

IRB Infra Developers Ltd.

Industry Eng. & Cons.
Bloomberg IRB IN
BSE CODE 532947

Strong Revenue growth margins under pressure

RATING	BUY
CMP	139
Price Target	175
Potential Upside	26%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	286/117
Mkt Capital (Rs Cr)	4897
Free float (%)	43%
Avg. Vol 1M (,000)	1376
No. of Shares (Cr)	35
Promoters Pledged %	0

3QFY19 Result Update

- ❑ The company registered a strong revenue growth of 38% YoY to Rs.1789 Cr which is better than our estimate of Rs.1633 Cr on the back of strong revenue growth from the construction segment.
- ❑ The EBITDA grew only by 20% YoY on account of 610 bps contraction in EBITDA margin due to revenue mix, raw material vitality and utility shifting (Utility shifting revenue is pass through for the company).
- ❑ The company has registered a muted PAT growth of 5% YoY on the back of higher Interest and Tax levels.
- ❑ Interest cost has gone up by 21% YoY as Solapur Yedshi and Kaithal Rajasthan commence operation during the year. Tax rate during the quarter was 43% v/s 35% in Q3FY18.
- ❑ During the quarter company has achieved the financial closure for the Vadodara Kim project and received appointment date on 18th January 2019.
- ❑ The order book at the end of Q3FY19 stands at Rs 12167 Cr, while there was no order inflow during the quarter
- ❑ During the quarter company had successfully managed to lower the cost of debt for Kaithal Rajasthan project by 150bps

View and Valuation

IRB has been able to achieved financial closure of all the 3 HAM projects in stipulated time period whereas the industry is struggling to get projects financially closed. Company has received appointment date of Vadodara Kim Expressway and work has commenced but 2 Tamil Nadu projects are facing land acquisition issue and management expects delay in appointment date. Both the projects contribute around 26% to the overall order book and 39% to the projects yet to commence. Contribution of these projects is significant in FY20 revenue, so the appointment date of the projects is key monitorable. Though, the EPC revenue is expected to remain strong backed by execution of ongoing projects

We have factored in delay in appointment date in our estimates and reduce FY20E revenue/PAT estimates by 6/10%. Though, the considering the lower valuation level, we have maintained our BUY rating and reduce our target price from Rs.197 to Rs.175 at 8.5x FY20E EV/EBITDA.

Key Risks to our rating and target

- ❑ Appointment dates for Tamil Nadu HAM projects

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	5128	5846	5694	6585	6786
EBITDA	2660	3048	2679	2968	2807
EBIT	1807	2193	2135	2433	2402
PAT	639	715	920	922	589
EPS (Rs)	18	20	26	26	17
EPS growth (%)	18%	12%	29%	0%	-36%
ROE	13%	14%	16%	15%	9%
ROCE	9%	12%	11%	11%	9%
BVPS	137.6	155.5	162.0	178.6	192.3
P/B (X)	1.7	1.4	1.7	0.8	0.9
P/E (x)	13.0	10.8	10.3	5.3	10.4
EV/EBITDA (x)	8.0	6.4	7.9	6.5	8.5

