

July 27, 2012

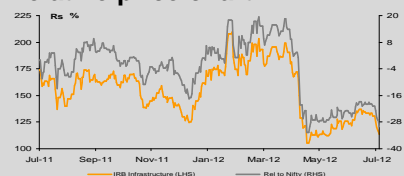
| Rating                  | Previous Reco |
|-------------------------|---------------|
| Buy                     | Buy           |
| CMP                     | Target Price  |
| Rs113                   | Rs230         |
| EPS Chg FY13E/14E (%)   | 7/1           |
| Target Price change (%) | NA            |
| Nifty                   | 5,100         |
| Sensex                  | 16,839        |

### Price Performance

| (%)           | 1M | 3M  | 6M  | 12M |
|---------------|----|-----|-----|-----|
| Absolute      | -8 | -33 | -35 | -33 |
| Rel. to Nifty | -8 | -32 | -33 | -26 |

Source: Bloomberg

### Relative price chart



Source: Bloomberg

### Stock Details

|                             |              |
|-----------------------------|--------------|
| Sector                      | Construction |
| Bloomberg                   | IRB IB       |
| Equity Capital (Rs mn)      | 3,324        |
| Face Value(Rs)              | 10           |
| No of shares o/s (mn)       | 332          |
| 52 Week H/L                 | 211/ 100     |
| Market Cap (Rs bn/USD mn)   | 38/ 680      |
| Daily Avg Volume (No of sh) | 6,598,403    |
| Daily Avg Turnover (US\$mn) | 14.6         |

### Shareholding Pattern (%)

|              | Jun12 | Mar12 | Dec11 |
|--------------|-------|-------|-------|
| Promoters    | 67.6  | 67.6  | 67.6  |
| FII/NRI      | 15.7  | 18.7  | 17.4  |
| Institutions | 4.6   | 5.4   | 6.5   |
| Private Corp | 5.1   | 3.3   | 3.5   |
| Public       | 7.1   | 5.0   | 5.1   |

Source: Bloomberg

### Ajit Motwani

ajit.motwani@emkayglobal.com  
+91-22-66121255

### Jitesh Bhanot

jitesh.bhanot@emkayglobal.com  
+91-22-66242491

- Q1FY13 EBITDA at Rs4.25 bn (+29% yoy) higher than estimate led higher E&C margins which at 27.9% surprised positively driven by stable input cost exorbitant execution
- Rev at Rs9.8 bn (+22% yoy) driven by E&C revenues +26%yoy. Stellar execution at Jaipur Deoli, Amravati-Talegaon & Pathankot forming ~70% of E&C. APAT at Rs 1.4bn (+6% yoy)
- ~13% yoy growth in BOT revenues. Like to like BOT revenues +9.2% yoy. Surat Dahisar & Bharuch Surat achieved 100 & 140bps lower reset in interest rate at to 11.5% & 10.65%.
- Upgrade FY13E/14E earnings by 7%/1%. Focusing on maintaining dividend payout at 20%. Ahmd-Baroda to go in execution in H2FY13. Maintain BUY with a TP of Rs230

### 1QFY13 E&C execution & margins drives the profit beat

EBIDTA at Rs4.25bn ahead of our estimates largely led by stellar E&C execution which came in at Rs 7.5bn v/s Rs 5.9bn expectation. E&C margins at 27.9% also came in ahead of expectation. Faster than expected ramp up at two projects (Jaipur Deoli and Amritsar Pathankot) which comprised ~70% of E&C execution led to the beat. Revenues stood at Rs9.8 bn (+22.7% yoy) driven by a healthy 26% yoy growth in E&C revenues and 12.7% yoy growth in BOT revenues. Adjusted BOT revenues came in marginally higher than expectation. Consolidation of MVR infrastructure has not commenced still which led to lower than expected BOT revenues none the less it is expected to commence from H2FY13E. Like to like BOT revenues grew 9.2%yoy. APAT also came in ahead of estimates at Rs 1.4bn led by EBITDA beat and lower tax expense at 28%.

### Confident of funding Rs18bn capex internally-Can bag Rs 30bn project

After emerging as a preferred bidder for Goa/Karnataka Border to Kundapur project in May-12, IRB has demonstrated that the company will consider any project which meets their threshold bidding criteria. IRB Infra is also the select few companies to have successfully demonstrated the inorganic route by acquiring MVR infra which operates a 14 year tolling concession across Namakkal – Omallur section on NH-7 for Rs 3.8bn. Management indicated an additional capacity to bag projects worth Rs 30bn during FY13E. IRB infrastructure will have to fund Rs 18bn as equity to its existing projects over next 3-4years which the company remains confident of funding through internal accruals.

### Undemanding valuations-E&C execution continues to surpass expectation

Continues stellar show on E&C execution which came at Rs7.5bn v/s exp of Rs 5.9bn coupled with strong EBITDA margins at 27.9% led to a sharp beat. Upgrade FY13E earnings by 7% to Rs 4.32bn led by strong quarterly show. Heightened execution at Jaipur-Deoli & Amravati-Talegaon due to continued dry spell. Contradictory to overall performance, Tumkur Chitradurga continues to feel the pinch of mining ban and witnessed slower ramp up led to cut in revenue assumption by 5% for FY13E to Rs1.7bn reducing IRR's by 90bps to 15.6%. Focusing on maintaining dividend payout at 20%. Ahmd-Baroda to go in execution in H2FY13. Maintain BUY with TP Rs230.

