



India

ADD (previously HOLD)

Consensus ratings*: Buy 5 Hold 3 Sell 0

Current price:	Rs26
Target price:	Rs30
Previous target:	Rs30
Up/downside:	15.4%
InCred Research / Consensus:	9.5%
Reuters:	IRBI.NS
Bloomberg:	IRB IN
Market cap:	US\$1,942m
	Rs159,732m
Average daily turnover:	US\$5.1m
	Rs418.3m
Current shares o/s:	351.5m
Free float:	66.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(1.5)	(3.5)	21.2
Relative (%)	(4.2)	(11.3)	5.9

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

Analyst(s)



Rajarshi MAITRA

T (91) 22 4161 1546

E rajarshi.maitra@incredcapital.com

Parth THAKKAR

T (022) 22 4161 0000

E parth.thakkar@incredcapital.com

IRB Infrastructure Developers Ltd

Steady 1Q; upgrade rating to ADD

- IRB Infrastructure's strong order book (OB) cover augurs well. Toll income in 1QFY24 was driven by tariff hikes by private InvIT and Mumbai-Pune projects.
- Maintain our estimates and target price (Rs30). Upgrade our rating on the stock to ADD (from HOLD) after the 10% decline in its price in the last three months.

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

IRB Infrastructure's (IRB Infra) EPC sales (Rs11.3bn) in 1QFY24 rose by 8% yoy. PAT (Rs1.3bn) was dented by a one-off loss in private InvIT of Rs250m (IRB Infra's share). While the EPC OB-to-sales ratio was at 2.2x (Mar 2023), IRB Infra has operations & maintenance (O&M) contracts worth ~Rs253bn after winning the Hyderabad outer ring road (ORR) toll operate and transfer (TOT) project in May 2023 (O&M value at Rs145bn). We believe that O&M contracts can provide Rs10-15bn revenue per annum. The EPC OB (Rs84bn) is likely to be under the construction phase 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). We forecast a 13% EPC sales CAGR over FY23-25F (vs. -7% CAGR over FY20-23). We expect the EPC OB/sales ratio to be at 1.7x in FY25F.

Toll income driven by tariff hike by pvt InvIT & Mumbai-Pune projects

IRB Infra's (ex-InvIT) toll revenue (Rs6bn) increased by 15% yoy (Mumbai-Pune: 18% yoy driven by a 18% tariff hike in Apr 2023, Ahmedabad-Vadodara: 10% yoy). Private InvIT's (IRB Infra has a 51% stake) toll revenue (Rs5.4bn) grew by 26% yoy as IRB Infra commenced operations fully at all projects during the year. Public InvIT's (IRB Infra has a 16% stake) toll income (ex-Bharuch – Surat and Surat – Dahisar projects) was at Rs2.5bn (up 8% yoy).

Leveraging balance sheet strength to take up TOT project

In May 2023, IRB Infra received the tolling, operation, transfer (TOT) of the 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%.

Maintain estimates and target price (Rs30.4); Upgrade rating to ADD

We maintain our estimates and the target price (Rs30), upgrading our rating on the stock to ADD (from HOLD) after the 10% decline in its price in the last three months. We value the EPC business at 4x FY25F EV/EBITDA, 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 the discounted cash flow or DCF method. 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	7,723	10,590
Core EPS (Rs)	0.7	1.2	0.8	1.3	1.8
Core EPS Growth	(49.8%)	58.7%	(27.2%)	51.7%	37.1%
FD Core P/E (x)	36.27	22.85	31.39	20.68	15.08
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)	8.25	8.31	9.19	6.33	5.43
P/FCFE (x)	12.74	(2.46)	24.77	(23.53)	12.07
Net Gearing	235.4%	123.6%	111.4%	105.7%	85.5%
P/BV (x)	1.35	1.27	1.19	1.13	1.05
ROE	3.8%	5.7%	3.9%	5.6%	7.2%
% Change In Core EPS Estimates				(5.62%)	(8.18%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Steady 1Q; upgrade rating to ADD

Figure 1: Consolidated financials

(Rs. m)	1QFY24	1QFY23	% Chg	4QFY23	% Chg
Net Sales	16,342	15,066	8	16,200	1
EBITDA	7,778	6,926	12	7,587	3
Other income	1,112	708	57	789	41
Depreciation	2,367	2,031	17	2,221	7
Interest	3,815	3,838	-1	3,725	2
Extraordinary income	0	2,677		-5	
Tax	836	477		756	
Minority Interest	535	334		368	
PAT	1,338	3,632	-63	1,302	
Adjusted PAT	1,338	954	40	1,307	2
EBITDA margin (%)	47.6	46.0	-	46.8	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental break-up

