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Infrastructure

BOT Segment – Consolidation on the cards

INDIA | INFRASTRUCTURE | Sector Update

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The road sector in India is about to undergo a radical transformation over the next three years. Large no of BOT projects are expected to be put-up for sale by their owners – driven by change in business focus, deleveraging efforts and funding requirement for new projects. At the same time, with the traffic growth picking-up and interest rates expected to come down, we expect lost of strategic investors and PE players (foreign and domestic) to come forth to acquire these projects, to benefit from the valuation upside. Early signs are already visible (TRIL's acquisition of Madhucon's project, GMR's divestment of two projects) – we expect a surge in the inorganic activity in the sector, over the next three years.

Over 100 BOT projects up for sale: Our analysis of 200 BOT projects across the country reveals that over 100 BOT projects are currently on the block, where the developer is looking for partial/complete exit. Majority of these projects are in operational stage, where the developer is allowed to divest 74% stake. Most of these projects are, as expected, currently owned by EPC players, who now want to shift their focus back to EPC. We expect PE investors and developers like IRB, Ashoka and L&T to benefit from this unprecedented supply of BOT projects, and grow their portfolios inorganically.

Shift in NHAI focus from BOT to EPC: Over the last five years (FY09-14), the focus in the roads sector has been on BOT projects – primarily because NHAI awarded over 90% of the projects as BOT. The period witnessed robust growth in the portfolio of many BOT companies (IRB, Ashoka, Sadbhav and ITNL). It also saw most of the EPC companies join the BOT bandwagon – and carve a separate division for the BOT assets – primarily acting as a feeder to their EPC division. However, over the next three years, the focus of NHAI award process is expected to shift from BOT to EPC. Hence we expect these EPC companies to exit their BOT projects – to focus on their core competency – construction.

Companies looking to deleverage their balance sheets: Many BOT developers (like Sadbhav, ITNL) and asset owners (like GMR, GVK, Gammon Infra) are currently, not generating enough cash from their operational projects, to fund the equity requirement for their new projects or have highly stretched balance sheets. We expect many of these companies to put, their road BOT projects, up for sale.

Increasing interest from the demand side: On the demand side too, the landscape is changing rapidly. While only few developers (like IRB, L&T, Ashoka) have the might to acquire new projects – private equity firms like IDFC PE, SBI-Macquarie, Piramal Enterprises and TRIL have also evinced their interest. These firms have been waiting at the sidelines, for the last five years – looking for investment opportunities in the infrastructure sector. With traffic growth picking-up and interest rates expected to come down – this could be the best time for them to buy these assets – at cheap valuations and significant upside potential.

Also, we expect many foreign funds (pension and sovereign funds) to be attracted to this segment. These funds typically operate on dividend/cash-flow based models, and invest in companies that can provide stable cashflows for long durations. The BOT projects perfectly fit their investment criterion, especially with the macro-environment looking up.

A perfect win-win situation: Overall, we expect a surge in inorganic activity in the roads sector, over the next three years. Large no of BOT projects are expected to undergo change in their ownership – leading to growth in portfolio of the buyers and deleveraging of balance sheets of the sellers. It appears to be a perfect win-win situation for the sector – in order to capitalize on the huge investment opportunity expected to unravel over the next three years. We maintain our **BUY rating on IRB Infra**, and **upgrade Ashoka Buildcon to BUY**.

Companies

IRB INFRASTRUCURE

Reco	BUY
CMP, Rs	250
Target Price, Rs	Rs 336

ASHOKA BUILDCON

Reco	BUY
CMP, Rs	162
Target Price, Rs	191

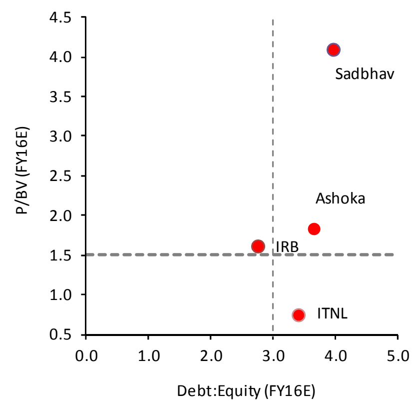
SADBHAV ENGINEERING

Reco	NOT RATED
CMP, Rs	342

ILFS TRANSPORTTION

Reco	NOT RATED
CMP, Rs	192

BOT companies – Relative Positioning



Source: Bloomberg, Phillip Capital India Research

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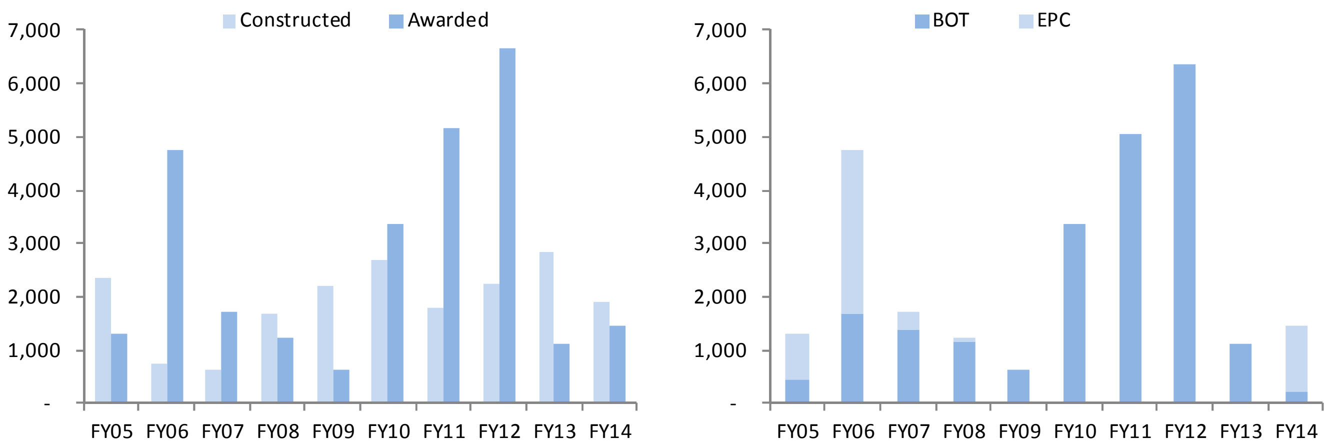
Road sector – At the crossroads

FY13 and FY14 remained forgettable years for NHAI in terms of achieving their targeted length of awarded projects. The regulatory body awarded only 1,100 km and 1,400 km in FY13 and FY14 vs. their own target of 8,800 km and 6,500 km, respectively. The dismal performance was led by problems surrounding land acquisition and environmental clearance, because of which execution could not start on many projects awarded in FY12.

However, the more worrisome part of the dismal order award process of the last five years, was the low share of EPC projects. Over FY10-14, NHAI awarded a paltry 7% of the total awards on EPC basis. This led to many EPC players joining the BOT bandwagon, as they faced muted order inflows from other segments too (Buildings, Irrigation etc). This has led to many of these companies, with unviable BOT projects in their portfolio – which they now want to 'get rid of'.

NHAI – Dismal performance over last two years – last five years dominated by BOT projects



Source: PhillipCapital India Research

However, we expect a resurrection in EPC orders from NHAI, starting FY16. Of the 14,600km yet to be awarded in the NHDP, over 8,500km are under phase IV – which would primarily be EPC orders. Overall NHAI intends to award 70% of the projects over the next two years on EPC basis.

While the resurgence in EPC orders augurs well for the EPC companies, it also diminishes the growth potential for the BOT players. This, in our opinion, might force the BOT players to scout for inorganic opportunities.

NHDP current status — Jan 2015 *(length in km)*

	Total length (km)	Already 4-laned (km)	Under Implementation (km)	To be awarded (km)
Golden Quadrilateral	5,846	5,846	-	-
NS - EW Ph. I & II	7,142	6,360	365	417
NHDP Phase III	12,109	6,393	4,373	1,343
NHDP Phase IV	14,799	942	5,904	7,953
NHDP Phase V	6,500	2,001	2,080	2,419
NHDP Phase VI	1,000	-	-	1,000
NHDP Phase VII	700	22	19	659
NHDP Total	**48,096**	**21,564**	**12,741**	**13,791**
Port Connectivity	380	379	1	-
Others	2,142	1,527	338	277
Total by NHAI	**50,618**	**23,470**	**13,080**	**14,068**

Source: NHAI

BOT segment – Time for consolidation?

Over the next three years, we expect a surge in M&A activity in the roads BOT space. Road is relatively a more mature sector in the infrastructure space – with over a decade's history of BOT projects, tightly woven model concession agreement and standardized procedures (operational and financial). With minimum regulatory concerns, we see the inorganic equation for the BOT space being met from both the demand as well as supply side:

Supply:

- EPC companies looking to exit their BOT portfolios completely/partially
- BOT developers requiring funds for their new projects
- Diversified players looking to deleverage their BS or raise funds for other projects

Demand:

- Domestic PE funds, who have been waiting at the sideline for last five years
- Foreign Pension/Sovereign funds, which typically invest in long duration projects with stable cashflows
- BOT developers with strong balance sheets, looking grow their portfolio inorganically

Why do sellers want to sell BOT assets ?

Reason	Companies
Lower than expected toll collection	IVRCL, NCC
Projects were won only for EPC contract	Most EPC companies
Higher interest rate - low bargaining power with banks	Private smaller players
Equity requirement for new projects	GMR, GVK, Gammon Infra
Deleverage balance sheet	GMR, GVK, NCC, Lanco
Strategic shift away from BOT business model	Most EPC companies

Source: PhillipCapital India Research

Why do buyers want to buy BOT assets ?

Developers	Private Equity / Pension Funds
Quick and easy way to grow portfolio inorganically, eliminating execution risk	Infrastructure based funds need to deploy capital in infrastructure assets
Developers with healthier balance sheet / relation with bankers can turn around a project with lower cost of debt	Mature assets available at cheap valuations, which offer valuation upside with higher traffic growth and lower interest rates
Acquire missing links on a continuous stretch or a parallel competing road	Long duration projects with stable cashflows

Source: PhillipCapital India Research

Historic PE deals in the BOT space

Date	Investor	Company	Amount	Stake	Portfolio size (Rs mn)		Implicit Valuation	
			Rs mn	%	Project Cost	Book value	Rs mn	P/BV
Investment in portfolios								
Mar-08	AMP Capital	Gayatri Projects	2,000	29.4	77,310	12,564	6,803	0.54
Aug-10	Norwest + Xander	Sadbhav Engg	4,000	22.2	74,777	14,662	18,018	1.23
Jul-11	Xander group	HCC	2,400	14.5	55,380	11,905	16,552	1.39
Jan-12	3i Group	Supreme Infra - 3 projects	3,000	49.0	11,040	2,765	6,122	2.21
Aug-12	SBI Macquarie	Ashoka Buildcon	8,000	34.0	76,890	19,202	23,529	1.23
Apr-13	Piramal Ent	Navayuga	5,500	NA	NA	NA	NA	NA
Dec-14	Canada Pension Plan	L&T - IDPL	20,000	NA	423,340	81,320	NA	NA
Asset divestment								
May-12	IRB Infra	MVR Infra	1,280	74.0	3,076	842	1,280	1.52
Apr-13	Tata Realty & Infra	IVRCL - 3 projects*	NA	74.0	22,055	5,876	NA	NA
Feb-13	SBI Macquarie	GMR - Jadcherla	2,060	74.0	5,155	1,620	2,784	1.72
Sep-13	IDFC PE	GMR - Ullundurpet	2,220	74.0	8,817	3,440	3,000	0.87
Nov-14	IDFC PE	HCC - Nirmal BOT	640	74.0	3,150	630	640	1.02
Dec-14	Tata Realty & Infra	Madhucon - Agra-Jaipur	2,500	74.0	3,680	994	2,500	2.52

Source: PhillipCapital India Research *(*Deal yet to be signed)*

Supply Side – plenty on the plate

1) The EPC players – stuck in the quagmire

The EPC players are stuck in a tricky situation with their BOT assets. These companies invested in these assets, as they were facing a paucity of orders from other segments (Buildings, Irrigation, Power) and most of the road projects were being awarded as BOT projects. They did not have competency to estimate and forecast traffic for long duration (20-30 years), nor did they intend to stay invested in projects for long.

However, economic downturn (leading to lower than expected traffic growth) and high interest rates (leading to higher interest expense) made most of their BOT projects financially unviable. Equity commitment for these projects, along with inflated WC cycle in their core EPC business, forced many of these companies into CDR, over the last few years.

Most of these companies now want to shift focus, back to their competency – EPC. Looking to deleverage their balance sheets, many have put up, most of their BOT assets on the block. We expect large no of deals to materialize in this space – where buyers will be able to acquire quality road assets at cheap valuations. The sellers will be able to get rid of their 'non-core' assets, and plough back the capital raised into their core business – EPC. A perfect win-win situation for the sector.