### Financial Snapshot (Consolidated)

(Rsmn)

| YE-   | Net Sales | EBITDA (Core) | EBITDA (%) | APAT  | EPS (Rs) | EPS % chg | RoE (%) | P/E | EV/ EBITDA | P/BV |
|-------|-----------|---------------|------------|-------|----------|-----------|---------|-----|------------|------|
| Mar   |           |               |            |       |          |           |         |     |            |      |
| FY11A | 24,381    | 10,939        | 44.9       | 4,524 | 13.6     | 1.6       | 20.2    | 8.6 | 6.7        | 1.6  |
| FY12A | 31,307    | 13,735        | 43.9       | 4,947 | 14.9     | 9.4       | 18.7    | 7.8 | 6.5        | 1.4  |
| FY13E | 36,821    | 15,103        | 41.0       | 4,326 | 13.0     | -12.6     | 14.2    | 9.0 | 7.9        | 1.2  |
| FY14E | 44,139    | 18,409        | 41.7       | 4,432 | 13.3     | 2.5       | 13.0    | 8.8 | 7.3        | 1.1  |

**Exhibit 1: Quarterly result analysis**

| Rs mn                          | Q1FY12 | Q2FY12 | Q3FY12 | Q4FY12 | Q1FY13A | YoY (%) | QoQ (%) | Q1FY13 | Q1FY12 | YoY (%) |
|--------------------------------|--------|--------|--------|--------|---------|---------|---------|--------|--------|---------|
| Revenue                        | 8,013  | 7,359  | 7,455  | 8,480  | 9,798   | 22.3    | 15.5    | 9,798  | 8,013  | 22.3    |
| Expenditure                    | 4,719  | 4,144  | 4,038  | 4,671  | 5,543   | 17.5    | 18.7    | 5,543  | 4,719  | 17.5    |
| as % of sales                  | 58.9   | 56.3   | 54.2   | 55.1   | 56.6    |         |         | 56.6   | 58.9   |         |
| Consumption of RM              | 4,218  | 3,635  | 3,472  | 3,902  | 4,974   | 17.9    | 27.5    | 4,974  | 4,218  | 17.9    |
| as % of sales                  | 52.6   | 49.4   | 46.6   | 46.0   | 50.8    |         |         | 50.8   | 52.6   |         |
| Employee Cost                  | 281    | 313    | 362    | 419    | 358     | 27.4    | -14.7   | 358    | 281    | 27.4    |
| as % of sales                  | 3.5    | 4.3    | 4.9    | 4.9    | 3.7     |         |         | 3.7    | 3.5    |         |
| Other expenditure              | 220    | 196    | 204    | 350    | 211     | -4.1    | -39.8   | 211    | 220    | -4.1    |
| as % of sales                  | 2.7    | 2.7    | 2.7    | 4.1    | 2.2     |         |         | 2.2    | 2.7    |         |
| EBITDA                         | 3,294  | 3,215  | 3,417  | 3,809  | 4,255   | 29.2    | 11.7    | 4,255  | 3,294  | 29.2    |
| Depreciation                   | 602    | 629    | 724    | 1,016  | 1,086   | 80.3    | 6.9     | 1,086  | 602    | 80.3    |
| EBIT                           | 2,692  | 2,586  | 2,693  | 2,793  | 3,169   | 17.7    | 13.5    | 3,169  | 2,692  | 17.7    |
| Other Income                   | 282    | 301    | 338    | 332    | 325     | 15.1    | -2.1    | 325    | 282    | 15.1    |
| Interest                       | 1,174  | 1,241  | 1,420  | 1,500  | 1,540   | 31.2    | 2.7     | 1,540  | 1,174  | 31.2    |
| PBT                            | 1,800  | 1,646  | 1,611  | 1,625  | 1,953   | 8.5     | 20.2    | 1,953  | 1,800  | 8.5     |
| Total Tax                      | 443    | 367    | 361    | 452    | 557     | 25.8    | 23.3    | 557    | 443    | 25.8    |
| Adjusted PAT                   | 1,357  | 1,279  | 1,250  | 1,174  | 1,397   | 2.9     | 19.0    | 1,397  | 1,357  | 2.9     |
| (Profit)/loss from JV's/Ass/MI | 16     | 8      | 6      | -30    | -22     |         |         | -22    | 16     |         |
| APAT after MI                  | 1,342  | 1,271  | 1,244  | 1,204  | 1,418   | 5.7     | 17.8    | 1,418  | 1,342  | 5.7     |
| Extra ordinary items           | 0      | -170   | 70     | 0      | 0       | 0.0     |         | 0      | 0      |         |
| Reported PAT                   | 1,342  | 1,101  | 1,314  | 1,204  | 1,418   | 5.7     | 17.8    | 1,418  | 1,342  | 5.7     |
| Reported EPS                   | 4.0    | 3.8    | 3.7    | 3.6    | 4.3     | 5.7     | 17.8    | 4.3    | 4.0    | 5.7     |

| Margins (%)        |      |      |      |      |      | (bps)  | (bps)  |      |      | (bps)  |
|--------------------|------|------|------|------|------|--------|--------|------|------|--------|
| EBITDA             | 41.1 | 43.7 | 45.8 | 44.9 | 43.4 | 231.4  | -148.7 | 43.4 | 41.1 | 231.4  |
| EBIT               | 33.6 | 35.1 | 36.1 | 32.9 | 32.3 | -125.4 | -59.5  | 32.3 | 33.6 | -125.4 |
| EBT                | 22.5 | 22.4 | 21.6 | 19.2 | 19.9 | -252.6 | 77.1   | 19.9 | 22.5 | -252.6 |
| PAT                | 16.7 | 17.3 | 16.7 | 14.2 | 14.5 | -226.9 | 28.4   | 14.5 | 16.7 | -226.9 |
| Effective Tax rate | 24.6 | 22.3 | 22.4 | 27.8 | 28.5 | 391.9  | 71.1   | 28.5 | 24.6 | 391.9  |

