

IRB Infrastructure

Estimate change

TP change

Rating change



CMP: INR25

TP: INR28 (+11%)

Neutral

In-line operational performance; execution set to pick up with robust order book

- IRB Infrastructure (IRB)'s revenue declined 15% YoY to INR16.3b in 1QFY24 (in line). Revenue for 1QFY23 included INR4.2b of claims received from NHAI toward its Pathankot-Amritsar BOT project. Adjusted for this, revenue for 1QFY24 increased by 9% YoY.
- EBITDA margin stood at 47.6% in 1QFY24 and was largely in line with our estimates. Higher tax outgo and increased losses in JV/associate led to APAT of INR1.3b, 14% below our estimate. During 1QFY24, IRB was awarded LoA for the Hyderabad outer ring road ToT project, entailing a 30-year revenue-linked concession period for an upfront consideration of INR73.8b.
- IRB has strategically diversified its current portfolio across 10 rapidly growing states, and its order book stands at INR337b as of June'23. Based on this, we expect a revenue CAGR of ~13% over FY23-25. We maintain our Neutral rating with our SoTP-based TP of INR28 per share.

Robust order book provides revenue visibility

- The tender pipeline is strong and IRB expects to secure new projects worth INR50-60b in FY24. During the bidding process, IRB's priority would be BOT toll projects, followed by TOT projects, and then HAM projects.
- IRB was awarded the Hyderabad ring road project based on a ToT model, with an upfront payment of INR73.8b to the Hyderabad Metropolitan Development Authority. The company would undertake this project in private InVIT with a 51% share in the project. The project would have a concession period of 30 years and an O&M order book of INR145b over the concession period.

Key takeaways from the management commentary

- The company is focusing on establishing a stable order book with a higher share of ToT projects. NHAI plans to award 6,000km of projects and monetize 40 packages of TOT projects in FY24. The company will allocate more resources to revenue-generating assets.
- The company would infuse equity of INR8-10b in FY24 and INR3-5b in FY25, (excluding the Hyderabad project in FY24 and FY25). The Hyderabad project will require an infusion of ~INR15b.
- IRB aims to grow the order inflow by 20% YoY in FY24, with an estimated order intake of INR50-60b.

Valuation and view

- With progress on the Ganga Expressway project and receipt of LoA for the Hyderabad outer ring road project, Construction segment growth would ramp up. IRB has a robust order book of INR337b (incl. O&M contracts), which provides revenue visibility while maintaining stable margins.
- The order pipeline is robust and would see strong order inflows through FY24. We largely retain our PAT estimates for FY25. We maintain our Neutral rating with our SoTP-based TP of INR28 per share.



Bloomberg	IRB IN
Equity Shares (m)	6039
M.Cap.(INRb)/(USDb)	152.7 / 1.9
52-Week Range (INR)	35 / 20
1, 6, 12 Rel. Per (%)	-9/-22/2
12M Avg Val (INR M)	660

Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	64.0	73.5	81.1
EBITDA	32.3	35.6	38.3
PAT	7.2	9.0	9.6
EBITDA (%)	50.4	48.4	47.3
EPS (INR)	1.2	1.5	1.6
EPS Gr. (%)	99.2	24.8	7.2
BV/Sh. (INR)	22.2	23.3	24.5

Ratios

Net D/E	1.1	0.9	0.9
RoE (%)	5.5	6.5	6.7
RoCE (%)	7.3	7.8	7.9
Payout (%)	10.5	24.3	22.6

Valuations

P/E (x)	21.3	17.1	15.9
P/BV (x)	1.1	1.1	1.0
EV/EBITDA (x)	9.2	8.0	7.3
Div Yield (%)	0.0	1.2	1.2

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	34.2	34.2	34.2
DII	48.8	48.8	6.5
FII	6.6	6.7	48.7
Others	10.4	10.2	10.6

FII Includes depository receipts

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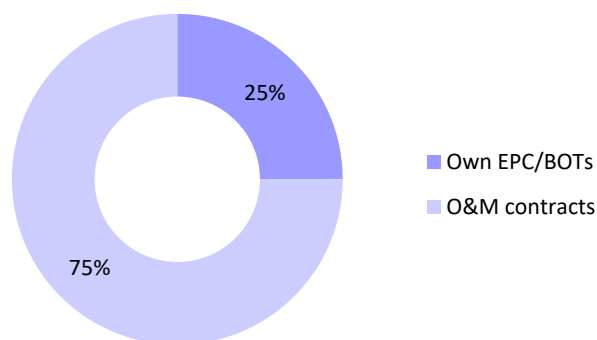
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Consolidated quarterly performance

