

Stock Update

Construction revenue booking improves with strong order intake

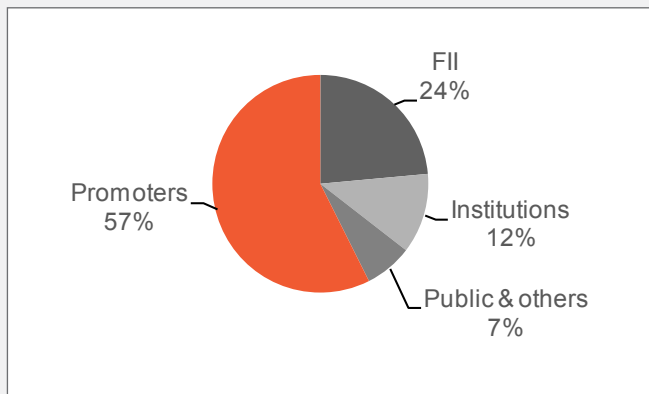
IRB Infrastructure Developers

Reco: Buy | CMP: Rs220

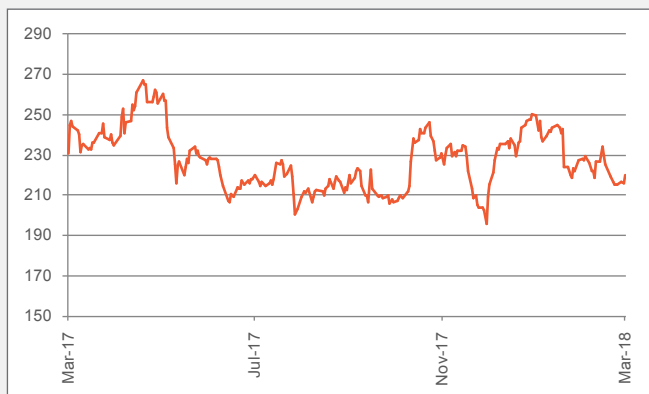
Company details

Price target:	Rs270
Market cap:	Rs7,742 cr
52-week high/low:	Rs272/194
NSE volume: (No of shares)	21.3 lakh
BSE code:	532947
NSE code:	IRB
Sharekhan code:	IRB
Free float: (No of shares)	15.0 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-3.8	8.0	2.3	-0.9
Relative to Sensex	-2.8	5.8	-3.3	-16.5

Key points

- Preferred bidder for two HAM projects totalling Rs3465 crore:** IRB Infrastructure Developers' (IRB) in consortium with Modern Road Makers Private Ltd, a wholly owned subsidiary of IRB has emerged as a preferred bidder for two Hybrid Annuity Projects in Tamil Nadu at a total bid cost of Rs3465 crore with a construction period of 730 days and 15 years of operation. The projects bagged are 1) four laning of Poondiankuppam to Sattanathapuram of 56.8km at a bid cost of Rs2169 crore and 2) Four laning of Puducherry to Poondiyankuppam of 38km at a bid cost of Rs1296 crore. With this order intake, the company's construction order book stands at Rs10,000 crore which is to be executed over next three years.
- Revitalising order book – reviving construction segment revenue outlook:** IRB's recent order wins improves its book bill to ratio to 2.5x its Trailing Twelve Month (TTM) construction revenue from 1.85x at the end of Q3FY2018. These order wins come at a stitch in time as its book to bill ratio was at a three year's low. This in turn had cast a doubt on its construction segment revenue growth outlook. IRB now stands successful in reviving growth in its construction segment revenue booking over the next two years.
- Outlook – Expect spike in near term order awarding activity from NHAI:** The NHAI had invited bids for a length of 10,460 km costing nearly Rs1.75 lakh crore till January 2018. NHAI has awarded 1500km road projects in March 2018 till date taking the total order awards to 4000km in FY2018 till date. It hopes to bid out another 4000km of road projects over the next three weeks taking total order awards to 8000km for FY2018 (as against 4335km awarded during FY2017). Hence, we expect order bidding activity to spike in the near term benefitting the overall road sector and especially IRB Infrastructure who has been bidding for Hybrid Annuity Mode (HAM) projects.
- Valuation - Maintain Buy with unchanged PT of Rs270:** We believe IRB has improved its construction segment revenue growth outlook with these order intakes while the near term order tendering activity is expected to gather momentum. However, the resolution of claim at its Ahmedabad Vadodara project and the Pune court case (for detail see note dated 7th December 2017) remain as the key overhang on the stock. At this stage, we maintain our 'Buy' recommendation with an unchanged price target of Rs270.

Valuations				Rs cr
Particulars	FY17	FY18E	FY19E	FY20E
Sales	5,845.9	5,768.6	6,206.0	6,138.5
Growth YoY (%)	14.0	(1.3)	7.6	(1.1)
EBITDA	3,048.3	2,890.5	3,424.8	3,106.0
Margins (%)	52.1	50.1	55.2	50.6
Adjusted net profit	715.5	1,110.7	1,468.5	1,326.6
Growth YoY (%)	11.9	55.2	32.2	(9.7)
Shares in issue (cr)	35.1	35.1	35.1	35.1
EPS (Rs)	20.4	31.6	41.8	37.7
Growth YoY (%)	11.9	55.2	32.2	(9.7)
P/E (x)	10.8	7.0	5.3	5.8
Book value (Rs)	150.0	176.9	214.0	247.1
P/B (x)	1.5	1.2	1.0	0.9
RoCE (%)	12.6	16.0	18.8	15.3
RoNW (%)	14.2	19.3	21.4	16.4

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