Source: Company, Emkay Research

**Exhibit 2: Segmental results excluding other income**

| (Y/E Mar, Rs mn)                   | Q1FY12        | Q2FY12        | Q3FY12        | Q4FY12        | Q1FY13A       | YOY (%)      | QoQ (%)      |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| <b>Revenue</b>                     | <b>8013.3</b> | <b>7528.8</b> | <b>7384.8</b> | <b>8480.0</b> | <b>9797.8</b> | <b>22.3%</b> | <b>15.5%</b> |
| Construction                       | 5720.4        | 5204.3        | 4940.2        | 6004.1        | 7275.2        | 27.2%        | 21.2%        |
| BOT                                | 2293.0        | 2324.5        | 2444.6        | 2476.0        | 2522.6        | 10.0%        | 1.9%         |
| <b>EBITDA ( excl other income)</b> | <b>3294.4</b> | <b>3384.9</b> | <b>3346.9</b> | <b>3804.2</b> | <b>4254.8</b> | <b>29.2%</b> | <b>11.8%</b> |
| Construction                       | 1296.7        | 1328.4        | 1151.5        | 1622.9        | 2030.6        | 56.6%        | 25.1%        |
| BOT                                | 1997.8        | 2056.4        | 2195.3        | 2181.3        | 2224.3        | 11.3%        | 2.0%         |
| <b>EBITDA Margins</b>              | <b>41.1%</b>  | <b>45.0%</b>  | <b>45.3%</b>  | <b>44.9%</b>  | <b>43.4%</b>  | <b>231</b>   | <b>-143</b>  |
| Construction                       | 22.7%         | 25.5%         | 23.3%         | 27.0%         | 27.9%         | 524          | 88           |
| BOT                                | 87.1%         | 88.5%         | 89.8%         | 88.1%         | 88.2%         | 105          | 7            |
| <b>EBIT</b>                        | <b>2120.1</b> | <b>2143.4</b> | <b>1927.3</b> | <b>2309.1</b> | <b>2714.7</b> | <b>28.0%</b> | <b>17.6%</b> |
| Construction                       | 1011.8        | 1008.9        | 833.2         | 1190.0        | 1430.2        | 41.4%        | 20.2%        |
| BOT                                | 1108.3        | 1134.5        | 1094.0        | 1119.0        | 1284.4        | 15.9%        | 14.8%        |
| <b>EBIT Margins</b>                | <b>26.5%</b>  | <b>28.5%</b>  | <b>26.1%</b>  | <b>27.2%</b>  | <b>27.7%</b>  | <b>125</b>   | <b>48</b>    |
| Construction                       | 17.7%         | 19.4%         | 16.9%         | 19.8%         | 19.7%         | 197          | -16          |
| BOT                                | 48.3%         | 48.8%         | 44.8%         | 45.2%         | 50.9%         | 258          | 572          |

Source: Company, Emkay Research

### Gross toll collection +19.6% driven by toll hikes at MPEW

IRB gross toll collection for the quarter grew 19.6% yoy to Rs3.33bn driven by Tumkur Chitradurga which witnessed collection for full quarter and a 6% toll hike effective from April 1, 2012. Larger projects like Surat Dahisar Bharuch Surat also witnessed 13%+ growth owing to 10% toll hike last year. Mumbai Pune (MPEW) registered a growth of 5% yoy led only by traffic growth. Sequentially the growth came in at 2.9% owing to toll hike in Tumkur Chitradurga. With no action on the mining ban traffic at Tumkur Chitradurga remains sluggish which is expected to pick up once the mining activity recommences over the coming 6 to 12 months.

#### Exhibit 3: BOT revenue – Project-wise (Rs mn)

| Projects                  | Q1FY12        | Q2FY12        | Q3FY12        | Q4FY12        | Q1FY13A       | YOY (%)      | QoQ (%)     |
|---------------------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|
| Mumbai - Pune             | 986.0         | 997.0         | 1000.0        | 994.0         | 1035.0        | 5.0%         | 4.1%        |
| Surat-Dahisar BOT Project | 942.0         | 939.0         | 1063.0        | 1065.0        | 1064.0        | 13.0%        | -0.1%       |
| Tumkur Chitradurga        | 114.0         | 387.0         | 380.0         | 377.0         | 413.0         | 262.3%       | 9.5%        |
| Bharuch Surat Project     | 336.0         | 347.0         | 372.0         | 374.0         | 381.0         | 13.4%        | 1.9%        |
| TBB - 4 (Mumbra)          | 156.0         | 145.0         | 159.0         | 166.0         | 172.0         | 10.3%        | 3.6%        |
| Thane - Ghodbunder        | 70.0          | 69.0          | 75.0          | 78.0          | 79.0          | 12.9%        | 1.3%        |
| Pune - Nashik             | 56.0          | 55.0          | 58.0          | 58.0          | 56.0          | 0.0%         | -3.4%       |
| Pune - Solapur            | 43.0          | 39.0          | 42.0          | 44.0          | 47.0          | 9.3%         | 6.8%        |
| NKT                       | 37.0          | 35.0          | 35.0          | 35.0          | 36.0          | -2.7%        | 2.9%        |
| Kharpada                  | 23.0          | 19.0          | 20.0          | 22.0          | 21.0          | -8.7%        | -4.5%       |
| MMK                       | 20.0          | 19.0          | 19.0          | 21.0          | 24.0          | 20.0%        | 14.3%       |
| <b>Gross Collections</b>  | <b>2783.0</b> | <b>3051.0</b> | <b>3223.0</b> | <b>3234.0</b> | <b>3328.0</b> | <b>19.6%</b> | <b>2.9%</b> |
| Like to like              | 2669.0        | 2664.0        | 2843.0        | 2857.0        | 2915.0        | 9.2%         | 2.0%        |
| Like to Like Growth (YoY) | 13.8%         | 17.0%         | 14.3%         | 12.7%         | 9.2%          |              |             |

