

IRB Infrastructure

BSE SENSEX

S&P CNX

53,416

15,939

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Stock Info

Bloomberg	IRB IN
Equity Shares (m)	604
M.Cap.(INRb)/(USDb)	125.6 / 1.6
52-Week Range (INR)	347 / 148
1, 6, 12 Rel. Per (%)	-5/-4/15
12M Avg Val (INR M)	724
Free float (%)	66.0

Financials Snapshot (INR b)

Y/E March	2021	2022E	2023E
Net Sales	58.0	67.5	76.1
EBITDA	28.0	30.6	34.7
Adj. PAT	3.6	4.7	7.2
Adj. EPS (INR)	6.0	7.8	12.0
EPS Gr. (%)	79.5	30.6	53.0
BV/Sh. (INR)	208.1	212.3	220.6

Ratios

Net D/E (x)	1.2	0.8	0.7
RoE (%)	3.7	3.7	5.5
RoCE (%)	8.1	7.4	8.8
Payout (%)	0.0	46.2	30.2

Valuations

P/E (x)	32.8	25.1	16.4
P/BV (x)	0.9	0.9	0.9
EV/EBITDA (x)	9.6	7.4	6.1
Div. Yield (%)	0.0	1.5	1.5
FCF Yield (%)	-36.1	54.3	31.0

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	34.0	34.0	58.6
DII	6.1	5.7	11.4
FII	48.8	48.2	15.2
Others	11.1	12.1	14.9

FII Includes depository receipts

CMP: INR209
TP: INR220 (+5%)
Neutral

On a strong footing

We interacted with the management of IRB to gauge its strategy after the fund raise in FY22. The management touched upon various aspects like: a) the huge growth opportunity in the Roads and Highways segment; b) more projects being bid out through the BOT toll route; and c) reducing competitive intensity in Road tenders and steps taken by NHAI to manage its finances. Here are the key takeaways from that interaction:

- **IRB to focus entirely on the Road sector in the near to medium term:** Unlike most contractors, IRB have not ventured into other Infra verticals. It sees ample opportunities in the Road segment itself and continues to bid for projects in this segment. In terms of preference, BOT toll projects will be preferred, followed by Toll-Operate-Transfer (ToT) and Hybrid Annuity projects. As per IRB, none of the other Infra verticals cover inflation risk better than Roads. Also, regulatory and technology risk is much lower in Roads as compared to other verticals like Energy.
- **Expect competition to reduce in upcoming NHAI tenders:** In FY22, competitors have been very aggressive while bidding. However, NHAI's financial condition requires it to award more BOT projects and even reduce its share of funding in HAM projects from the current 40%. This means a higher equity infusion by developers, which could lead to a drastic decline in competition.
- **Share of projects bid out via BOT toll to increase:** There has hardly been any awarding of BOT toll projects in the last few years. With the current financial state of NHAI and improving toll collections (with FASTag implementation and improving traffic), the share of BOT-toll projects is expected to improve drastically in the awarding mix. There will be select bidders in these projects and it will help NHAI to achieve its targets, while maintaining its finances. NHAI is also considering creating new bidding agreements that will provide a minimum toll revenue guarantee to make it easier for contractors to bid for projects.
- **ToT projects gradually gain traction:** ToT has been a decent success from a government's perspective, but it is below their target. The variation in bids received for ToT tenders has been high and a lot of them have been cancelled as well. ToT can pick up going forward as smaller bundles are being bid out now, and IRB is actively participating in these bids. IRB, however, is comfortably factoring in its IRR requirements before bidding for such projects.
- **Pick up in asset recycling:** IRB recently proposed a non-binding pact for the Vadodara Kim Expressway to the public InvIT management. The management expects to transfer some assets to the trust by the end of FY23 or start of FY24. Going forward, it will continue to look to churn assets and maintain its Balance Sheet. HAM projects will be with the parent company and won't be transferred to the private or public InvIT.
- **Tie-up with Cintra:** The fund infusion by Cintra will help IRB with growth capital for bidding for more Road projects. Apart from Road projects, IRB can also tie-up separately with Cintra for any complex project that may be available for bidding in the Infra vertical. Cintra has worked extensively globally and sees a large growth potential in India.

