

India

**HOLD** (previously ADD)

Consensus ratings\*: Buy 1 Hold 0 Sell 0

Current price:	Rs72
Target price: ▲	Rs73
Previous target:	Rs63
Up/downside:	1.4%
InCred Research / Consensus:	1.1%
Reuters:	IRBN.NS
Bloomberg:	IRBINVIT IN
Market cap:	US\$512m Rs41,906m
Average daily turnover:	US\$0.4m Rs32.8m
Current shares o/s:	580.5m
Free float:	84.0%

\*Source: Bloomberg

**Key changes in this note**

- Raise FY24F PAT by 15%.
- Introduce FY25F estimates.
- Roll forward target price to Mar 2024F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.2	9.2	29.7
Relative (%)	1.9	7.5	14.3

Major shareholders	% held
IRB Infrastructure	16.0
Government of Singapore	7.8
Aditya Birla Sun Life Asset Mgmt	6.4

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# IRB InvIT Fund

## Strong 4Q results but the upside is limited

- 4QFY23 performance driven by 6.5% yoy traffic growth & 10%+ yoy tariff hike.
- Roll forward target price to Mar 2024F, raise it to Rs73 from Rs63 and downgrade the rating to HOLD (from ADD) after a 20% rise in the share price in the last six months.

### Growth in toll collections driven by tariff hike and robust traffic

Gross toll for four assets (ex-Pathankot Amritsar - PA, Bharuch Surat – BS, Surat Dahisar – SD and Vadodara Kim – VK1) grew by 16% yoy. This was driven by (a) 6.5% yoy traffic growth at these projects, and (b) tariff hike of 10% in four projects since Apr 2022 and 15% in Omalur Salem Namakkal (OSN) from Sep 2022. In our analysis, we have excluded: (1) PA - No tolling from 1 Oct 2020 to 16 Dec 2021 due to farmers' protest and tolling suspension from 15 Dec 2022 to 15 Jan 2023. (2) BS / SD - Concession ended in Mar 2022/ May 2022, respectively. (3) VK1 - Acquired in Oct 2022. Sales (Rs2.8bn) / EBITDA (Rs2.3bn) declined 27%/ 31% yoy despite tariff growth as two projects, which contributed 53% to FY22 EBITDA, ended in Mar/May 2022, respectively. The payout was Rs2/unit, in line with the guidance of Rs8 for FY23F. Based on the CMP (Rs72), this implies a yield of 11% in FY23F.

### Acquisition of Vadodara Kim HAM (VK 1) at fair valuation

On 13 Oct 2022, IRB InvIT fund acquired a 100% stake in VK1 from IRB Infra (sponsor) for Rs3.4bn (EV of Rs13bn). The capex ex-grant is ~Rs12.3bn, implying EV/ capex ratio of ~1x. Based on the CMP and InvIT regulations, IRB InvIT can have debt of up to Rs75bn vs. net debt of Rs25bn post-acquisition of VK1. Thus, further acquisitions of up to ~Rs50bn can be funded via debt, beyond which equity raising is needed.

### Roll forward target price to Mar 2024F (Rs73); downgrade to HOLD

We raise our FY24F PAT by 15% and introduce FY25F estimates. We roll forward our target price to Mar 2024F, raise our discounted cash flow or DCF-based target price to Rs73 (from Rs63 earlier) and downgrade the stock to HOLD (from ADD earlier). We forecast (a) long-term traffic growth of 4.5% p.a. (3.5% p.a. earlier) due to strong traffic growth in 2HFY23, and (b) long-term Wholesale Price Index or WPI inflation of 5% p.a. Based on the CMP, we believe the stock trades at an internal rate of return or IRR of 9%. We have used a discount rate of 10.7% based on beta of 1x and target debt/ equity ratio of 1x. Our target price includes a Rs8/ unit payout estimated in FY24F. The downside risk is local events like the construction of a parallel road which could negatively affect traffic on IRB InvIT's roads while a sustained strong growth in traffic is an upside risk.

### Financial Summary

	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
Revenue (Rsm)	11,041	12,900	10,180	11,221	12,129
Operating EBITDA (Rsm)	9,385	10,484	8,237	9,607	10,112
Net Profit (Rsm)	1,808	3,028	3,764	2,745	3,232
Core EPS (Rs)	3.1	5.2	6.5	4.7	5.6
Core EPS Growth	4.7%	67.4%	24.3%	(27.1%)	17.8%
FD Core P/E (x)	23.17	13.84	11.13	15.27	12.97
DPS (Rs)	8.5	9.0	8.0	5.8	4.2
Dividend Yield	11.77%	12.47%	11.08%	8.08%	5.77%
EV/EBITDA (x)	6.07	5.15	8.06	6.74	6.09
P/FCFE (x)	5.65	5.01	2.54	12.38	17.32
Net Gearing	34.5%	29.1%	61.2%	58.0%	48.8%
P/BV (x)	0.96	1.01	1.05	1.06	1.04
ROE	4.0%	7.1%	9.2%	6.9%	8.1%
% Change In Core EPS Estimates				14.63%	
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Strong 4Q results but the upside is limited

