

IRB Infra Developers Ltd.

INR 214

*Taking its Toll***BUY**

Gateway to Prosperity

Sep 25, 2009

Company Background

IRB Infrastructure Developers Ltd (IRB) is a Mumbai based Construction Company having its core expertise in Construction & Maintenance of road projects on BOT basis. IRB is one of the largest road toll operating company with a daily cash collection of over INR 20 mn from its 33 Toll Plazas across 12 Toll road projects. IRB undertakes development of various infrastructure projects in the road sector through several Special Purpose Vehicles. The company along with its subsidiaries has constructed or operated & maintained around 1440 km of road length so far & is one of the major road developers in the country. The aggregate size of all its BOT projects (both completed & under execution) is around INR 33,000.00 mn.

Investment Rationale

➔ Financial performance (Consolidated basis)

IRB, one of the largest road toll operating company reported Operating Income of INR 0.90 mn as against INR 0.70 mn, while its Net Profit rose to INR 574 mn vs INR 59 mn during the period March 2009. The company being the largest toll operator collects INR 20 mn a day from its 33 Toll Plazas across 12 toll road projects & is expected to move further with its daily earnings due its various projects near completion. With Strong Government focus on Road Infrastructure, it is expected to immensely benefit from increased order inflows in the road infrastructure projects.

➔ Leading Road BOT Player

IRB is a Pioneer in the road BOT business & currently operates & maintains over 1440 kms of road & enjoys 7.56% market share in the Golden Quadrilateral. IRB is one of the largest road BOT operators in the country with 16 BOT projects under its belt of which 10 are operational.

➔ Newly commissioned projects, would help to earn more

The recently commissioned Surat-Dahisar project in Feb 09 & the much awaited Surat- Bharuch project to start from Sep 09 are set to drive significant revenue to IRB's BOT business. Both the projects are based on high traffic areas connecting the Industrial & Commercial business cities of Maharashtra & Gujarat.

➔ Lowest bidder with high capex to help more

IRB has emerged the lowest bidder for four BOT road projects worth INR 43 bn. These projects are based on the high traffic areas, where it would help it to earn more revenues, by collecting toll. Even its has an robust orders of INR 56 bn excluding INR 43 bn which is to be executed in the next 24-36 months period. Of the Total Order book, EPC of BOT projects stands at 51%, O&M stands 45% & funded project EPC stands at 4%. IRB has also put in bids for over INR 28 bn orders, which are to be awarded in the coming months from NHAI, MSRDC & MIDC. IRB has aggressively built up its fleet of Equipments & Machinery by incurring a capex cost of INR 2.4 bn in FY09 & another capex plan underway of INR 10-15 bn in FY10, which would help the company to grab more opportunities from the Indian road sector

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Info Codes

Reuters	: IRB.BO
Bloomberg	: IRB@IN
NSE	: IRB
BSE	: 532947

Market Data

52 Wk Range (INR)	: 227 / 65
Shares in Issue (mn)	: 332.36
Mkt. Cap (INR bn)	: 70.44
BSE 2 Wk Avg Vol	: 570930

Share Holding Pattern (%)

Promoters	: 73.86
MFs, Fls & Banks	: 8.19
FII's	: 10.86
Others	: 7.09

Investment Theme

IRB, Mumbai based Construction firm has wide experience for executing projects for construction & maintenance of roads on BOT basis. It enjoys the market share of 7.56% in Golden Quadrilateral. INR 20 mn is collected from various completed toll projects & is expected to earn further in the coming days, as some of its projects are located in high traffic areas connecting commercial & industrial areas. With the strong focus of the Indian government on the road sector to connect most of places, IRB would be benefited in terms of getting more projects under its roof. As on June 09, the company has order book of INR 56 bn which is to be executed in 24-36 months.

Has anybody Tolloed you about it?

➔ **Projects well on track**

IRB is a holding company for infrastructure assets of the IRB Group. The company is pioneer in the road BOT business & is one of the largest road BOT operators in the country with 16 BOT projects under its roof. IRB also has 7.56% share of Golden Quadrilateral. The construction business complements its BOT vertical by executing the Engineering, Procurement & Construction (EPC) and the Operation & Management (O&M) portion of BOT Concession. IRB's road business is executed in two verticals viz Engineering, Procurement and Construction & Toll Collection & Maintenance.

