

IRB Infrastructure

Estimate change



TP change



Rating change



CMP: INR28

TP: INR30 (+4%)

Neutral

Minor miss on execution; but it is set to accelerate

- IRB Infrastructure (IRB)'s revenue grew 13% YoY to INR16.2b in 4QFY23 (8% miss). EBITDA margin came in at 46.8% (+210bp YoY), above our estimate of 45.7%. EBITDA rose 18% YoY to INR7.6b (6% below estimate). APAT dipped 25% YoY to INR1.3b, 30% below estimate due to high tax outgo and a sharp increase in loss from associate income.
- IRB is seeing a strong opportunity in BOT/TOT projects and would also bid for HAM projects. Work on the prestigious Ganga Expressway project has commenced post-receiving appointed date in 3QFY23. Management expects INR5b of quarterly revenue from this project going ahead.
- With its strong order book size of INR206b as of Mar'23 as well as robust tender pipeline, we expect IRB to record ~13% revenue CAGR over FY23-25. **Reiterate Neutral with an SOTP-based TP of INR30.**

Robust order book provides revenue visibility over the next three years

- IRB's order book stood at INR206b as of Mar'23, with EPC at INR89b and O&M in BOT/TOT projects at INR117b. The robust order book provides revenue visibility over the next three years.
- During the bidding process, IRB's priority is to focus on BOT projects, followed by TOT, and then HAM projects. However, considering the current bid pipeline and market conditions, the company is open to taking on additional HAM projects if necessary.

Key takeaways from the management commentary

- Toll collections across projects have been robust with improvement in traffic and increase in toll prices. IRB expects the traffic momentum to continue. Over the next few years it sees traffic growth of 5-6% annually.
- Management expects NHAI to award HAM projects amounting to ~INR4t, BOT projects worth INR200b, and TOT bundles totaling INR400b by FY24.
- NHAI is likely to reduce its contribution in HAM projects to 20% from 40%. However, there is no update on the same.
- As part of the strategy to enhance returns, IRB has successfully refinanced three BOT projects held by a Private InvIT. By fixing rates for five years, the company has achieved cost savings and hence, it anticipates an additional cash surplus of INR5.5b over the next five years.

Valuation and view

- IRB has a robust order book of INR206b, (incl. O&M contracts). The progress of the Ganga Expressway project is smooth thus far. With execution of these significant projects underway, EPC revenue is likely to post strong growth. JV losses that impacted 4QFY23 PAT adversely are expected to reduce ahead.
- **We largely retain our FY24 and FY25 estimates and maintain our Neutral rating on the stock with an SoTP-based TP of INR30.**

Bloomberg	IRB IN
Equity Shares (m)	6039
M.Cap.(INRb)/(USD\$)	174.1 / 2.1
52-Week Range (INR)	35 / 18
1, 6, 12 Rel. Per (%)	5/15/21
12M Avg Val (INR M)	669

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	64.0	73.5	81.1
EBITDA	32.3	35.3	38.3
PAT	7.2	8.8	9.9
EBITDA (%)	50.4	48.0	47.3
EPS (INR)	1.2	1.5	1.6
EPS Gr. (%)	99.2	22.4	12.8
BV/Sh. (INR)	22.2	23.3	24.5

Ratios

Net D/E	1.1	0.9	0.9
RoE (%)	5.5	6.4	6.9
RoCE (%)	7.3	7.6	7.9
Payout (%)	10.5	24.8	22.0

Valuations

P/E (x)	24.3	19.9	17.6
P/BV (x)	1.3	1.2	1.2
EV/EBITDA (x)	9.9	8.7	7.9
Div Yield (%)	0.0	1.0	1.0

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	34.2	34.2	34.0
DII	48.8	48.6	6.1
FII	6.7	6.8	48.8
Others	10.2	10.5	11.1

