



India

REDUCE (previously HOLD)

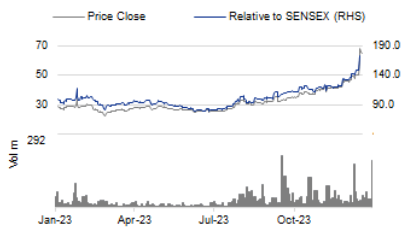
Consensus ratings*: Buy 6 Hold 3 Sell 0

Current price:	Rs65
Target price: ▲	Rs40
Previous target:	Rs34
Up/downside:	-38.5%
InCred Research / Consensus:	-21.6%
Reuters:	IRBI.NS
Bloomberg:	IRB IN
Market cap:	US\$4,738m
	Rs393,139m
Average daily turnover:	US\$19.4m
	Rs1611.3m
Current shares o/s:	351.5m
Free float:	66.0%

*Source: Bloomberg

Key changes in this note

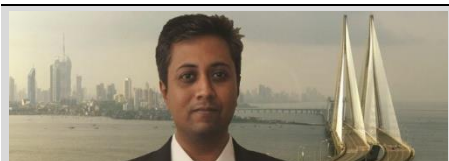
- Introduce FY26F estimates.
- Roll forward our target price to Mar 2025F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	55.6	94.3	131.3
Relative (%)	56.1	73.8	93.5

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

Research Analyst(s)**Rajarshi MAITRA**

T (91) 22 4161 1546

E rajarshi.maitra@incredresearch.com

Parth THAKKAR

T (022) 22 4161 1566

E parth.thakkar@incredresearch.com

IRB Infrastructure Developers Ltd

Steady 3Q results, but valuation expensive

- IRB Infrastructure's strong order book (OB) cover augurs well. Toll income in 3QFY24 was driven via tariff hikes by the Mumbai-Pune project.
- We roll forward our valuation to Mar 2025F. After a 60% rise in CMP of the stock in the last month, we downgraded its rating to REDUCE with a Rs40 TP.

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

EPC sales (Rs14.4bn) in 3QFY24 rose by 42% yoy. In 3QFY24, IRB Infrastructure won two Toll, Operate, Transfer (TOT) projects, which added Rs50bn to its OB. EPC OB-to-sales ratio was 1.7x and O&M OB stands at Rs294bn. We believe that O&M contracts can provide ~Rs18bn revenue per annum. The EPC OB (Rs69bn) is likely to be under the construction phase in FY25F, as the appointment date for the Rs66bn Ganga Expressway project was received in Oct 2022. We estimate that IRB Infrastructure's equity requirement is Rs53bn (Rs10.8bn for Ganga Expressway & Rs42bn for TOT projects). We forecast a 17% EPC sales CAGR over FY23-26F (vs -7% CAGR over FY20-23).

Toll income led by tariff hike by private InvIT & Mumbai-Pune projects

IRB Infrastructure's (ex-InvIT) toll revenue (Rs6.2bn) increased by 16% yoy (Mumbai-Pune: 19% yoy driven by a 18% tariff hike in Apr 2023, Ahmedabad-Vadodara: 7% yoy). Private InvIT's (IRB Infrastructure has a 51% stake) toll revenue (Rs5.7bn) grew by 2% yoy. Public InvIT's (IRB Infrastructure has a 16% stake) toll income (Rs2.6bn) rose 11% yoy.

Leverages balance sheet to take up TOT projects in private InvIT

In May 2023, IRB Infrastructure received the Toll Operate Transfer (TOT) rights of the Hyderabad Outer Ring Road (ORR) project for 30 years. IRB Infrastructure will pay an upfront concession fee of Rs73.8bn. The project has been operational since Dec 2012. Toll collections stood at Rs5.4bn in FY23, growing at a 15% CAGR over the last four years. In 3QFY24 IRB Infrastructure received two more TOT projects which require upfront payment of Rs62bn (Rs45bn for Lalitpur Lakhnadon project and Rs17bn for Jhansi Gwalior project).

Roll forward our valuation to Mar 2025F; downgrade to REDUCE

We maintain our FY24F/25F EBITDA estimates and introduce FY26F estimates. We roll forward our valuation to Mar 2025F and raise the target price to Rs40 (Rs34 earlier), valuing the EPC vertical at 5x FY25F EV/EBITDA considering the strong order book. However, we downgraded the stock's rating to REDUCE (from HOLD) after a 60% rise in its price in the last month. At CMP, the stock trades at 2.8x P/BV FY24F. We value the IRBIF projects at 1x P/BV, IRB Infrastructure's stake in IRB InvIT at the current market price and IRB Infrastructure's BOT projects using the discounted cash flow or DCF method. Strong order wins pose an upside risk.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	58,037	59,246	73,839	79,546	90,513
Operating EBITDA (Rsm)	27,975	28,020	36,650	39,443	43,967
Net Profit (Rsm)	3,614	7,200	8,286	11,492	14,712
Core EPS (Rs)	1.2	0.8	1.4	1.9	2.4
Core EPS Growth	58.7%	(27.2%)	62.8%	38.7%	28.0%
FD Core P/E (x)	56.25	77.25	47.45	34.21	26.72
DPS (Rs)	0.0	0.2	0.2	0.2	0.0
Dividend Yield	0.00%	0.35%	0.35%	0.35%	0.00%
EV/EBITDA (x)	14.91	17.70	12.82	11.02	9.40
P/FCFE (x)	(6.06)	348.25	(109.97)	26.26	(14.65)
Net Gearing	123.6%	115.3%	109.5%	78.7%	58.8%
P/BV (x)	3.13	2.94	2.79	2.61	2.37
ROE	5.7%	3.9%	6.0%	7.9%	9.3%
% Change In Core EPS Estimates			7.29%	8.51%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Steady 3Q results, but valuation expensive