Major Ongoing Road Projects

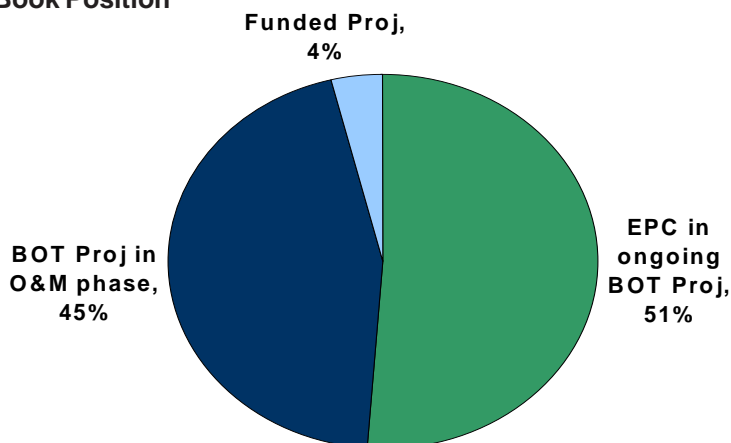
Name of Projects	Length (Km)	Concession Period(Yrs)	Expiry Date	Total Cost (INR Mn)
Bharuch-Surat	65	15	01 st Jan 2022	14091
Pune-Nashik	30	18	25 th Aug 2021	737
Pune- Solapur	26	16	19 th Mar 2019	630
Thane Bhiwandi Bypass	24	19	13 th May 2017	1040
Kaman Paygaon	22	15	06 th Dec 2013	144
Patalganga-Kharpada Bridge	2	18	28 th Aug 2015	320
Thane Ghodbunder	15	15	23 th Mar 2020	2466
Ahmednagar-Karmala- Tembhumi	60	15	11 th Dec 2016	368
Mohul-Kurul-Mandrup	33	16	28 th May 2018	180
Kolhapur Urban Road Project	50	28	31 st Mar 2038	4200
Total	772			64192

(Source:- Company Data)

➔ **IRB's Order Book position**

As on Jun 09, IRB has a Order book position of INR 56 bn. Also IRB has put in bids for over INR 28 bn orders, which are to be awarded in the coming months from NHAI, MSRDC & MIDC. It is expected that IRB being one of the favourable players, would significantly bag new orders & bids in the next 6-8 months which would show its revenue visibility in the next 3-4 years period.

Order Book Position



Some of its Projects

➔ **GOA - KARNATAKA BDR TO PANJI GOA**

Scope of Work:

Project involves 4-laning of NH-4A from Goa / Karnataka Border to Panji in the state of Goa under NHDP Phase III

Length: 65 km under NHDP.

Project Cost: INR 8063 mn.

Concession Rights: 30 years

Status: To be Awarded Shortly.

➔ **TALEGAON - AMRAVATI PROJECT**

Scope of Work:

Project involves construction of 67 kms length of road on the Jaipur to Deoli Section of NH12 in the State of Rajasthan Under NHDP Phase III.

Length: 67 km under NHDP

Project Cost: INR 8000 mn

Concession Rights: 22 years

Status: Letter of Acceptance received.

➔ **PATHANKOT TO AMRITSAR**

Scope of Work:

Project involves construction of 102 kms length of road on the Pathankot To Amritsar Section of NH-15 in the state of Punjab under NDHP Phase III.

Length: 102 km under NHDP.

Project Cost: INR 12000 mn

Concession Rights: 20 years

Status: Letter of Acceptance received

➔ **JAIPUR - DEOLI PROJECT**

Scope of Work:

Project involves construction of 149 kms length of road on the Jaipur to Deoli Section of NH12 in the State of Rajasthan Under NHDP Phase III

Length: 149 km under NHDP

Project Cost: INR 15000 mn

Concession Rights: 25 years

Status: To be Awarded Shortly

Project Cost Break Up (INR Mn)

Name of the Client	RFP Stage	RFQ Stage
NHAI Projects Phase III	8122	60556
NHAI Projects Phase V	87430	18960
NHAI Projects OMT Basis	920	6460
GSRDC Projects	0	13524
Govt of Rajasthan Projects	0	5000
Maharashtra PWD Projects	12194	1895
Total	108666	106395