EPC players – sizeable BOT portfolios

Company	Projects #	Length km	Portfolio Size Rs mn	Debt Obligation Rs mn	Equity Size Rs mn
Supreme Infra	10	482	44,040	32,607	11,433
IVRCL Ltd	7	521	52,715	33,748	13,567
NCC Ltd	5	250	29,410	19,036	8,513
HCC Ltd	6	382	55,380	33,135	11,905
Era Infra	6	388	54,226	36,550	9,966
Madhucon	9	685	74,128	51,004	17,577
Gayatri Projects	8	620	77,310	51,845	12,564
Ramky Infra	7	642	77,977	58,935	14,988

Source: Company, PhillipCapital India Research

2) The BOT developers – bitten off more than they can chew

BOT developers have their own sorry story to narrate. Barring few focused BOT players (like IRB, Ashoka and Sadbhav), most developers invested indiscriminately into projects across sectors (Airport, Power, MRTS). However lower than expected cash flow generation from their operational projects (on the back of deteriorating macro-environment), has meant that most of them are struggling to fund the equity requirement for their under-construction projects.

We expect developers like GMR, GVK, Lanco, Gammon Infra and L&T IDPL to put-up large part of their BOT road assets on the block – to raise capital that they can plough back into new projects. The divestments might be in the form of strategic stake in the BOT arm (like the recent L&T IDPL deal) or outright sale of BOT assets (like GMR).

Asset owners – staring at significant equity requirement

Company	Portfolio size (TPC) (Rs mn)	Equity reqd (Rs mn)	Consol Debt (Rs mn)	Standalone Debt (Rs mn)	Consol Debt:Equity
GMR Infra	4,82,172	12,000	4,30,721	35,261	5.1
GVK Power	3,65,516	15,000	2,46,240	52,500	12.0
Gammon Infra	95,418	5,461	42,178	4,500	4.4
L&T IDPL	4,23,340	46,400	9,17,622	NA	2.3

Source: Company, PhillipCapital India Research

Demand side – Increasing levels of interest

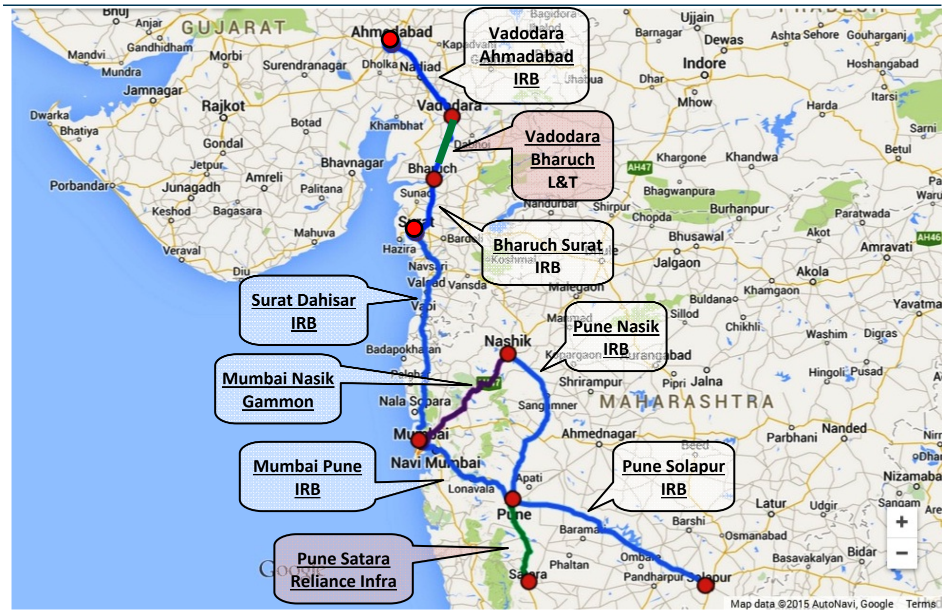
1) Strategic investments for the solvent developers

On the demand side, there are not many developers who have the balance sheet to acquire incrementally new projects. However, developers like IRB, Ashoka, L&T and Sadbhav remain open to acquiring projects which can provide them strategic advantage – missing links on a continuous stretch or parallel competing roads.

IRB, for example, might look to acquire Vadodara-Bharuch project from L&T, as it completes its continuous stretch of projects from Ahmadabad-Vadodara-Bharuch-Surat-Dahisar.

IRB has seven projects in Gujarat-Maharashtra, along the same stretch – NH-8. Projects like Vadodara-Bharuch (L&T) and Pune-Satara (reliance Infra) would be of high strategic importance to the company, to complete the contiguous stretch.

Multiple road projects in Maharashtra make strategic sense for IRB Infra



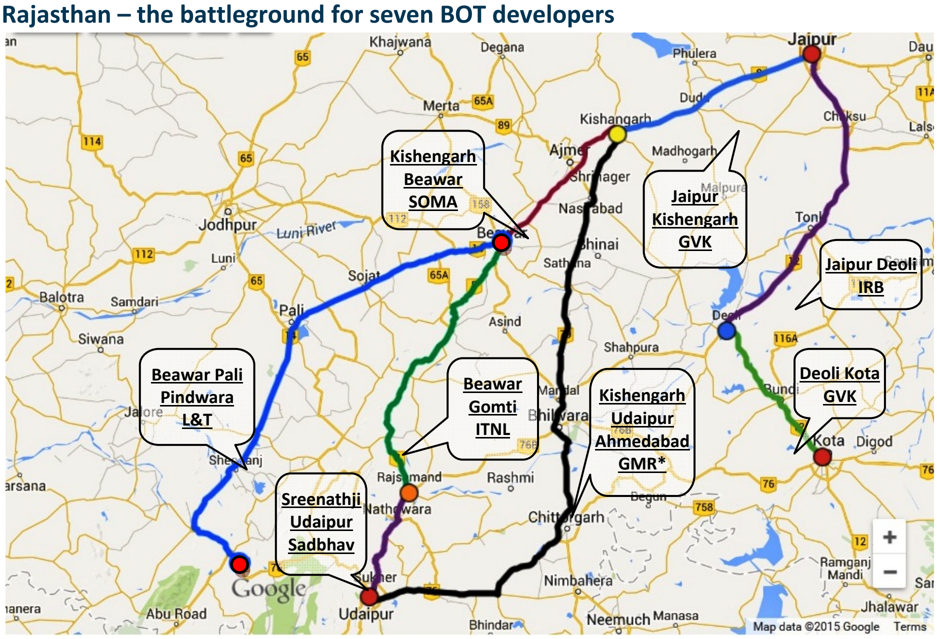
Source: Companies, Google maps, PhillipCapital India Research

The state of Rajasthan offers an interesting case in this regard. As many as seven companies own eight different projects in this state, and are fighting for higher share of the Delhi-Mumbai traffic on this route. We see high probability of inorganic activity in this state, with high level of commercial traffic.

As many as seven leading BOT developers are fighting for share of traffic in the state of Rajasthan. Most of this traffic will be related to the Delhi-Mumbai industrial belt.

We see high probability of inorganic activity in this stretch.

Rajasthan – the battleground for seven BOT developers



Source: Companies, Google maps, PhillipCapital India Research

2) The PE players – knights in shining armor

While the supply side of the inorganic activity looks attractive, it's the demand side which appears short. Not many developers have the might or balance sheet to absorb the kind of supply we expect in the BOT space. Most BOT companies (with the exception of IRB Infra, Ashoka Buildcon and Sabhav Engg) have to fund equity commitments for their own portfolio – so the chances of them acquiring large no of these assets remain weak.

However, Private Equity funds – foreign and domestic, appear to have to the rescue of the willing sellers. Many PE funds, like IDFC, SBI-Macquarie and Piramal Enterprises have been waiting at the sidelines for few years now – ready to deploy capital into infrastructure space, at the opportune time. They have been active on the M&A front in the BOT space – but the deals have been few, and far between.

PE Funds – waiting at sidelines

Company	Fund size	Existing investment in the road sector
IDFC Alternative Investment	$ 3bn	GMR Ullundurpet, HCC Nirmal
Piramal Enterprises	Rs 50bn	Navyuga Road Projects
SBI Macquarie	Rs 12bn	Ashoka Buildcon, GMR Jadcherla
Xander Group	$2 bn	HCC Concessionaries, Sadbhav Infra Projects
3i India Infra fund	£ 1.1bn	Supreme Infra
Tata Reality & Infrastructure	$ 1bn	Madhucon Agra Jaipur, IVRCL (3 projects)*

Source: PhillipCapital India Research *(*Deal yet to be closed)*

The current environment offers a perfect entry opportunity for these funds.

- Most of the BOT assets are available at cheap valuations (less than 0.7x P/BV) – on the back of low traffic growth, high interest rates and desperation of existing developers to exit.
- With the macro-environment looking up, we can expect healthy traffic growth over the next three years.
- The interest rates are also expected to come down over the next two years – the first rate cuts having been recently announced.

The sector might also witness demand from an unanticipated source – global pension and sovereign funds. These funds typically operate on dividend/cash-flow based models and invest in low-risk, high yield, long-term projects, that can provide stable cashflows for long durations. The BOT projects (operational) perfectly fit their investment criterion, especially with the macro-environment looking up. We have already seen 2 such investment in the last few months:

- Canada Pension funds invested Rs20bn in L&T IDPL
- Holland's APG has tied up with Piramal Enterprises to invest $1bn in infrastructure projects

Pension / Sovereign funds invested in India

Fund	Global fund size	Existing investments in India
Abu Dhabi Investment Authority	$ 773bn	L&T, IDFC, HDFC, Infosys, Sun Pharma
Canada Pension Fund	$ 238bn	Infosys, HDFC, ICICI, Tata Motors, Wipro
Norwegian Government Pension Fund*	$ 850bn	Coal India, GMR, GVK, Lanco, Reliance Power
Skandia Investments	NA	NTPC, PFC, Adani Ports, Reliance Power

Source: PhillipCapital India Research *(*Sold large part of its investments in India recently)*

BOT Portfolios – Rs 2 trillion investments at stake

In this report, we analyse the BOT road portfolio of 21 largest players in the industry. Our analysis spans across 201 road projects, spread over 20 states, covering 17,500km and entailing an investment of ~Rs 2trillion. In our analysis, we have focused on data that would help determine two most important things:

- Project specification – length, project cost, financial structure and tenure
- Current project situation – toll collection

While the first parameter is essential from project information perspective, the latter gives us the most important variable, to arrive at the project valuation.

We note that these 200 projects would serve as more-than sufficient sample space, for the entire BOT space. We have chosen 21 biggest players in this sector (listed and private), and most projects outside this space, would be the ones, owned by small local players.

BOT Portfolio – Rs 2 trillion of investment at stake

Company	Projects	Length	Project Cost	Debt	Equity	Toll collection
	#	kms	Rs mn	Rs mn	Rs mn	Rs mn/day
IRB Infra	21	2,104	2,63,402	1,71,925	70,255	55
ILFS Transport	26	2,831	3,29,859	2,39,933	59,316	42
Sadbhav Engg.	13	1,042	1,15,727	82,622	22,688	21
Ashoka Buildcon	9	804	95,890	70,658	21,502	17
L&T IDPL	14	1,440	1,54,533	1,19,743	32,540	39
Reliance Infra	11	967	1,14,200	74,000	32,200	26
Gammon Infra	9	524	73,872	56,057	12,722	12
GMR Infra	9	730	82,689	58,247	15,526	25
GVK Power	3	275	26,344	18,525	5,710	8
Lanco Infra	3	443	23,492	6,178	3,662	-
Supreme Infra	10	482	44,040	32,607	11,433	4
IVRCL Ltd	7	521	52,715	33,748	13,567	4
NCC Ltd	5	250	29,410	19,036	8,513	10
HCC Ltd	6	382	55,380	33,135	11,905	10
Era Infra	6	388	54,226	36,550	9,966	15
Madhucon	9	792	74,128	51,004	17,577	12
Gayatri Projects	8	620	77,310	51,845	12,564	11
Ramky Infra	7	642	77,977	58,935	14,988	13
Essel Infra	7	632	81,204	32,117	10,607	3
Transstroy	10	1,311	75,273	47,994	18,040	4
Soma Enterprises	8	733	1,26,154	98,720	28,815	7
Total	**201**	**17,913**	**20,27,824**	**13,93,578**	**4,34,096**	**335**