Source: Company, Emkay Research

### Order Backlog at Rs 77.8 bn at 3.6x FY12 E&C revenues

IRB has emerged as preferred bidder for Goa Kundapur project (Rs 24bn) which is still not booked under the Orderbacklog of Rs 77.8bn. Outlook for further additions to the order book remains robust with the NHAI near term pipeline looking robust. The company remains confident of further bagging Rs 30 to 40bn worth of projects in FY13E. IRB infrastructure as at June ending based on Rs 77.8bn order backlog commands 3.6x visibility on FY12 E&C revenues. Ahmedabad Vadodara to start witnessing execution from Q3FY13E.

#### Exhibit 4: Details of order Backlog

| Project wise (Rs Mn) | Outstanding order backlog |
|----------------------|---------------------------|
| O&M Contracts        | 20,389                    |
| Ahmedabad Vadodara   | 35,282                    |
| Amritsar Pathankot   | 6,555                     |
| Jaipur-Tonk-Deoli    | 3,877                     |
| Talegaon Amravati    | 2,655                     |
| Tumkur chitradurga   | 7,590                     |
| Sindhudurg Airport   | 1,503                     |
| Funded Works         | 0                         |
| <b>Total</b>         | <b>77,851</b>             |

Source: Company, Emkay Research

**Exhibit 5: Segmental financial - Including other income**

| (Y/E Mar, Rs mn)                    | Q1FY12        | Q2FY12        | Q3FY12        | Q4FY12        | Q1FY13         | YOY (%)      | QoQ (%)      |
|-------------------------------------|---------------|---------------|---------------|---------------|----------------|--------------|--------------|
| <b>Revenue</b>                      | <b>8295.5</b> | <b>7659.5</b> | <b>7792.3</b> | <b>8811.9</b> | <b>10122.6</b> | <b>22.0%</b> | <b>14.9%</b> |
| Construction                        | 5971.5        | 5275.0        | 5257.8        | 6245.9        | 7505.0         | 25.7%        | 20.2%        |
| BOT                                 | 2324.0        | 2384.5        | 2534.6        | 2566.0        | 2617.6         | 12.6%        | 2.0%         |
| <b>EBITDA (incl Other Income)</b>   | <b>3576.6</b> | <b>3515.6</b> | <b>3754.4</b> | <b>4136.0</b> | <b>4579.6</b>  | <b>28.0%</b> | <b>10.7%</b> |
| Construction                        | 1547.8        | 1399.1        | 1469.1        | 1864.7        | 2260.3         | 46.0%        | 21.2%        |
| BOT                                 | 2028.8        | 2116.4        | 2285.3        | 2271.3        | 2319.3         | 14.3%        | 2.1%         |
| <b>Depreciation</b>                 | <b>602.3</b>  | <b>628.5</b>  | <b>723.7</b>  | <b>1015.6</b> | <b>1086.0</b>  | <b>80.3%</b> | <b>6.9%</b>  |
| Construction                        | 137.1         | 140.2         | 143.7         | 153.5         | 126.7          | -7.6%        | -17.5%       |
| BOT                                 | 465.2         | 488.3         | 580.0         | 862.1         | 959.3          | 106.2%       | 11.3%        |
| <b>EBIT</b>                         | <b>2974.3</b> | <b>2887.0</b> | <b>3030.7</b> | <b>3120.4</b> | <b>3493.6</b>  | <b>17.5%</b> | <b>12.0%</b> |
| Construction                        | 1410.8        | 1258.9        | 1325.4        | 1711.2        | 2133.7         | 51.2%        | 24.7%        |
| BOT                                 | 1563.6        | 1628.2        | 1705.3        | 1409.2        | 1359.9         | -13.0%       | -3.5%        |
| <b>Interest</b>                     | <b>1174.3</b> | <b>1241.5</b> | <b>1419.6</b> | <b>1495.1</b> | <b>1540.2</b>  | <b>31.2%</b> | <b>3.0%</b>  |
| Construction                        | 284.9         | 319.5         | 318.3         | 432.9         | 600.4          | 110.8%       | 38.7%        |
| BOT                                 | 889.5         | 922.0         | 1101.3        | 1062.3        | 939.8          | 5.7%         | -11.5%       |
| <b>PBT</b>                          | <b>1800.0</b> | <b>1645.6</b> | <b>1611.1</b> | <b>1625.3</b> | <b>1953.4</b>  | <b>8.5%</b>  | <b>20.2%</b> |
| Construction                        | 1125.9        | 939.4         | 1007.1        | 1278.4        | 1533.3         | 36.2%        | 19.9%        |
| BOT                                 | 674.1         | 706.2         | 604.0         | 346.9         | 420.1          | -37.7%       | 21.1%        |
| <b>Tax expense</b>                  | <b>442.6</b>  | <b>366.9</b>  | <b>360.7</b>  | <b>451.8</b>  | <b>556.8</b>   | <b>25.8%</b> | <b>23.3%</b> |
| Construction                        | 360.0         | 284.2         | 315.7         | 405.1         | 486.7          | 35.2%        | 20.1%        |
| BOT                                 | 82.5          | 82.7          | 45.0          | 46.6          | 70.2           | -15.0%       | 50.4%        |
| <b>PAT (Incl minority interest)</b> | <b>1357.4</b> | <b>1278.7</b> | <b>1250.4</b> | <b>1173.5</b> | <b>1396.6</b>  | <b>2.9%</b>  | <b>19.0%</b> |
| Construction                        | 765.9         | 655.2         | 691.4         | 873.2         | 1046.6         | 36.7%        | 19.9%        |
| BOT                                 | 591.5         | 623.5         | 559.0         | 300.3         | 350.0          | -40.8%       | 16.5%        |