RFP:- Request for Proposal RFQ:- Request for Qualification

(Source:- Company Data)

➔ Entering into new segments**Airport Construction**

IRB Infrastructure Developers, one of the foremost highway development companies in the country, has forayed into Airport development. The company has bagged an order from the Maharashtra Industrial Development Corporation (MIDC) to build a Greenfield airport at Sindhudurg on design-build finance- operate basis, while the cost of the single-runway airport is expected to be around INR 1500 mn. MIDC, already has in possession approximately 650 acres of land, which it will hand over to IRB for the said project. Of the total land to be hand over by MIDC, IRB would use 350 acres for Airport development, while the rest would be available for its commercial use. The construction period allowed for the project is 18 months & concession period is 95 years.

Real Estate

IRB has ventured into a new territory-real estate development. It has acquired 1250 acres of land in Mauje Taje & Mauje Pimpoli Taluka in Pune district for development of township project. These land parcels are very much adjoining to the Mumbai-Pune Expressway. IRB intends to acquire approximately 150-200 acres of additional land for its proposed township project. It has also received permission of Mumbai Tenancy & Agricultural Land Act 1946 to purchase nearly 1890 acres of land & establish integrated township.

Wind Energy

Modern Road Makers Pvt Ltd (MRM), wholly owned subsidiary of IRB has installed 16 Wind Mills of 1.25MW each in Jaisalmer, Rajasthan & in aggregate these wind turbines have capacity to generate 20MW. MRM has also entered into Power Purchase Agreement with Jodhpur Vidyut Vitran Nigam Ltd. to sell electricity generated from these wind mills. MRM has started process to register the wind mill project with United Nations Framework Convention on Climate change for Clean Development Mechanism (CDM) under Kyoto Protocol.

Other Factors

As a part of integration process, IRB through its subsidiary MRM Pvt Ltd has also ventured into importing Bitumen, Furnace Oil & Other petroleum products for self consumption & sale to third party. This would help to tide over the challenges in Raw Material management.

The committee on Infrastructure has projected 12-15% growth in passenger traffic annually & 15-18% annual growth in Car traffic, which would required an capex of USD 50-60 bn till FY11-12 to improve road infrastructure.

➔ BHARUCH-SURAT TOLL PROJECT**Scope of Work:**

Project involves expansion & improvement of an existing 4-lane highway into 6-lane highway on (NH-8). It also includes improvement & widening of minor bridges and construction of toll plazas.

Length: 65 km on NH-8

Project Cost: INR 14091 mn

Concession Rights: 15 years

Status: To be Operational Shortly

➔ SURAT-DAHISAR TOLL PROJECT**Scope of Work:**

Project involves expansion of a existing 4-lane section into 6- lane.

Length: 239 km

Project Cost: INR 27000 mn.

Concession Rights: 12 years

Status: Operational

➔ MUMBAI - PUNE EXPRESSWAY**Scope of Work:**

Project involves expansion of a stretch of the NH4 into 4 lanes on Mumbai- Pune Expressway.

Length: 206 km

Project Cost: INR 13016 mn

Concession Rights: 15 years

Status: Operational.

➔ PUNE-NASHIK TOLL ROAD PROJECT**Scope of Work:**

Project involves expansion of a stretch of the NH4 into 4 lanes, to construct major bridges, foot-paths, toll plazas.

Length: 29.8 km of the Pune- Nashik road (NH 50).

Project Cost: INR 737 mn

Concession Rights: 18 years

Status: Operational.

Business Overview

IRB operates via two business verticals viz. Road BOT projects & Engineering & Construction division (E&C). In 2007, the company has also diversified into Real Estate development.

➔ Road BOTs

IRB has emerged as one of the largest players on BOT basis with having 7.56% market share in the Golden Quadrilateral. In the last 30 years, IRB Infra & its subsidiaries have built or operated & managed 1,440 km of road length & has emerged as the largest toll operator in the country with daily toll revenue of around INR 20 mn. The company has been qualified to bid for projects worth INR 220 bn which includes projects from NHAI, GSRDC, Government of Rajasthan & Maharashtra state PWD, while it has also emerged as the lowest bidder for BOT projects, amounting to INR 43 bn. It has also been selected by Maharashtra Government to develop INR 1.5 bn greenfield airport at Sindhurg.