Source: Companies, PhillipCapital India Research

Premier players in the BOT segment

Asset owners with roads forming a small part of overall portfolio

Predominantly EPC players, having ventured into BOT segment

Private players

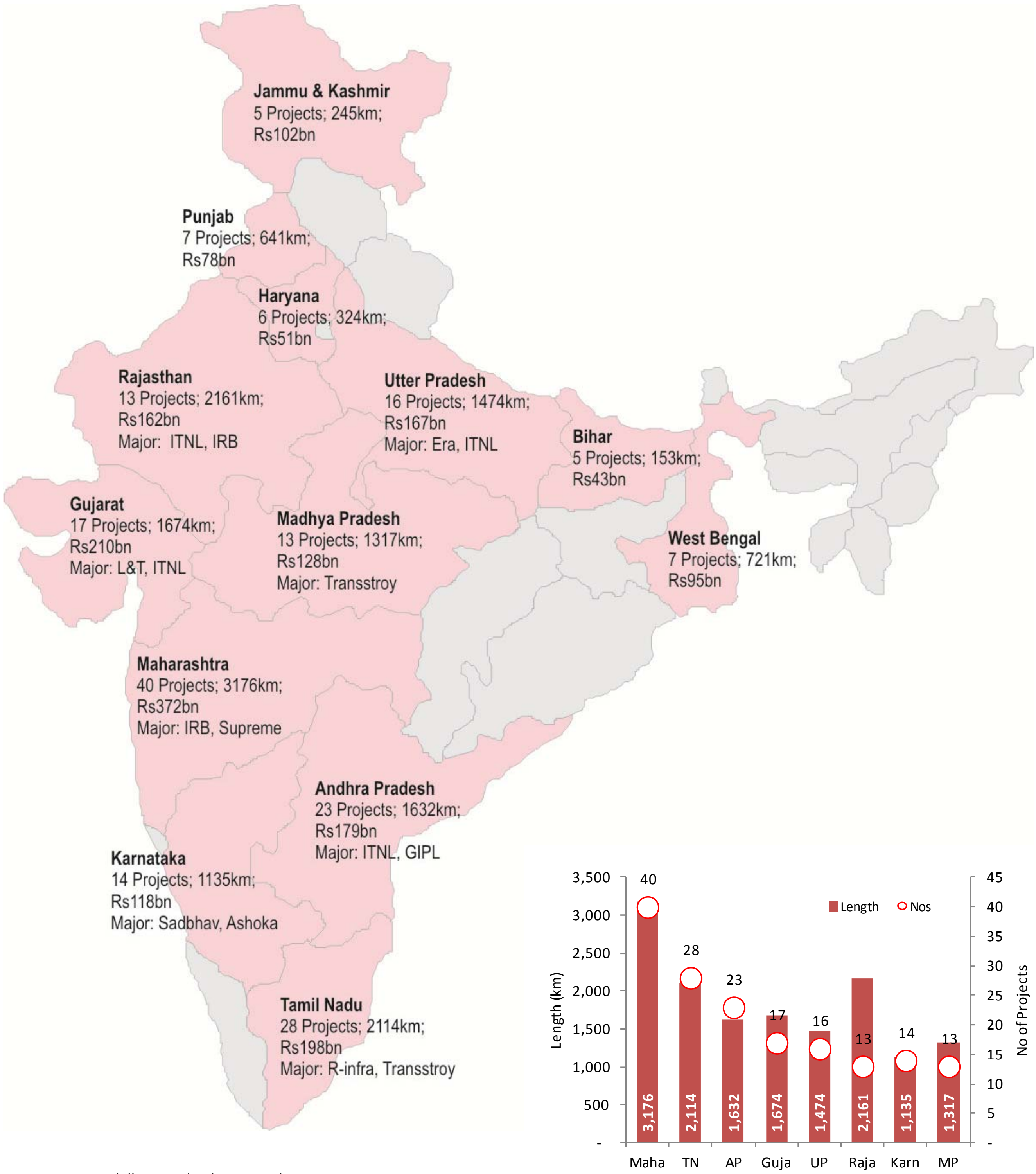
Over analysis reveals that while 70 of the 201 projects are owned by BOT players focused on road sector, 50 projects are owned by asset owners with presence in other sectors like airport, power etc and 60 by EPC players, who joined the BOT bandwagon because of lack of orders from other segments.

Also we find that the state of Maharashtra accounts for the maximum no of projects (40) – followed by Tamil Nadu (28), AP (23) and Gujarat (17). The capital investment for Maharashtra too stands way ahead of others at Rs 370bn, with Gujarat, TN and AP at Rs 210bn, Rs 198bn and Rs 180bn respectively.

Amongst these 201 projects, 142 projects, entailing an investment of Rs 1.2trillion are already operational – while 59 other, entailing investment of Rs806bn are under construction.

ITNL remains the biggest player in the BOT space, with 26 projects, followed by IRB Infra, L&T, Sadbhav Engineering and Reliance Infra.

Geographical distribution of the BOT projects



Source: Companies, PhillipCapital India Research

Projects on the block – Plentiful

Our analysis reveals that in over 100 of the above projects, spanning 8136km of length and investment of Rs 910bn, the current developer is looking for partial/complete exit. 65 of these projects are already operational – and hence, would evince interest from developers as well as investment funds.

As expected, most of these projects (53%) are currently owned by the EPC players, who won these projects during the FY10-14 period – which saw little activity in the other construction sectors (like Building, Irrigation and Power) and Road BOT was the only avenue left for them to grow their orderbooks.

We expect large number of these BOT projects, to change ownership, over the next three years. The majority of deals are expected to take place in operational projects – as they eliminate execution risk. On the back of this tendency, we also expect a pick-up in execution of some of the under-construction projects – the current developers would want to make those projects operational as soon as possible, so as to increase interest levels leading to their eventual exit.

Almost 50% of the BOT projects are on the block

Projects	No of projects	Length km	Investment Rs mn
Unlikely to be divested	58	5,903	7,07,461
With already an investor in the parent portfolio	39	3,453	3,77,191
Where majority stake has already been divested	4	221	20,802
Most likely to be divested	100	8,336	9,22,371
Total	201	17,913	20,27,824

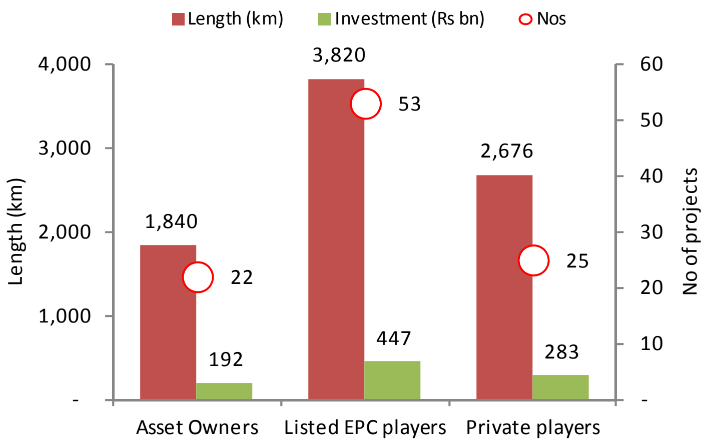
EPC players own more than 50% of the projects on sale

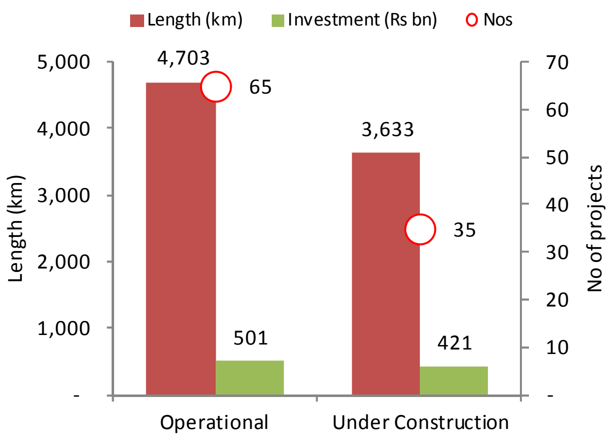
	Asset Owners	Listed EPC players	Private players	Total
Nos	22	53	25	**100**
Length (Km)	1,840	3,820	2,676	**8,336**
Investment (Rs mn)	1,92,425	4,47,315	2,82,631	**9,22,371**

Almost 2/3rd of the projects on the block, are operational

	Likely to be divested			Unlikely to be divested		
	Operational	Under Construction	Total	Operational	Under Construction	Total
Nos	65	35	**100**	44	14	**58**
Length (Km)	4,703	3,633	**8,336**	4,208	1,695	**5,903**
Investment (Rs mn)	5,01,437	4,20,934	**9,22,371**	4,18,660	2,88,801	**7,07,461**

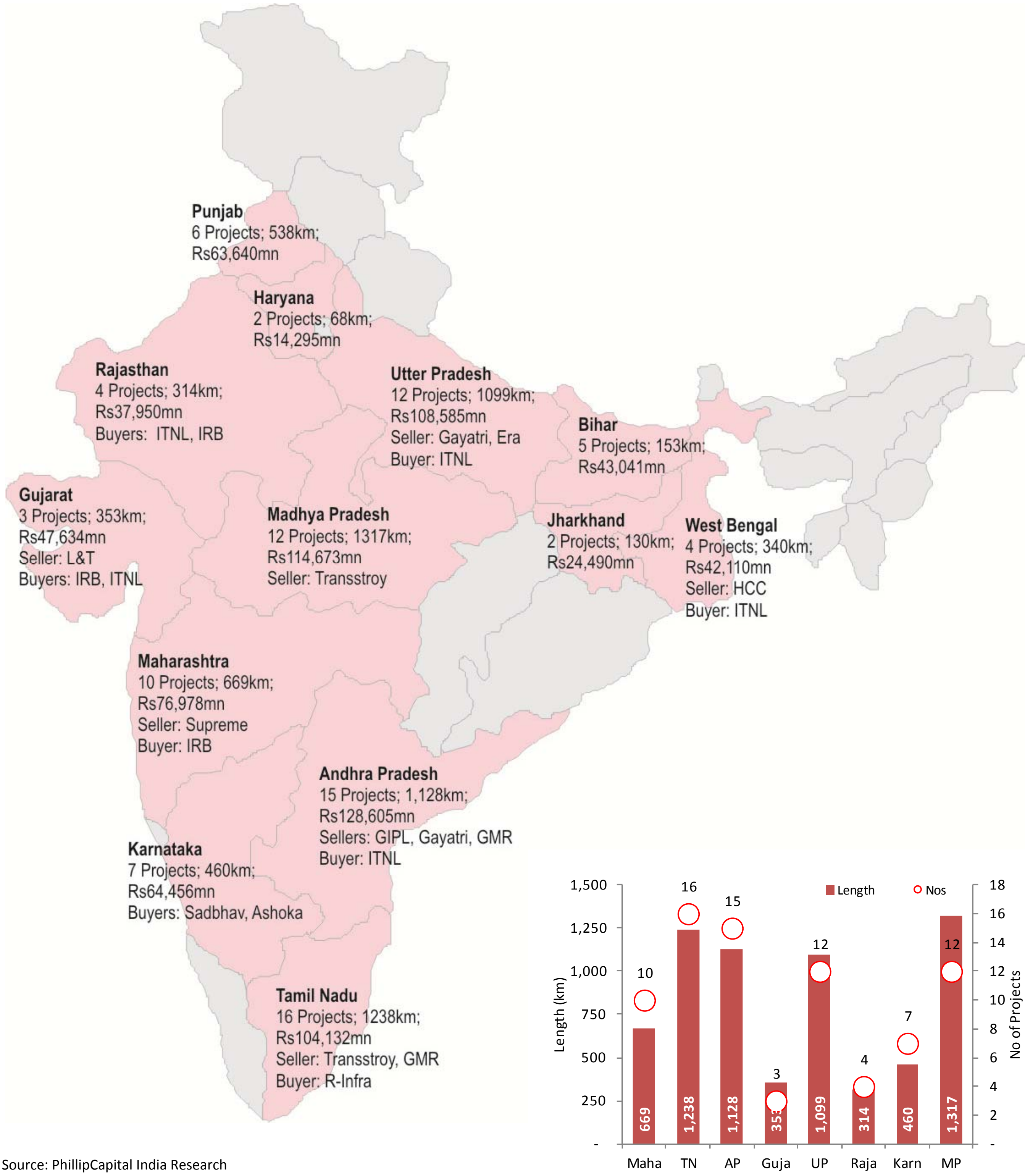
Assets on the block – majority are owned by EPC players, and are already operational





Source:PhillipCapital India Research

Geographical distribution of projects on the block



Source: PhillipCapital India Research

Regulatory barriers – significantly low, being lowered further

Roads sector is the most mature sector in the entire infrastructure space, with a tightly wound model concession agreement and independent regulatory body. We believe the low regulatory risk, along with the friendly exit policy, make this sector highly attractive from M&A perspective.

Exit Policy

While the earlier regulation called for a developer to hold minimum 26% stake in the projects for its entire life, the new regulations *(post implementation of B.K.Chaturvedi report)* allow for complete exit after two years of operations.

Exit policy for concessionaire

Old regulation	New regulation
Mandatory for the winning bidder/consortium to hold:	**Holding criterion modified to:**
51% stake during construction	51% stake during construction
33% for first three years of operations	26% for first two years of operations
26% thereafter, until the end	Complete exit allowed thereafter

Source: PhillipCapital India Research

NHAI now intends to make the exit policy even friendlier - by allowing complete exit, right after construction.

Ease of financing

The road ministry, along with the Reserve Bank of India (RBI) is trying to make financing of the BOT projects easier for the developer. Some of the steps already taken are:

1) Premium rescheduling: It allows the developers to reschedule their premium payments, as promised in their winning bid, according to the cashflows of the projects, keeping the NPV of the premium same as before.
2) 5:25 scheme: It allows for developers to refinance their project debt, after tenure of 5 years, for as long as 25 years – will help the developers align their debt repayment cycle with the cashflow cycle of the projects.
3) RBI allows annuities and toll collection rights to be treated as tangible securities by banks, subject to the condition that banks' right over them is legally enforceable and irrevocable – this helps bring down the borrowing cost, the debt being classified as 'secured lending'.