Research Analyst

SANDIP JABUANI

sandip.jabuani@narnolia.com

+91-22-62701228

KETAN MEHROTRA

ketan.mehrotra@narnolia.com

+91-22-62701217

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3QFY19 Results

Financials	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY %	QoQ%	9MFY18	9MFY19	YoY %
Net Sales	1,296	1,382	1,538	1,432	1,789	38%	25%	4,236	4,759	12.3%
Construction	832	885	1,035	932	1,253	51%	35%	3,079	3,220	4.6%
Toll	460	494	548	494	532	16%	8%	1,353	1,574	16.3%
Other	45	50	45	53	47	2%	-13%	245	145	-40.9%
COGS	500	549	627	589	860	72%	46%	1,792	2,076	15.8%
Employee	81	89	77	86	82	1%	-4%	203	245	20.8%
Other	85	86	88	87	86	1%	-1%	221	261	18.3%
Total	666	723	791	762	1,028	54%	35%	2,215	2,582	16.5%
EBITDA	630	659	747	670	760	21%	13%	2,021	2,177	7.8%
Depreciation	121	115	134	137	132	9%	-4%	429	404	-5.8%
EBIT	509	544	612	533	628	23%	18%	1,592	1,773	11.4%
Intreset	237	209	248	272	287	21%	5%	758	806	6.4%
Exceptional	-	-	-	-	-	0%	0%	-	-	0%
PBT	318	384	410	314	388	22%	24%	1,080	1,112	3.0%
Tax	111	145	160	141	169	53%	20%	400	470	17.6%
PAT	207	240	250	173	219	6%	27%	680	642	-5.6%

Strong Revenue growth, Margin under pressure

The Company has reported strong revenue growth of 38% YoY led by construction segment. Revenue from the business was up by 50% YoY to Rs 1253 Cr backed by robust execution of ongoing projects, while the BoT segment rose 16% YoY to Rs 532 Cr. The toll collections at 3 Rajasthan projects and the Agra Etawah was soft as the construction activities have picked up considerably thus traffic movement was affected on the projects. The EBITDA during the quarter went up by only 20% YoY as the margin went down by 610 bps due to revenue mix, utility shifting activities where the margins are negligible and also the material price volatility affected the margins. The PAT grew by a mere 6% YoY to Rs.219 Cr while the margins went down by 380 bps on account of higher interest and tax levels. Interest cost was higher on account of higher operational debt. The order inflow during the quarter was NIL while the Order book stood at Rs12176 Cr with projects yet to commence execution standing at Rs 8161Cr and ongoing projects at Rs 4006 Cr.

Steady growth in toll revenue

IRB has Gross toll collection during the quarter was up by 12% YoY to Rs.553 Cr on back of 30% and 12% toll collection growth on Kaithal Rajasthan and Vadoadra Ahmadabad projects respectively. Vododara- Ahmadabad witnessed strong growth for straight third quarter after subdues growth. While opening of Narvana Bypass on kaithal Rajasthan has led to strong growth. The toll collection on 3 under construction BoT projects in Rajasthan and Agra Etawah was soft owing to the ongoing construction activity. Though, it is in line with management's guided range. Traffic on Agra projects is expected to pick up in 3 months once the major structure work is completed.

Appointment date is key monitorable

Over the last 2 quarters the company has achieved financial closure for both the Tamil Nadu projects that is the Puducherry to Poondiyanakuppam and Poondiyanakuppam to Sattanathapuram but the company has not received the appointment date due to land acquisition issue faced by NHAI. Company is waiting for the clarity on timeline from the NHAI. The two projects contribute around 26% to the overall order book and 39% to the projects yet to commence. Contribution of these projects is significant in FY20 revenue, so the appointment date of the projects is key monitorable.

Concall Highlights

- The 3 Rajasthan projects and the Agra Etawah saw softening in toll collection as the construction activities have picked up considerable pace thus traffic movement was affected in the projects
- The Two Tamil Nadu projects are witnessing delays because of land handover issues faced by the NHAI, company is waiting clarity on timelines from the NHAI.
- The discussions for financial closure of Hapur Moradabad project is at advance level and company expects the closure soon followed by tolling and collection activity to start simultaneously.
- Despite the existing liquidity crunch and credit availability being the priced affair in the market now, The Company was able to reduce the cost of debt for Kaithal Rajasthan project by 150bps
- The Company sees 60-70 HAM projects and also various EPC projects are in pipeline for bidding, company would be analyzing them and is prepared to bid for them as and when they get awarded.
- The construction margins were affected due to utility shifting activities and change in scope where the margins are negligible also the material price volatility affected the margins. Management expects that the margin to be in range of 23-24% going forward
- The equity requirement in FY20 will be Rs 1300 Cr and FY21 will be Rs 500 Cr. The total equity infused till now in all the projects will be close to Rs 7000 Cr.
- The Company is confident of meeting the equity requirement with the current cash levels and profits from the existing projects
- The monetization of the assets is under dilemma, difficult to get 12% IRR in the initial phase of projects. Currently most of the projects is with 25 year concession period
- On the Agra Etawah project, State authority on parallel expressway continues to collect toll at lower tariff which led to diverting in traffic but company expect strong jump in toll collection in 3 months as all the structure work gets completed.
- The gross debt including overdraft is Rs 3000 Cr and cash including liquid fund is Rs 1500 Cr on Standalone books.
- The other income had Rs 20 Cr from construction division and Rs 26 Cr from BoT
- The 30% growth in Kaithal Rajasthan project was due to opening of the nirvana bypass.