Figure 1: Consolidated financials

(Rs. m)	3QFY24	3QFY23	% Chg	2QFY24	% Chg
Net Sales	19,685	15,141	30	17,450	13
EBITDA	8,695	7,444	17	7,946	9
Other income	1,088	560	94	1,295	-16
Depreciation	2,513	2,150	17	2,327	8
Interest	4,327	3,659	18	4,346	0
Extraordinary income	0	-8		0	
Tax	561	650		858	
Minority Interest	507	125		753	
PAT	1,874	1,411	33	957	
Adjusted PAT	1,874	1,419	32	957	96
EBITDA margin (%)	44.2	49.2	-	45.5	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Segmental break-up

(Rs m)	3QFY24	3QFY23	% chg	2QFY24	%chg
Sales incl. other income	20,773	15,702	32	18,745	11
EPC	14,407	10,165	42	12,862	12
BOT	6,366	5,537	15	5,883	8
PBITDA	9,783	8,007	22	9,241	6
EPC	4,106	2,910	41	4,053	1
BOT	5,677	5,097	11	5,188	9
%PBITDA margin	47	51		49	
EPC	29	29		32	
BOT	89	92		88	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Toll collection performance

(Rs m)	3QFY24	QoQ growth	YoY growth
Mumbai - Pune	4,405	7	19
Ahmedabad-Vadodara	1,835	11	7
Total IRB Projects	6,240	8	16
Private InvIT (IRB has 51% stake) *	5,701	7	2
Public InvIT (IRB has 16% stake)	2,564	6	11
Grand Total	14,505	7	9

* ex Hyderabad outer ring road - started from Aug 23

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Order book

(Rs bn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
EPC - Order book	79	88	84	76	69
EPC OB/ TTM sales (x)	2.1	2.3	2.2	1.8	1.5
Total Order book	191	206	337	327	363
Total OB/ TTM sales (x)	5.1	5.3	8.6	7.8	7.9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Key EPC segment's financials

(Rs bn)	FY21	FY22	FY23	FY24F	FY25F	FY26F
Closing OB	146	161	206	342	349	346
Closing EPC OB	77	105	88	79	86	84
Order Flow	63	54	84	185	60	60
Sales	37	39	39	49	53	62
yoy growth %	(27)	6	(2)	27	8	17
OB/ TTM sales (x)	3.9	4.1	5.3	7.0	6.6	5.6
EPC OB/ TTM Sales (x)	2.1	2.7	2.3	1.6	1.6	1.3
EBITDA margin %	24	25	22	30	30	30

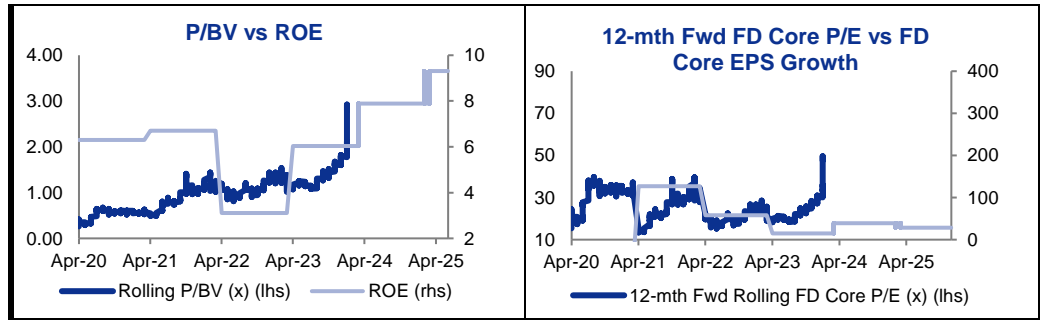
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Our revised earnings estimates