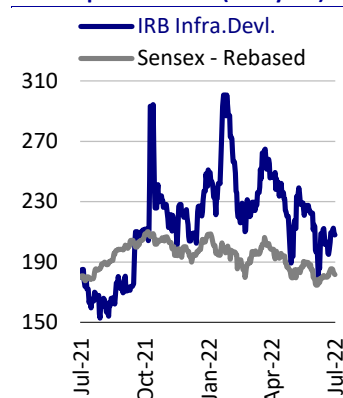
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Stock's performance (one-year)



- **Toll collections on the rise:** Toll collections at the industry level have been improving, led by an improving economy and implementation of FASTag. Since almost all toll collections are through FASTag now, with toll servers directly connected to NHAI servers, there is a higher level of transparency than before. This has ushered in confidence among all stakeholders, especially funding agencies and buyers of toll assets.
- **Future prospects:** IRB will continue to focus on BOT toll projects as it sees a stronger strike rate there, given the lesser participants. For ToT projects, since managing IRR will be a top priority for the management, it will not bid aggressively. With ample opportunities available in Roads, it will more likely avoid other Infra verticals. It expects a strong execution in FY23 and FY24 as more projects move into execution.
- **Valuation and view:** IRB's order book stands strong at INR161b (including O&M). The EPC OB/revenue ratio stands at 2.6x, providing revenue visibility over the next three years. The bid pipeline for Road projects remains strong, which will allow IRB to bag decent order flows in FY23. As certain large projects such as the Ganga Expressway moves closer to completion, we expect EPC growth to improve in the near to medium term. With the recent fund raise, the company's Balance Sheet is robust as it is in a position to comfortably execute its large order book. We maintain our Neutral rating on IRB, with a SoTP-based TP of INR220.

Exhibit 1: Gross toll collections from IRB's assets

Particulars (INR m)	1QFY23	1QFY22	YoY (%)	4QFY22	MoM (%)
Wholly-owned subsidiaries					
IRB MP Expressway	3,606	2,373	52.0	3,342	7.9
IRB Ahmedabad Vadodara Super Express Tollway	1,572	1,086	44.7	1,431	9.9
Total	5,178	3,459	49.7	4,773	8.5
IRB Pvt. InvIT					
CG Tollway	822	329	149.6	741	10.9
Udaipur Tollway	638	334	91.0	570	11.8
Palsit Dankuni Tollway	545	0	NA	0	NA
AE Tollway	550	419	31.3	497	10.5
Yedeshi Aurangabad Tollway	574	346	65.8	489	17.2
IRB Hapur Moradabad Tollway	388	310	25.2	358	8.3
Kaithal Tollway	394	0	NA	368	7.1
Kishangarh Gulabpura Tollway	303	209	44.9	302	0.6
IRB Westcoast Tollway	298	155	91.8	250	19.5
Solapur Yedeshi Tollway	308	167	84.6	259	18.9
Total	4,819	2,269	112.4	3,834	25.7
IRB Public InvIT					
IRB Tumkur Chitradurga Tollway	931	584	59.5	775	20.2
IRB Pathankot Amritsar Toll Road	423	0	NA	361	17.2
IRB Jaipur Deoli Tollway	396	231	71.6	356	11.4
M.V.R. Infrastructure And Tollways	352	213	65.2	337	4.6
IRB Talegaon Amravati Tollway	237	175	35.7	208	13.9
IRB Surat Dahisar Tollway	1,341	1,706	-21.4	2,249	-40.4
IDAA Infrastructure	0	591	NA	821	N
Total	3,682	3,500	5.2	5,107	-27.9