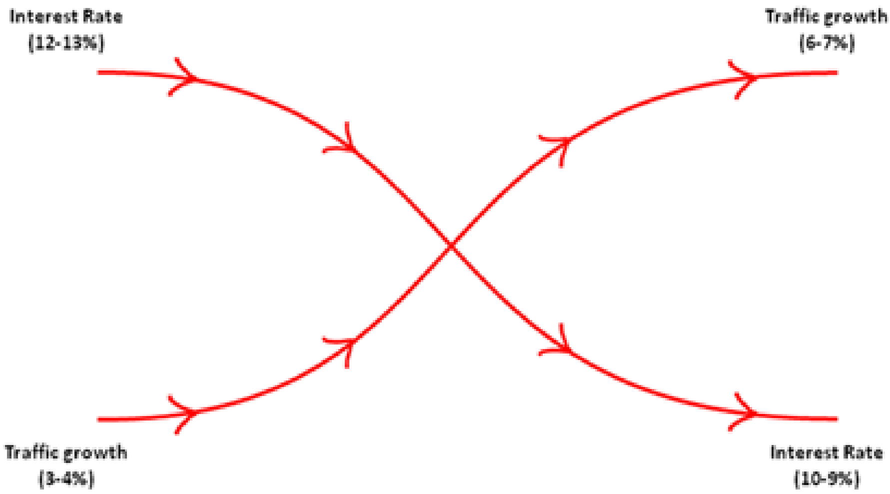
Land acquisition and environmental clearance issues

The road ministry, along with Ministry of Environment and Forests (MoEF) has tried to clear the logjam of road projects, stuck due to environmental clearance and land acquisitions: Some of the steps taken in that direction are:

1) Delinking of Environment and Forest clearance: Delinking of FC and EC has meant that the developer can start construction on the stretch of the road for which it does not require FC – while the process of obtaining the FC is being pursued.
2) Land acquisition: Provisions are being made to ensure that 100% land is acquired before a project is awarded. Currently 80% of land needs to be acquired for awarding a project – and it is generally the remaining 20%, which is difficult to acquire. The amendments to the land acquisition bill, currently being discussed in the parliament, will also help towards easing of land acquisition for road projects.

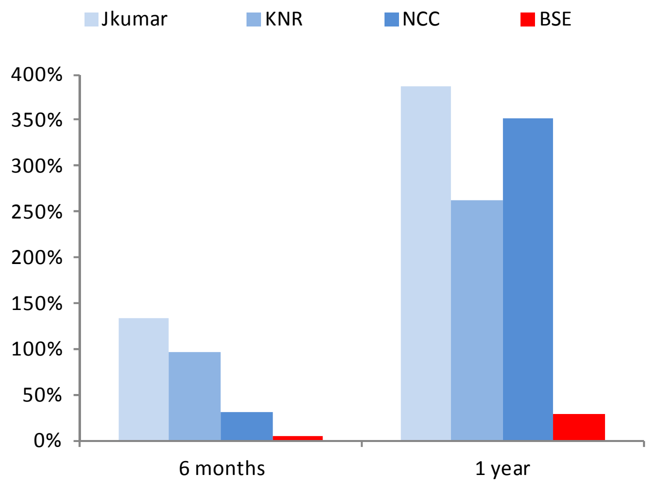
BOT Sector – Valuation triggers on the anvil

Our expectations of Interest rates and Traffic growth over next 2 years

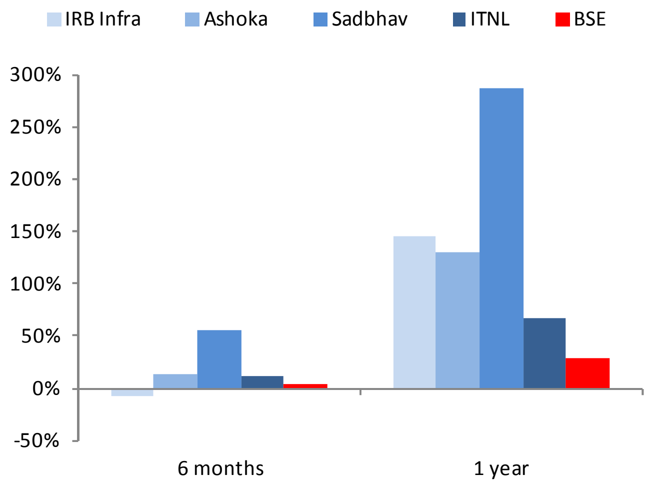


BOT companies (excl Sadbhav) have not yet seen the kind of surge in stock prices, as EPC companies

6 and 12 month returns



6 and 12 months returns



Infrastructure Sector – Valuation Table

Company	Mkt Cap	CMP	P/E		EV/EBITDA		ROE		D/E		P/BV	
	Rs bn	Rs	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Asset Owners												
GMR Infra	62.3	16	(4.0)	(42.0)	18.2	11.3	(23.4)	(2.3)	6.8	6.7	0.9	0.9
GVK Power	12.6	8	(1.6)	(3.4)	13.2	8.5	(55.7)	(27.6)	16.5	17.9	0.9	0.9
Adani Ports	650.0	314	23.2	19.0	18.3	14.9	20.1	20.0	0.6	0.5	4.7	3.8
BOT Road Players												
IRB Infra	250	15.8	12.2	7.6	7.3	10.4	11.2	2.7	2.5	1.7	1.4	250
Ashoka Buildcon	162	20.1	11.7	9.7	7.0	9.2	13.9	3.6	3.5	1.9	1.6	162
Sadbhav Engineering*	59.3	342	38.7	29.2	16.6	13.9	10.6	12.6	4.0	-	4.1	3.6
ILFS Transportation*	46.9	192	8.8	8.1	10.5	9.6	8.5	8.6	3.4	-	0.8	0.7
EPC Companies												
NCC	53.9	97	18.3	12.5	9.8	7.9	8.4	11.0	0.6	0.5	1.5	1.4
J Kumar	20.3	630	13.6	10.0	7.1	5.7	15.9	18.2	0.6	0.5	2.2	1.8
KNR	11.3	402	13.7	10.7	7.1	5.7	12.6	14.0	0.1	0.0	1.7	1.5
HCC	19.4	30	(36.8)	-	11.8	-	(4.1)	-	3.9	-	1.5	-
IVRCL	4.6	15	(1.2)	-	24.4	-	(55.5)	-	6.1	-	0.6	-
Gammon India	2.3	17	(1.0)	-	40.5	-	(21.9)	-	4.7	-	0.2	-

Source: Bloomberg, PhillipCapital India Research *(*Bloomberg estimates)*

Appendix

The appendix section of this report contains the project details of the 201 BOT road projects in India – spread over 17,500km and entailing investment of Rs 2trillion. These 201 projects are owned by 21 developers, which include diversified asset owner, BOT road players, EPC companies and private road developers.

Project details for each of the projects include:

- **Project specification:**
  - *Length* *(km)*
  - *Type* *(Toll/Annuity)*
  - *Lanes* *(4/6/8)*
  - *Stake* *(%)*
  - *Commissioning date* *(date)*
  - *Concession Period* *(yrs)*
- **Financial structure:**
  - *Project Cost* *(Rs mn)*
  - *Debt* *(Rs mn)*
  - *Equity* *(Rs mn)*
  - *Grant/Premium* *(Rs mn)*
- **Status update:**
  - *Latest Toll Collection* *(Rs mn/day)*

We believe this section will be extremely helpful in analysing the financial viability, valuation and status of the BOT projects and would serve as a useful compendium for the sector.

Available on request, in hard copy format

Companies Section

PhillipCapital

IRB Infrastructure (IRB IN)

Well placed to pluck the low hanging fruit

INDIA | INFRASTRUCTURE | Company Update

26 March 2015

Biggest beneficiary of opening up of road awards: With its superior domain expertise and strong balance sheet, IRB looks well set to exploit an uptick in the highly lucrative roads sector, which is the first sector that the new government is likely to push in its drive to get infrastructure development back on track.

IRB should be one of the largest beneficiaries of this pipeline. It is one of the few BOT developers with a relatively strong balance sheet and appetite for grabbing more projects. Large numbers of road developers are currently under CDR (Isolux-Soma, Gammon, IVRCL, HCC) or are divesting assets to deleverage their balance sheet (GMR, GVK, L&T IDPL). That reduces competition for IRB significantly.

Strong pick-up in traffic growth across the portfolio: Over the last three quarters, IRB has reported robust growth in most of its major projects. Toll collections have reported growth of 22%, 25% and 25% in the first three quarters respectively. Adjusting for new projects and Mumbai-Pune (18% tariff hike in April-14), the "Like-for-like-excl-MPEW" toll collections have also reported strong growth of 19%, 25% and 19% over the last three quarters – implying a robust double-digit growth in traffic.

We see the robust traffic growth in IRB's portfolio as a testimony of the 'high-beta' nature of the road projects in its portfolio. During the economic downturn of FY11-14, IRB's projects – which lie primarily in the industrial regions of Rajasthan, Gujarat and Maharashtra – reported lower growth than peers (like Ashoka). Now, with the economic cycle reviving, we expect its projects to benefit more than peers, and report higher traffic growth.

Shored up EPC orderbook means stability: IRB's current orderbook stands at Rs110bn *(Rs88bn adjusting for the O&M contracts and airport)* – a robust 4.0x book-to-sales. This imparts high revenue visibility for the EPC division. It also means that while the company might report a decline in EPC revenues in FY15, its FY16 EPC revenues should jump by over 20% YoY.

The funding for the current portfolio is also not a concern for the company, as it can meet equity needs of all the new projects through internal accruals. Implementation of premium rescheduling for Vadodara-Ahmedabad and Tumkur-Chitradurga projects (already approved by NHAI) should also ease the financial burden on its cash reserves.

Outlook and Valuation: IRB's stock has significantly underperformed the infrastructure sector (esp EPC players) over the last six months. It is currently trading at 12x FY17 P/E and we see significant upside in the stock, on the back of the quality of its BOT portfolio, strong EPC revenue visibility, and potential to win future projects from NHAI's order pipeline. While the outcome of the RTI activist murder investigation remains a key risk, we believe that a large part of the potential negative impact has already been priced in.

We also note that IRB's valuation is highly sensitive to interest rate and traffic growth. A 1% increase in traffic growth along with 1% decrease in interest rate, leads to 20% increase in our SoTP valuation. We believe that we are currently at the peak of interest rate cycle, and at bottom of traffic growth cycle. As economic activity picks up, we expect both of the above to reverse, simultaneously, over the next few quarters – significantly benefitting companies like IRB.

At current levels, we see the risk-reward profile as highly favorable. We maintain BUY, with a price target of Rs 336 (BOT Rs 235 + EPC Rs 101), representing 34% upside from current levels.

BUY (Maintain)

CMP RS 250

TARGET RS 336 (+34%)

COMPANY DATA

O/S SHARES (MN) :	332
MARKET CAP (RSBN) :	82
MARKET CAP (USDBN) :	1.3
52 - WK HI/LO (RS) :	289 / 95
LIQUIDITY 3M (USDMN) :	11.8
PAR VALUE (RS) :	10

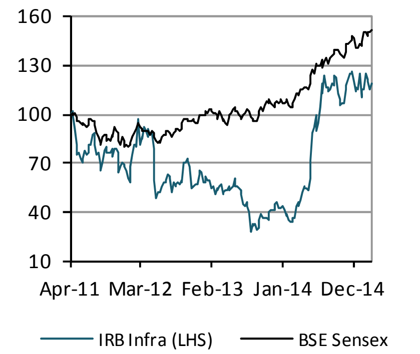
SHARE HOLDING PATTERN, %

PROMOTERS :	61.1
FII / NRI :	24.9
FI / MF :	6.5
NON PROMOTER CORP. HOLDINGS :	2.7
PUBLIC & OTHERS :	4.8

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	-1.8	-1.0	154.9
REL TO BSE	0.9	-4.8	126.9

PRICE VS. SENSEX



Source: Phillip Capital India Research

KEY FINANCIALS

Rs mn	FY14	FY15E	FY16E	FY17E
Net Sales	37,319	39,106	52,441	56,728
EBIDTA	17,537	22,520	28,803	31,954
Net Profit	4,591	5,768	5,237	6,788
EPS, Rs	13.8	17.4	15.8	20.4
PER, x	17.7	14.1	15.5	12.0
EV/EBIDTA, x	10.1	8.8	7.5	7.2
P/BV, x	2.3	2.0	1.6	1.3
ROE, %	12.9	13.8	10.4	11.2
Debt/Equity (x)	3.1	3.0	2.7	2.5

Source: PhillipCapital India Research Est.