(Rs m)	FY24F		FY25F		FY26F
	Old	New	Old	New	
Sales	73,839	73,839	79,546	79,546	90,513
% change		(0)		0	
EBITDA	36,650	36,650	39,443	39,443	43,967
% change		0		0	
PAT	7,723	8,363	11,353	11,655	14,898
% change		8		3	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	58,037	59,246	73,839	79,546	90,513
Gross Profit	34,252	34,792	44,303	47,728	54,308
Operating EBITDA	27,975	28,020	36,650	39,443	43,967
Depreciation And Amortisation	(6,828)	(8,321)	(10,611)	(11,154)	(11,727)
Operating EBIT	21,147	19,699	26,039	28,289	32,241
Financial Income/(Expense)	(12,740)	(12,087)	(15,422)	(14,087)	(11,224)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	8,408	7,612	10,617	14,202	21,017
Exceptional Items	(2,911)	3,157			
Pre-tax Profit	5,496	10,769	10,617	14,202	21,017
Taxation	(1,882)	(3,569)	(3,185)	(4,261)	(6,305)
Exceptional Income - post-tax					
Profit After Tax	3,614	7,200	7,432	9,942	14,712
Minority Interests			854	1,550	
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,614	7,200	8,286	11,492	14,712
Recurring Net Profit	5,528	5,089	8,286	11,492	14,712
Fully Diluted Recurring Net Profit	5,528	5,089	8,286	11,492	14,712

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	27,975	28,020	36,650	39,443	43,967
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(30,828)	(11,964)	9,242	(2,364)	(4,542)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(2,911)	3,157			
Other Operating Cashflow					
Net Interest (Paid)/Received	(12,740)	(12,087)	(15,422)	(14,087)	(11,224)
Tax Paid	(1,782)	(2,500)			
Cashflow From Operations	(20,286)	4,626	30,470	22,992	28,201
Capex	(16,852)	(6,847)	(731)	(577)	(577)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/Investments					
Other Investing Cashflow	(1,053)	(2,367)	(25,867)		
Cash Flow From Investing	(17,905)	(9,214)	(26,598)	(577)	(577)
Debt Raised/(repaid)	(13,092)	5,717	(7,447)	(7,447)	(54,462)
Proceeds From Issue Of Shares	53,500				
Shares Repurchased					
Dividends Paid		(1,359)	(1,359)	(1,359)	
Preferred Dividends					
Other Financing Cashflow	(8,169)	6,963	(2,365)	14,220	(6,385)
Cash Flow From Financing	32,239	11,321	(11,170)	5,415	(60,847)
Total Cash Generated	(5,951)	6,733	(7,299)	27,830	(33,223)
Free Cashflow To Equity	(51,282)	1,129	(3,575)	14,969	(26,838)
Free Cashflow To Firm	(19,934)	10,516	20,321	38,045	40,259

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	17,438	24,171	16,906	44,806	11,663
Total Debtors	15,934	17,694	15,000	16,159	18,387
Inventories	3,175	2,990	3,726	4,014	4,568
Total Other Current Assets	15,582	24,164	30,116	32,444	36,916
Total Current Assets	52,130	69,020	65,748	97,423	71,534
Fixed Assets	154,312	152,838	142,958	132,382	121,232
Total Investments	49,042	51,409	77,277	77,277	77,277
Intangible Assets					
Total Other Non-Current Assets	51,158	45,837	45,837	28,837	28,837
Total Non-current Assets	254,512	250,084	266,072	238,496	227,346
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	3,817	5,022	6,259	6,743	7,673
Other Current Liabilities	3,585	573	12,572	13,499	15,282
Total Current Liabilities	7,402	5,595	18,831	20,243	22,955
Total Long-term Debt	172,729	178,446	171,000	163,553	109,091
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	172,729	178,446	171,000	163,553	109,091
Total Provisions	854	1,274	1,274	1,274	1,274
Total Liabilities	180,985	185,315	191,105	185,070	133,320
Shareholders Equity	125,656	133,789	140,716	150,849	165,561
Minority Interests					
Total Equity	125,656	133,789	140,716	150,849	165,561

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	9.5%	2.1%	24.6%	7.7%	13.8%
Operating EBITDA Growth	11.3%	0.2%	30.8%	7.6%	11.5%
Operating EBITDA Margin	48.2%	47.3%	49.6%	49.6%	48.6%
Net Cash Per Share (Rs)	(25.71)	(25.55)	(25.52)	(19.66)	(16.13)
BVPS (Rs)	20.81	22.15	23.30	24.98	27.42
Gross Interest Cover	1.16	1.30	1.58	1.81	2.55
Effective Tax Rate	34.2%	33.1%	30.0%	30.0%	30.0%
Net Dividend Payout Ratio		33.6%	16.4%	11.8%	
Accounts Receivables Days	94.50	103.59	80.81	71.49	69.66
Inventory Days	49.04	46.00	41.50	44.40	43.26
Accounts Payables Days	84.12	65.97	69.71	74.58	72.67
ROIC (%)	11.5%	8.5%	10.9%	12.9%	16.7%
ROCE (%)	9.6%	7.4%	8.6%	9.5%	11.4%
Return On Average Assets	6.6%	5.2%	7.0%	7.2%	8.2%

Key Drivers					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Outstanding Orderbook	104,595	88,049	78,916	85,827	83,676
Sales grth (%)	9.5%	2.1%	24.6%	7.7%	13.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.