

IRB Infrastructure

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR34 TP: INR33 (-4%) Neutral

Bloomberg	IRB IN
Equity Shares (m)	6039
M.Cap.(INRb)/(USD\$b)	206.5 / 2.5
52-Week Range (INR)	37 / 23
1, 6, 12 Rel. Per (%)	11/19/39
12M Avg Val (INR M)	844

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	64.0	73.5	81.1
EBITDA	32.3	35.6	38.7
PAT	7.2	8.9	10.2
EBITDA (%)	50.4	48.4	47.7
EPS (INR)	1.2	1.5	1.7
EPS Gr. (%)	99.2	23.9	14.4
BV/Sh. (INR)	22.2	23.3	24.6

Ratios

Net D/E	1.1	0.9	0.9
RoE (%)	5.5	6.5	7.1
RoCE (%)	7.3	8.0	8.1
Payout (%)	10.5	24.4	21.4

Valuations

P/E (x)	28.5	23.0	20.1
P/BV (x)	1.5	1.5	1.4
EV/EBITDA (x)	10.8	9.5	8.6
Div Yield (%)	0.0	0.9	0.9

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	34.4	34.2	34.2
DII	7.4	7.0	6.8
FII	47.3	48.4	48.8
Others	10.9	10.4	10.3

FII Includes depository receipts

Execution set to pick up with robust order book

- IRB Infrastructure (IRB)'s revenue grew 30% YoY to INR17.5b in 2QFY24 (14% above our estimate). EBITDA margin came in at 45.5% (down 400bp YoY, below our estimate of 48% margin). EBITDA grew 19% YoY to INR7.9b (9% beat).
- High other income was more than offset by increased losses in JV/associates and higher interest expenses. As a result, APAT grew 12% YoY to INR1.0b, in line with our estimate. Construction revenue grew 36% YoY to INR11.8b, while BOT revenue stood at INR5.7b (up 19% YoY).
- The order book stood at ~INR327b (excl GST) at 2Q end. The O&M order book stood at INR251b and the construction order book stood at INR75.5b. IRB has emerged as the preferred bidder for ToT bundle 12, with an upfront payment of INR44b. The project entails tolling and O&M activities on the ~316km (~1,267 lane km) stretch for a revenue-linked concession period of 20 years. This project will add ~INR39b to IRB's order book, including ~INR6b for EPC and an O&M order book of ~INR33b. The project is expected to generate positive cashflow from its first year of operations.
- A strong order book of INR327b as of Sep'23 and the commencement of its Hyderabad ORR project provide healthy revenue visibility. The tender pipeline remains strong, driven by BOT projects, which implies strong order inflows in the remaining part of FY24. We expect a revenue CAGR of ~13% over FY23-25. We marginally increase our APAT estimate for FY25 by 3%. We maintain our Neutral rating with SoTP-based TP of INR33 per share.

Robust order book provides revenue visibility

- As of Sep'23, the order book stood at INR327b (excluding ToT-12, which may add ~INR39b to order book). In the order book, the EPC segment accounted for INR75b, providing robust revenue visibility for the construction segment for the next 2-3 years. The O&M order book is close to INR25-30b.
- The tender pipeline is strong and IRB expects to secure new projects worth INR50-60b in FY24. During the bidding process, IRB's priority would be BOT toll projects, followed by TOT projects, and then HAM projects.

Key takeaways from the management commentary

- The Board of the private InVIT has approved a maiden distribution of INR1.55b for 1HFY24 (including INR0.45b in form of interest and balance in capital repayment), which will boost IRB's cash flow in 3QFY24. IRB expects continuous distributions from the Private InVIT in the future.
- Hyderabad ORR project has received an appointed date in Aug'23 and has commenced toll collections. The SPV made an upfront concession fee payment of INR73b to the Hyderabad authority.
- The order pipeline is strong and it should see some awarding in the rest of FY24. IRB expects the share of BOT projects to increase in the awarding mix.
- Equity commitment stands at INR6.4b (INR1.9b in HAM and balance in other BOT projects).

