



India

HOLD (previously ADD)

Consensus ratings*: Buy 6 Hold 2 Sell 0

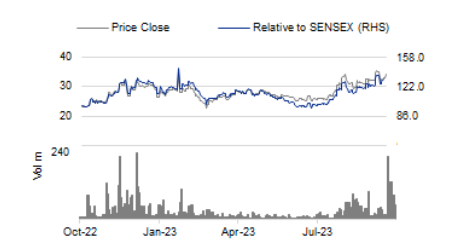
Current price:	Rs34
Target price: ▲	Rs34
Previous target:	Rs30
Up/downside:	0.0%
InCred Research / Consensus:	-2.0%

Reuters:	IRBI.NS
Bloomberg:	IRB IN
Market cap:	US\$2,481m
	Rs206,534m
Average daily turnover:	US\$8.6m
	Rs718.6m
Current shares o/s:	351.5m
Free float:	66.0%

*Source: Bloomberg

Key changes in this note

- Raise the target price to Rs34 from Rs30 earlier.
- Downgrade the stock to HOLD after a 29% rise in its price in the last three months.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.2	29.3	46.3
Relative (%)	11.1	34.2	38.6

Major shareholders

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

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IRB Infrastructure Developers Ltd

Strong 2Q but fully valued; downgrade to HOLD

- IRB Infrastructure's strong order book (OB) cover augurs well. Toll income in 2QFY24 was driven by tariff hikes by private InvIT and Mumbai-Pune projects.
- We raise our target price to Rs34 (from Rs30). However, we downgrade the stock to HOLD (from ADD) after a 29% rise in its price in the last three months.

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

EPC sales (Rs 12.9bn) in 2QFY24 rose by 36% yoy. Post 2QFY24, IRB Infra has won a toll operate transfer (TOT) project, which will add Rs6bn to its EPC order book or OB and Rs33bn to its operations & maintenance (O&M) OB. Including this order, the EPC OB-to-sales ratio is at 1.9x and the O&M OB at Rs284bn. We believe that O&M contracts can provide ~Rs15bn revenue per annum. The EPC OB (Rs82bn) is likely to be under the construction phase in FY24F-25F, as the appointment date for the Rs66bn Ganga Expressway project was received in Oct 2022. IRB Infra's equity requirement is Rs38bn (Rs10.8bn for Ganga Expressway, Rs27bn TOT projects). We forecast a 17% EPC sales CAGR over FY23-25F (vs -7% CAGR over FY20-23).

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

IRB Infra's (ex-InvIT) toll revenue (Rs5.8bn) increased by 20% yoy (Mumbai-Pune: 23% yoy, driven by a 18% tariff hike in Apr 2023, Ahmedabad-Vadodara: 13% yoy). Private InvIT's (IRB Infra has a 51% stake) toll revenue (Rs4.9bn) grew by 9% yoy. Public InvIT's (IRB Infra has a 16% stake) toll income (Rs2.6bn) rose 28% yoy.

Leveraging balance sheet strength to take up TOT projects

In May 2023, IRB Infra received the 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%. Further, post 2QFY24, IRB Infra has received the TOT of the Rs44bn and 316km (four-lane) Lalitpur-Lakhnadon project in Madhya Pradesh and Uttar Pradesh for 20 years.

Raise target price to Rs34 but downgrade the rating to HOLD

We marginally increase our estimates and raise the target price to Rs34 (Rs30 earlier), valuing the EPC vertical at 5x FY25F EV/EBITDA (4x earlier) considering the strong order book. However, we have downgraded the stock to HOLD (from ADD) after a 29% rise in its price in the last three months. We value the 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 and strong order wins is an upside risk.

Financial Summary

	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	52,986	58,037	59,246	73,839	79,546
Operating EBITDA (Rsm)	25,127	27,975	28,020	36,650	39,443
Net Profit (Rsm)	1,171	3,614	7,200	8,363	11,353
Core EPS (Rs)	0.7	1.2	0.8	1.4	1.9
Core EPS Growth	(49.8%)	58.7%	(27.2%)	64.3%	35.7%
FD Core P/E (x)	46.90	29.55	40.58	24.70	18.19
DPS (Rs)	0.0	0.0	0.2	0.2	0.2
Dividend Yield	0.00%	0.00%	0.66%	0.66%	0.66%
EV/EBITDA (x)	9.34	9.64	11.04	7.61	6.60
P/FCFE (x)	16.47	(3.19)	182.95	236.34	13.67
Net Gearing	235.4%	123.6%	115.3%	106.3%	87.0%
P/BV (x)	1.74	1.64	1.54	1.47	1.37
ROE	3.8%	5.7%	3.9%	6.1%	7.8%
% Change In Core EPS Estimates				8.29%	7.20%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Strong 2Q but fully valued; downgrade to HOLD