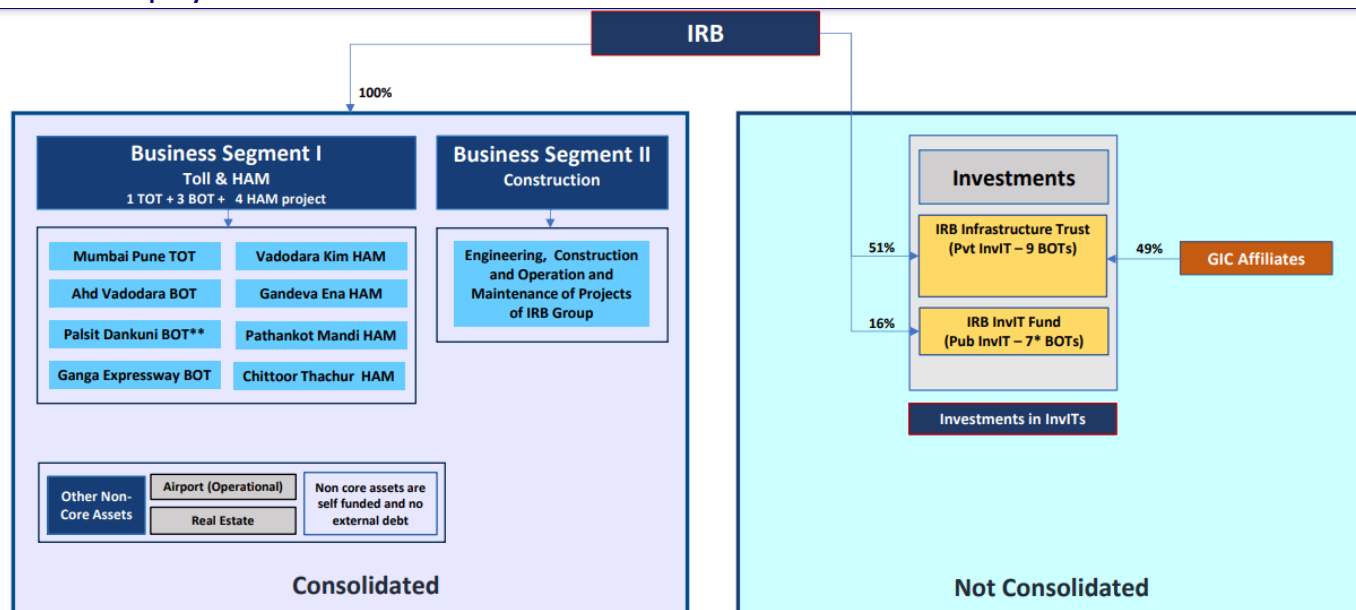
Source: Company, MOFSL

Note:

IRB Pathankot Amritsar Toll Road	Toll collection was suspended on account of the farmers' agitation in 1QFY22
Kaithal Tollway	Toll collection was suspended on account of farmers' agitation in 1QFY22
Palsit Dankuni Tollway	Transfer of the asset to private InvIT on 7 th Apr'22
IDAA Infrastructure	Project handed over to NHAI on 31 st Mar'22
IRB Surat Dahisar Tollway	Project handed over to NHAI on 25 th May'22

Company structure

Exhibit 2: Company structure



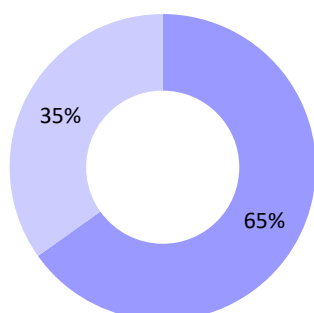
* Includes Bharuch Surat BOT Project - completed its Concession Period and project handed over to Authority on March 31, 2022
 ** Part of Private InvIT since April 2022

Source: Company, MOFSL

Story in charts

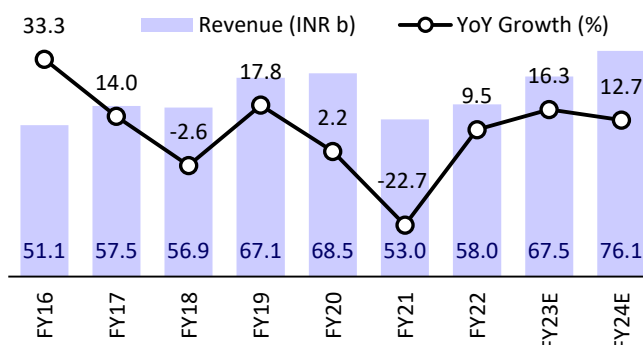
Exhibit 3: Order book breakup (4QFY22: INR161b)