Y/E March	FY23				FY24E				FY23	FY24E	(INR m)	
	1Q*	2Q	3Q	4Q	1Q	2QE	3QE	4QE			FY24 1QE	Var %
Net Sales	19,246	13,430	15,141	16,200	16,342	16,064	19,407	21,701	64,016	73,514	16,615	(2)
YoY Change (%)	18.4	(8.3)	18.4	13.0	(15.1)	19.6	28.2	34.0	10.3	14.8	(13.7)	
EBITDA	10,606	6,651	7,446	7,588	7,778	7,750	9,383	10,642	32,291	35,553	7,938	(2)
Margins (%)	55.1	49.5	49.2	46.8	47.6	48.2	48.3	49.0	50.4	48.4	47.8	
Depreciation	2,031	1,919	2,150	2,221	2,367	2,299	2,302	2,225	8,321	9,193	2,298	
Interest	3,850	3,893	3,671	3,733	3,815	3,945	3,942	4,065	15,146	15,766	3,942	
Other Income	708	959	560	789	1,112	800	850	858	3,016	3,621	712	
PBT	5,434	1,799	2,185	2,423	2,709	2,306	3,990	5,211	11,840	14,215	2,410	12
Tax	1,468	702	646	753	836	646	1,117	1,454	3,569	4,053	663	
Rate (%)	27.0	39.0	29.6	31.1	30.9	28.0	28.0	27.9	30.1	28.5	27.5	
Share of profit in Associates	(334)	(244)	(125)	(367)	(535)	(350)	(150)	(142)	(1,069)	(1,177)	(187)	
Reported PAT	3,632	854	1,414	1,303	1,338	1,310	2,723	3,614	7,202	8,985	1,560	(14)
Adj PAT	3,632	854	1,414	1,303	1,338	1,310	2,723	3,614	7,202	8,985	1,560	(14)
YoY Change (%)	405.1	101.7	94.5	(25.3)	(63.2)	53.5	92.6	177.4	99.3	24.8	(57.0)	
Margins (%)	18.9	6.4	9.3	8.0	8.2	8.2	14.0	16.7	11.3	12.2	9.4	

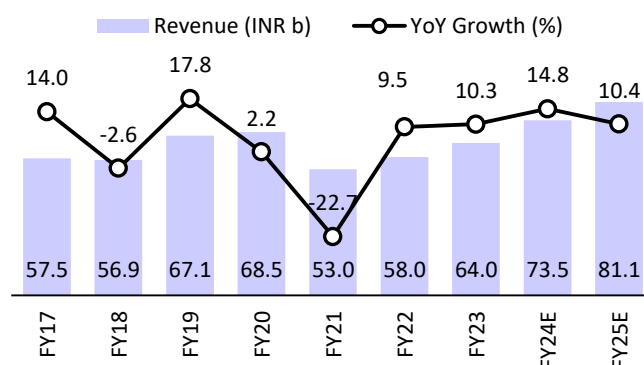
Note: *Financials for 1QFY23 include claims received from NHAI towards its Pathankot Amritsar BOT project. Around INR4.2b/INR3.7b/INR2.7b is included in revenue/EBITDA/PAT towards this claim in 1QFY23.

Exhibit 1: Order book breakup (1QFY24: INR337b)



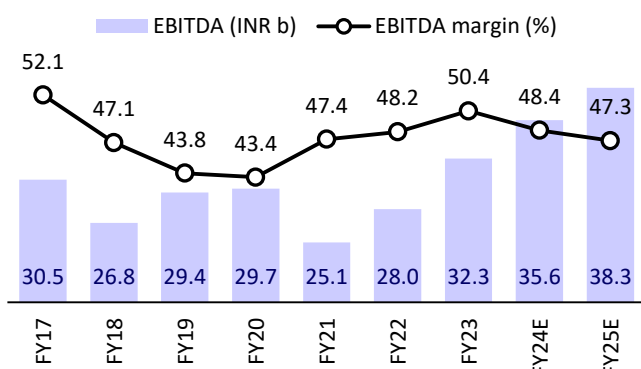
Source: MOFSL, Company

Exhibit 2: Revenue to see ~13% CAGR over FY23-25E



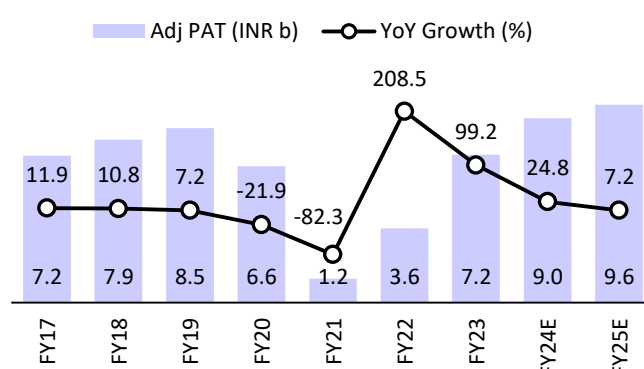
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: APAT to clock CAGR of ~16% over FY23-25