(Rs m)	1QFY24	1QFY23	% chg	4QFY23	%chg
Sales incl. other income	17,455	15,774	11	16,989	3
EPC	11,329	10,500	8	11,514	-2
BOT	6,126	5,274	16	5,475	12
PBITDA	8,891	7,635	16	8,377	6
EPC	3,433	2,790	23	3,325	3
BOT	5,458	4,845	13	5,052	8
% PBITDA margin	51	48		49	
EPC	30	27		29	
BOT	89	92		92	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Toll collection performance

(Rs m)	1QFY24	QoQ growth	YoY growth
Mumbai - Pune	4,238	18	18
Ahmedabad-Vadodara	1,725	1	10
Total IRB Projects	5,963	12	15
Private InvIT (IRB has 51% stake)	5,397	5	26
Public InvIT (IRB has 16% stake)	2,523	9	-30
Grand Total	13,883	9	6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Order book

(Rs bn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
EPC - Order book	95	88	79	88	84
EPC OB/ TTM sales (x)	2.6	2.5	2.1	2.3	2.2
Total Order book	157	201	191	206	337
Total OB/ TTM sales (x)	4.3	5.7	5.1	5.3	8.6

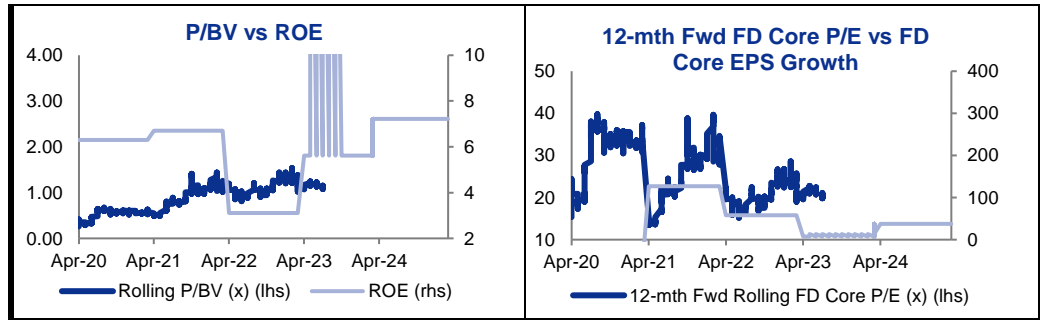
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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
EBITDA margin %	26	24	25	22	30	30

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)	(17,051)	(16,065)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,724	8,408	7,612	9,410	12,384
Exceptional Items	(3,107)	(2,911)	3,157		
Pre-tax Profit	2,616	5,496	10,769	9,410	12,384
Taxation	(1,445)	(1,882)	(3,569)	(2,541)	(3,344)
Exceptional Income - post-tax					
Profit After Tax	1,171	3,614	7,200	6,869	9,040
Minority Interests				854	1,550
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,171	3,614	7,200	7,723	10,590
Recurring Net Profit	2,563	5,528	5,089	7,723	10,590
Fully Diluted Recurring Net Profit	2,563	5,528	5,089	7,723	10,590

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)	(17,051)	(16,065)
Tax Paid	(1,862)	(1,782)	(2,500)		
Cashflow From Operations	147	(20,286)	16,708	28,296	21,837
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)	(25,867)	
Cash Flow From Investing	(86,859)	(17,905)	(10,804)	(27,064)	(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	(8,713)	11,201
Free Cashflow To Equity	7,297	(51,282)	6,449	(6,790)	13,238
Free Cashflow To Firm	(71,238)	(19,934)	21,009	19,678	38,824

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	15,694	27,139
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	52,761	66,607
Fixed Assets	144,287	154,312	154,427	145,450	135,342
Total Investments	47,989	49,042	51,409	77,277	77,277
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	273,885	263,776
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	141,512	152,102
Minority Interests					
Total Equity	69,008	125,656	133,789	141,512	152,102

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)	(24.77)	(21.54)
BVPS (Rs)	19.64	20.81	22.15	23.43	25.19
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%	9.0%	9.7%
Return On Average Assets	7.7%	6.6%	5.2%	7.4%	7.6%

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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