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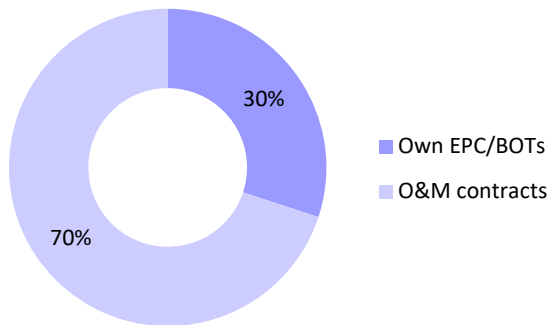
Valuation and view

- With good progress on the Ganga Expressway project and commencement of the Hyderabad outer ring road project, the construction segment’s growth would ramp up. IRB has a robust order book of INR327b (incl. O&M contracts), which provides revenue visibility while maintaining stable margins.
- The order pipeline is robust and would see strong order inflows through FY24. We marginally increase our PAT estimates for FY25. We maintain our Neutral rating with a revised SoTP-based TP of INR33 per share.

Consolidated quarterly performance

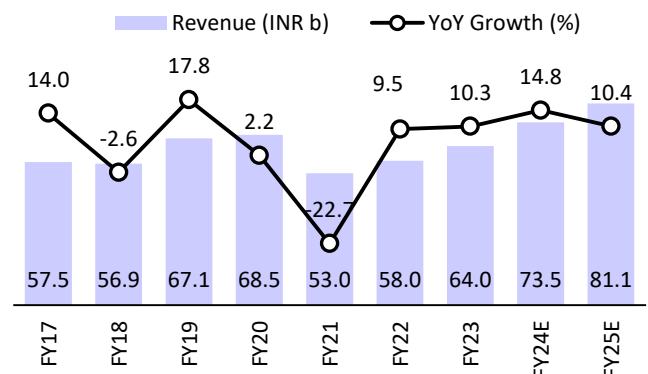
Y/E March	FY23				FY24E				FY23		FY24E		Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE		
Net Sales	19,246	13,430	15,141	16,200	16,342	17,450	19,407	20,315	64,016	73,514	15,321	14	
YoY Change (%)	18.4	(8.3)	18.4	13.0	(15.1)	29.9	28.2	25.4	10.3	14.8	14.1		
EBITDA	10,606	6,651	7,446	7,588	7,778	7,946	9,422	10,407	32,291	35,553	7,314	9	
Margins (%)	55.1	49.5	49.2	46.8	47.6	45.5	48.5	51.2	50.4	48.4	47.7		
Depreciation	2,031	1,919	2,150	2,221	2,367	2,327	2,302	2,197	8,321	9,193	2,299		
Interest	3,850	3,893	3,671	3,733	3,815	4,346	3,942	3,664	15,146	15,766	4,070		
Other Income	708	959	560	789	1,112	1,295	850	878	3,016	4,135	830		
PBT	5,434	1,799	2,185	2,423	2,709	2,569	4,029	5,423	11,840	14,729	1,775		
Tax	1,468	702	646	753	836	858	1,088	1,421	3,569	4,202	536		
Rate (%)	27.0	39.0	29.6	31.1	30.9	33.4	27.0	26.2	30.1	28.5	30.2		
Share of profit in Associates	(334)	(244)	(125)	(367)	(535)	(753)	(200)	(117)	(1,069)	(1,605)	(300)		
Reported PAT	3,632	854	1,414	1,303	1,338	958	2,741	3,885	7,202	8,922	939		
Adj PAT	3,632	854	1,414	1,303	1,338	958	2,741	3,885	7,202	8,922	939	2	
YoY Change (%)	405.1	101.7	94.5	(25.3)	(63.2)	12.2	93.9	198.2	99.3	23.9	10.0		
Margins (%)	18.9	6.4	9.3	8.0	8.2	5.5	14.1	19.1	11.3	12.1	6.1		

Exhibit 1: Order book breakup (2QFY24: INR327b)