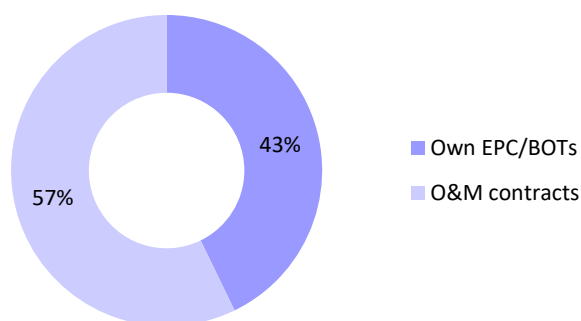
FII Includes depository receipts

Consolidated quarterly performance

(INR m)

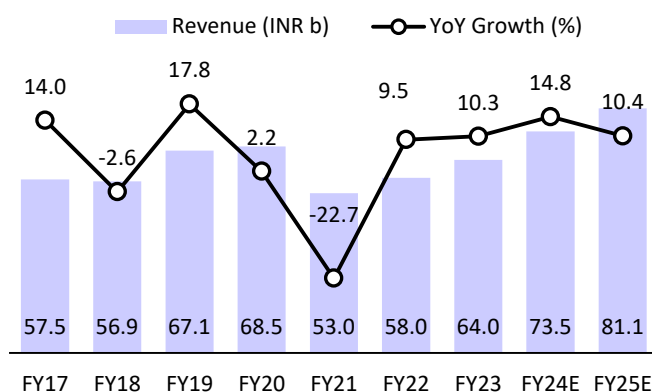
Y/E March	FY22				FY23				FY22	FY23	FY23	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Sales	16,257	14,652	12,791	14,336	19,246	13,430	15,141	16,200	58,037	64,016	17,611	(8)
YoY Change (%)	59.0	30.4	(17.3)	(10.7)	18.4	(8.3)	18.4	13.0	9.5	10.3	22.8	
EBITDA	6,999	7,176	7,384	6,416	10,606	6,651	7,446	7,588	27,975	32,291	8,040	(6)
Margins (%)	43.1	49.0	57.7	44.8	55.1	49.5	49.2	46.8	48.2	50.4	45.7	
Depreciation	1,364	1,652	1,924	1,889	2,031	1,919	2,150	2,221	6,828	8,321	1,917	
Interest	4,675	4,770	5,471	3,990	3,850	3,893	3,671	3,733	18,906	15,146	3,943	
Other Income	448	392	2,187	2,491	708	959	560	789	5,517	3,016	561	
PBT	1,407	1,147	2,176	3,028	5,434	1,799	2,185	2,423	7,758	11,840	2,743	
Tax	349	368	487	679	1,468	702	646	753	1,882	3,569	687	
Rate (%)	24.8	32.1	22.4	22.4	27.0	39.0	29.6	31.1	24.3	30.1	25.1	
Share of profit in Associates	(340)	(356)	(962)	(604)	(334)	(244)	(125)	(367)	(2,262)	(1,069)	(203)	
Reported PAT	719	423	727	1,745	3,632	853	1,414	1,303	3,614	7,202	1,853	(30)
Adj PAT	719	423	727	1,745	3,632	853	1,414	1,303	3,614	7,202	1,853	(30)
YoY Change (%)	NA	NA	4.6	79.0	405.1	101.7	94.5	(25.3)	208.5	99.3	6.2	
Margins (%)	4.4	2.9	5.7	12.2	18.9	6.4	9.3	8.0	6.2	11.3	10.5	

Exhibit 1: Order book breakup (4QFY23: INR206b)