| Segmental Share (%)               | Q1FY12 | Q2FY12 | Q3FY12 | Q4FY12 | Q1FY13 |
|-----------------------------------|--------|--------|--------|--------|--------|
| <b>Revenue</b>                    |        |        |        |        |        |
| Construction                      | 72.0%  | 68.9%  | 67.5%  | 70.9%  | 74.1%  |
| BOT                               | 28.0%  | 31.1%  | 32.5%  | 29.1%  | 25.9%  |
| <b>EBITDA (incl Other Income)</b> |        |        |        |        |        |
| Construction                      | 43.3%  | 39.8%  | 39.1%  | 45.1%  | 49.4%  |
| BOT                               | 56.7%  | 60.2%  | 60.9%  | 54.9%  | 50.6%  |
| <b>Depreciation</b>               |        |        |        |        |        |
| Construction                      | 22.8%  | 22.3%  | 19.9%  | 15.1%  | 11.7%  |
| BOT                               | 77.2%  | 77.7%  | 80.1%  | 84.9%  | 88.3%  |
| <b>EBIT</b>                       |        |        |        |        |        |
| Construction                      | 47.4%  | 43.6%  | 43.7%  | 54.8%  | 61.1%  |
| BOT                               | 52.6%  | 56.4%  | 56.3%  | 45.2%  | 38.9%  |
| <b>Interest</b>                   |        |        |        |        |        |
| Construction                      | 24.3%  | 25.7%  | 22.4%  | 29.0%  | 39.0%  |
| BOT                               | 75.7%  | 74.3%  | 77.6%  | 71.0%  | 61.0%  |
| <b>PBT</b>                        |        |        |        |        |        |
| Construction                      | 62.6%  | 57.1%  | 62.5%  | 78.7%  | 78.5%  |
| BOT                               | 37.4%  | 42.9%  | 37.5%  | 21.3%  | 21.5%  |
| <b>Tax expense</b>                |        |        |        |        |        |
| Construction                      | 81.4%  | 77.5%  | 87.5%  | 89.7%  | 87.4%  |
| BOT                               | 18.6%  | 22.5%  | 12.5%  | 10.3%  | 12.6%  |
| <b>PAT</b>                        |        |        |        |        |        |
| Construction                      | 56.4%  | 51.2%  | 55.3%  | 74.4%  | 74.9%  |
| BOT                               | 43.6%  | 48.8%  | 44.7%  | 25.6%  | 25.1%  |

Source: Company, Emkay Research

**Earnings upgrade 7/1% in FY13E/14E at Rs 13.0/13.3 per share respectively**

IRB reported spectacular set of quarterly numbers beating our and street expectations led by heightened execution at the E&C vertical and stellar margins. We have improved our E&C execution considering the spectacular performance for FY13E which is improving our E&C execution at Jaipur Deoli and Amravati Talegaon. Part of the beat is also led by delayed rains which led to the out performance. We have incorporated the latest Toll collections numbers at Tumkur Chitradurga which are witnessing slower than anticipated ramp up owing to continued mining ban in the region. Adjusting for the improved margin performance for the first quarter we upgrade our earnings by 7% for FY13E to Rs 4.32bn.

**Exhibit 6: Earnings upgrade of 7% for FY13E & 1% for FY14E**

| Rs Mn      | FY13E   |         |        | FY14E   |         |        |
|------------|---------|---------|--------|---------|---------|--------|
|            | Earlier | Revised | change | Earlier | Revised | change |
| Sales      | 36,808  | 36,821  | 0%     | 45,953  | 44,139  | -4%    |
| EBIDTA     | 15,060  | 15,103  | 0%     | 18,702  | 18,409  | -2%    |
| EBIDTA (%) | 40.9    | 41.0    | 10.5   | 40.7    | 41.7    | 100.8  |
| APAT       | 4,056   | 4,326   | 7%     | 4,376   | 4,432   | 1%     |
| EPS        | 12.2    | 13.0    | 7%     | 13.2    | 13.3    | 1%     |

Source: Emkay Research

**Maintain Buy with a Target price of Rs 230**

We have reduced our interest rate projections for couple of projects. IRB has managed to lower the interest rates at couple of projects Bharuch Surat and Surat Dahisar by 150bps & 100 bps respectively to 10.65% and 11.5% after the reset in Q1FY13. We believe the revision will lead to Rs 3 per share increase in our overall SoTP. Management has envisaged a PSU like dividend policy which will clear ambiguities in the mind of investors with regards to dividend policy. IRB will be considering a distribution of 20% of the consolidated profitability as dividend distribution henceforth making IRB infra as a discrete infrastructure stock which are otherwise to focused in funding growth.