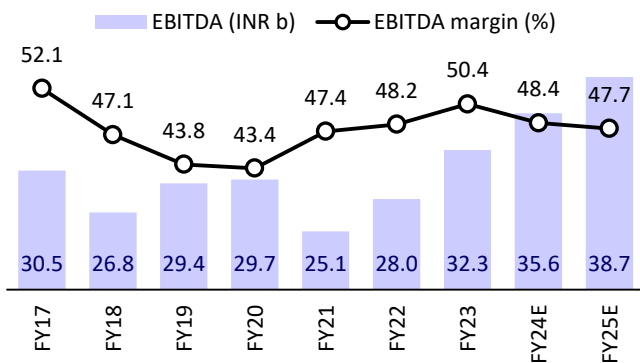
Source: MOFSL, Company

Exhibit 2: Revenue to see ~13% CAGR over FY23-25E



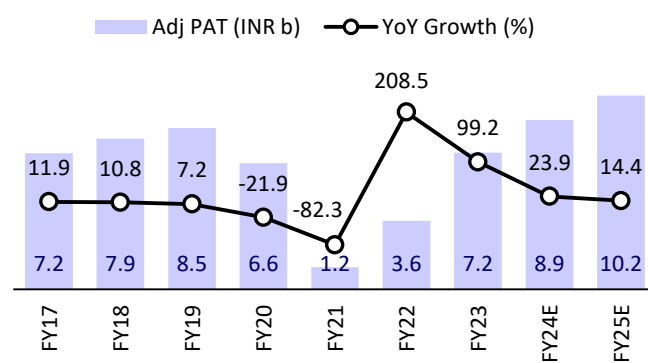
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: APAT to clock CAGR of ~19% over FY23-25



Source: MOFSL, Company



Highlights from management commentary

- As of Sep'23, the company's order book stood at INR 327b (excluding the ToT-12, which is expected to add ~INR6b crore to the EPC order book and INR33b on the O&M side). In the order book, the EPC segment accounted for INR75b, providing robust revenue visibility for the construction segment of the company for the next 2-3 years. The O&M order book is close to INR25-30b.
- The Board of the private InVIT has approved a maiden distribution of INR1.55b for 1HFY24 (including INR0.45b in form of interest and balance in form of capital repayment), which will positively impact IRB's cash flow in 3QFY24. IRB expects continuous distributions from the Private InVIT in the future.
- IRB Golconda Expressway Private Ltd (SPV) was established to execute the esteemed Hyderabad Outer Ring Road project, and it has received its appointed date in Aug'23 and has commenced toll collections. The SPV made an upfront concession fee payment of INR73b to the Hyderabad authority.
- IRB Infrastructure Trust has utilized INR24b to refinance the debt of two of its SPVs, a move that will bolster the cash flow for the trust's unitholders.
- IRB's equity commitment stands at INR6.4b (INR1.9b in HAM and balance in other BOT projects).
- Daily toll collections for the Mumbai-Pune and Ahmedabad-Vadodara routes have improved, reaching INR62.5m in 2FY24, compared to INR53m in 2QFY23. For the private InVIT, toll collections rose to INR68.3m per day in 2QFY24. The increase in toll collections can be attributed to high tariffs and increased traffic.

Guidance:

- The pattern of project awarding by NHAI will shift, with BOT projects having a greater share in NHAI's awarding activity in the coming quarters. It is anticipated that 40% of NHAI's awarding activity will be via BOT projects.
- There are 46 ToT projects listed by NHAI with a combined length of over 2,600km that will come up for bidding in the near future.
- During the bidding process, IRB's priority is to focus on BOT projects, followed by TOT projects, and then HAM projects.
- The construction vertical is expected to clock a CAGR of ~15-20% over the next two-three years with stable EBITDA margins.

Exhibit 5: Segmental performance snapshot

(INR m)	2QFY24	2QFY23	YoY	1QFY23	QoQ
Construction business					
Revenue	11,777	8,662	36.0%	10,486	12.3%
EBIDTA	2,968	2,331	27.3%	2,590	14.6%
EBITDA margin (%)	25.2%	26.9%	-171	24.7%	50
Adjusted PAT	1,580	913	73.1%	1,416	11.6%
BOT business					
Revenue	5,673	4,767	19.0%	5,856	-3.1%
EBIDTA	4,978	4,320	15.2%	5,189	-4.1%
EBITDA margin (%)	87.7%	90.6%	-288	88.6%	-85
Adjusted PAT	-605	-59	916.6%	-78	675.4%

Source: MOFSL, Company

Valuation and view

- With good progress on the Ganga Expressway project and the commencement of the Hyderabad outer ring road project, the construction segment's growth would ramp up. IRB has a robust order book of INR327b (incl. O&M contracts), which provides revenue visibility while maintaining stable margins.
- The order pipeline is robust and would see strong order inflows through FY24. We marginally increase our PAT estimates for FY25. We maintain our Neutral rating with a revised SoTP-based TP of INR33 per share.