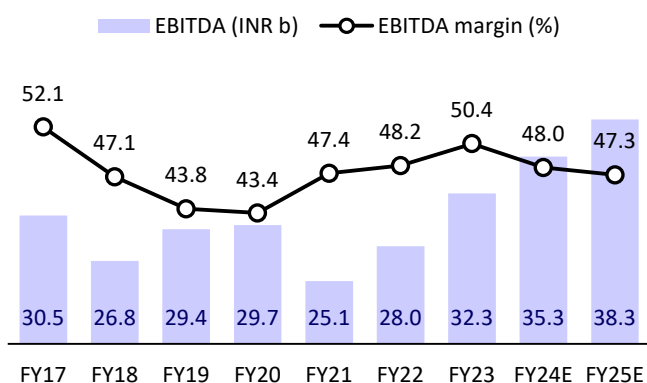
Source: MOFSL, Company

Exhibit 2: Revenue to witness 9% CAGR over FY23–25E



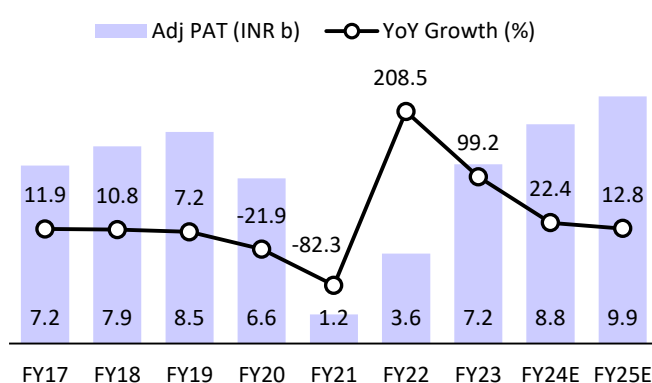
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin to stabilize



Source: MOFSL, Company

Exhibit 4: Adjusted PAT to see strong growth



Source: MOFSL, Company



Highlights from the management commentary

- The order book stood ~INR206b at the end of 4QFY23, of which EPC order book was ~INR88.6b comprising 43% of the total order book.
- The tender pipeline is extremely robust and IRB is expecting INR60-70b worth of new projects in FY24.
- In 3QFY23, it received appointed date for the Ganga Expressway project and its execution is progressing according to the planned schedule.
- NHAI is expected to award HAM projects amounting to ~INR4t, BOT projects worth INR200b, and TOT bundles totaling INR400b by FY24.
- During the bidding process, IRB's priority is to focus on BOT projects, followed by TOT, and then HAM projects. However, considering the current bid pipeline and market conditions, the company is open to taking on additional HAM projects if necessary.
- As part of the strategy to enhance returns, IRB has successfully refinanced three BOT projects held by a Private InvIT. By fixing rates for five years, the company has achieved cost savings and anticipates an additional cash surplus of INR5.5b over the next five years.
- In FY23, the Mumbai-Pune Expressway witnessed a substantial revenue growth of 16% YoY without any tariff revision.
- Toll collections across projects have been robust with improvement in traffic and also increase in toll prices. IRB expects the traffic momentum to continue. Over the next few years it sees traffic growth of 5-6% annually.
- IRB's margins are protected against the escalation in raw material prices. Sufficient increase has been considered in IRB's estimated cost for BOT projects, to cover the rise in material prices.
- The Equity contribution from IRB for pending BOT projects stands at INR10b for FY24 excluding ToT project. For Hyderabad project it would be INR15b. Management is confident on meeting the committed investments.
- It expects to capitalize on the strong liquidity position, which will aid the company to bid for several new projects.

Exhibit 5: Segmental performance snapshot

(INR m)	4QFY23	4QFY22	YoY	3QFY23	QoQ
Construction business					
Revenue	10,984	9,476	15.9%	9,814	11.9%
EBITDA	2,795	2,017	38.5%	2,128	31.3%
EBITDA margin (%)	25.4%	21.3%	416bp	21.7%	376bp
Adjusted PAT	1,358	1,979	-31.4%	1,033	31.5%
BOT business					
Revenue	5,216	4,861	7.3%	5,327	-2.1%
EBITDA	4,793	4,398	9.0%	5,318	-9.9%
EBITDA margin (%)	91.9%	90.5%	140bp	99.8%	-794bp
Adjusted PAT	-55	-234	-76.5%	381	-114.4%

Source: MOFSL, Company

Valuation and view

- IRB has a robust order book of INR206b, (incl. O&M contracts). The progress of the Ganga Expressway project is smooth thus far. With execution of these significant projects underway, EPC revenue is likely to post strong growth. JV losses that impacted 4QFY23 PAT adversely are expected to reduce ahead.
- **We largely retain our FY24 and FY25 estimates and maintain our Neutral rating on the stock with an SoTP-based TP of INR30.**

