

Stock Update

Improving business outlook along with removal of key overhang

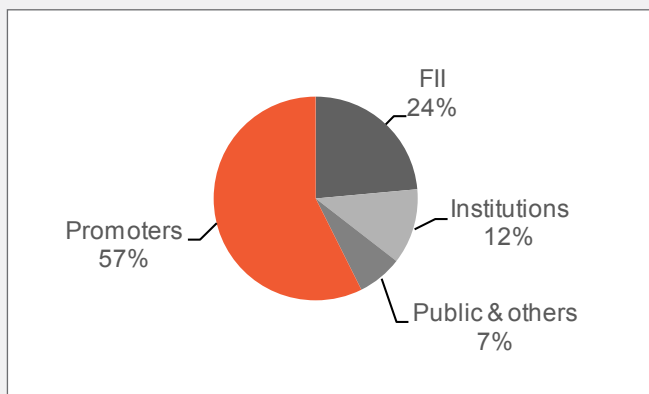
IRB Infrastructure Developers

Reco: Buy | CMP: Rs235

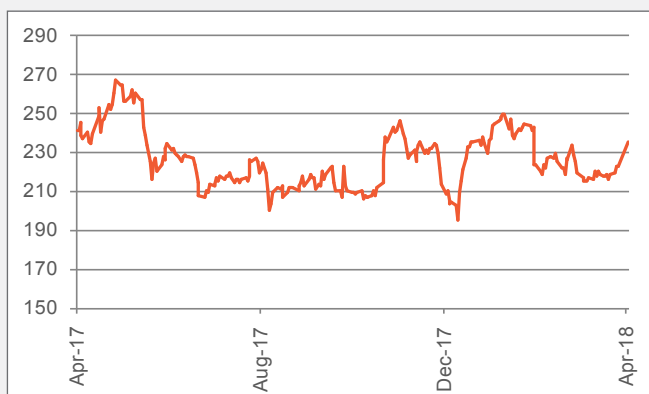
Company details

Price target:	Rs270
Market cap:	Rs8,273 cr
52-week high/low:	Rs272/194
NSE volume: (No of shares)	19.8 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	7.9	3.6	16.5	3.9
Relative to Sensex	10.0	4.7	9.6	-8.0

Key points

- ♦ **Major relief on key overhang related to CBI charge sheet in Pune court:** The Honourable CBI Judge at Pune has discharged the charge sheet filed against Mr. Virendra Mhaiskar, Aryan Infrastructure Investments (AIPL), and Mr. Deepak Gadgil being devoid of substance and having no grounds to frame any charge. The charge sheet refers to illegal purchase of government land in Pune (60 acres of the 1,200 acres acquired by AIPL in 2007, refer our report dated December 7, 2017). The development removes a key overhang on the stock, as the filing of charge sheet was termed as an end of investigation by the management of IRB Infrastructure.
- ♦ **Robust accretion in order book during March 2018:** IRB Infrastructure bagged three hybrid annuity projects (two in Tamil Nadu and one in Gujarat) and one BOT project (in Uttar Pradesh) totaling Rs. 8,908 crore during March 2018. Subsequently, the construction order book of the company swelled to ~Rs. 15,300 crore (as of date). Recent order wins of IRB Infrastructure have improved its bill-to-book ratio to 3.8x its Trailing Twelve Month (TTM) construction revenue from 1.85x at the end of Q3FY2018. IRB Infrastructure now stands successful in reviving growth in its construction segment's revenue booking over the next two years.
- ♦ **Outlook – Expect project award momentum to continue:** The road ministry constructed 9,829 km of national highways (up 19% y-o-y) and awarded 17,055 km (up 7% y-o-y) during FY2018. The project awarding activity was slower as Bharatmala project was announced during October 2017, while the tendering and processing got completed from mid-February 2018. The targets for construction and awards of national highways will be fixed in due time, which we believe would be aggressive and would continue the favourable outlook for the road sector. Hence, we expect the sustained momentum to benefit the overall road sector and especially IRB Infrastructure, which has been bidding for Hybrid Annuity Mode (HAM) projects.

- ♦ **Valuation - Maintain Buy with an unchanged PT of Rs. 270:** We believe one of the key overhangs on the stock related to CBI charge sheet is behind it and only the resolution of claim at its Ahmedabad Vadodara project is awaited. Further, IRB Infrastructure has

improved its construction segment's revenue growth outlook with the recent order intakes, while the near-term order tendering activity is expected to gather momentum. Hence, we maintain our Buy recommendation on the stock with an unchanged price target (PT) of Rs. 270.

Valuations

				Rs cr
Particulars	FY17	FY18E	FY19E	FY20E
Sales	5,845.9	5,768.6	6,206.0	6,138.5
Growth y-o-y (%)	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 y-o-y (%)	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 y-o-y (%)	11.9	55.2	32.2	(9.7)
P/E (x)	11.6	7.4	5.6	6.2
Book value (Rs)	150.0	176.9	214.0	247.1
P/B (x)	1.6	1.3	1.1	1.0
RoCE (%)	12.6	16.0	18.8	15.3
RoNW (%)	14.2	19.3	21.4	16.4

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-61150000; For any queries or grievances kindly email
igc@sharekhan.com or contact: myaccount@sharekhan.com

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