Revenue Mix

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY (+/-)	QoQ (+/-)
Construction	1,362	884	832	885	1,035	932	1,253	51%	35%
BoT	508	385	460	494	548	494	532	16%	8%
Total	1,870	1,269	1,296	1,379	1,583	1,432	1,789	38%	25%

Order Book Break Up

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY (+/-)	QoQ (+/-)
Ongoing Projects	2,785	4,079	5,297	6,917	5,943	5,058	4,006	-42%	-21%
Yet to commence	5,436	3,438	1,449	8,163	8,161	8,161	8,161	0%	0%
BOT Projects in O&M	690	673	656	-	-	-	-	-	-
Total	8,911	8,189	7,402	15,080	14,104	13,219	12,167	-19%	-8%

Gross Toll Collection at Major Projects

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	YoY (+/-)	QoQ (+/-)
Mumbai- Pune	228	213	233	227	231	215	237	2%	10%
Ahemdabad - Vadodra	92	87	101	102	104	98	113	12%	15%
Thane - Ghodbandar	8	8	10	10	20	10	10	-2%	-2%
Pune - Nasik	8	8	8	8	8	9	9	8%	0%
Pune - Solapur	6	6	6	6	6	6	6	-3%	9%

Exhibit: Order Book and Book to Bill

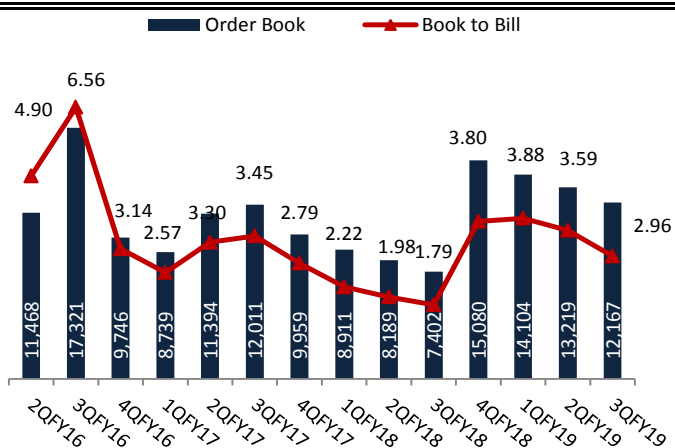


Exhibit: Revenue Mix % with EBITDA M %