Own EPC/BOTs O&M contracts



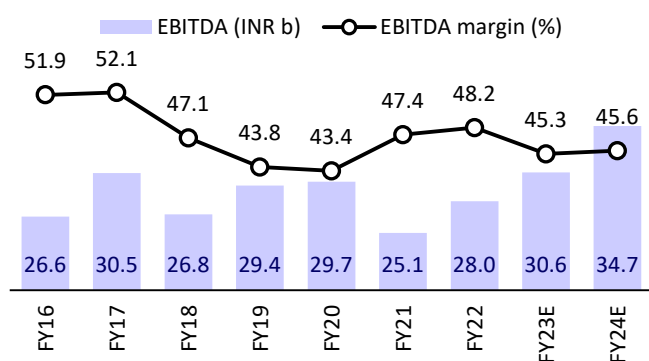
Source: Company, MOFSL

Exhibit 4: Expect ~15% revenue CAGR over FY22-24



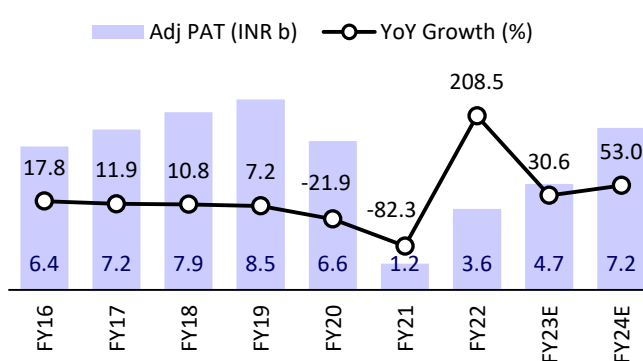
Source: Company, MOFSL

Exhibit 5: EBITDA and EBITDA margin trend



Source: Company, MOFSL

Exhibit 6: Expect adjusted PAT to touch pre-COVID levels by FY24E



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement						(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	56,941	67,070	68,522	52,986	58,037	67,507	76,109
Change (%)	-2.6	17.8	2.2	-22.7	9.5	16.3	12.7
EBITDA	26,794	29,373	29,714	25,127	27,975	30,553	34,724
Margin (%)	47.1	43.8	43.4	47.4	48.2	45.3	45.6
Depreciation	5,440	5,395	4,683	5,817	6,828	7,629	9,180
EBIT	21,353	23,978	25,031	19,310	21,147	22,924	25,544
Int. and Finance Charges	9,667	11,201	15,644	16,924	18,906	16,792	17,104
Other Income	1,687	1,956	1,950	1,889	5,517	2,371	2,644
PBT bef. EO Exp.	13,373	14,733	11,337	4,274	7,758	8,504	11,084
EO Items	1,267	0	574	0	0	0	0
PBT after EO Exp.	14,640	14,733	11,911	4,274	7,758	8,504	11,084
Total Tax	5,444	6,234	4,544	1,445	1,882	2,198	2,752
Tax Rate (%)	37.2	42.3	38.1	33.8	24.3	25.9	24.8
Minority Interest/Associate income	0	0	-158	-1,658	-2,262	-1,584	-1,108
Reported PAT	9,197	8,500	7,209	1,172	3,614	4,722	7,224
Adjusted PAT	7,930	8,500	6,635	1,172	3,614	4,722	7,224
Change (%)	11.0	7.2	-21.9	-82.3	208.5	30.6	53.0
Margin (%)	13.9	12.7	9.7	2.2	6.2	7.0	9.5

Consolidated Balance Sheet						(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	3,515	3,515	3,515	3,515	6,039	6,039	6,039
Total Reserves	53,411	59,637	63,314	65,493	119,617	122,158	127,201
Net Worth	56,925	63,151	66,829	69,008	125,656	128,197	133,240
Minority Interest	0	0	0	0	0	0	0
Total Loans	120,090	154,009	75,709	166,640	166,853	127,781	121,409
Deferred Tax Liabilities	-3,205	-1,351	-570	-687	-435	-435	-435
Capital Employed	173,811	215,809	141,968	234,962	292,074	255,543	254,213
Gross Block	323,202	347,320	299,277	302,110	307,928	312,430	312,930
Less: Accum. Deprn.	12,494	17,889	22,572	28,389	35,217	43,278	52,458
Net Fixed Assets	310,709	329,432	276,705	273,721	272,711	269,153	260,472
Capital WIP	56,485	37,966	4,030	4,030	625	625	625
Total Investments	9,455	6,454	41,459	47,989	49,042	53,959	59,350
Curr. Assets, Loans and Adv.	24,036	29,436	76,091	85,285	101,999	87,916	101,826
Inventory	4,873	4,425	3,314	3,217	3,175	4,121	4,644
Account Receivables	1,326	1,135	4,408	5,879	15,934	7,226	8,142
Cash and Bank Balance	12,678	15,603	22,707	23,390	17,438	19,531	26,723
Loans and Advances and CA	5,159	8,273	45,663	52,799	65,451	57,038	62,318
Curr. Liability and Prov.	226,874	187,478	256,317	176,064	132,303	156,110	168,061
Other Current Liabilities	226,127	186,611	255,800	175,562	131,707	155,514	167,465
Provisions	747	867	517	502	596	596	596
Net Current Assets	-202,837	-158,042	-180,226	-90,780	-30,305	-68,194	-66,235
Appl. of Funds	173,811	215,809	141,968	234,961	292,074	255,543	254,213