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Robust toll collection growth over last three quarters

Gross Toll Revenue	1QFY15	2QFY15	3QFY15	YoY	QoQ
Surat - Dahisar	1,316	1,314	1,453	14%	11%
Mumbai - Pune	1,352	1,361	1,474	34%	8%
Tumkur - Chitradurga	447	450	467	10%	4%
Bharuch - Surat	438	449	487	14%	8%
Vadodara Ahmedabad	360	350	423	30%	21%
Talegaon-Amravati	129	105	110	53%	5%
Others	832	889	1,057	39%	19%
Total toll collection	**4,874**	**4,918**	**5,471**	**25%**	**11%**
Like for like toll collection	**4,872**	**4,906**	**5,379**	**23%**	**10%**
Like for like excl Mumbai-Pune	**3,520**	**3,545**	**3,905**	**20%**	**10%**
Total toll collection growth	22%	25%	25%		
Like for like toll collection growth	22%	25%	23%		
Like for like growth excl Mumbai-Pune	21%	25%	20%		

Source: PhillipCapital India Research

Valuation sensitivity to Interest rate and Traffic growth rate

Price Target		Change in Traffic Growth Rate				
	336	**-2.0%**	**-1.0%**	**0.0%**	**1.0%**	**2.0%**
Change in Interest Rate	**2.0%**	213	253	298	343	387
	1.0%	232	273	317	363	407
	0.0%	252	293	**336**	382	426
	-1.0%	273	313	357	402	446
	-2.0%	293	333	377	422	466

Source: PhillipCapital India Research

IRB's stock remains highly sensitive to Interest rate and Traffic growth rate – 1% change in both leads to 20% increase in valuation

SOTP Valuation

DCF Valuation	Project Cost (Rs mn)	Length (kms)	Equity Value (Rs mn)	Per share (Rs)
Operational BOT Projects				***NPV @ 13% CoE***
Smaller Operational Projects	3,275	187	3,445	10.0
Thane-GHB	2,469	15	1,717	5.2
Mumbai-Pune	13,017	95	11,148	33.5
Bharuch-Surat	14,700	65	6,044	18.2
Surat-Dahisar*	25,372	239	3,161	9.5
MVR	3,076	68	3,086	9.3
Total Value	**61,909**	**601**	**28,601**	**86.1**
Recently commissioned projects				***NPV @ 13% CoE***
Kolhapur	4,300	50	3,594	10.8
Talegaon -Amravati	8,880	67	3,524	10.6
Jaipur - Deoli	17,330	149	8,063	24.3
Amritsar - Pathankot	14,453	102	8,582	25.8
Tumkur - Chitradurga	11,420	114	6,665	20.1
Vadodara - Ahmedabad	48,800	196	6,589	19.8
Total Value	**1,05,183**	**678**	**37,017**	**111.4**
New projects				***NPV @ 15% CoE***
Goa - Kundapur	21,030	192	5,711	17.2
Solapur Yedeshi	13,030	99	2,731	8.2
Yedeshi Aurangabad	26,420	190	2,348	7.1
Kaithal - Rajasthan	20,660	166	1,770	5.3
Total Value	**81,140**	**647**	**12,560**	**37.8**
E&C Business				***6x FY16E EV/EBITDA***
FY16E EBITDA			9,234	
Assumed EV/EBITDA			6.0	
Value to IRB			**55,404**	**166.7**
Others (Net Cash)			**(21,610)**	**(65.0)**
Price Target			**1,11,787**	**336.0**

Source: PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY14	FY15e	FY16e	FY17e
Net sales	**37,319**	**39,106**	**52,441**	**56,728**
Growth, %	1	5	34	8
Total income	37,319	39,106	52,441	56,728
Raw material expenses	-16,501	-13,656	-19,709	-20,524
Employee expenses	-1,799	-1,719	-2,305	-2,493
Other Operating expenses	-1,482	-1,211	-1,625	-1,757
EBITDA (Core)	**17,537**	**22,520**	**28,803**	**31,954**
Growth, %	7.4	28.4	27.9	10.9
Margin, %	47.0	57.6	54.9	56.3
Depreciation	-4,771	-7,167	-9,138	-10,501
EBIT	**12,766**	**15,353**	**19,665**	**21,453**
Growth, %	7.1	20.3	28.1	9.1
Margin, %	34.2	39.3	37.5	37.8
Interest paid	-7,562	-9,127	-12,435	-12,385
Pre-tax profit	**6,419**	**7,349**	**8,206**	**10,117**
Tax provided	-1,823	-1,577	-2,964	-3,324
Profit after tax	**4,596**	**5,773**	**5,242**	**6,793**
Others (Minorities, Associates)	-5	-5	-5	-5
Net Profit	**4,591**	**5,768**	**5,237**	**6,788**
Growth, %	(17.5)	25.6	(9.2)	29.6
Unadj. shares (m)	332	332	332	332
Wtd avg shares (m)	332	332	332	332

Balance Sheet

Y/E Mar, Rs mn	FY14	FY15e	FY16e	FY17e
Cash & bank	15,012	6,150	3,186	1,115
Debtors	55	59	79	85
Inventory	2,683	2,571	3,161	3,419
Loans & advances	8,519	9,643	12,931	13,211
Other current assets	212	212	212	212
Total current assets	26,481	18,634	19,569	18,042
Investments	145	145	145	145
Gross fixed assets	1,05,855	3,12,708	3,13,008	3,13,308
Less: Depreciation	-20,311	-27,478	-36,616	-47,117
Add: Capital WIP	44,867	75,518	1,08,720	1,42,712
Net fixed assets	1,30,411	3,60,748	3,85,112	4,08,903
Total assets	**1,57,119**	**3,79,608**	**4,04,907**	**4,27,172**
Current liabilities	10,090	9,622	13,147	14,134
Total current liabilities	10,090	9,622	13,147	14,134
Non-current liabilities	1,11,065	3,27,915	3,41,122	3,52,071
Total liabilities	1,21,156	3,37,537	3,54,269	3,66,205
Paid-up capital	3,324	3,324	3,324	3,324
Reserves & surplus	32,283	38,387	46,949	57,272
Shareholders' equity	35,963	42,072	50,638	60,967
Total equity & liabilities	**1,57,119**	**3,79,608**	**4,04,907**	**4,27,172**

Source: Company, PhillipCapital India Research Estimates

Cash Flow

	FY14	FY15e	FY16e	FY17e
Pre-tax profit	6,419	7,349	8,206	10,117
Depreciation	4,771	7,167	9,138	10,501
Chg in working capital	710	2,02,926	-1,624	-1,880
Total tax paid	-1,938	-1,577	-2,964	-3,324
Cash flow from operating activities	**9,962**	**2,15,866**	**12,756**	**15,415**
Capital expenditure	-30,934	-2,37,504	-33,502	-34,292
Chg in investments	475	0	0	0
Cash flow from investing activities	**-30,459**	**-2,37,504**	**-33,502**	**-34,292**
Free cash flow	-20,497	-21,638	-20,746	-18,877
Equity raised/(repaid)	391	1,892	4,880	5,091
Debt raised/(repaid)	23,080	12,440	14,459	13,271
Dividend (incl. tax)	-1,555	-1,555	-1,555	-1,555
Other financing activities	-376	0	0	0
Cash flow from financing activities	**20,799**	**12,776**	**17,783**	**16,806**
Net chg in cash	302	-8,862	-2,963	-2,071

Valuation Ratios

	FY14	FY15e	FY16e	FY17e
Per Share data				
EPS (INR)	13.8	17.4	15.8	20.4
Growth, %	(17.5)	25.6	(9.2)	29.6
Book NAV/share (INR)	107.1	125.5	151.3	182.3
FDEPS (INR)	13.8	17.4	15.8	20.4
CEPS (INR)	28.2	38.9	43.3	52.0
CFPS (INR)	26.3	646.1	35.4	43.2
DPS (INR)	4.0	4.0	4.0	4.0
Return ratios				
Return on assets (%)	6.5	4.3	3.4	3.5
Return on equity (%)	12.9	13.8	10.4	11.2
Return on capital employed (%)	7.0	4.5	3.5	3.6
Turnover ratios				
Asset turnover (x)	0.3	0.3	0.3	0.3
Sales/Total assets (x)	0.3	0.1	0.1	0.1
Sales/Net FA (x)	0.3	0.2	0.1	0.1
Working capital/Sales (x)	0.0	0.1	0.1	0.0
Receivable days	0.5	0.6	0.6	0.6
Inventory days	26.2	24.0	22.0	22.0
Payable days	132.9	148.2	158.4	165.7
Working capital days	13.5	26.7	22.5	18.0
Liquidity ratios				
Current ratio (x)	2.6	1.9	1.5	1.3
Quick ratio (x)	2.4	1.7	1.2	1.0
Interest cover (x)	1.7	1.7	1.6	1.7
Dividend cover (x)	3.5	4.3	3.9	5.1
Total debt/Equity (x)	3.1	3.0	2.7	2.5
Net debt/Equity (x)	2.7	2.8	2.7	2.5
Valuation				
PER (x)	17.7	14.1	15.5	12.0
Price/Book (x)	2.3	2.0	1.6	1.3
EV/Net sales (x)	4.7	5.1	4.1	4.1
EV/EBITDA (x)	10.1	8.8	7.5	7.2
EV/EBIT (x)	13.9	12.9	11.0	10.8

INSTITUTIONAL EQUITY RESEARCH

Ashoka Buildcon (ASBL IN)

Set to ride the NHAI wave

INDIA | INFRASTRUCTURE | Company Update

Coveted BOT portolfio: Ashoka Builcon is one of the few companies that has not seen significant traffic decline in most of its BOT projects. It has 9 projects on the NH-6 (Surat-Kolkata highway) where the traffic decline has been much lower than other prominent highways like NH-8 (Mumbai-Delhi) and NH-4 (Mumbai-Bengaluru). We view that a testimony to the quality of its BOT portfolio, which should ensure healthy returns over the life of its projects.

Funding no longer a concern: Ashoka Buildcon has got itself into a unique position, where it should be comfortably able to manage the equity requirement for its current and future project wins, over the next three years. Its divestment of 34% stake in ACL to SBI-Macquarie has taken care of the equity requirements of its current portfolio. It also means that SBI-Macquarie will finance 34% of the equity needs of its future projects. Its ABL BOT portfolio generates Rs 1.3bn of free cash flow every year. That coupled with Rs 2.3bn of EBITDA from the EPC division means the company can comfortably finance projects up to Rs 30bn (~300km) without needing any external funding. This places it in a significantly superior position to exploit the huge opportunity in the roads segment.

Well set to bite big into the low hanging fruit: Ashoka is one of the few BOT developers with a relatively strong balance sheet and appetite for grabbing more projects. Large numbers of road developers are currently under CDR (Isolux-Soma, Gammon, IVRCL, HCC) or are divesting assets to deleverage their balance sheet (GMR, GVK, L&T IDPL). That reduces competition for Ashoka Buildcon significantly.

NHAI is expected to award 20,000km of road projects over the next two years – 70% as EPC contracts. That would translate into a huge opportunity for the entire EPC sector (companies like L&T, NCC, KNR, HCC) and BOT companies (like IRB, Ashoka, Sadbhav). Companies, like Ashoka and Sadbhav, will be the biggest beneficiaries in our opinion, as they will be able to bid for and benefit from both the segments – EPC as well as BOT.

EPC orderbook – minor concern: The EPC orderbook for the company currently stands at Rs33.8bn – 1.9x book-to-sales – relatively lower than its peers. If the company does not win a decent sized project in the next few months, its EPC revenue growth for FY16 could come under pressure. However, with the strong pipeline of EPC awards expected from NHAI over the next two years, we believe the company will be able to grab significant projects to pacify these concerns.

Outlook and Valuation: We view the company as having a fundamentally superior profile and strong execution track record in the roads segment. While its EPC orderbook at 1.9x book-to-sales provides low revenue visibility for the division – we expect the same to be cleared over the next few months, with the robust order award pipeline from NHAI on the anvil. Ashoka, like Sadbhav, will be one of the few companies to benefit from order awards from both the EPC and BOT segments.

At current levels the stock appears fairly inexpensive, currently trading at 11.5x FY17 P/E, inline with IRB Infra. We upgrade our target multiple for the EPC division to 6x FY17E EV/EBITDA (earlier 5x) – on the back of the robust order ward pipeline form NHAI and the higher allocation for roads in the FY16 Union Budget. Our revised price target of Rs191 *(earlier Rs162)* offers 18% upside from current levels. We upgrade to BUY.