➔ Engineering & Construction (E&C)

All construction work undertaken by the IRB Group for BOT projects & funded construction contracts is executed by its subsidiary, Modern Road Makers Pvt. Ltd. (MRM). Since its inception, the entity has been involved in construction or O&M of 1440 km of highways & roads across the country. MRM along with Suzlon has installed 16 Wind Mills of 1.25 MW in Jai Rajasthan with total cost of INR 1.06 bn. It has also started import activities in petroleum products viz. Bitumen, Furnace oil primarily to utilize these products for its own business activities and also to sell the surplus in the open market.

➔ Real Estate

IRB plans to foray in the real estate arena by developing a township over 1250 acres in Mauje Taje & Mauje Pimploli Taluka in Pune district for development of township project. These land parcels are very much adjoining to the Mumbai-Pune Expressway. IRB intends to acquire approximately 150-200 acres of additional land for its proposed township project. It has also received permission of Mumbai Tenancy and Agricultural Land Act 1946 to purchase nearly 1890 acres of land & establish integrated township.

➔ Healthy Order books

IIRB has a robust order book position of INR 56 bn as on June 2009, which excludes INR 43 bn projects of 4 BOT projects which is to be executed in a time frame of 24-36 months period. Of the total orders, EPC of BOT projects stands at 51%, O&M stands 45% and funded project EPC stands at 4%. The company has also put its bids for over INR 28 bn orders, which is to be awarded in next few months from NHAI, MSRDC & MIDC.

Key Financials

Year Ended Mar 31 st	FY 07	FY 08	FY 09
Revenue (INR mn)	113.9	413	715.6
Rev. growth (%)	NA	262.60	73.27
EBITDA (INR mn)	96.5	349.1	604.9
Net profit (INR mn)	68.3	59.2	573.5
Shares outstanding (mn)	24.727	332.36	332.36
EPS (INR)	2.8	0.2	1.7
EPS growth (%)	NA	(93.55)	868.75
P/E (x)	NA	955.8	46.4
EV/ EBITDA	NA	1612.5	439.0
ROCE (%)	0	0.63	4.21

➔ PUNE-SOLAPUR ROAD PROJECT

Scope of Work:

Project involves Widening the Pune-Solapur section on NH9 to 4 lanes

Length: 26 km of the Pune- Solapur road (NH 9).

Project Cost: INR 630 mn.

Concession Rights: 16 years

Status: Operational.

➔ THANE-BHIVANDI BYPASS

Scope of Work:

Project involves widening of the existing 2 lane carriageway & carry out certain other construction activities.

Length: 24 km of the Thane- Bhiwandi Bypass

Project Cost: INR 1040 mn.

Concession Rights: 18.5 years

Status: Operational.

➔ KAMAN PAYGAON

Scope of Work:

Road & bridge widening activities, strengthening a cumulative 22 km of Chinchoti Naka – Kaman-Paygaon- Bhiwandi Road and carry out certain other construction activities.

Length: 22km in Vasai and Bhiwandi Taluka, Thane District

Project Cost: INR 144 mn.

Concession Rights: 15 years

Status: Operational.

➔ MOHOL - KURUL - KANTI - MANDRUP

Scope of Work:

Project includes improvement of 33 km of Mahol-Kurul-Kanti- Mandrup Road Project in Solapur District.

Length: 33 km

Project Cost: INR 180 mn.

Concession Rights: 6 years & 2 months

Status: Operational.

Financial Statements

Income Statement

(INR mn)

Year end Mar 31 st	FY 07	FY 08	% Chg	FY 09	% Chg
Operating Income	10.2	0.7	(93.14)	0.9	28.57
Other Income	103.7	412.3	297.59	714.7	73.34
Change in Stocks	0.0	0.0	NA	0.0	NA
Raw Material Con.	0.0	0.0	NA	0.0	NA
Employee Exp.	0.8	27.5	3337.50	41.1	49.45
Excise	0.0	0.0	NA	0.0	NA
Other Exp.	16.6	36.4	119.28	69.6	91.21
Operating Exp.	17.4	63.9	267.24	110.7	73.24
Operating Profit	(7.2)	(63.2)	777.78	(109.8)	73.73
Total Interest	7.4	289.1	3806.76	25.8	(91.08)
Gross Profit	89.1	60.0	(32.66)	579.1	865.17
Net Dep.	3.8	0.0	(100.00)	0.0	NA
Total Taxation	17.0	0.8	(95.29)	5.6	600.00
Net Profit/Loss	68.3	59.2	(13.32)	573.5	868.75