Source: MOFSL, Company



Highlights from management commentary

- The order book stood at ~INR337b at the end of 1QFY24, with the EPC order book at ~INR84.2b (25% of total order book). The toll assets in IRB grew 15% YoY in 1QFY24. Lower traffic growth in the Mumbai-Pune region was attributed to construction activities on the expressway.
- The tender pipeline is robust and IRB expects INR50-60b worth of new projects in FY24.
- IRB was awarded the Hyderabad ring road project based on a ToT model, with an upfront payment of INR73.8b to the Hyderabad Metropolitan Development Authority. The company would undertake this project in private InVIT with a 51% share in the project. The project would have a concession period of 30 years and an O&M order book of INR145b over the concession period.
- During the bidding process, IRB's priority is to focus on BOT projects, followed by TOT projects, and then HAM projects. The company's focus is to establish a stable order book with a higher share of ToT projects.
- NHAI plans to award 6,000km of projects and monetize 40 packages of TOT projects in FY24. The company will allocate more resources to revenue-generating assets. NHAI is expected to award HAM projects worth ~INR4t, BOT projects worth INR200b, and TOT bundles totaling INR400b by FY24.
- The construction vertical is expected to clock a CAGR of ~15-20% over the next two-three years with stable EBITDA margins.
- Private InVIT has gross debt of INR95b, with most of the debt being project debt. The existing private investment portfolio has started generating surplus cash flow. With the existing cash flow, IRB plans to distribute dividends to shareholders and keep significant cash flow available for further bidding.
- The company plans to infuse equity of INR8-10b in FY24 and INR3-5b in FY25, (excluding the Hyderabad project in FY24 and FY25). The Hyderabad project will require an infusion of approximately INR15b.

Exhibit 5: Segmental performance snapshot

(INR m)	1QFY24	1QFY23*	YoY	4QFY23	QoQ
Construction business					
Revenue	10,486	14,123	-25.8%	10,984	-4.5%
EBIDTA	2,903	5,910	-50.9%	2,795	3.9%
EBITDA margin (%)	27.7%	41.8%	-1,416bp	25.4%	224bp
Adjusted PAT	1,416	3,651	-61.2%	1,358	4.3%
BOT business					
Revenue	5,856	5,122	14.3%	5,216	12.3%
EBIDTA	4,876	4,697	3.8%	4,793	1.7%
EBITDA margin (%)	83.3%	91.7%	-843bp	91.9%	-863bp
Adjusted PAT	-78	-19	310.6%	-55	41.8%

Note: *Financials for 1QFY23 include claims received from NHAI towards its Pathankot Amritsar BOT project. Around INR4.2b/INR3.7b/INR2.7b is included in revenue/EBITDA/PAT towards this claim in 1QFY23.

Source: MOFSL, Company

Valuation and view

- With progress on the Ganga Expressway project and receipt of LoA for the Hyderabad outer ring road project during the quarter, Construction segment growth would ramp up. IRB has a robust order book of INR337b (incl. O&M contracts), which provides revenue visibility while maintaining stable margins.
- The order pipeline is robust and would see strong order inflows through FY24. We largely retain our PAT estimates for FY25. We maintain our Neutral rating with our SoTP-based TP of INR28 per share.

Exhibit 6: Earnings estimate Changes

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	35,553	38,334	0.7%	0.0%
EBITDA margin	48.0%	47.3%	48.4%	47.3%	35	0
Adj. PAT	8,809	9,935	8,985	9,636	2.0%	-3.0%

Exhibit 7: SOTP-based target price stands at INR28

Particulars	INR m	Per share (INR)
Standalone		
FY25E Core PAT	10,885	
Target PE multiple	10.0	
Standalone valuation	1,08,850	18
Asset business		
Other Assets	56,102	10
Total	1,64,952	28