Figure 1: Consolidated financials

(Rs. m)	2QFY24	2QFY23	% Chg	1QFY24	% Chg
Net Sales	17,450	12,840	36	16,342	7
EBITDA	7,946	6,061	31	7,778	2
Other income	1,295	959	35	1,112	16
Depreciation	2,327	1,919	21	2,367	-2
Interest	4,346	3,881	12	3,815	14
Extraordinary income	0	353		0	
Tax	858	476		836	
Minority Interest	753	244		535	
PAT	957	853	12	1,338	
Adjusted PAT	957	500	91	1,338	-28
EBITDA margin (%)	45.5	47.2	-	47.6	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental break-up

(Rs m)	2QFY24	2QFY23	% chg	1QFY24	%chg
Sales incl. other income	18,745	13,798	36	17,455	7
EPC	12,862	9,444	36	11,329	14
BOT	5,883	4,354	35	6,126	-4
PBITDA	9,241	7,020	32	8,891	4
EPC	4,053	3,113	30	3,433	18
BOT	5,188	3,907	33	5,458	-5
% PBITDA margin	49	51		51	
EPC	32	33		30	
BOT	88	90		89	

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Toll collection performance

(Rs m)	2QFY24	QoQ growth	YoY growth
Mumbai - Pune	4,105	-3	23
Ahmedabad-Vadodara	1,648	-4	13
Total IRB Projects	5,753	-4	20
Private InvIT (IRB has 51% stake)	4,938	-9	9
Public InvIT (IRB has 16% stake)	2,648	-8	28
Grand Total	13,339	-6	17

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Order book

(Rs bn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
EPC - Order book	88	79	88	84	76
EPC OB/ TTM sales (x)	2.5	2.1	2.3	2.2	1.8
Total Order book	201	191	206	337	327
Total OB/ TTM sales (x)	5.7	5.1	5.3	8.6	7.8

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	342	349
Closing EPC OB	47	77	105	88	79	86
Order Flow		63	54	84	185	60
Sales	51	37	39	39	49	53
yoy growth %		(27)	6	(2)	27	8
OB/ TTM sales (x)	2.3	3.9	4.1	5.3	7.0	6.6
EPC OB/ TTM Sales (x)	0.9	2.1	2.7	2.3	1.6	1.6
EBITDA margin %	26	24	25	22	30	30

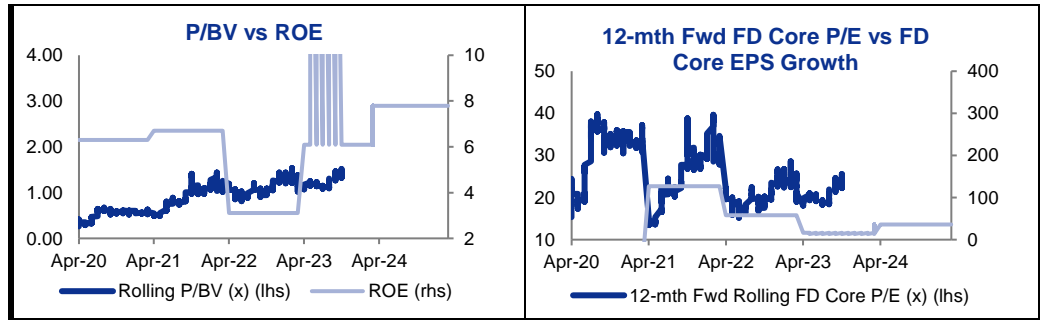
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Earnings revision

(Rs m)	FY24F		FY25F	
	Old	New	Old	New
Sales	71,246	73,839	75,862	79,546
% change		4		5
EBITDA	36,634	36,650	39,134	39,443
% change		0		1
PAT	7,723	8,363	10,590	11,353
% change		8		7