26 March 2015

Upgrade to BUY

CMP RS 162

TARGET RS 191 (+18%)

COMPANY DATA

O/S SHARES (MN) :	247
MARKET CAP (RSBN) :	40
MARKET CAP (USDBN) :	0.6
52 - WK HI/LO (RS) :	257 / 113
LIQUIDITY 3M (USDMN) :	1.0
PAR VALUE (RS) :	10

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FI / MF :	12.4
NON PROMOTER CORP. HOLDINGS :	8.0
PUBLIC & OTHERS :	8.2

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
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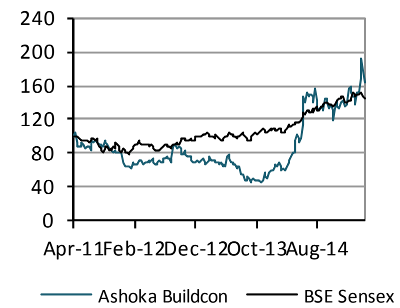
REL TO BSE	-6.0	7.6	39.6

PRICE VS. SENSEX



Source: Phillip Capital India Research

KEY FINANCIALS

Rs mn	FY14	FY15E	FY16E	FY17E
Net Sales	17,949	20,526	29,228	38,163
EBIDTA	3,945	4,766	7,730	11,284
Net Profit	1,084	541	1,272	2,195
EPS, Rs	6.9	3.4	8.1	13.9
PER, x	23.3	46.7	19.9	11.5
EV/EBIDTA, x	14.5	14.6	9.7	7.0
P/BV, x	2.0	2.0	1.8	1.6
ROE, %	8.7	4.2	9.2	13.9
Debt/Equity (x)	2.6	3.5	3.6	3.5

Source: PhillipCapital India Research Est.

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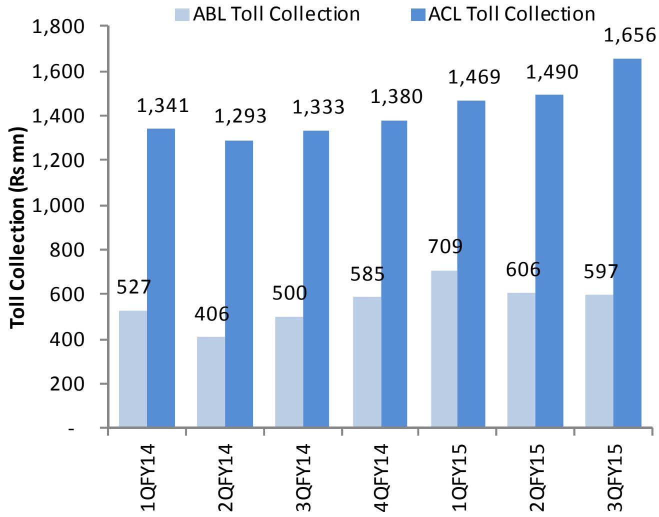
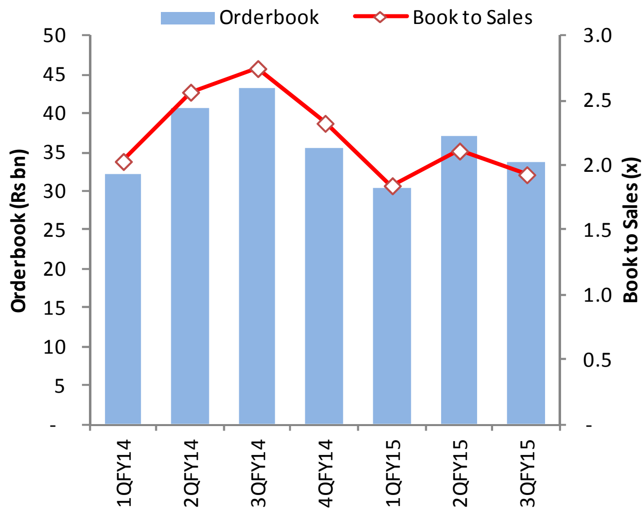
Toll collections have been steady



Orderbook visibility has declined over last three quarters



Project funding – not a significant constraint

Particulars	Rs mn	Assumption
Project length (km)	300	
Project cost	30,000	Rs 100mn per km
Debt	21,000	70:30 Debt:Equity
Equity required	9,000	
SBI McQuarie contribution	3,060	SBI-McQ stake of 34%
Ashoka Total Contribution	5,940	
Ashoka Annual Contribution	2,376	2.5 years of construction period
ABL Annual EBITDA	1,268	75% EBITDA Margins
EPC EBITDA	2,274	FY14 number
Surplus	**1,166**	

SoTP Valuation

	Project Equity Value (Rs mn)	Stake (%)	Ashoka Equity Value (Rs mn)	Per Share (Rs)
ABL BOT Projects			*3x FCFE of 18 BOT Projects*	
Cumulative OCF for 3 years	4,844		4,844	30.7
Gross debt	(1,133)		(1,133)	(7.2)
Value to Ashoka Buildcon	**3,711**		**3,711**	**23.5**
EPC Division			*6x FY17 EV/EBITDA*	
EPC division	3,852	6.0	23,110	146.3
Net cash at parent level	(4,193)		(4,193)	(26.5)
Value to Ashoka Buildcon	**18,917**		**18,917**	**119.8**
ACL BOT Projects			*NPV @ 13% CoE*	
Bhandara	1,498	51	764	4.8
Jarora Nayagaon	5,760	38	2,172	13.7
Belgaum Dharwad	2,281	100	2,281	14.4
Pimpalgaon Nasik Gonde	(3,660)	26	(952)	(6.0)
Durg bypass	2,297	51	1,171	7.4
Sambalpur baragarh	3,624	100	3,624	22.9
Dhankuni Kharagpur	4,145	100	4,145	26.2
Chennai ORR	1,892	50	946	6.0
Total	**17,836**		**14,151**	**89.6**
Holding company discount		**20%**	**11,321**	**71.7**
Value to Ashoka Buildcon		**66.0%**	**7,472**	**47.3**
Total value of Ashoka Buildcon			**30,099**	**191.0**

Source: Company, PhillipCapital India Research

We value ABL's BOT portfolio at 3x FY15 FCFE, with only 3 years of average useful life remaining for the projects, and expected increase in FCFE assumed to be equivalent to the discount rate

We value the EPC division at 6x FY16E EV/EBITDA, inline with IRB Infra

We provide a 20% holding company discount to the valuation of ACL

Financials

Income Statement

Y/E Mar, Rs mn	FY14	FY15e	FY16e	FY17e
Net sales	**17,949**	**20,526**	**29,228**	**38,163**
Growth, %	-3	14	42	31
Total income	17,949	20,526	29,228	38,163
Raw material expenses	0	0	0	0
Employee expenses	-583	-665	-947	-1,237
Other Operating expenses	-13,421	-15,096	-20,550	-25,641
EBITDA (Core)	**3,945**	**4,766**	**7,730**	**11,284**
Growth, %	6.1	20.8	62.2	46.0
Margin, %	22.0	23.2	26.4	29.6
Depreciation	-1,389	-1,577	-2,118	-3,019
EBIT	**2,556**	**3,188**	**5,612**	**8,266**
Growth, %	6.7	24.7	76.0	47.3
Margin, %	14.2	15.5	19.2	21.7
Interest paid	-1,335	-2,551	-4,429	-5,443
Pre-tax profit	**1,237**	**503**	**1,161**	**2,852**
Tax provided	-688	-688	-885	-1,286
Profit after tax	**549**	**-185**	**276**	**1,566**
Others (Minorities, Associates)	425	726	996	629
Net Profit	**975**	**541**	**1,272**	**2,195**
Growth, %	13.9	(50.1)	135.1	72.6
Unadj. shares (m)	158	158	158	158
Wtd avg shares (m)	158	158	158	158

Balance Sheet

Y/E Mar, Rs mn	FY14	FY15e	FY16e	FY17e
Cash & bank	945	1,029	877	1,165
Debtors	1,305	1,406	2,002	2,614
Inventory	6,272	7,029	9,609	12,547
Loans & advances	3,087	3,374	4,805	6,273
Other current assets	835	835	835	835
Total current assets	12,444	13,674	18,127	23,435
Investments	2,847	2,847	2,847	2,847
Gross fixed assets	20,275	53,795	53,845	53,895
Less: Depreciation	-6,664	-8,241	-10,359	-13,377
Add: Capital WIP	1,06,260	85,871	92,063	97,863
Net fixed assets	1,19,871	1,31,425	1,35,549	1,38,380
Total assets	**1,35,183**	**1,47,966**	**1,56,543**	**1,64,682**
Current liabilities	85,077	84,319	86,417	88,574
Total current liabilities	85,077	84,319	86,417	88,574
Non-current liabilities	32,981	45,218	50,432	54,455
Total liabilities	1,18,058	1,29,537	1,36,849	1,43,030
Paid-up capital	790	790	790	790
Reserves & surplus	11,690	11,994	13,029	14,987
Shareholders' equity	17,125	18,429	19,694	21,653
Total equity & liabilities	**1,35,183**	**1,47,966**	**1,56,543**	**1,64,682**

Cash Flow

	FY14	FY15e	FY16e	FY17e
Pre-tax profit	1,237	503	1,161	2,852
Depreciation	1,389	1,577	2,118	3,019
Chg in working capital	-3,041	-1,904	-2,508	-2,861
Total tax paid	-702	-688	-885	-1,286
Cash flow from operating activities	**-1,116**	**-511**	**-114**	**1,724**
Capital expenditure	-10,161	-13,131	-6,242	-5,850
Chg in investments	-23	0	0	0
Cash flow from investing activities	**-10,184**	**-13,131**	**-6,242**	**-5,850**
Free cash flow	-11,299	-13,642	-6,356	-4,126
Equity raised/(repaid)	1,384	0	0	0
Debt raised/(repaid)	8,297	12,237	5,214	4,023
Other financing activities	0	0	0	0
Cash flow from financing activities	**11,727**	**13,726**	**6,203**	**4,415**
Net chg in cash	428	84	-153	289

Valuation Ratios

	FY14	FY15e	FY16e	FY17e
Per Share data				
EPS (INR)	6.9	3.4	8.1	13.9
Growth, %	(62.0)	(50.1)	135.1	72.6
Book NAV/share (INR)	79.0	80.9	87.5	99.9
FDEPS (INR)	6.8	3.4	8.1	13.9
CEPS (INR)	16.7	13.4	21.5	33.0
CFPS (INR)	(8.2)	(2.4)	(0.6)	10.7
Return ratios				
Return on assets (%)	1.1	1.0	2.0	3.1
Return on equity (%)	8.7	4.2	9.2	13.9
Return on capital employed (%)	3.2	2.5	4.6	6.8
Turnover ratios				
Asset turnover (x)	0.4	0.4	0.5	0.6
Sales/Total assets (x)	0.1	0.1	0.2	0.2
Sales/Net FA (x)	0.2	0.2	0.2	0.3
Working capital days	-	-	-	-
Liquidity ratios				
Current ratio (x)	0.1	0.2	0.2	0.3
Quick ratio (x)	0.1	0.1	0.1	0.1
Interest cover (x)	1.9	1.2	1.3	1.5
Total debt/Equity (x)	2.6	3.5	3.6	3.5
Net debt/Equity (x)	2.6	3.5	3.6	3.4
Valuation				
PER (x)	23.3	46.7	19.9	11.5
Price/Book (x)	2.0	2.0	1.8	1.6
EV/Net sales (x)	3.2	3.4	2.6	2.1
EV/EBITDA (x)	14.5	14.6	9.7	7.0
EV/EBIT (x)	22.4	21.8	13.3	9.5

Source: Company, PhillipCapital India Research Estimates

INSTITUTIONAL EQUITY RESEARCH

PhillipCapital

Sadbhav Engineering (SADE IN)

Valuations ahead of fundamentals

INDIA | INFRASTRUCTURE | Company Update

26 March 2015

Over the last few years, Sadbhav Engineering (SADE) has transformed into one of the largest BOT developers in the country. It currently has a portfolio of 13 projects, spread across 1042km and entailing investment of Rs 114trn. Nine of these projects are already operations, and generate Rs 1.4bn of quarterly toll collections. Its EPC orderbook stands at Rs82.4bn (3x book-to-sales) – spread across roads, irrigation and mining – providing high revenue visibility for the next three years.

SADE recently completed its QIP, raising Rs2.5bn to fund the capex and working capital requirements of the parent company. The company is also planning an IPO of its BOT division – Sadbhav Infrastructure Pvt Ltd (SIPL). The proceeds of the IPO will be utilized to repay holding company debt at SIPL level, fund equity requirement for under-construction projects and provide partial exit to PE investors (Xander Group and Norwest Ventures), which have 23% stake in SIPL.

Well set to bite big into the low hanging fruit: Sadbhav is one of the few BOT developers with a decent appetite for grabbing more projects. Large numbers of road developers are currently under CDR (Isolux-Soma, Gammon, IVRCL, HCC) or are divesting assets to deleverage their balance sheet (GMR, GVK, L&T IDPL). That reduces competition for Sadbhav significantly.

NHAI is expected to award 20,000km of road projects over the next two years – 70% as EPC contracts. That would translate into a huge opportunity for the entire EPC sector (companies like L&T, NCC, KNR, HCC) and BOT companies (like IRB, Ashoka, Sadbhav). Companies, like Ashoka and Sadbhav, will be the biggest beneficiaries in our opinion, as they will be able to bid for and benefit from both the segments – EPC as well as BOT.

BOT funding not a major concern, balance sheet is: Sadbhav requires Rs2bn of equity investment into its current BOT portfolio over the next three years – which should be easily met with the current cash balance (Rs500mn), IPO proceeds and the internal accruals over the next two years.