**Figure 1: Quarterly Income statement**

(Rs m)	4QFY23	4QFY22	growth yoy %	3QFY23	growth qoq %
Net Revenue	2,810	3,851	(27)	2,470	14
Opex	529	558	(5)	773	(32)
<b>EBITDA</b>	<b>2,280</b>	<b>3,292</b>	<b>(31)</b>	<b>1,697</b>	<b>34</b>
% margin	81	86		69	
Other income	29	23	25	101	(71)
Interest (only ext debt)	626	356	76	583	7
Depreciation	490	1,713	(71)	462	6
PBT	1,193	1,246	(4)	752	59
Tax	(16)	201		29	
PAT	1,209	1,045	16	723	67
Cash PAT	1,700	2,758	(38)	1,185	43

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Recent tariff hike**

	Tariff revision	Effective from
ITCTPL (Tumkur- Chitradurg)	10.2%	Apr-22
ITATPL (Talegaon- Amravati)	10.2%	Apr-22
IJDTP (Jaipur- Deoli)	10.2%	Apr-22
IPATRP(Pathankot-Amritsar)	10.2%	Apr-22
MITPL (Omalur-Salem-Namakkal)	14.9%	Sep-22

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Project-wise gross toll collection**

(Rs m)	4QFY23	4QFY22	yoy growth %	3QFY23	qoq growth %
<b>Total Toll</b>	<b>2,785</b>	<b>5,154</b>	<b>(46.0)</b>	<b>2,737</b>	<b>4.0</b>
IRBSD (Surat- Dahisar)	-	2,260		-	
IDAAIPL (Bharuch- Surat)	-	823		-	
IJDTP (Jaipur- Deoli)	384	357	7.6	390	0.6
ITCTPL (Tumkur- Chitradurg)	973	805	20.9	848	17.3
ITATPL (Talegaon- Amravati)	207	210	(1.4)	234	(9.6)
MITPL (Omalur-Salem-Namakkal)	416	338	23.1	322	32.1
IPATRP(Pathankot-Amritsar)	328	361	(9.1)	295	13.7
Vadodara Kim	477	-		648	(24.8)
<b>Toll excluding PA, SD, BS &amp; VK</b>	<b>1,980</b>	<b>1,710</b>	<b>15.8</b>	<b>1,794</b>	<b>12.8</b>

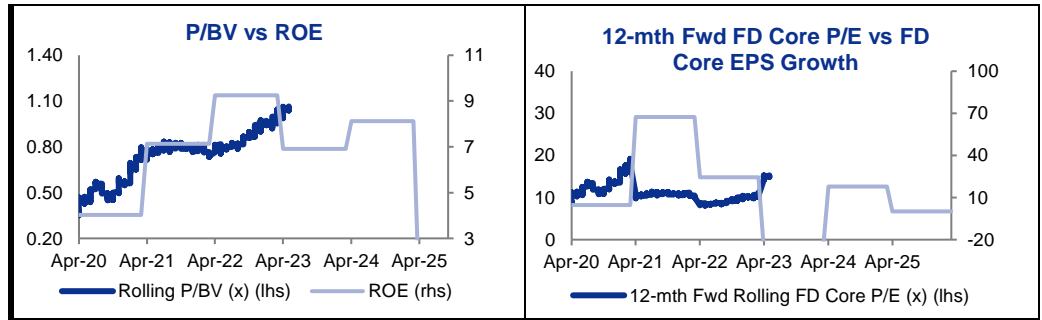
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Our revised earnings estimates**

(Rs m)	FY24F		FY25F
	Old	New	New
Sales	8,224	11,221	12,129
% change		36	
EBITDA	6,936	9,607	10,112
% change		39	
PAT	2,395	2,745	3,232
% change		15	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
<b>Total Net Revenues</b>	<b>11,041</b>	<b>12,900</b>	<b>10,180</b>	<b>11,221</b>	<b>12,129</b>
<b>Gross Profit</b>	<b>9,385</b>	<b>10,484</b>	<b>8,237</b>	<b>9,607</b>	<b>10,112</b>
<b>Operating EBITDA</b>	<b>9,385</b>	<b>10,484</b>	<b>8,237</b>	<b>9,607</b>	<b>10,112</b>
Depreciation And Amortisation	(6,081)	(6,807)	(2,501)	(3,225)	(3,471)
<b>Operating EBIT</b>	<b>3,304</b>	<b>3,677</b>	<b>5,736</b>	<b>6,382</b>	<b>6,641</b>
Financial Income/(Expense)	(1,454)	(1,418)	(1,926)	(3,451)	(3,228)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	(42)	1,103			
<b>Profit Before Tax (pre-EI)</b>	<b>1,808</b>	<b>3,361</b>	<b>3,810</b>	<b>2,931</b>	<b>3,413</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>1,808</b>	<b>3,361</b>	<b>3,810</b>	<b>2,931</b>	<b>3,413</b>
Taxation		(333)	(46)	(186)	(182)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,808</b>	<b>3,028</b>	<b>3,764</b>	<b>2,745</b>	<b>3,232</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,808</b>	<b>3,028</b>	<b>3,764</b>	<b>2,745</b>	<b>3,232</b>
Recurring Net Profit	1,808	3,028	3,764	2,745	3,232
<b>Fully Diluted Recurring Net Profit</b>	<b>1,808</b>	<b>3,028</b>	<b>3,764</b>	<b>2,745</b>	<b>3,232</b>