Exhibit 6: Earnings estimate Changes

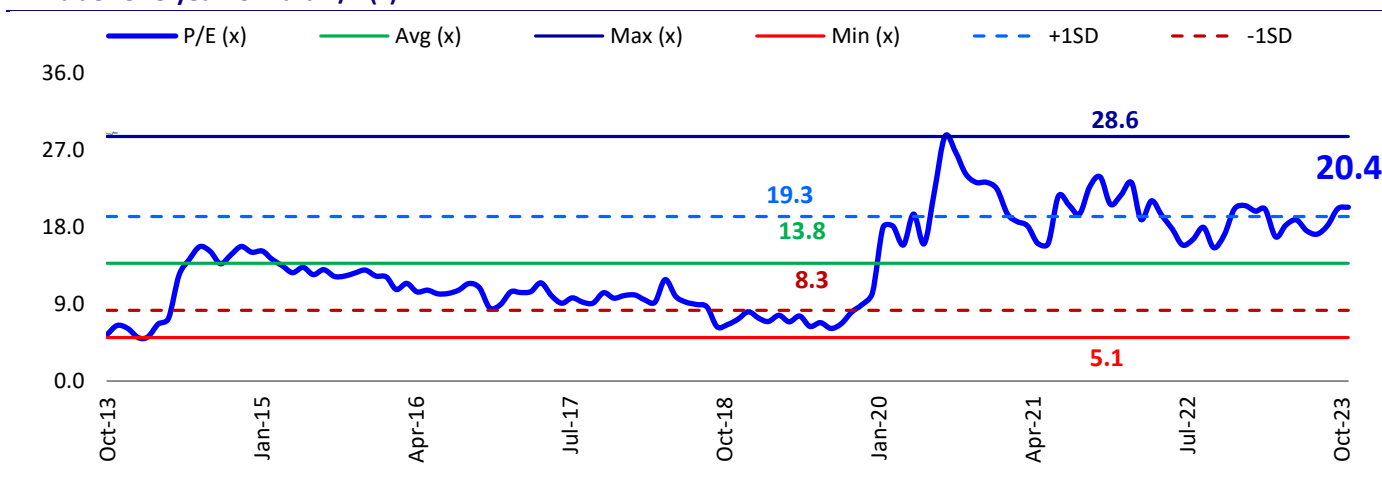
INR m	Old		New		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	73,514	81,128	73,514	81,128	0.0%	0.0%
EBITDA	35,553	38,738	35,553	38,738	0.0%	0.0%
EBITDA margin	48.4%	47.7%	48.4%	47.7%	0	0
Adj. PAT	8,985	9,926	8,922	10,202	-0.7%	2.8%

Exhibit 7: SOTP-based target price stands at INR33

Particulars	INR m	Per share (INR)
Standalone		
FY25E Core PAT	11,590	
Target PE multiple	12.0	
Standalone valuation	1,39,083	23
Asset business		
Other Assets	56,046	10
Total	1,95,129	33