Exhibit 6: Our revised forecasts

INR m	Old		New		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	73,514	81,128	73,514	81,128	0.0%	0.0%
EBITDA	35,296	38,334	35,296	38,334	0.0%	0.0%
EBITDA margin	48.0%	47.3%	48.0%	47.3%	0	0
Adj. PAT	8,725	10,286	8,809	9,935	1.0%	-3.4%

Exhibit 7: SOTP-based TP stands at INR30

Particulars	INR m	Per share (INR)
Standalone		
FY25E Core PAT	10,885	
Target PE multiple	11.0	
Standalone valuation	119,730	20
Asset business		
Other Assets	56,046	10
Total	175,776	30

Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement							(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	67,070	68,522	52,986	58,037	64,016	73,514	81,128
Change (%)	17.8	2.2	-22.7	9.5	10.3	14.8	10.4
EBITDA	29,373	29,714	25,127	27,975	32,290	35,296	38,334
Margin (%)	43.8	43.4	47.4	48.2	50.4	48.0	47.3
Depreciation	5,395	4,683	5,817	6,828	8,321	9,193	10,513
EBIT	23,978	25,031	19,310	21,147	23,968	26,103	27,822
Int. and Finance Charges	11,201	15,644	16,924	18,906	15,146	15,766	16,130
Other Income	1,956	1,950	1,889	5,517	3,017	2,849	3,196
PBT bef. EO Exp.	14,733	11,337	4,274	7,758	11,839	13,186	14,888
EO Items	0	574	0	0	0	0	0
PBT after EO Exp.	14,733	11,911	4,274	7,758	11,839	13,186	14,888
Total Tax	6,234	4,544	1,445	1,882	3,569	3,628	4,428
Tax Rate (%)	42.3	38.1	33.8	24.3	30.1	27.5	29.7
Minority Interest/Associate income	0	-158	-1,658	-2,262	-1,070	-749	-524
Reported PAT	8,500	7,209	1,172	3,614	7,200	8,809	9,935
Adjusted PAT	8,500	6,635	1,172	3,614	7,200	8,809	9,935
Change (%)	7.2	-21.9	-82.3	208.5	99.2	22.4	12.8
Margin (%)	12.7	9.7	2.2	6.2	11.2	12.0	12.2

Consolidated Balance Sheet							(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	3,515	3,515	3,515	6,039	6,039	6,039	6,039
Total Reserves	59,637	63,314	65,493	119,617	1,27,750	1,34,378	1,42,132
Net Worth	63,151	66,829	69,008	125,656	1,33,789	1,40,417	1,48,171
Minority Interest	0	0	0	0	0	0	0
Total Loans	154,009	75,709	166,640	166,853	1,67,397	1,69,910	1,72,343
Deferred Tax Liabilities	-1,351	-570	-687	-435	637	637	637
Capital Employed	215,809	141,968	234,962	292,074	3,01,823	3,10,963	3,21,151
Gross Block	347,320	299,277	302,110	307,928	3,08,339	3,13,130	3,13,630
Less: Accum. Deprn.	17,889	22,572	28,389	35,217	43,538	53,037	63,549
Net Fixed Assets	329,432	276,705	273,721	272,711	2,64,801	2,60,093	2,50,081
Capital WIP	37,966	4,030	4,030	625	75	433	433
Total Investments	6,454	41,459	47,989	49,042	51,409	54,793	60,769
Curr. Assets, Loans and Adv.	29,436	76,091	85,285	101,999	1,10,739	1,18,640	1,34,186
Inventory	4,425	3,314	3,217	3,175	2,990	4,421	4,955
Account Receivables	1,135	4,408	5,879	15,934	16,352	11,978	13,427
Cash and Bank Balance	15,603	22,707	23,390	17,438	24,171	36,793	44,299
Loans and Advances and CA	8,273	45,663	52,799	65,451	67,226	65,448	71,505
Curr. Liability and Prov.	187,478	256,317	176,064	132,303	1,25,202	1,22,996	1,24,318
Other Current Liabilities	186,611	255,800	175,562	131,707	1,24,630	1,22,424	1,23,746
Provisions	867	517	502	596	572	572	572
Net Current Assets	-158,042	-180,226	-90,780	-30,305	-14,463	-4,356	9,868
Appl. of Funds	215,809	141,968	234,961	292,074	3,01,823	3,10,963	3,21,151

