<b>230.7</b>	<b>105.5</b>	<b>118.7</b>	<b>608.9</b>	<b>322.1</b>	<b>89.0</b>

Source: Company, Angel Research, Note: \* Concession period of Khambatki Ghat BOT project ended on May 3, 2009, # Concession period of Bhiwandi Wada BOT project ended on Sept 22, 2008, ^ Surat-Dahisar commissioned on Feb 20,2009, \$ Bharuch Surat BOT Project commissioned on Sept 25,2009, \*\* Kaman-Paygaon BOT Project concession period stopped from Nov 22, 2009.

**Outlook and Valuation**

IRB Infrastructure has one of the largest domestic Road BOT project portfolios in the Road and Highway Sector with toll collection rights across 1,150km and holds market share of 7.2% on the Golden Quadrilateral. IRB's Road BOT project portfolio has 16 projects of which 10 are fully operational. In light of the immense opportunities that exist in the Road Sector in the near future, IRB's vast experience, excellent and timely execution capabilities and inter-dependent business model, we maintain our bullish stance on the company.

We have valued IRB's inter-dependent business model on SOTP basis. The individual Road BOT SPVs have been valued on NPV basis (FY2012E estimates) using the Free Cash Flow to Equity (FCFE) approach (Rs165/share); the Construction Segment has been valued at 8x FY2012E EV/EBITDA (Rs116/share); the company's investments in land (adjoining Mumbai- Pune Expressway) and its equity stake in the Sindhudurg Airport project have been valued at 1x FY2009 Book Value (Rs8/share). **We maintain a Buy on the stock, with a Target Price of Rs289**

**Exhibit 4: SOTP Valuation**

Business Segment	Methodology	Rs cr	IRB's Stake (%)	Rs/Share	% to Target Price
IRBPL	FCFE	283.0	100	8.5	2.9
Kharpada Bridge	FCFE	31.4	100	0.9	0.3
Nagar-Karmala	FCFE	70.4	100	2.1	0.7
Tembhurni	FCFE	48.0	100	1.4	0.4
Mohol-Mandup-Kamtee	FCFE	98.8	100	3.0	1.0
Pune-Solapur	FCFE	166.0	100	5.0	1.7
Pune-Nashik	FCFE	1,675.5	100	50.4	17.4
Mumbai-Pune	FCFE	267.2	100	8.0	2.8
Thane Ghodbunder	FCFE	184.7	90	5.0	1.7
Surat-Dahisar	FCFE	645.8	100	19.4	6.7
Bharuch-Surat	FCFE	599.4	100	18.0	6.2
IRDIP Kolhapur	FCFE	279.9	100	8.4	2.9
Goa Karnataka Border	FCFE	305.9	100	9.2	3.2
Pathankot-Amritsar	FCFE	574.1	100	17.3	6.0
Jaipur-Deoli	FCFE	280.1	100	8.4	2.9
Talegaon-Amravati	FCFE	3,871.1	100	116.5	40.2
Modern Road Makers Pvt.Ltd	EV/EBITDA (8x)	134.6	66	2.7	0.9
Land Parcel Valuation	Book Value (1x)	175.0	100	5.3	1.8
Sindhudurg Airport	Book Value (1x)				
<b>Total</b>				<b>289.0</b>	<b>100.0</b>

Source: Company, Angel Research

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### Disclosure of Interest Statement

	IRB
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

*Note: We have not considered any Exposure below Rs 5 lakh for Angel, its Group companies and Directors.*

Ratings (Returns) :	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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