

IRB Infra

Inline financial performance

IRB reported revenue at Rs 11.2bn, beating our estimate by 7%, on 40% QoQ recovery in toll collections though EPC remained muted. However, the company registered loss of Rs 197mn, marginally lower than our estimated loss of Rs 231mn. While toll collection in majority of the BOT assets have reached near pre-COVID level, execution remained impacted due to monsoon. IRB secured a HAM order worth Rs 18bn during the quarter, taking the orderbook to Rs 122bn. Consolidated net debt increased to Rs 127bn from Rs 119bn on Jun 20-end, with net D/E at 1.94x (1.75x on 1QFY21-end). With monsoon behind, we expect execution to ramp-up in second half. Besides, traffic is likely to normalize with further ease of restrictions. We maintain BUY on IRB given affordable valuation and comfortable liquidity position, with an unchanged SOTP based target price of Rs 157/Sh.

- **Revenue beat on speedy recovery in toll collection:** IRB reported revenue at Rs 11.2bn (-36%/+10% YoY/QoQ, 7% beat). While revenue from BOT segment increased 35% QoQ, recovery in EPC segment remain muted (-1% QoQ). EBITDA of Rs 5.6bn (-26%/+16% YoY/QoQ) beat our estimate by 7%. Margins improved by 675/265bps YoY/QoQ on higher proportion of BOT revenue. Losses narrowed to Rs 197mn (vs 301mn in 1QFY21) and came marginally better than our estimated loss of Rs 231mn.
- **Toll collections near pre-COVID level:** Basis management commentary, toll collections have reached pre-pandemic level across majority of BOT assets and is likely to sustain with further ease of restrictions. IRB has received COD for entire stretch of Yedeshi-Aurangabad project and is expecting 15.5% increase in tariff by end of 3QFY21. Agra-Etawah is also expected to complete soon with 65-70% increase in tariff. Besides, management expects EPC execution to recover in 2H with monsoon behind.
- **HAM to fill order book in the absence of BOT ordering:** As on Sep-20, orderbook (OB) of IRB stood at Rs 122bn, of which Rs 70bn (58% of OB) is in O&M and Rs 51bn (42% of OB) is in construction of ongoing BOT/TOT/HAM projects. IRB is targeting Rs 50-70bn of orders in 2HFY21. Although IRB continues to prefer BOT/TOT over HAM, IRB is looking to replenish order book with HAM projects, in the absence BOT ordering. Moreover, IRB has participated for the bidding process of TOT 5 bundle (160km in length).
- **Debt to stabilize by FY22-end:** Consolidated net debt increased to Rs 127bn from Rs 119bn on Jun 20-end (net D/E at 1.94x). Debt would increase further as remaining two tranches of payment (Rs 8.5bn each) for Mumbai-Pune TOT scheduled at Mar-21 and Mar-22. Hence, IRB could see some moderation in debt after FY22. IRB and GIC are infusing Rs 5.1bn in private InvIT through rights issue, to be completed within a week.

Consolidated Quarterly/Annual Financial summary

YE March (Rs mn)	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	11,233	17,521	(35.9)	10,223	9.9	68,522	50,775	57,850	62,915
EBITDA	5,550	7,474	(25.7)	4,776	16.2	29,714	22,087	26,322	28,627
APAT	(197)	2,002	NA	(301)	NA	6,635	1,851	4,129	5,720
Diluted EPS (Rs)	(0.6)	5.7	NA	(0.9)	NA	18.9	5.3	11.7	16.3
P/E (x)						3.7	13.4	6.0	6.7
EV / EBITDA (x)						2.9	7.1	6.2	6.2
RoE (%)						10.2	2.7	5.9	5.9

Source: Company, HSIE Research, Consolidated financials

BUY

CMP (as on 13 Nov 2020)	Rs 109
Target Price	Rs 157
NIFTY	12,780

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 157	Rs 157
	FY21E	FY22E
EPS %	-	-

KEY STOCK DATA

Bloomberg code	IRB IN
No. of Shares (mn)	351
MCap (Rs bn) / (\$ mn)	38/515
6m avg traded value (Rs mn)	277
52 Week high / low	Rs 139/46

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.2)	67.0	49.5
Relative (%)	(23.6)	31.2	41.2

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	57.74	58.01
FIs & Local MFs	12.83	11.39
FPIs	14.64	15.37
Public & Others	14.79	15.23
Pledged Shares	10.14	10.14

Source : BSE

Pledged shares as % of total shares

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