

India

HOLD (previously ADD)

Consensus ratings*: Buy 7 Hold 2 Sell 0

Current price:	Rs29
Target price: ▲	Rs30
Previous target:	Rs29
Up/downside:	3.4%
InCred Research / Consensus:	9.1%

Reuters:	
Bloomberg:	IRB IN
Market cap:	US\$2,399m
	Rs174,225m
Average daily turnover:	US\$13.3m
	Rs967.4m
Current shares o/s:	351.5m
Free float:	66.0%
*Source: Bloomberg	

Key changes in this note

- Reduce FY24F EBITDA by 8% and introduce FY25F estimates.
- Roll forward target price to Mar 2024F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.3	(0.1)	35.4
Relative (%)	4.6	(3.3)	19.1

Major shareholders

	% held
Promoter and Promoter Group	34.0
Cintra Investments	24.9
Bricklayers Investment	16.9

Analyst(s)



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IRB Infrastructure Developers Ltd

Steady 4Q; stock trades at fair valuation

- Strong order book (OB) cover augurs well. Toll income in 4QFY23 was driven by tariff hikes by the private InvIT
- Raise our target price to Rs30 from Rs29 earlier. Downgrade our rating on the stock to HOLD. We valued the EPC business at 4x FY25F EV/EBITDA.

Strong order book cover (including O&M projects) augurs well

IRB Infrastructure Developers' (IRB Infra) EPC sales (Rs11.5bn) in 4QFY23 rose by 15% yoy. While the EPC order book or OB-to-sales ratio was just 2.3x (vs. 2.7x in Mar 2022), IRB Infra has operations & maintenance (O&M) contracts worth ~Rs250bn after winning the Hyderabad ORR TOT project in May 2023. We believe that O&M contracts can provide Rs10-15bn revenue p.a. The EPC OB (Rs88bn) is likely to be completely operational in FY24F as the appointment date for the Rs66bn Ganga Expressway project was received in Oct 2022. IRB Infra's equity requirement is Rs26bn (Rs10.8bn for Ganga Expressway and Rs15bn for Hyderabad ORR TOT). The company's EPC OB-to-sales ratio is lower than the industry average (2.8x). We forecast a 13% EPC sales CAGR over FY23-25F (vs. -7% CAGR over FY20-23). We expect the EPC OB/sales ratio at 1.7x in FY25F.

Toll income driven by tariff hikes of private InvIT

IRB Infra's (ex-InvITs) toll revenue (Rs5.3bn) increased 11% yoy (Mumbai-Pune: 8% yoy, Ahmedabad-Vadodara: 19% yoy). Private InvIT's (IRB Infra has a 51% stake) toll revenue (Rs5.1bn) grew by 1%/ 34% qoq/ yoy as IRB Infra achieved full COD for all projects during the year. Public InvIT's (IRB Infra has a 16% stake) toll income (ex-Bharuch – Surat and Surat – Dahisar whose concessions ended in FY22) was at Rs2.3bn (up 11% yoy).

Leveraging balance sheet strength to take up TOT project

In May 2023, IRB Infra received the tolling, operation, transfer (TOT) of Hyderabad Outer Ring Road (ORR) project for 30 years. This is an eight-lane 158km expressway with 22 toll plazas. IRB Infra will pay an upfront concession fee of Rs73.8bn. The project has been operational since Dec 2012. IRB Infra plans to implement this project through its associate company (private InvIT). Toll collections stood at Rs5.4bn in FY23, growing at a 15% CAGR over the last four years. Around 60% of the toll collections were from cars/light commercial vehicles. IRB Infra expects equity internal rate of return or IRR of 16%.

Roll forward target price to Mar 2024F; downgrade rating to HOLD

We reduce our FY24F EBITDA by 8% and introduce FY25F estimates. We roll forward our valuation to Mar 2024F, valuing the EPC business at 4x FY25F EV/EBITDA. We have valued IRBIF projects at 1x P/BV, IRB Infra's stake in IRB InvIT at the current market price and IRB Infra's BOT projects using DCF method. We downgraded the stock to HOLD (ADD earlier) with a new TP of Rs30 (from Rs29 earlier). Strong order wins (vs. our est. of Rs30bn in FY24F) is an upside risk while capex overrun in BOT projects is a downside risk.