**Exhibit 7: SoTP Fair value at Rs 230**

| SPV  | Holding     | Valuation Measure | Disc rate  | Value (Rs mn) | Value/Share |
|--|-------------|-------------------|------------|---------------|-------------|
| <b>Modern Road Makers</b>                          | <b>100%</b> | <b>PER</b>        | <b>9</b>   | <b>31,027</b> | <b>93.4</b> |
| <b>PV of O&amp;M Contracts</b>                     | <b>100%</b> | <b>NPV</b>        | <b>13%</b> | <b>3,404</b>  | <b>10.2</b> |
| Mhaiskar Infrastructure                            | 100%        | FCFE              | 12%        | 15,062        | 45.3        |
| Surat Dahisar SPV                                  | 90%         | FCFE              | 13%        | 1,170         | 3.5         |
| IDAA Infrastructure                                | 100%        | FCFE              | 13%        | 2,923         | 8.8         |
| MMK Toll Road                                      | 100%        | FCFE              | 13%        | 351           | 1.1         |
| IRB Infrastructure                                 | 100%        | FCFE              | 13%        | 264           | 0.8         |
| NKT Road & Toll                                    | 100%        | FCFE              | 13%        | 429           | 1.3         |
| Thane Ghodbunder Toll Road                         | 100%        | FCFE              | 13%        | 1,258         | 3.8         |
| ATR Infrastructure                                 | 100%        | FCFE              | 13%        | 1,492         | 4.5         |
| Aryan Toll Road                                    | 100%        | FCFE              | 13%        | 666           | 2.0         |
| Ideal Road Builders                                | 100%        | FCFE              | 13%        | 3,211         | 9.7         |
| IRB Kolhapur IRDC                                  | 100%        | FCFE              | 14%        | 2,683         | 8.1         |
| Namakkal - Omallur                                 | 100%        | FCFE              | 13%        | 276           | 0.8         |
| Amritsar Pathankot                                 | 100%        | FCFE              | 14%        | 4,433         | 13.3        |
| Jaipur - Deoli                                     | 100%        | FCFE              | 14%        | 5,441         | 16.4        |
| Amravati Talegaon                                  | 100%        | FCFE              | 14%        | 2,220         | 6.7         |
| Tumkur Chitradurga                                 | 100%        | FCFE              | 14%        | 1,859         | 5.6         |
| Ahmedabad Vadodara                                 | 100%        | FCFE              | 14%        | -4,175        | -12.6       |
| Kundapur   | 100%        | FCFE              | 15%        | -444          | -1.3        |
| <b>Total Value of existing BOT Portfolio - (a)</b> |             |                   |            | <b>39,119</b> | <b>118</b>  |
| New Project FY13                                   | 100%        | FCFE              | 15%        | 733           | 2.2         |
| <b>Value of new BOT projects - (b)</b>             |             |                   |            | <b>733</b>    | <b>2.2</b>  |
| <b>Aryan Infra Investment</b>                      | <b>66%</b>  | <b>Book value</b> |            | <b>1,650</b>  | <b>5.0</b>  |
| <b>Add: PV of Loans to SPV</b>                     |             |                   |            | <b>2,986</b>  | <b>9.0</b>  |
| <b>Less : Net Debt at Parent Level</b>             |             |                   |            | <b>-3,282</b> | <b>-9.9</b> |
| <b>Total</b>                                       |             |                   |            | <b>75,637</b> | <b>228</b>  |