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	24.2	18.9	3.3	6.0	1.2	1.5	1.6
Cash EPS	39.5	32.2	19.9	17.3	2.6	3.0	3.4
BV/Share	179.7	190.2	196.4	208.1	22.2	23.3	24.5
DPS	2.5	5.0	0.0	0.0	0.0	0.3	0.3
Payout (%)	12.4	29.3	0.0	0.0	10.5	24.8	22.0
Valuation (x)							
P/E	12.0	15.4	87.0	48.5	24.3	19.9	17.6
Cash P/E	7.3	9.0	14.6	16.8	11.3	9.7	8.6
P/BV	1.6	1.5	1.5	1.4	1.3	1.2	1.2
EV/Sales	3.6	2.3	4.6	5.6	5.0	4.2	3.7
EV/EBITDA	8.2	5.2	9.8	11.6	9.9	8.7	7.9
Dividend Yield (%)	0.9	1.7	0.0	0.0	0.0	1.0	1.0
FCF per share	-6.9	39.0	-19.3	-7.1	2.9	4.9	4.4
Return Ratios (%)							
RoE	14.2	10.2	1.7	3.7	5.5	6.4	6.9
RoCE	10.5	12.0	9.0	8.1	7.3	7.6	7.9
RoIC	11.0	13.5	11.0	8.3	7.4	8.5	9.0
Leverage Ratio (x)							
Interest Coverage Ratio	2.1	1.6	1.1	1.1	1.6	1.7	1.7
Net Debt/Equity	2.2	0.8	2.1	1.2	1.1	0.9	0.9

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	14,733	11,337	4,274	7,758	10,770	13,186	14,888
Depreciation	5,395	4,683	5,817	6,828	8,321	9,193	10,513
Interest and Finance Charges	11,201	15,644	16,924	18,906	13,109	15,766	16,130
Direct Taxes Paid	-6,234	-4,544	-1,445	-1,882	-2,020	-3,628	-4,428
(Inc.)/Dec. in WC	-42,433	30,008	-90,384	-73,592	-12,999	2,515	-6,718
CF from Operations	-17,338	57,128	-64,813	-41,982	17,180	37,032	30,384
Others	-1,956	-1,376	-1,889	-5,517	461	-2,849	-3,196
CF from Operations incl. EO	-19,294	55,752	-66,702	-47,500	17,641	34,183	27,188
(Inc.)/Dec. in FA	-5,038	81,260	-1,213	4,754	99	-4,843	-500
Free Cash Flow	-24,331	137,012	-67,915	-42,746	17,740	29,340	26,688
(Pur.)/Sale of Investments	3,001	-35,005	-8,189	-3,315	-4,385	-4,133	-6,500
Others	1,956	1,950	1,889	5,517	1,982	2,849	3,196
CF from Investments	-80	48,204	-7,513	6,956	-2,303	-6,127	-3,804
Issue of Shares	0	0	0	53,466	0	0	0
Inc./(Dec.) in Debt	33,918	-78,300	90,932	212	4,475	2,513	2,434
Interest Paid	-11,201	-15,644	-16,924	-18,906	-12,279	-15,766	-16,130
Dividend Paid	-1,058	-2,116	0	0	-755	-2,181	-2,181
Others	639	-793	890	-180	-46	0	0
CF from Fin. Activity	22,299	-96,852	74,897	34,592	-8,605	-15,435	-15,878
Inc./Dec. in Cash	2,925	7,104	683	-5,951	6,733	12,621	7,506
Opening Balance	12,678	15,603	22,707	23,390	17,438	24,171	36,793
Closing Balance	15,603	22,707	23,390	17,438	24,171	36,793	44,299

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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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