Financial Summary

	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	52,986	58,037	59,246	71,246	75,862
Operating EBITDA (Rsm)	25,127	27,975	28,020	36,634	39,134
Net Profit (Rsm)	1,171	3,614	7,200	8,182	11,533
Core EPS (Rs)	0.7	1.2	0.8	1.4	1.9
Core EPS Growth	(49.8%)	58.7%	(27.2%)	60.8%	41.0%
FD Core P/E (x)	39.56	24.93	34.24	21.29	15.11
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	8.59	8.72	9.70	6.72	5.77
P/FCFE (x)	13.90	(2.69)	27.02	15.33	11.99
Net Gearing	235.4%	123.6%	111.4%	92.7%	72.4%
P/BV (x)	1.47	1.39	1.30	1.23	1.13
ROE	3.8%	5.7%	3.9%	5.9%	7.8%
% Change In Core EPS Estimates					(95.80%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Steady 4Q; stock trades at fair valuation

Figure 1: Consolidated financials

(Rs. m)	4QFY23	4QFY22	% Chg	3QFY23	% Chg
Net Sales	16,200	14,336	13	15,141	7
EBITDA	7,587	8,016	-5	7,444	2
Other income	789	791	0	560	41
Depreciation	2,221	1,889	18	2,150	3
Interest	3,725	3,871	-4	3,659	2
Extra ordinary income	-5	-15		-8	
Tax	756	683		650	
Minority Interest	368	604		125	
PAT	1,302	1,745	-25	1,411	
Adjusted PAT	1,307	1,760	-26	1,419	-8
EBITDA margin (%)	47	56	-	49	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental break-up

(Rs m)	4QFY23	4QFY22	% chg	3QFY23	%chg
Sales incl. other income	16,989	15,127	12	15,702	8
EPC	11,514	10,027	15	10,165	13
BOT	5,475	5,101	7	5,537	-1
PBITDA	8,377	8,807	-5	8,007	5
EPC	3,325	4,168	-20	2,910	14
BOT	5,052	4,639	9	5,097	-1
% PBITDA margin	49	58		51	
EPC	29	42		29	
BOT	92	91		92	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Toll collection performance

(Rs m)	4QFY23	QoQ growth	YoY growth
Mumbai - Pune	3,605	-2	8
Ahmedabad Vadodara	1,706	0	19
Total IRB Projects	5,311	-2	11
Private InvIT (IRB has 51% stake)	5,134	1	34
Public InvIT (IRB has 16% stake)	2,307	0	11
Grand Total	12,752	0	19

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Order book

(Rs bn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23
EPC - Order book	105	95	88	79	88
OB/ TTM sales (x)	2.7	2.6	2.5	2.1	2.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Key EPC segment financials

(Rs bn)	FY20	FY21	FY22	FY23	FY24F	FY25F
Closing OB	120	146	161	206	334	345
Closing EPC OB	47	77	105	88	72	83
Order Flow		63	54	84	175	60
Sales	51	37	39	39	46	49
yoy growth %		(27)	6	(2)	20	6
OB/ TTM sales (x)	2.3	3.9	4.1	5.3	7.2	7.0
EPC OB/ TTM Sales (x)	0.9	2.1	2.7	2.3	1.6	1.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Earnings revision summary

(Rs m)	FY24F		FY25F
	Old	New	
Sales	86,097	71,246	75,862
% change		(17)	
EBITDA	39,925	36,634	39,134
% change		(8)	
PAT	19,474	10,892	15,226
% change		(44)	

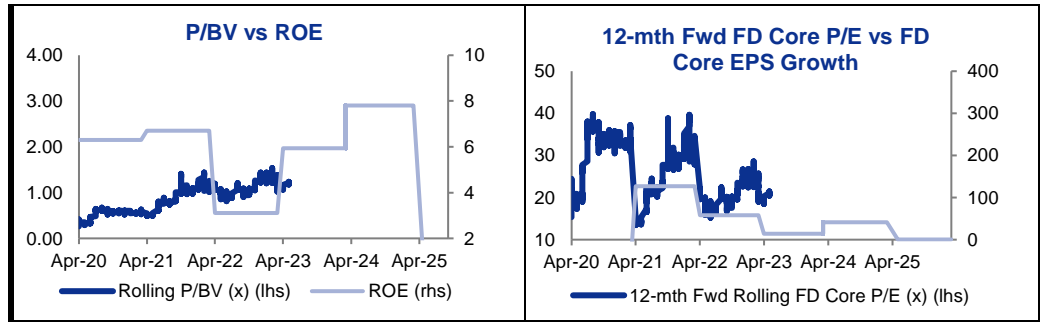
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: SOTP-based target price