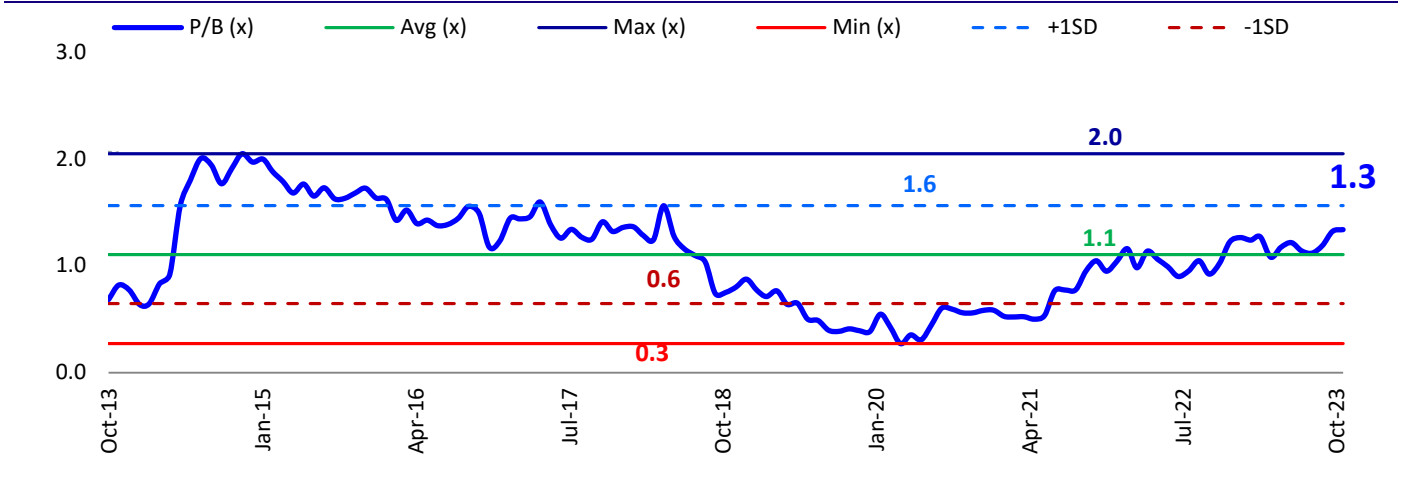
Source: MOFSL, Company

Exhibit 8: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 9: One-year forward P/B (x)



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	
Total Income from Operations	67,070	68,522	52,986	58,037	64,016	73,514	81,128	
Change (%)	17.8	2.2	-22.7	9.5	10.3	14.8	10.4	
EBITDA	29,373	29,714	25,127	27,975	32,290	35,553	38,738	
Margin (%)	43.8	43.4	47.4	48.2	50.4	48.4	47.7	
Depreciation	5,395	4,683	5,817	6,828	8,321	9,193	10,513	
EBIT	23,978	25,031	19,310	21,147	23,968	26,360	28,225	
Int. and Finance Charges	11,201	15,644	16,924	18,906	15,146	15,766	16,130	
Other Income	1,956	1,950	1,889	5,517	3,017	4,135	3,773	
PBT bef. EO Exp.	14,733	11,337	4,274	7,758	11,839	14,729	15,868	
EO Items	0	574	0	0	0	0	0	
PBT after EO Exp.	14,733	11,911	4,274	7,758	11,839	14,729	15,868	
Total Tax	6,234	4,544	1,445	1,882	3,569	4,202	4,703	
Tax Rate (%)	42.3	38.1	33.8	24.3	30.1	28.5	29.6	
Minority Interest/Associate income	0	-158	-1,658	-2,262	-1,070	-1,605	-963	
Reported PAT	8,500	7,209	1,172	3,614	7,200	8,922	10,202	
Adjusted PAT	8,500	6,635	1,172	3,614	7,200	8,922	10,202	
Change (%)	7.2	-21.9	-82.3	208.5	99.2	23.9	14.4	
Margin (%)	12.7	9.7	2.2	6.2	11.2	12.1	12.6	

Consolidated Balance Sheet							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	
Equity Share Capital	3,515	3,515	3,515	6,039	6,039	6,039	6,039	
Total Reserves	59,637	63,314	65,493	1,19,617	1,27,750	1,34,490	1,42,511	
Net Worth	63,151	66,829	69,008	1,25,656	1,33,789	1,40,529	1,48,550	
Minority Interest	0	0	0	0	0	0	0	
Total Loans	1,54,009	75,709	1,66,640	1,66,853	1,67,397	1,69,910	1,72,343	
Deferred Tax Liabilities	-1,351	-570	-687	-435	637	637	637	
Capital Employed	2,15,809	1,41,968	2,34,962	2,92,074	3,01,823	3,11,076	3,21,531	
Gross Block	3,47,320	2,99,277	3,02,110	3,07,928	3,08,339	3,13,130	3,13,630	
Less: Accum. Deprn.	17,889	22,572	28,389	35,217	43,538	53,073	63,585	
Net Fixed Assets	3,29,432	2,76,705	2,73,721	2,72,711	2,64,801	2,60,057	2,50,045	
Capital WIP	37,966	4,030	4,030	625	75	433	433	
Total Investments	6,454	41,459	47,989	49,042	51,409	53,937	59,474	
Curr. Assets, Loans and Adv.	29,436	76,091	85,285	1,01,999	1,10,739	1,19,645	1,35,897	
Inventory	4,425	3,314	3,217	3,175	2,990	4,421	4,955	
Account Receivables	1,135	4,408	5,879	15,934	16,352	11,978	13,427	
Cash and Bank Balance	15,603	22,707	23,390	17,438	24,171	37,798	46,010	
Loans and Advances and CA	8,273	45,663	52,799	65,451	67,226	65,448	71,505	
Curr. Liability and Prov.	1,87,478	2,56,317	1,76,064	1,32,303	1,25,202	1,22,996	1,24,318	
Other Current Liabilities	1,86,611	2,55,800	1,75,562	1,31,707	1,24,630	1,22,424	1,23,746	
Provisions	867	517	502	596	572	572	572	
Net Current Assets	-1,58,042	-1,80,226	-90,780	-30,305	-14,463	-3,351	11,579	
Appl. of Funds	2,15,809	1,41,968	2,34,961	2,92,074	3,01,823	3,11,076	3,21,531	