4 Years Balance Sheets

(INR mn)

Balance Sheet as on 31 st	Mar 2006	Mar 2007	Mar 2008	Mar 2009
SOURCES OF FUNDS	NA	5406.6	13752.6	15017.5
Equity Share capital	NA	2472.7	3323.6	3323.6
Share Application Money	NA	0.0	0.0	0.0
Preference Share Capital	NA	0.0	0.0	0.0
Reserves & Surplus	NA	152.7	10260.2	10322.1
Loan Funds	NA	14.8	168.8	1371.8
Unsecured Loans	NA	2766.4	0.0	0.0
USES OF FUNDS	NA	5406.6	13752.6	15017.5
Gross Block	NA	0.0	0.0	0.0
Less : Revaluation Reserves	NA	0.0	0.0	0.0
Less : Accumulated Depreciation	NA	0.0	0.0	0.0
Net Block	NA	0.0	0.0	0.0
Capital Work in Progress	NA	0.0	0.0	0.0
Investments	NA	2682.3	6090.3	8550.3
Current Assets	NA	2720.8	7747.5	6685.4
Less : Current Liabilities	NA	172.1	85.2	218.2
Net Current Assets	NA	2548.7	7662.3	6467.2
Misc. Expenses not written	NA	175.6	0.0	0.0
NOTE				
Bk Val Unquoted Investments	NA	2665.9	4250.1	7657.8
Mkt Val. Quoted Investments	NA	18.8	1847.9	892.4
Contingent Liabilities	NA	5605	8029.7	15411.3
Dividend (%)	NA	0	0	15

Quarterly Income Sheets

(INR mn)

Quarter Ended	Sep 08	Dec 08	Mar 09	Jun 09
Net Sales	0.0	0.0	0.0	0.0
Cost Of Sales	14.3	13.4	10.7	16.4
Operating Profit	(14.3)	(13.4)	(10.7)	(16.4)
Recurring Income	63.7	64.4	549.7	132.2
Adjusted PBDIT	49.4	51.0	539.0	115.8
Financial Expenses	0.0	0.2	22.6	15.7
Depreciation	0.0	0.0	0.0	0.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	49.4	50.8	516.4	100.1
Tax Charges	0.0	4.8	0.7	2.0
Adjusted PAT	49.4	46.0	515.7	98.1
Non Recurring Items	(0.4)	(5.0)	(0.6)	4.4
Other Non Cash Adjust	8.2	11.0	19.5	13.7
Net Profit	40.8	30.0	495.6	88.8

52 Week Index Relative Percentage Appreciation



IRB with Sensex

Risks Associated

Poor Traffic Growth

Viability of Road BOT projects are very much dependent on the assumption of the ongoing economic progress & expected traffic growth barometer. Toll rates, fuel prices & alternate route also affect the traffic & viability of the road project. Thus, any kind of economic slowdown would affect the company's earnings.

Delay in Government spends on Infrastructure

BOT Projects are been awarded by the Government. Thus any delay in spending of the government would affect the company's growth stage.

Execution Capability

IRB has great number of orders in its pocket. To keep its image clean the company has to execute its order in smooth way & that too without any delays, rather this could benefit its peer competitor.

In a Nutshell

IRB Infrastructure Developers Ltd. (IRB) is a Mumbai-based Infrastructure development & Construction company having over two decades of experience in building roads & highways both as a contractor as well as an operator. IRB presently is one of the largest toll road operating companies in the country, having a market share of 7.56% in the Golden Quadrilateral. IRB is one of the largest road BOT operators in the country with 16 BOT projects under its belt of which 10 are operational. The construction business complements its infrastructure development segment involving undertaking EPC for projects on a contractual basis. Being a fully integrated company, implementing EPC as well as O&M operations, it gives IRB a better control on costs incurred & meeting stringent project time lines. Additionally, presence of a large equipment bank strengthens its execution capability. Consequently, the company has a clean track record in terms of project delivery & in some cases has also enjoyed the benefits of early tolling resulting from early completion of projects.

Indira Group Offices

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate up to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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