However, the leverage for the company – especially at standalone level, remains a concern. The standalone debt for the company stands at Rs10.5bn (1.0x D/E) and consolidated debt at Rs54.5bn (3.8x D/E). The company intends to use the proceeds from the SIPL IPO, to payback debt at SIPL holdco level. But even after that, the company will not be left with any growth capital – and might not be able to capitalize the huge opportunity in the roads segment – both in EPC and BOT form.

Expensive valuations: Sadbhav's stock has run up significantly over the last few months (6m-57%, 12m-290%) and has significantly outperformed its infrastructure peers (BOT as well as EPC). Assuming 6x EV/EBITDA for the EPC division (inline with IRB Infra and Ashoka Buildcon), the current stock price attributes 4.3x P/BV to the BOT division *(not accounting for the proposed IPO)* – extremely high in our opinion. The implicit valuation multiples for IRB and Ashoka, assuming the same 6x EV/EBITDA for the EPC division, stand at 0.67x and 0.98x respectively.

We view the current valuations as highly expensive, and out-of-sync with the combined earnings potential of the BOT and EPC division. Also while the current balance sheet can support equity funding of the current portfolio – how the company is able to fund future growth, remains a key concern.

NOT RATED

CMP RS 341

COMPANY DATA

O/S SHARES (MN) :	172
MARKET CAP (RSBN) :	61
MARKET CAP (USDBN) :	1.0
52 - WK HI/LO (RS) :	385 / 88
LIQUIDITY 3M (USDMN) :	1.5
PAR VALUE (RS) :	1

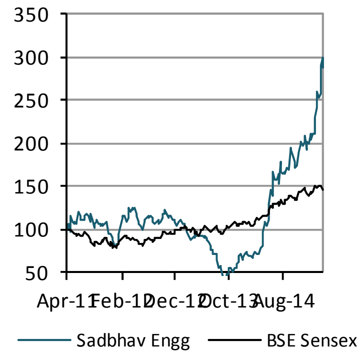
SHARE HOLDING PATTERN, %

PROMOTERS :	47.12
FII / NRI :	15.4
FI / MF :	24.99
NON PROMOTER CORP. HOLDINGS :	0
PUBLIC & OTHERS :	12.49

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	13.2	42.5	294.2
REL TO BSE	15.8	38.7	266.2

PRICE VS. SENSEX



Source: Phillip Capital India Research

KEY FINANCIALS

Rs mn	FY11	FY12	FY13	FY14
Net Sales	23,296	28,663	21,596	27,325
EBIDTA	3,335	4,144	3,941	4,456
Net Profit	928	1,223	75	444
EPS, Rs	6.2	8.1	0.5	2.9
PER, x	55.5	42.3	697.3	117.0
EV/EBIDTA, x	21.1	20.5	24.6	24.2
P/BV, x	5.9	4.4	4.3	4.1
ROE, %	10.6	10.4	0.6	3.5
Debt/Equity (x)	2.3	3.0	3.8	4.5

Source: PhillipCapital India Research Est.

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Sadbhav's CMP implies 4.3x book-value to its BOT portfolio

Particular	Rs mn	Per Share	Assumption
Current Market Cap	60,025	350.00	
EPC Valuation*	22,060	128.63	6x EV/EBITDA – inline with IRB Infra
Debt at SIPL level	5,000	29.15	
Implicit BOT Value	42,965	250.52	
Adjusting for Holdco Discount	53,706	313.16	20% Holding company discount
Adjusting for PE stake	69,748	406.70	23% stake of PE Investors
Book Value of BOT portfolio	16,201	94.47	
Implicit P/BV for Sadbhav	4.31	4.31	
Implicit P/BV for IRB Infra		0.67	
Implicit P/BV for Ashoka		0.98	

Source: Company, Bloomberg, PhillipCapital India Research *(*Based on consensus estimates for FY17)*

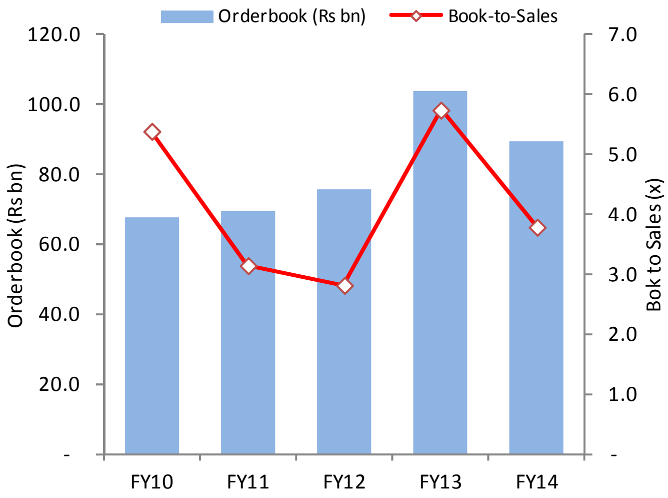
CMP implied valuation of Sadbhav's BOT portfolio is highly expensive, as compared to IRB Infra and Ashoka Buildcon

Toll collection growth has been decent over last three quarters

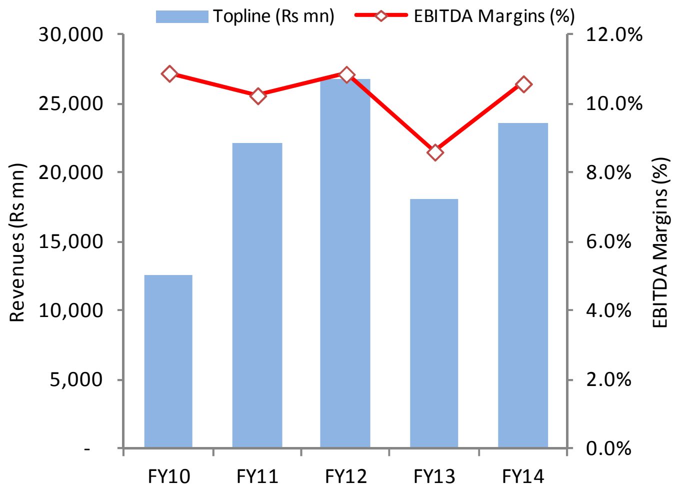
Quarterly Toll collection	1QFY15	2QFY15	3QFY15	YoY	QoQ
Ahmedabad Ring road	188.4	202.7	223.0	18%	10%
Aurangabad Jalna	85.4	79.1	92.8	106%	17%
Bijapur Hungund	255.2	259.6	254.6	10%	-2%
Hyderabad Yadgiri	111.4	106.0	112.7	16%	6%
Maharashtra Border Check Post	196.1	222.0	237.7	212%	7%
Dhule Palasner	338.9	317.3	335.1	7%	6%
Rohtak Panipat	217.4	199.2	210.2		6%
Total Toll Collection	**1,392.8**	**1,385.9**	**1,466.1**	**54%**	**6%**
Like for like toll collection	979.3	964.7	1,018.2		
Like for like Growth	19%	16%	16%		

Source: Company, PhillipCapital India Research

EPC orderbook visibility has remained high …



… and margins largely stable



Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY11	FY12	FY13	FY14
Net sales	**23,296**	**28,663**	**21,596**	**27,325**
Growth, %	74	23	-25	27
Total income	23,296	28,663	21,596	27,325
Employee expenses	-385	-462	-532	-766
Other Operating expenses	-19,962	-20,761	-14,439	-18,325
EBITDA (Core)	**3,335**	**4,144**	**3,941**	**4,456**
Growth, %	85.2	24.3	(4.9)	13.1
Margin, %	14.3	14.5	18.2	16.3
Depreciation	-789	-860	-1,707	-1,305
EBIT	**2,546**	**3,284**	**2,234**	**3,151**
Growth, %	105.9	29.0	(32.0)	41.0
Margin, %	10.9	11.5	10.3	11.5
Interest paid	-1,399	-1,559	-3,042	-4,555
Other Income	262	273	382	306
Pre-tax profit	**1,409**	**1,975**	**136**	**121**
Tax provided	-639	-808	-435	141
Profit after tax	**771**	**1,167**	**-299**	**262**
Others (Minorities, Associates)	158	56	374	181
Net Profit	**928**	**1,223**	**75**	**444**
Growth, %	(2,289.8)	31.7	(93.9)	493.1
Unadj. shares (m)	150	150	152	151
Wtd avg shares (m)	150	150	152	151

Balance Sheet

Y/E Mar, Rs mn	FY11	FY12	FY13	FY14
Cash & bank	1,365	1,801	735	1,280
Debtors	5,871	7,377	7,517	5,957
Inventory	736	884	1,022	1,638
Loans & advances	9,776	6,279	7,583	7,824
Other current assets	658	358	884	743
Total current assets	18,406	16,700	17,741	17,442
Investments	261	402	327	1,284
Gross fixed assets	20,930	41,998	37,089	57,885
Less: Depreciation	-2,643	-3,371	-5,051	-4,738
Add: Capital WIP	0	2	16,355	7,529
Net fixed assets	18,287	38,629	48,393	60,676
Total assets	**36,954**	**55,731**	**66,461**	**79,403**
Current liabilities	5,981	7,144	6,844	7,644
Total current liabilities	5,981	7,144	6,844	7,644
Non-current liabilities	20,234	35,109	45,958	57,496
Total liabilities	26,215	42,252	52,803	65,140
Paid-up capital	150	150	151	383
Reserves & surplus	8,573	11,582	11,951	12,348
Shareholders' equity	10,740	13,478	13,659	14,263
Total equity & liabilities	**36,954**	**55,731**	**66,461**	**79,403**

Source: Company, PhillipCapital India Research Estimates

Cash Flow

	FY11	FY12	FY13	FY14
Pre-tax profit	1,409	1,975	136	121
Depreciation	789	860	1,707	1,305
Chg in working capital	-6,552	3,306	-2,407	1,644
Total tax paid	-619	-734	-352	181
Cash flow from operating activities	**-4,973**	**5,407**	**-917**	**3,251**
Capital expenditure	-6,075	-21,202	-11,471	-13,588
Chg in investments	603	-141	75	-957
Cash flow from investing activities	**-5,472**	**-21,343**	**-11,396**	**-14,545**
Free cash flow	-10,445	-15,937	-12,313	-11,295
Equity raised/(repaid)	4,474	2,093	399	431
Debt raised/(repaid)	5,523	14,801	10,767	11,498
Dividend (incl Tax)	-105	-105	-105	-125
Other financing activities	-181	-200	1	-120
Cash flow from financing activities	**11,304**	**16,373**	**11,246**	**11,840**
Net chg in cash	858	436	-1,067	545

Valuation Ratios

	FY11	FY12	FY13	FY14
Per Share data				
EPS (INR)	6.2	8.1	0.5	2.9
Growth, %	(1,926.3)	31.3	(93.9)	495.9
Book NAV/share (INR)	58.2	78.0	79.8	84.3
FDEPS (INR)	6.2	8.1	0.5	2.9
CEPS (INR)	11.5	13.9	11.7	11.6
CFPS (INR)	(34.9)	34.3	(12.3)	11.4
DPS (INR)	0.6	0.6	0.6	0.7
Return ratios				
Return on assets (%)	5.5	4.7	2.7	4.4
Return on equity (%)	10.6	10.4	0.6	3.5
Return on capital employed (%)	6.7	5.4	3.0	4.8
Turnover ratios				
Asset turnover (x)	1.0	0.8	0.4	0.4
Sales/Total assets (x)	0.8	0.6	0.4	0.4
Working capital/Sales (x)	0.5	0.3	0.5	0.3
Working capital days	173.3	98.8	171.8	113.8
Liquidity ratios				
Current ratio (x)	3.1	2.3	2.6	2.3
Quick ratio (x)	3.0	2.2	2.4	2.1
Interest cover (x)	1.8	2.1	0.7	0.7
Dividend Cover (x)	10.3	13.6	0.8	4.2
Total debt/Equity (x)	2.3	3.0	3.8	4.5
Net debt/Equity (x)	2.1	2.8	3.7	4.4
Valuation				
PER (x)	55.5	42.3	697.3	117.0
Price/Book (x)	5.9	4.4	4.3	4.1
EV/Net sales (x)	3.0	3.0	4.5	3.9
EV/EBITDA (x)	21.1	20.5	24.6	24.2
EV/EBIT (x)	27.6	25.8	43.5	34.2

ILFS Transportation (ILFT IN)

Balance sheet concerns to continue

INDIA | INFRASTRUCTURE | Company Update

26 March 2015

ILFS Transportation (ITNL) is the largest BOT player in India, with its road portfolio spread across 2831km, entailing investment of Rs329trn. It also has stakes in highway projects in China (Yu-He expressway) and Spain (Eslamax), and other urban-infra projects (like Bus terminal, Gurgaon Metro and MP border checkpost). It was recently declared the lowest bidder for a $325mn project in Kenya, for a concession period of 10 years.

Robust BOT portfolio: ITNL has a robust BOT portfolio, with marquee projects like RIDCOR and Noida Toll Bridge. The company currently generates Rs3.8bn as quarterly toll revenues (Rs5.3bn including Yu He and Autovia). The company traditionally has had strong relationships with state governments (Rajasthan, Kerala, Jharkhand) and is executing multiple state-highway projects – as opposed to players like IRB, which are largely dependent on NHAI.

