

Hopes of revival keep infrastructure sector buzzing

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A comparison of the valuation matrix of India's infrastructure companies with their global counterparts shows that, on average, India's infrastructure companies are trading at a CY15 EV/EBIDTA multiple of 13, while their global peers are trading at an average multiple of 9. This premium in valuation of Indian companies can be attributed to the expectation of revival in [investments](#) and business estimates in the sector which at present is at the lowest point of its business cycle.

According to the [Twelfth Five Year Plan](#), an investment of \$1 trillion is envisaged for the [infrastructure sector](#). Out of these, the private sector is expected to contribute nearly 50 per cent. These investments should boost and revive projects stuck due to lack of funds, thereby driving the revenue growth of companies in the next four to five years. In addition to this, declining [interest rates](#) will also improve earnings of companies in the coming years.

However, a lot would depend on the execution, cash flow visibility of companies and how proactively the government acts in providing necessary clearances related to land acquisition. Going ahead, for India's infrastructure companies to sustain these valuations these factors would play an important role.



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	CY15 P/E*	CY16 P/E*	CY15 EV/ EBIDTA*	CY16 EV/ EBITDA*	Country
Domestic Companies					
IRB Infrastructure	14.7	13.0	7.9	6.4	INDIA
Sadbhav Engineering	-	138.0	16.6	12.7	INDIA
II&Fs Transportation	12.7	9.8	11.3	9.6	INDIA
Ashoka Buildcon	37.9	28.3	13.4	8.9	INDIA
International Companies					
Bangkok Expressway	10.9	10.5	7.9	7.5	THAILAND
Hopewell Highway Infrastructure	17.2	15.1	5.3	5.0	HONG KONG
Jiangsu Expressway	14.9	12.8	9.5	8.5	CHINA
Ecorodovias Infraestruturas	13.4	11.1	5.9	5.3	BRAZIL
TPI Triunfo Participacoes E	4.6	6.5	2.8	2.6	BRAZIL
Ferrovial	34.8	31.8	21.3	20.5	SPAIN
Abertis Infraestructuras	19.2	16.5	9.5	8.8	SPAIN
Anhui Expressway	8.5	9.5	6.5	6.6	CHINA
Shenzhen Expressway	5.5	8.8	7.3	8.8	CHINA
Atlantia Spa	22.4	20.1	10.2	9.7	ITALY

* Bloomberg consensus estimates

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