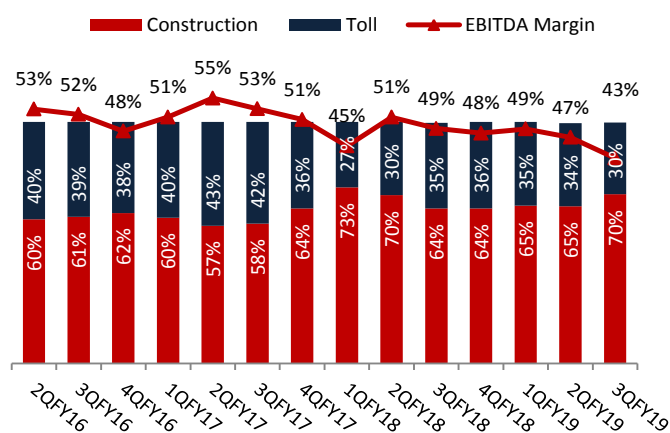


Exhibit: Project Debt and Intreset Coverage

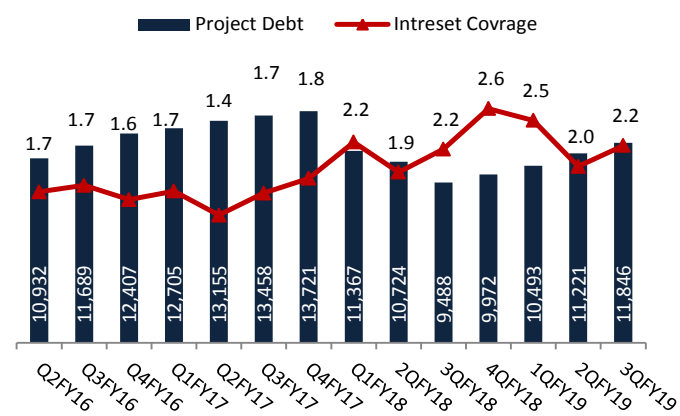
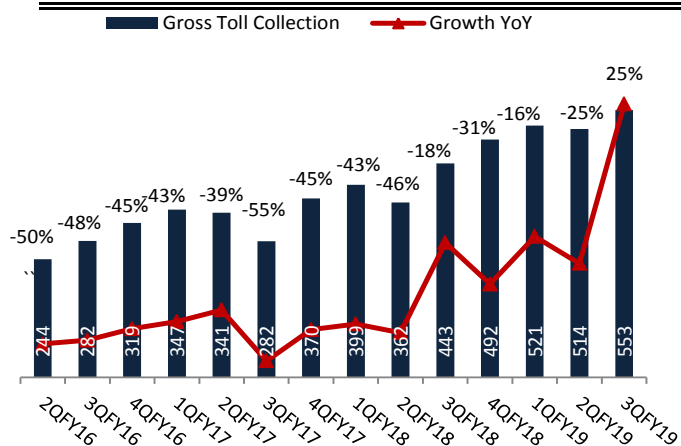


Exhibit: Gross toll collection



Financial Details
Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	3,687	3,732	3,847	5,128	5,846	5,694	6,585	6,786
Change (%)	18%	1%	3%	33%	14%	-3%	16%	3%
EBITDA	1,633	1,754	2,212	2,660	3,048	2,679	2,968	2,807
Change (%)	19%	7%	26%	20%	15%	-12%	11%	-5%
Margin (%)	44%	47%	57%	52%	52%	47%	45%	41%
Depr & Amor.	442	477	707	853	855	544	535	405
EBIT	1,192	1,277	1,505	1,807	2,193	2,135	2,433	2,402
Int. & other fin. Cost	615	756	931	1,064	1,333	967	1,093	1,717
Other Income	130	121	113	127	123	169	195	203
EBT	707	642	686	870	984	1,337	1,535	889
Exp Item	-	-	-	-	-	127	-	-
Tax	153	182	144	231	269	544	613	299
Minority Int & P/L share of Ass.	(3)	0	(1)	0	(0)	-	-	-
Reported PAT	557	459	543	639	715	920	922	589
Adjusted PAT	557	459	543	639	715	845	922	589
Change (%)		-18%	18%	18%	12%	18%	9%	-36%
Margin(%)	15%	12%	14%	12%	12%	15%	14%	9%