But stretched balance sheet: However, ITNL's balance sheet is extremely stretched, and looks incapable of exploiting the huge opportunity expected to be unveiled by NHAI, over the next two years. The current standalone debt stands at Rs64bn (1.7x D/E) and consolidate debt at Rs222bn (3.8x D/E).

In order to address the balance sheet concerns, the company had raised Rs5.25bn through a rights-issue in Sep-2014 and Rs7.5bn through preference shares in FY14. Also, the company is looking for a QIP in coming months, to raise cash to fund the equity requirement for future project wins. But even with the entire fund-raising exercise, the debt at standalone or consolidated level is not expected to reduce significantly, leading to continued pressure on earnings.

Overall, ITNL requires Rs7.4bn of equity investments in its current BOT projects, over the next three years – 50% of it is required for the Gurgaon-Metro project (Phase II). Considering the current cash balance of Rs6bn and internal accruals over the next two years – the company should be able to fund the equity requirement of the current portfolio. However, without the QIP, we believe the company will find itself financially stretched while bidding for new projects.

Expected to miss out on the huge opportunity in roads: NHAI is expected to award 20,000km of road projects over the next two years – 70% as EPC contracts and 30% as BOT contracts. However, we see ITNL incapable of benefiting from the BOT opportunity (it does not bid for external EPC projects), due to its stretched balance sheet. Players like IRB, Ashoka and Sadbhav will benefit at the expense of ITNL, unless the company resorts to asset divestment to deleverage its balance sheet.

Valuations: ITNL stock has significantly underperformed its BOT peers like IRB, Ashoka and Sadbhav, over the last one year. Balance sheet concerns have made investors skeptical about the growth potential of the company, and it ability to bid for new projects. We do not expect the concerns to fade away in near future, and the stock to continue to underperform the sector.

NOT RATED

CMP RS 192

COMPANY DATA

O/S SHARES (MN) :	247
MARKET CAP (RSBN) :	47
MARKET CAP (USDBN) :	0.8
52 - WK HI/LO (RS) :	257 / 113
LIQUIDITY 3M (USDMN) :	1.0
PAR VALUE (RS) :	5

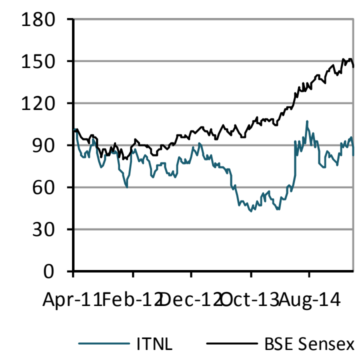
SHARE HOLDING PATTERN, %

PROMOTERS :	70.79
FII / NRI :	5.25
FI / MF :	2.33
NON PROMOTER CORP. HOLDINGS :	0
PUBLIC & OTHERS :	21.65

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	-8.7	11.3	67.6
REL TO BSE	-6.0	7.6	39.6

PRICE VS. SENSEX



Source: Phillip Capital India Research

KEY FINANCIALS

Rs mn	FY11	FY12	FY13	FY14
Net Sales	40,482	56,056	66,448	65,870
EBIDTA	11,543	14,656	18,379	18,896
Net Profit	4,329	4,970	5,202	4,630
EPS, Rs	22.3	25.6	26.8	23.8
PER, x	9.0	7.9	7.5	8.4
EV/EBIDTA, x	7.6	9.4	9.7	11.7
P/BV, x	1.6	1.3	1.0	0.7
ROE, %	20.3	18.0	14.7	9.8
Debt/Equity (x)	2.2	3.3	3.6	3.4

Source: PhillipCapital India Research Est.

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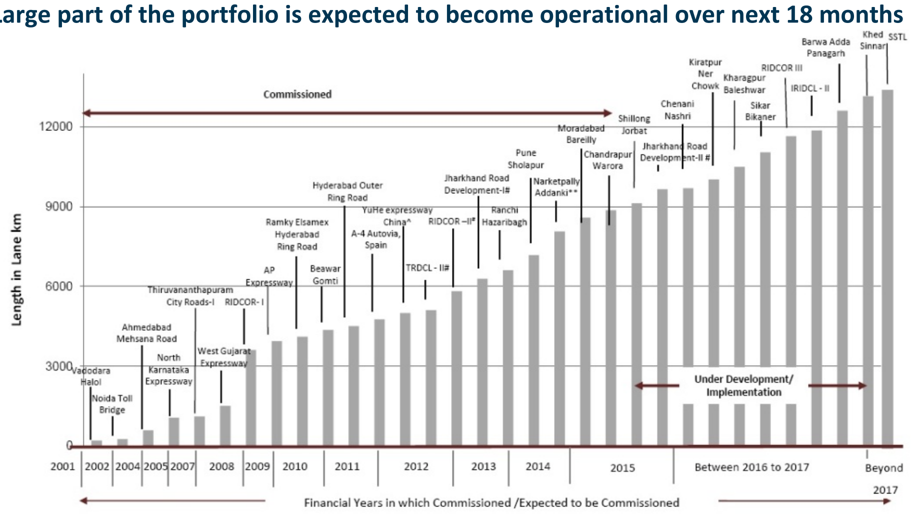
Toll collections have grown steadily over the last three quarters

Quarterly Toll Collection (Rs mn)	1QFY15	2QFY15	3QFY15	YoY %	QoQ %
Ahmedabad Mehsana	192	179	194	23%	8%
Vadodara Halol	100	96	100	-7%	4%
Noida Toll Bridge	245	252	250	1%	-1%
RIDCOR-I	458	473	568	16%	20%
RIDCOR-II	143	141	153	16%	8%
Rajkot Jetpur	139	111	140	12%	26%
Beawar Gomti	57	56	57	7%	2%
Baleshwar Kharagpur	108	112	110	18%	-2%
Pune Solapur	174	167	174	12%	4%
NAMEL	374	368	328		-11%
Annuity Projects	1,722	1,775	1,771		
Total toll collection	**3,710**	**3,729**	**3,843**	**17%**	**3%**
% YoY Growth	**27%**	**22%**	**17%**		

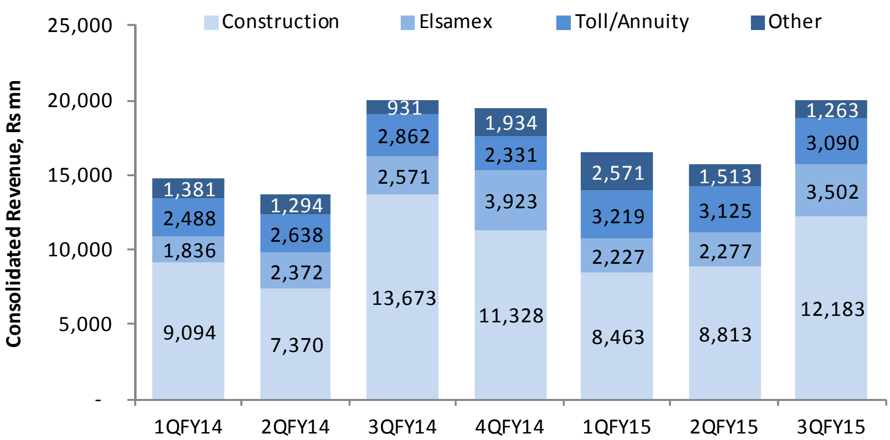
Source: Company, PhillipCapital India Research

Large part of the portfolio is expected to become operational over next 18 months



Source: Company, PhillipCapital India Research

Consolidated Revenue Break-up



Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY11	FY12	FY13	FY14
Net sales	**40,482**	**56,056**	**66,448**	**65,870**
Growth, %	68	38	19	-1
Total income	40,482	56,056	66,448	65,870
Employee expenses	-3,522	-3,694	-3,819	-4,141
Other Operating expenses	-28,939	-36,465	-42,693	-40,559
EBITDA (Core)	**11,543**	**14,656**	**18,379**	**18,896**
Growth, %	45.4	27.0	25.4	2.8
Margin, %	28.5	26.1	27.7	28.7
Depreciation	-614	-766	-944	-1,510
EBIT	**10,929**	**13,890**	**17,435**	**17,386**
Growth, %	48.9	27.1	25.5	(0.3)
Margin, %	27.0	24.8	26.2	26.4
Interest paid	-4,981	-7,282	-11,190	-14,710
Other Income	791	1,238	1,440	2,155
Pre-tax profit	**6,692**	**7,885**	**7,731**	**4,882**
Tax provided	-2,242	-2,457	-2,274	-265
Profit after tax	**4,450**	**5,427**	**5,457**	**4,617**
Others (Minorities, Associates)	-121	-458	-255	14
Net Profit	**4,329**	**4,970**	**5,202**	**4,630**
Growth, %	25.7	14.8	4.7	(11.0)
Unadj. shares (m)	194	194	194	194
Wtd avg shares (m)	194	194	194	194

Balance Sheet

Y/E Mar, Rs mn	FY11	FY12	FY13	FY14
Cash & bank	5,275	2,838	4,202	6,713
Debtors	7,489	8,820	7,517	9,875
Inventory	262	210	169	172
Loans & advances	16,855	17,143	14,170	20,763
Other current assets	29,638	50,372	71,052	87,815
Total current assets	59,519	79,382	97,110	1,25,338
Investments	2,009	3,954	6,871	4,691
Gross fixed assets	17,666	33,647	34,932	57,960
Less: Depreciation	-3,646	-4,783	-5,799	-7,953
Add: Capital WIP	18,562	40,274	72,678	91,112
Net fixed assets	32,581	69,138	1,01,811	1,41,119
Total assets	**94,226**	**1,52,480**	**2,05,903**	**2,71,328**
Current liabilities	14,272	17,602	19,911	26,546
Total current liabilities	14,272	17,602	19,911	26,546
Non-current liabilities	55,387	1,04,306	1,46,017	1,90,156
Total liabilities	69,659	1,21,907	1,65,927	2,16,702
Paid-up capital	1,943	1,943	1,943	5,707
Reserves & surplus	20,450	25,695	34,455	44,331
Shareholders' equity	24,567	30,573	39,975	54,626
Total equity & liabilities	**94,226**	**1,52,480**	**2,05,903**	**2,71,328**

Source: Company, PhillipCapital India Research Estimates

Cash Flow

	FY11	FY12	FY13	FY14
Pre-tax profit	6,692	7,885	7,731	4,882
Depreciation	614	766	944	1,510
Chg in working capital	-16,816	-18,971	-14,054	-19,082
Total tax paid	-1,699	-1,738	-2,001	-770
Cash flow from operating activities	**-11,209**	**-12,059**	**-7,380**	**-13,459**
Capital expenditure	-14,248	-37,323	-33,617	-40,818
Chg in investments	2,535	-1,945	-2,917	2,180
Cash flow from investing activities	**-11,714**	**-39,268**	**-36,534**	**-38,638**
Free cash flow	-22,923	-51,326	-43,914	-52,097
Equity raised/(repaid)	2,130	1,722	5,438	11,676
Debt raised/(repaid)	20,733	48,311	41,332	44,574
Dividend (incl tax)	-790	-903	-909	-1,512
Other financing activities	-312	-543	-970	-1,155
Cash flow from financing activities	**22,696**	**48,889**	**45,278**	**54,608**
Net chg in cash	-226	-2,438	1,364	2,511

Valuation Ratios

	FY11	FY12	FY13	FY14
Per Share data				
EPS (INR)	22.3	25.6	26.8	23.8
Growth, %	25.7	14.8	4.7	(11.0)
Book NAV/share (INR)	126.5	157.4	205.8	281.2
FDEPS (INR)	22.3	25.6	26.8	23.8
CEPS (INR)	25.4	29.5	31.6	31.6
CFPS (INR)	(61.5)	(68.6)	(45.6)	(80.6)
DPS (INR)	3.5	4.0	4.0	6.7
Return ratios				
Return on assets (%)	9.8	8.2	7.0	5.9
Return on equity (%)	20.3	18.0	14.7	9.8
Return on capital employed (%)	11.5	9.4	7.9	6.5
Turnover ratios				
Asset turnover (x)	0.7	0.6	0.4	0.3
Sales/Total assets (x)	0.5	0.5	0.4	0.3
Working capital/Sales (x)	1.0	1.1	1.1	1.4
Working capital days	360.4	383.8	401.0	510.2
Liquidity ratios				
Current ratio (x)	4.2	4.5	4.9	4.7
Quick ratio (x)	4.2	4.5	4.9	4.7
Interest cover (x)	2.2	1.9	1.6	1.2
Total debt/Equity (x)	2.2	3.3	3.6	3.4
Net debt/Equity (x)	2.0	3.3	3.5	3.3
Valuation				
PER (x)	8.6	7.5	7.2	8.1
PEG (x) - y-o-y growth	0.3	0.5	1.5	(0.7)
Price/Book (x)	1.5	1.2	0.9	0.7
EV/Net sales (x)	2.1	2.4	2.7	3.3
EV/EBITDA (x)	7.4	9.3	9.6	11.6
EV/EBIT (x)	7.9	9.8	10.1	12.6

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