Source: Emkay Research

## Key Financials (Consolidated)

## Income statement

| Y/E Mar (Rsmn)                   | FY11A         | FY12A         | FY13E         | FY14E         |
|----------------------------------|---------------|---------------|---------------|---------------|
| <b>Net Sales</b>                 | <b>24,381</b> | <b>31,307</b> | <b>36,821</b> | <b>44,139</b> |
| <i>Growth (%)</i>                | 43.0          | 28.4          | 17.6          | 19.9          |
| <b>Expenditure</b>               | <b>13,442</b> | <b>17,572</b> | <b>21,717</b> | <b>25,731</b> |
| Raw Materials                    | 11,812        | 15,226        | 19,230        | 22,908        |
| Employee Cost                    | 929           | 1,376         | 1,396         | 1,581         |
| Other Exp                        | 0             | 0             | 0             | 0             |
| <b>EBITDA</b>                    | <b>10,939</b> | <b>13,735</b> | <b>15,103</b> | <b>18,409</b> |
| <i>Growth (%)</i>                | 36.9          | 25.6          | 10.0          | 21.9          |
| <b>EBITDA margin (%)</b>         | <b>44.9</b>   | <b>43.9</b>   | <b>41.0</b>   | <b>41.7</b>   |
| Depreciation                     | 2,254         | 2,970         | 4,339         | 5,508         |
| <b>EBIT</b>                      | <b>8,686</b>  | <b>10,765</b> | <b>10,765</b> | <b>12,900</b> |
| <b>EBIT margin (%)</b>           | <b>35.6</b>   | <b>34.4</b>   | <b>29.2</b>   | <b>29.2</b>   |
| Other Income                     | 645           | 1,252         | 1,392         | 1,639         |
| Interest expenses                | 3,572         | 5,505         | 5,951         | 7,932         |
| <b>PBT</b>                       | <b>5,758</b>  | <b>6,512</b>  | <b>6,205</b>  | <b>6,607</b>  |
| <b>Tax</b>                       | <b>1,117</b>  | <b>1,552</b>  | <b>1,988</b>  | <b>2,293</b>  |
| <i>Effective tax rate (%)</i>    | 19.4          | 23.8          | 32.0          | 34.7          |
| <b>Adjusted PAT</b>              | <b>4,641</b>  | <b>4,960</b>  | <b>4,217</b>  | <b>4,314</b>  |
| <i>Growth (%)</i>                | 4.0           | 6.9           | -15.0         | 2.3           |
| <b>Net Margin (%)</b>            | <b>19.0</b>   | <b>15.8</b>   | <b>11.5</b>   | <b>9.8</b>    |
| (Profit)/loss from JVs/Ass/MI    | 117           | 13            | -109          | -118          |
| <b>Adj. PAT After JVs/Ass/MI</b> | <b>4,524</b>  | <b>4,947</b>  | <b>4,326</b>  | <b>4,432</b>  |
| E/O items                        | 0             | 0             | 0             | 0             |
| <b>Reported PAT</b>              | <b>4,524</b>  | <b>4,947</b>  | <b>4,326</b>  | <b>4,432</b>  |
| <b>PAT after MI</b>              | <b>4,524</b>  | <b>4,947</b>  | <b>4,326</b>  | <b>4,432</b>  |
| <i>Growth (%)</i>                | 1.6           | 9.4           | -12.6         | 2.5           |

## Cash Flow

| Y/E Mar (Rsmn)               | FY11A          | FY12A          | FY13E          | FY14E          |
|------------------------------|----------------|----------------|----------------|----------------|
| <b>PBT (Ex-Other income)</b> | <b>5,113</b>   | <b>5,260</b>   | <b>4,814</b>   | <b>4,968</b>   |
| Depreciation                 | 2,254          | 2,970          | 4,339          | 5,508          |
| Interest Provided            | 3,572          | 5,505          | 5,951          | 7,932          |
| Other Non-Cash items         | 0              | 0              | 0              | 0              |
| Chg in working cap           | 1,314          | 517            | 1,114          | 512            |
| Tax paid                     | -1,463         | -1,552         | -1,988         | -2,293         |
| <b>Operating Cashflow</b>    | <b>10,790</b>  | <b>12,700</b>  | <b>14,229</b>  | <b>16,628</b>  |
| Capital expenditure          | -17,510        | -24,258        | -45,565        | -24,154        |
| <b>Free Cash Flow</b>        | <b>-6,720</b>  | <b>-11,559</b> | <b>-31,336</b> | <b>-7,526</b>  |
| Other income                 | 645            | 1,252          | 1,392          | 1,639          |
| Investments                  | -6,618         | 364            | 0              | 0              |
| <b>Investing Cashflow</b>    | <b>-23,247</b> | <b>-22,642</b> | <b>-37,685</b> | <b>-22,515</b> |
| Equity Capital Raised        | 82             | 0              | 0              | 0              |
| Loans Taken / (Repaid)       | 17,287         | 22,112         | 24,849         | 15,973         |
| Interest Paid                | -3,572         | -5,505         | -5,951         | -7,932         |
| Dividend paid (incl tax)     | -757           | -657           | -722           | -722           |
| Income from investments      | 0              | 0              | 0              | 0              |
| Others                       | 0              | 0              | 0              | 0              |
| <b>Financing Cashflow</b>    | <b>13,040</b>  | <b>15,950</b>  | <b>18,176</b>  | <b>7,319</b>   |
| <b>Net chg in cash</b>       | <b>582</b>     | <b>6,008</b>   | <b>-5,280</b>  | <b>1,432</b>   |
| Opening cash position        | 5,102          | 12,000         | 18,208         | 12,928         |
| <b>Closing cash position</b> | <b>5,685</b>   | <b>18,008</b>  | <b>12,928</b>  | <b>14,359</b>  |