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	35,553	38,334
Margin (%)	43.8	43.4	47.4	48.2	50.4	48.4	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	26,360	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	3,621	3,196
PBT bef. EO Exp.	14,733	11,337	4,274	7,758	11,839	14,215	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	14,215	14,888
Total Tax	6,234	4,544	1,445	1,882	3,569	4,053	4,428
Tax Rate (%)	42.3	38.1	33.8	24.3	30.1	28.5	29.7
Minority Interest/Associate income	0	-158	-1,658	-2,262	-1,070	-1,177	-824
Reported PAT	8,500	7,209	1,172	3,614	7,200	8,985	9,636
Adjusted PAT	8,500	6,635	1,172	3,614	7,200	8,985	9,636
Change (%)	7.2	-21.9	-82.3	208.5	99.2	24.8	7.2
Margin (%)	12.7	9.7	2.2	6.2	11.2	12.2	11.9

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	1,19,617	1,27,750	1,34,553	1,42,008
Net Worth	63,151	66,829	69,008	1,25,656	1,33,789	1,40,592	1,48,047
Minority Interest	0	0	0	0	0	0	0
Total Loans	1,54,009	75,709	1,66,640	1,66,853	1,67,397	1,69,910	1,72,343
Deferred Tax Liabilities	-1,351	-570	-687	-435	637	637	637
Capital Employed	2,15,809	1,41,968	2,34,962	2,92,074	3,01,823	3,11,139	3,21,027
Gross Block	3,47,320	2,99,277	3,02,110	3,07,928	3,08,339	3,13,130	3,13,630
Less: Accum. Deprn.	17,889	22,572	28,389	35,217	43,538	53,073	63,585
Net Fixed Assets	3,29,432	2,76,705	2,73,721	2,72,711	2,64,801	2,60,057	2,50,045
Capital WIP	37,966	4,030	4,030	625	75	433	433
Total Investments	6,454	41,459	47,989	49,042	51,409	54,365	60,041
Curr. Assets, Loans and Adv.	29,436	76,091	85,285	1,01,999	1,10,739	1,19,279	1,34,826
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	37,432	44,939
Loans and Advances and CA	8,273	45,663	52,799	65,451	67,226	65,448	71,505
Curr. Liability and Prov.	1,87,478	2,56,317	1,76,064	1,32,303	1,25,202	1,22,996	1,24,318
Other Current Liabilities	1,86,611	2,55,800	1,75,562	1,31,707	1,24,630	1,22,424	1,23,746
Provisions	867	517	502	596	572	572	572
Net Current Assets	-1,58,042	-1,80,226	-90,780	-30,305	-14,463	-3,717	10,508
Appl. of Funds	2,15,809	1,41,968	2,34,961	2,92,074	3,01,823	3,11,139	3,21,027

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	2.4	1.9	0.3	0.6	1.2	1.5	1.6
Cash EPS	4.0	3.2	2.0	1.7	2.6	3.0	3.3
BV/Share	18.0	19.0	19.6	20.8	22.2	23.3	24.5
DPS	0.3	0.5	0.0	0.0	0.0	0.3	0.3
Payout (%)	12.4	29.3	0.0	0.0	10.5	24.3	22.6
Valuation (x)							
P/E	10.5	13.5	76.2	42.4	21.3	17.1	15.9
Cash P/E	6.4	7.9	12.8	14.7	9.9	8.4	7.6
P/BV	1.4	1.3	1.3	1.2	1.1	1.1	1.0
EV/Sales	3.4	2.1	4.4	5.2	4.6	3.9	3.5
EV/EBITDA	7.8	4.8	9.3	10.8	9.2	8.0	7.3
Dividend Yield (%)	1.0	2.0	0.0	0.0	0.0	1.2	1.2
FCF per share	10.5	13.5	76.2	42.4	21.3	17.1	15.9
Return Ratios (%)							
RoE	14.2	10.2	1.7	3.7	5.5	6.5	6.7
RoCE	10.5	12.0	9.0	8.1	7.3	7.8	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	14,215	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	-4,053	-4,428
(Inc.)/Dec. in WC	-42,433	30,008	-90,047	-73,115	-12,999	2,515	-6,718
CF from Operations	-17,338	57,128	-64,476	-41,505	17,180	37,636	30,384
Others	-1,956	-1,376	-1,889	-5,517	461	-3,621	-3,196
CF from Operations incl. EO	-19,294	55,752	-66,365	-47,023	17,641	34,015	27,188
(Inc.)/Dec. in FA	-5,038	81,260	-1,550	4,277	99	-4,807	-500
Free Cash Flow	-24,331	1,37,012	-67,915	-42,746	17,740	29,208	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	3,621	3,196
CF from Investments	-80	48,204	-7,849	6,479	-2,303	-5,319	-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	13,261	7,506
Opening Balance	12,678	15,603	22,707	23,390	17,438	24,171	37,432
Closing Balance	15,603	22,707	23,390	17,438	24,171	37,432	44,939

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