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	Mar-24F	Mar-25F
<b>EBITDA</b>	<b>9,385</b>	<b>10,484</b>	<b>8,237</b>	<b>9,607</b>	<b>10,112</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(2,177)	(1,074)	854		
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(1,496)	(315)	(1,926)	(3,451)	(3,228)
Tax Paid		(333)	(46)	(186)	(182)
<b>Cashflow From Operations</b>	<b>5,712</b>	<b>8,761</b>	<b>7,119</b>	<b>5,970</b>	<b>6,703</b>
Capex					
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(350)	(367)	(2,057)	(1,238)	(2,647)
<b>Cash Flow From Investing</b>	<b>(350)</b>	<b>(367)</b>	<b>(2,057)</b>	<b>(1,238)</b>	<b>(2,647)</b>
Debt Raised/(repaid)	2,058	(28)	11,421	(1,347)	(1,636)
Proceeds From Issue Of Shares		1			1
Shares Repurchased					
Dividends Paid	(4,934)	(5,225)	(4,644)	(3,385)	(2,419)
Preferred Dividends					
Other Financing Cashflow	4,270	4,119	612		
<b>Cash Flow From Financing</b>	<b>1,393</b>	<b>(1,133)</b>	<b>7,389</b>	<b>(4,732)</b>	<b>(4,054)</b>
Total Cash Generated	6,755	7,262	12,451		1
<b>Free Cashflow To Equity</b>	<b>7,420</b>	<b>8,367</b>	<b>16,483</b>	<b>3,385</b>	<b>2,419</b>
<b>Free Cashflow To Firm</b>	<b>6,816</b>	<b>9,813</b>	<b>6,988</b>	<b>8,183</b>	<b>7,283</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Total Cash And Equivalents	3,958	6,902	5,875	6,151	7,741
Total Debtors					
Inventories					
Total Other Current Assets	1,156	1,156	302	302	302
<b>Total Current Assets</b>	<b>5,114</b>	<b>8,059</b>	<b>6,176</b>	<b>6,453</b>	<b>8,043</b>
Fixed Assets	60,251	54,065	66,041	63,778	61,364
Total Investments					
Intangible Assets					
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>60,251</b>	<b>54,065</b>	<b>66,041</b>	<b>63,778</b>	<b>61,364</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	2,847	1,773	1,773	1,773	1,773
<b>Total Current Liabilities</b>	<b>2,847</b>	<b>1,773</b>	<b>1,773</b>	<b>1,773</b>	<b>1,773</b>
Total Long-term Debt	18,987	18,959	30,380	29,033	27,397
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>18,987</b>	<b>18,959</b>	<b>30,380</b>	<b>29,033</b>	<b>27,397</b>
Total Provisions					
<b>Total Liabilities</b>	<b>21,834</b>	<b>20,733</b>	<b>32,153</b>	<b>30,807</b>	<b>29,170</b>
Shareholders Equity	43,531	41,392	40,064	39,424	40,237
Minority Interests					
<b>Total Equity</b>	<b>43,531</b>	<b>41,392</b>	<b>40,064</b>	<b>39,424</b>	<b>40,237</b>

<b>Key Ratios</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Revenue Growth	(10.8%)	16.8%	(21.1%)	10.2%	8.1%
Operating EBITDA Growth	(8.8%)	11.7%	(21.4%)	16.6%	5.3%
Operating EBITDA Margin	85.0%	81.3%	80.9%	85.6%	83.4%
Net Cash Per Share (Rs)	(25.89)	(20.77)	(42.21)	(39.42)	(33.86)
BVPS (Rs)	74.99	71.30	69.02	67.91	69.31
Gross Interest Cover	2.27	2.59	2.98	1.85	2.06
Effective Tax Rate		9.9%	1.2%	6.4%	5.3%
Net Dividend Payout Ratio	272.8%	172.5%	123.4%	123.3%	74.8%
Accounts Receivables Days					
Inventory Days					
Accounts Payables Days					
ROIC (%)	5.4%	6.3%	10.7%	9.9%	10.7%
ROCE (%)	5.3%	6.0%	8.8%	9.2%	9.8%
Return On Average Assets	4.9%	7.0%	8.5%	8.7%	9.3%

<b>Key Drivers</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Toll revenue grth (%)	(10.8%)	16.8%	(21.1%)	10.2%	8.1%
EBITDA grth (%)	(8.8%)	11.7%	(21.4%)	16.6%	5.3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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