Balance sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	332	332	351	351	351	351	351	351
Reserves	2,923	3,228	4,099	4,485	4,920	5,341	5,925	6,408
Networth	3,256	3,561	4,451	4,836	5,272	5,693	6,276	6,759
Debt	7,906	10,294	11,747	14,473	13,020	12,996	15,822	19,079
Other Non Cur Liab	485	339	21,262	20,744	15,960	15,661	15,661	15,661
Total Capital Employed	9,890	12,959	15,568	18,120	17,361	17,524	20,935	24,738
Net Fixed Assets (incl CWIP)	10,425	13,041	36,486	39,057	31,083	36,712	40,774	44,353
Non Cur Investments	1	1	1	1	1	762	762	762
Other Non Cur Asst	10,877	13,350	36,991	39,624	31,704	37,125	41,188	44,766
Non Curr Assets	10,878	13,351	36,992	39,625	31,705	37,887	41,949	45,528
Inventory	249	268	260	309	353	487	237	244
Debtors	8	6	6	9	70	133	153	158
Cash & Bank	1,471	1,501	1,530	1,501	1,308	1,268	984	1,223
Other Curr Assets	608	586	590	723	522	629	670	595
Curr Assets	2,336	2,361	2,386	2,541	2,252	2,517	2,044	2,220
Creditors	341	408	225	309	451	406	469	484
Provisions	311	289	94	137	93	75	111	95
Other Curr Liab	1,117	1,074	1,659	1,769	1,733	5,648	5,764	5,766
Curr Liabilities	1,057	1,036	1,655	1,760	1,724	5,639	5,718	5,736
Net Curr Assets	1,278	1,325	731	781	529	(3,122)	(3,674)	(3,516)
Total Assets	13,214	15,712	39,378	42,166	46,641	40,403	43,993	47,748

Financial Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	707	642	686	870	984	1,464	1,535	889
(inc)/Dec in Working Capital	48	139	(177)	(48)	424	(106)	369	(6)
Non Cash Op Exp	442	477	707	853	855	544	535	405
Int Paid (+)	611	747	931	1,064	1,333	967	1,093	1,717
Tax Paid	242	232	216	313	348	501	613	299
others	(123)	(117)	(108)	(87)	(55)	(59)	-	-
CF from Op. Activities	1,441	1,656	1,823	2,340	3,192	2,132	2,918	2,706
(inc)/Dec in FA & CWIP	(2,517)	(3,001)	(2,308)	(3,159)	(2,775)	(3,970)	(4,598)	(3,984)
Free Cashflow	(1,076)	(1,345)	(484)	(819)	417	(1,838)	(1,680)	(1,278)
(Pur)/Sale of Inv	(48)	48	8	4	(332)	1,298	(0)	84
others	321	262	21	13	(12)	(19)	-	-
CF from Inv. Activities	(2,247)	(2,743)	(2,295)	(3,144)	(2,981)	(2,621)	(4,598)	(3,900)
inc/(dec) in NW	-	-	422	-	-	-	-	-
inc/(dec) in Debt	1,481	2,209	1,448	2,360	1,634	1,643	2,827	3,256
Int. Paid	(613)	(740)	(1,317)	(1,435)	(1,751)	(895)	(1,093)	(1,717)
Div Paid (inc tax)	(119)	(194)	(78)	(254)	(85)	(338)	(338)	(106)
others	(0)	(1)	(1)	-	-	-	-	-
CF from Fin. Activities	748	1,274	474	671	(202)	410	1,396	1,433
Inc(Dec) in Cash	(57)	186	2	(133)	9	(79)	(284)	240
Add: Opening Balance	355	257	443	410	276	285	1,268	984
Closing Balance	302	443	445	276	286	206	984	1,224

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	17%	13%	12%	13%	14%	16%	15%	9%
ROCE	11%	9%	9%	9%	12%	11%	11%	9%
Asset Turnover	0.28	0.24	0.10	0.12	0.13	0.14	0.15	0.14
Debtor Days	1	1	1	1	4	9	9	9
Inv Days	25	26	25	22	22	31	31	31
Payable Days	34	40	21	22	28	26	26	26
Int Coverage	2	2	2	2	2	2	2	1
P/E	7.8	6.7	14.8	13.0	10.8	10.3	5.3	10.4
Price / Book Value	1.3	0.9	1.8	1.7	1.4	1.7	0.8	0.9
EV/EBITDA	5.8	6.2	8.5	8.0	6.4	7.9	6.5	8.5
FCF per Share	62	72	68	89	111	89	116	105
Div Yield	3.1%	4.3%	0.0%	2.5%	0.9%	3.0%	5.8%	1.4%

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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