## Balance Sheet

| Y/E Mar (Rsmn)                | FY11A         | FY12A         | FY13E          | FY14E          |
|-------------------------------|---------------|---------------|----------------|----------------|
| Equity share capital          | 3,324         | 3,324         | 3,324          | 3,324          |
| Reserves & surplus            | 21,002        | 25,243        | 35,335         | 39,045         |
| <b>Net worth</b>              | <b>24,326</b> | <b>28,566</b> | <b>38,659</b>  | <b>42,369</b>  |
| <b>Minority Interest</b>      | <b>896</b>    | <b>1,123</b>  | <b>1,014</b>   | <b>896</b>     |
| Secured Loans                 | 41,139        | 50,455        | 75,304         | 91,277         |
| Unsecured Loans               | 5,116         | 17,913        | 17,913         | 17,913         |
| <b>Loan Funds</b>             | <b>46,255</b> | <b>68,367</b> | <b>93,216</b>  | <b>109,190</b> |
| Net deferred tax liability    | 232           | 259           | 259            | 259            |
| <b>Total Liabilities</b>      | <b>71,709</b> | <b>98,315</b> | <b>133,148</b> | <b>152,713</b> |
| Gross Block                   | 35,351        | 58,513        | 61,047         | 95,282         |
| Less: Depreciation            | 1,729         | 2,970         | 3,435          | 3,923          |
| <b>Net block</b>              | <b>33,622</b> | <b>55,542</b> | <b>57,612</b>  | <b>91,359</b>  |
| Capital work in progress      | 25,085        | 24,452        | 63,609         | 48,507         |
| <b>Investment</b>             | <b>551</b>    | <b>186</b>    | <b>186</b>     | <b>186</b>     |
| <b>Current Assets</b>         | <b>20,384</b> | <b>28,399</b> | <b>22,373</b>  | <b>24,037</b>  |
| Inventories                   | 1,638         | 1,624         | 1,017          | 1,111          |
| Sundry debtors                | 397           | 141           | 955            | 1,092          |
| Cash & bank balance           | 12,000        | 18,208        | 12,928         | 14,359         |
| Loans & advances              | 6,349         | 8,427         | 7,474          | 7,474          |
| Other current assets          | 0             | 0             | 0              | 0              |
| <b>Current lia &amp; Prov</b> | <b>7,941</b>  | <b>10,265</b> | <b>10,633</b>  | <b>11,376</b>  |
| Current liabilities           | 4,842         | 10,017        | 7,381          | 8,124          |
| Provisions                    | 3,099         | 248           | 3,252          | 3,252          |
| <b>Net current assets</b>     | <b>12,443</b> | <b>18,134</b> | <b>11,741</b>  | <b>12,661</b>  |
| Misc. exp                     | 9             | 0             | 0              | 0              |
| <b>Total Assets</b>           | <b>71,709</b> | <b>98,315</b> | <b>133,148</b> | <b>152,713</b> |

## Key Ratios

| Y/E Mar                    | FY11A | FY12A | FY13E | FY14E |
|----------------------------|-------|-------|-------|-------|
| <b>Profitability (%)</b>   |       |       |       |       |
| EBITDA Margin              | 44.9  | 43.9  | 41.0  | 41.7  |
| Net Margin                 | 19.0  | 15.8  | 11.5  | 9.8   |
| ROCE                       | 15.3  | 14.1  | 10.8  | 10.7  |
| ROE                        | 20.2  | 18.7  | 14.2  | 13.0  |
| RoIC                       | 24.7  | 24.0  | 19.2  | 17.7  |
| <b>Per Share Data (Rs)</b> |       |       |       |       |
| EPS                        | 13.6  | 14.9  | 13.0  | 13.3  |
| CEPS                       | 20.4  | 23.8  | 26.1  | 29.9  |
| BVPS                       | 73.2  | 85.9  | 96.8  | 108.0 |
| DPS                        | 1.8   | 2.0   | 2.2   | 2.2   |
| <b>Valuations (x)</b>      |       |       |       |       |
| PER                        | 8.6   | 7.8   | 9.0   | 8.8   |
| P/CEPS                     | 5.7   | 4.9   | 4.5   | 3.9   |
| P/BV                       | 1.6   | 1.4   | 1.2   | 1.1   |
| EV / Sales                 | 3.0   | 2.8   | 3.2   | 3.0   |
| EV / EBITDA                | 6.7   | 6.5   | 7.9   | 7.3   |
| Dividend Yield (%)         | 1.5   | 1.7   | 1.9   | 1.9   |
| <b>Gearing Ratio (x)</b>   |       |       |       |       |
| Net Debt/ Equity           | 1.4   | 1.8   | 2.5   | 2.6   |
| Net Debt/EBITDA            | 3.1   | 3.7   | 5.3   | 5.2   |
| Working Cap Cycle (days)   | 6.6   | -0.9  | -11.8 | -14.0 |



**Recommendation History: IRB Infrastructure Developers – IRB IN**

| Date       | Reports   | Reco | CMP | Target |
|------------|---|------|-----|--------|
| 10/05/2012 | <a href="#">IRB Infrastructure Q4FY12 Result Update</a> | Buy  | 124 | 240    |
| 25/01/2012 | <a href="#">IRB Infrastructure Q3FY12 Result Update</a> | Buy  | 168 | 240    |
| 11/11/2011 | <a href="#">IRB Infrastructure Q2FY12 Result Update</a> | Buy  | 163 | 250    |
| 21/07/2011 | <a href="#">IRB Infrastructure Q1FY12 Result Update</a> | Buy  | 185 | 250    |

**Recent Research Reports**

| Date       | Reports  | Reco | CMP | Target |
|------------|--|------|-----|--------|
| 20/07/2012 | <a href="#">Infrastructure-Roads Sector Update</a>         |      |     |        |
| 11/06/2012 | <a href="#">Jaiprakash Associates Q4FY12 Result Update</a> | Hold | 68  | 75     |
| 06/06/2012 | <a href="#">GMR Infrastructure Q4FY12 Result Update</a>    | Hold | 22  | 22     |
| 21/05/2012 | <a href="#">Ashoka Buildcon Q4FY12 Result Update</a>       | Buy  | 200 | 317    |

**Emkay Global Financial Services Ltd.**

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: [www.emkayglobal.com](http://www.emkayglobal.com)

**DISCLAIMER:** Emkay Global Financial Services Limited and its affiliates are a full-service, brokerage, investment banking, investment management, and financing group. We along with our affiliates are participants in virtually all securities trading markets in India. Our research professionals provide important input into our investment banking and other business selection processes. Investors may assume that Emkay Global Financial Services Limited and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may participate in the solicitation of such business. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Emkay Global Financial Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of Emkay. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of Emkay or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.