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	73,839	79,546
Gross Profit	31,368	34,252	34,792	44,303	47,728
Operating EBITDA	25,127	27,975	28,020	36,650	39,443
Depreciation And Amortisation	(5,817)	(6,828)	(8,321)	(10,611)	(11,154)
Operating EBIT	19,310	21,147	19,699	26,039	28,289
Financial Income/(Expense)	(13,586)	(12,740)	(12,087)	(15,312)	(14,287)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,724	8,408	7,612	10,728	14,003
Exceptional Items	(3,107)	(2,911)	3,157		
Pre-tax Profit	2,616	5,496	10,769	10,728	14,003
Taxation	(1,445)	(1,882)	(3,569)	(3,218)	(4,201)
Exceptional Income - post-tax					
Profit After Tax	1,171	3,614	7,200	7,509	9,802
Minority Interests				854	1,550
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,171	3,614	7,200	8,363	11,353
Recurring Net Profit	2,563	5,528	5,089	8,363	11,353
Fully Diluted Recurring Net Profit	2,563	5,528	5,089	8,363	11,353

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
EBITDA	25,127	27,975	28,020	36,650	39,443
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(6,424)	(30,828)	(11,964)	13,581	(2,028)
(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)	(15,312)	(14,287)
Tax Paid	(1,862)	(1,782)	(2,500)		
Cashflow From Operations	147	(20,286)	4,626	34,919	23,128
Capex	(80,329)	(16,852)	(6,847)	(731)	(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)	(9,214)	(26,598)	(577)
Debt Raised/(repaid)	94,010	(13,092)	5,717	(7,447)	(7,447)
Proceeds From Issue Of Shares		53,500			
Shares Repurchased					
Dividends Paid			(1,359)	(1,359)	(1,359)
Preferred Dividends					
Other Financing Cashflow	(6,614)	(8,169)	6,963	(2,273)	(2,435)
Cash Flow From Financing	87,395	32,239	11,321	(11,079)	(11,240)
Total Cash Generated	683	(5,951)	6,733	(2,758)	11,311
Free Cashflow To Equity	7,297	(51,282)	1,129	874	15,105
Free Cashflow To Firm	(71,238)	(19,934)	10,516	24,769	38,181

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	21,322	32,417
Total Debtors	14,119	15,934	17,694	15,000	16,159
Inventories	3,217	3,175	2,990	3,726	4,014
Total Other Current Assets	2,546	15,582	20,683	25,777	27,770
Total Current Assets	43,271	52,130	65,539	65,826	80,361
Fixed Assets	144,287	154,312	152,838	142,958	132,382
Total Investments	47,989	49,042	51,409	77,277	77,277
Intangible Assets					
Total Other Non-Current Assets	42,725	51,158	45,837	45,837	45,837
Total Non-current Assets	235,002	254,512	250,084	266,072	255,496
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	7,146	3,817	5,022	6,259	6,743
Other Current Liabilities	16,274	3,585	(2,908)	12,572	13,499
Total Current Liabilities	23,420	7,402	2,114	18,831	20,243
Total Long-term Debt	185,821	172,729	178,446	171,000	163,553
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	185,821	172,729	178,446	171,000	163,553
Total Provisions	24	854	1,274	1,274	1,274
Total Liabilities	209,265	180,985	181,834	191,105	185,070
Shareholders Equity	69,008	125,656	133,789	140,793	150,787
Minority Interests					
Total Equity	69,008	125,656	133,789	140,793	150,787

Key Ratios					
	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue Growth	(22.7%)	9.5%	2.1%	24.6%	7.7%
Operating EBITDA Growth	(15.4%)	11.3%	0.2%	30.8%	7.6%
Operating EBITDA Margin	47.4%	48.2%	47.3%	49.6%	49.6%
Net Cash Per Share (Rs)	(46.22)	(25.71)	(25.55)	(24.79)	(21.71)
BVPS (Rs)	19.64	20.81	22.15	23.31	24.97
Gross Interest Cover	1.25	1.16	1.30	1.58	1.81
Effective Tax Rate	55.2%	34.2%	33.1%	30.0%	30.0%
Net Dividend Payout Ratio			33.6%	16.2%	12.0%
Accounts Receivables Days	88.31	94.50	103.59	80.81	71.49
Inventory Days	55.13	49.04	46.00	41.50	44.40
Accounts Payables Days	123.13	84.12	65.97	69.71	74.58
ROIC (%)	20.4%	11.5%	8.5%	10.9%	13.2%
ROCE (%)	10.3%	9.6%	7.4%	8.7%	9.4%
Return On Average Assets	7.7%	6.6%	5.2%	7.0%	7.2%

Key Drivers					
	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Outstanding Orderbook	77,488	104,595	88,049	78,916	85,827
Sales grth (%)	(22.7%)	9.5%	2.1%	24.6%	7.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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