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	22.6	24.2	18.9	3.3	6.0	7.8	12.0
Cash EPS	38.0	39.5	32.2	19.9	17.3	20.5	27.2
BV/Share	162.0	179.7	190.2	196.4	208.1	212.3	220.6
DPS	5.0	2.5	5.0	0.0	0.0	3.0	3.0
Payout (%)	23.0	12.4	29.3	0.0	0.0	46.2	30.2
Valuation (x)							
P/E ratio	8.7	8.1	10.4	58.8	32.8	25.1	16.4
Cash P/E ratio	5.2	5.0	6.1	9.9	11.3	9.6	7.2
P/BV ratio	1.2	1.1	1.0	1.0	0.9	0.9	0.9
EV/Sales ratio	3.1	3.1	1.8	4.0	4.6	3.4	2.8
EV/EBITDA ratio	6.6	7.1	4.1	8.4	9.6	7.4	6.1
Dividend Yield (%)	2.6	1.3	2.6	0.0	0.0	1.5	1.5
FCF per share	90.1	-69.2	389.8	-193.2	-70.8	106.4	60.8
Return Ratios (%)							
RoE	14.3	14.2	10.2	1.7	3.7	3.7	5.5
RoCE	9.3	10.5	12.0	9.0	8.1	7.4	8.8
RoIC	11.9	11.0	13.5	11.0	8.3	8.4	11.0
Leverage Ratio (x)							
Interest Coverage Ratio	2.2	2.1	1.6	1.1	1.1	1.4	1.5
Net Debt/Equity ratio	1.9	2.2	0.8	2.1	1.2	0.8	0.7

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	13,373	14,733	11,337	4,274	7,758	8,504	11,084
Depreciation	5,440	5,395	4,683	5,817	6,828	7,629	9,180
Interest and Finance Charges	9,667	11,201	15,644	16,924	18,906	16,792	17,104
Direct Taxes Paid	-5,712	-6,234	-4,544	-1,445	-1,882	-2,198	-2,752
(Inc.)/Dec. in WC	70,768	-42,433	30,008	-90,384	-73,592	39,339	9,518
CF from Operations	93,536	-17,338	57,128	-64,813	-41,982	70,064	44,135
Others	-420	-1,956	-1,376	-1,889	-5,517	-2,371	-2,644
CF from Operations incl. EO	93,116	-19,294	55,752	-66,702	-47,500	67,693	41,491
(Inc.)/Dec. in FA	-61,449	-5,038	81,260	-1,213	4,754	-3,427	-4,786
Free Cash Flow	31,667	-24,331	137,012	-67,915	-42,746	64,266	36,705
(Pur.)/Sale of Investments	-7,996	3,001	-35,005	-8,189	-3,315	-6,500	-6,500
Others	1,687	1,956	1,950	1,889	5,517	2,371	2,644
CF from Investments	-67,758	-80	48,204	-7,513	6,956	-7,556	-8,642
Issue of Shares	0	0	0	0	53,466	0	0
Inc./(Dec.) in Debt	-12,021	33,918	-78,300	90,932	212	-39,071	-6,373
Interest Paid	-9,667	-11,201	-15,644	-16,924	-18,906	-16,792	-17,104
Dividend Paid	-2,116	-1,058	-2,116	0	0	-2,181	-2,181
Others	-1,953	639	-793	890	-180	0	0
CF from Fin. Activity	-25,757	22,299	-96,852	74,897	34,592	-58,044	-25,657
Inc./Dec. in Cash	-398	2,925	7,104	683	-5,951	2,093	7,192
Opening Balance	13,077	12,678	15,603	22,707	23,390	17,438	19,531
Closing Balance	12,678	15,603	22,707	23,390	17,438	19,531	26,723

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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