	(Rs bn)	(Rs/ share)	Comments
IRBIF Equity valuation (51% stake)	49	8.1	Implied valuation of 1x PBV
IRB BOT projects Equity value	76	12.5	DCF
IRB's stake in IRB InvIT (public InvIT)	8	1.3	Valued at current market price
EPC segment's EV	59	9.8	Valued at 4x EV/EBITDA FY25F
Claims from NHAI filed by IRBIF	26	4.2	Valued at 50% of claim amount
Net Debt ex BOT	(33)	(5.5)	
Target valuation	184	30.4	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Net Revenues	52,986	58,037	59,246	71,246	75,862
Gross Profit	31,368	34,252	34,792	42,747	45,517
Operating EBITDA	25,127	27,975	28,020	36,634	39,134
Depreciation And Amortisation	(5,817)	(6,828)	(8,321)	(10,173)	(10,686)
Operating EBIT	19,310	21,147	19,699	26,461	28,449
Financial Income/(Expense)	(13,586)	(12,740)	(12,087)	(16,422)	(14,773)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,724	8,408	7,612	10,039	13,675
Exceptional Items	(3,107)	(2,911)	3,157		
Pre-tax Profit	2,616	5,496	10,769	10,039	13,675
Taxation	(1,445)	(1,882)	(3,569)	(2,711)	(3,692)
Exceptional Income - post-tax					
Profit After Tax	1,171	3,614	7,200	7,328	9,983
Minority Interests				854	1,550
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,171	3,614	7,200	8,182	11,533
Recurring Net Profit	2,563	5,528	5,089	8,182	11,533
Fully Diluted Recurring Net Profit	2,563	5,528	5,089	8,182	11,533

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
EBITDA	25,127	27,975	28,020	36,634	39,134
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(6,424)	(30,828)	118	8,713	(1,233)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(3,107)	(2,911)	3,157		
Other Operating Cashflow					
Net Interest (Paid)/Received	(13,586)	(12,740)	(12,087)	(16,422)	(14,773)
Tax Paid	(1,862)	(1,782)	(2,500)		
Cashflow From Operations	147	(20,286)	16,708	28,925	23,128
Capex	(80,329)	(16,852)	(8,436)	(1,197)	(577)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6,531)	(1,053)	(2,367)	(8,344)	
Cash Flow From Investing	(86,859)	(17,905)	(10,804)	(9,541)	(577)
Debt Raised/(repaid)	94,010	(13,092)	544	(8,021)	(8,021)
Proceeds From Issue Of Shares		53,500			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(6,614)	(8,169)	(2,602)	(1,923)	(2,037)
Cash Flow From Financing	87,395	32,239	(2,058)	(9,944)	(10,058)
Total Cash Generated	683	(5,951)	3,847	9,440	12,493
Free Cashflow To Equity	7,297	(51,282)	6,449	11,363	14,530
Free Cashflow To Firm	(71,238)	(19,934)	21,009	37,831	40,116

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Total Cash And Equivalents	23,390	17,438	24,171	33,677	46,065
Total Debtors	14,119	15,934	17,694	15,000	15,972
Inventories	3,217	3,175	2,990	3,596	3,829
Total Other Current Assets	2,546	15,582	15,360	18,471	19,668
Total Current Assets	43,271	52,130	60,215	70,743	85,533
Fixed Assets	144,287	154,312	154,427	145,450	135,342
Total Investments	47,989	49,042	51,409	59,754	59,754
Intangible Assets					
Total Other Non-Current Assets	42,725	51,158	51,158	51,158	51,158
Total Non-current Assets	235,002	254,512	256,994	256,362	246,253
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	7,146	3,817	5,022	6,040	6,431
Other Current Liabilities	16,274	3,585	3,851	12,569	13,346
Total Current Liabilities	23,420	7,402	8,873	18,608	19,777
Total Long-term Debt	185,821	172,729	173,273	165,252	157,231
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	185,821	172,729	173,273	165,252	157,231
Total Provisions	24	854	1,274	1,274	1,274
Total Liabilities	209,265	180,985	183,420	185,134	178,282
Shareholders Equity	69,008	125,656	133,789	141,971	153,504
Minority Interests					
Total Equity	69,008	125,656	133,789	141,971	153,504

Key Ratios					
	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue Growth	(22.7%)	9.5%	2.1%	20.3%	6.5%
Operating EBITDA Growth	(15.4%)	11.3%	0.2%	30.7%	6.8%
Operating EBITDA Margin	47.4%	48.2%	47.3%	51.4%	51.6%
Net Cash Per Share (Rs)	(46.22)	(25.71)	(24.69)	(21.79)	(18.41)
BVPS (Rs)	19.64	20.81	22.15	23.51	25.42
Gross Interest Cover	1.25	1.16	1.30	1.43	1.62
Effective Tax Rate	55.2%	34.2%	33.1%	27.0%	27.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	88.31	94.50	103.59	83.75	74.51
Inventory Days	55.13	49.04	46.00	42.17	44.65
Accounts Payables Days	123.13	84.12	65.97	70.84	75.00
ROIC (%)	20.4%	11.5%	8.5%	11.4%	13.2%
ROCE (%)	10.3%	9.6%	7.5%	9.2%	10.1%
Return On Average Assets	7.7%	6.6%	5.2%	7.4%	7.5%

Key Drivers					
	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Outstanding Orderbook	77,488	104,595	88,049	71,816	82,743
Sales grth (%)	(22.7%)	9.5%	2.1%	20.3%	6.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
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