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	2.4	1.9	0.3	0.6	1.2	1.5	1.7
Cash EPS	4.0	3.2	2.0	1.7	2.6	3.0	3.4
BV/Share	18.0	19.0	19.6	20.8	22.2	23.3	24.6
DPS	0.3	0.5	0.0	0.0	0.0	0.3	0.3
Payout (%)	12.4	29.3	0.0	0.0	10.5	24.4	21.4
Valuation (x)							
P/E	14.1	18.0	102.0	56.8	28.5	23.0	20.1
Cash P/E	8.6	10.6	17.1	19.7	13.2	11.3	9.9
P/BV	1.9	1.8	1.7	1.6	1.5	1.5	1.4
EV/Sales	3.8	2.5	5.0	6.1	5.4	4.6	4.1
EV/EBITDA	8.8	5.8	10.5	12.7	10.8	9.5	8.6
Dividend Yield (%)	0.7	1.5	0.0	0.0	0.0	0.9	0.9
FCF per share	-6.9	39.0	-19.3	-7.1	2.9	4.8	4.4
Return Ratios (%)							
RoE	14.2	10.2	1.7	3.7	5.5	6.5	7.1
RoCE	10.5	12.0	9.0	8.1	7.3	8.0	8.1
RoIC	11.0	13.5	11.0	8.3	7.4	8.5	9.1
Leverage Ratio (x)							
Interest Coverage Ratio	2.1	1.6	1.1	1.1	1.6	1.7	1.7
Net Debt/Equity	2.2	0.8	2.1	1.2	1.1	0.9	0.9

Consolidated Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
(INR m)							
OP/(Loss) before Tax	14,733	11,337	4,274	7,758	10,770	14,729	15,868
Depreciation	5,395	4,683	5,817	6,828	8,321	9,193	10,513
Interest and Finance Charges	11,201	15,644	16,924	18,906	13,109	15,766	16,130
Direct Taxes Paid	-6,234	-4,544	-1,445	-1,882	-2,020	-4,202	-4,703
(Inc.)/Dec. in WC	-42,433	30,008	-90,047	-73,115	-12,999	2,515	-6,718
CF from Operations	-17,338	57,128	-64,476	-41,505	17,180	38,001	31,090
Others	-1,956	-1,376	-1,889	-5,517	461	-4,135	-3,773
CF from Operations incl. EO	-19,294	55,752	-66,365	-47,023	17,641	33,866	27,317
(Inc.)/Dec. in FA	-5,038	81,260	-1,550	4,277	99	-4,807	-500
Free Cash Flow	-24,331	1,37,012	-67,915	-42,746	17,740	29,059	26,817
(Pur.)/Sale of Investments	3,001	-35,005	-8,189	-3,315	-4,385	-4,133	-6,500
Others	1,956	1,950	1,889	5,517	1,982	4,135	3,773
CF from Investments	-80	48,204	-7,849	6,479	-2,303	-4,805	-3,227
Issue of Shares	0	0	0	53,466	0	0	0
Inc./(Dec.) in Debt	33,918	-78,300	90,932	212	4,475	2,513	2,434
Interest Paid	-11,201	-15,644	-16,924	-18,906	-12,279	-15,766	-16,130
Dividend Paid	-1,058	-2,116	0	0	-755	-2,181	-2,181
Others	639	-793	890	-180	-46	0	0
CF from Fin. Activity	22,299	-96,852	74,897	34,592	-8,605	-15,435	-15,878
Inc./Dec. in Cash	2,925	7,104	683	-5,951	6,733	13,626	8,212
Opening Balance	12,678	15,603	22,707	23,390	17,438	24,171	37,798
Closing Balance	15,603	22,707	23,390	17,438	24,171	37,798	46,010

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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