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IRB INFRASTRUCUTRE DEVELOPERS LTD.

Industry	Con. & Eng.
Bloomberg	IRB IN
BSE Code	532947
NSE Code	IRB

09 May 2018

RATING	BUY
CMP	262
Price Target	320
Previous Target	231
Potential Upside	22%

Stock Info

52wk Range H/L	286/193
Mkt Capital (Rs Cr)	9364
Free float (%)	43%
Avg. Vol 1M (,000)	4168
No. of Shares (Crore)	35
Promoters Pledged %	0.3%

Research Analyst

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Strong Order book support 30-35% CAGR EPC revenue growth over FY18-20

Key Highlights

- ☑ IRB is the largest road developer of the country with 13400 lane km of projects completed or under construction or development. With entry into HAM segment will ensured continuous order book growth. IRB has secured Rs.55 bn worth of new HAM projects in last quarter.
- ☑ Company has added 5 new toll streams in FY18: 3 Rajasthan projects started construction and tolling and commissioning of Solapur Yedeshi & Kaithal Rajasthan. Tolling on these projects will keep toll revenue/profit sustainable.
- ☑ Overhang of CBI Investigation Cleared as CBI has virtually given a clean chit to top management of the company in connection with murder case of RTI activist Satish Shetty in 2010.

4Q FY18 Result:

IRB has reported Q4FY18 numbers largely in line with our estimates. Revenue was down by 15% YoY to Rs.1382 Cr v/s our estimate of Rs.1352 Cr. Revenue was down mainly due to transfer of 7 BoT assets to IRB InvIT. As result of assets transfer bottom line has improved by 15.7% YoY to Rs.240 Cr v/s our estimate of Rs.247 Cr. Till Q3FY18 IRB was struggling to get new orders but in Q4FY18 company has secured new orders worth Rs.8900 Cr. With this the current order book stands at Rs.15000 Cr, i.e 3.8x of TTM EPC revenue. Also, the CBI has virtually given a clean chit to top management of the company in connection with murder case of RTI activist Satish Shetty in 2010.

View and Valuation

IRB was struggling to get new orders but once the management has started focusing on HAM projects company has witness Rs.8900 Cr of order inflow in just 2 months. With this strong order inflow order book stands at Rs.15000 Cr, which is highest in last 30 quarters and support 30-35% CAGR EPC revenue growth over FY18-20. However the EBITDA margin is lower on HAM projects but at bottom line is at par with BoT projects. IRB has completed construction on Solapur Yedeshi & Kaithal Rajasthan and subsequently tooling has commenced. Mumbai Pune toll concession period expire in Aug 2019 which currently contributes highest in toll revenue. However, tolling on new projects will keep Toll revenue/profit sustainable. **We value IRB at 1.5x (Avg. of last 5 years) book value of FY20E and arrived at target price of Rs.320 and recommend "BUY".**

Key Risks to our rating and target

- ♦ Delay in appointment date
- ♦ Slow down in execution due to external factors

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	5128	5846	5694	7125	9339
EBITDA	2660	3048	2679	3389	3475
EBIT	1807	2193	2135	2791	3022
PAT	639	715	920	1100	1062
EPS (Rs)	18	20	26	31	30
EPS growth (%)	18%	12%	29%	20%	-3%
ROE	13%	14%	16%	17%	14%
ROCE	9%	12%	11%	13%	11%
BVPS	138	156	162	190	216
P/B (X)	1.7	1.4	1.7	1.4	1.2
P/E (x)	13.0	10.8	10.3	8.6	8.9

4QFY18 Results In line with our expaction

Financials	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	1,627	1,817	1,123	1,296	1,382	*-15.1%*	*6.6%*	5,846	5,694	*-2.6%*
EPC	1,062	1,362	884	832	885	*-16.7%*	*6.3%*	3,565	3,964	*11.2%*
Toll	594	508	385	460	494	*-16.9%*	*7.4%*	2,371	1,847	*-22.1%*
Other Income	29	54	146	45	50	*72.3%*	*9.7%*	123	169	*36.9%*
COGS	665	847	446	500	549	*-17.4%*	*9.8%*	2,287	2,397	*4.8%*
Employee Exp.	81	57	64	81	89	*9.2%*	*9.7%*	273	291	*6.9%*
Other Exp.	59	95	40	85	86	*44.9%*	*0.5%*	238	327	*37.1%*
Total Exp.	805	999	550	666	723	*-10.2%*	*8.6%*	2,798	3,015	*7.8%*
EBITDA	**822**	**818**	**572**	**630**	**659**	*-19.8%*	*4.5%*	**3,048**	**2,679**	*-12.1%*
EBITDA M (%)	**51**	**45**	**51**	**49**	**48**			**52**	**47**	
Depreciation	226	182	126	121	115	*-49.1%*	*-5.0%*	855	544	*-36.4%*
EBIT	595	636	446	509	544	*-8.7%*	*6.8%*	2,193	2,135	*-2.7%*
Intreset	326	285	236	237	209	*-35.9%*	*-11.7%*	1,333	967	*-27.5%*
Excep. Item	-	-	-	-	-			-	127	
PBT	298	404	357	318	384	*28.9%*	*20.9%*	984	1,337	*35.9%*
Tax	91	166	123	111	145	*58.8%*	*30.8%*	269	544	*102.7%*
PAT	**206**	**191**	**222**	**154**	**194**	*-5.9%*	*26.2%*	**715**	**920**	*28.5%*
PAT %	**13**	**11**	**20**	**12**	**14**			**12**	**16**	

In line Result, Expect strong growth in FY19

IRB has reported Q4FY18 numbers largely in line with our estimates. Revenue was down by 15% YoY to Rs.1382 Cr v/s our estimate of Rs.1352 Cr. Revenue was down mainly due to transfer of 7 BoT assets to IRB InvIT. As result of assets transfer bottom line has improved by 15.7% YoY to Rs.240 Cr v/s our estimate of Rs.247 Cr. EPC revenue was down by 16% as couple of projects gets competed and new projects starts at mid quarter. Dip in Toll revenue due to transfer of 7 assets to IRB InvIT. But strong order book at the end of the year provides strong EPC revenue growth of 30-35% CAGR over next couple of years.

Strong Order Inflow

Till Q3FY18 IRB was struggling to get new orders but once the management has started focusing on HAM projects company has witness Rs.8900 Cr of order inflow in just 2 months. IRB has received Rs.5500 Cr of 3 HAM projects and Rs.3400 Cr worth of BOT project in Q4FY18. With this strong order inflow order book stands at Rs.15000 Cr, which is highest in last 30 quarters and support 30-35% CAGR EPC revenue growth over FY18-20. However the EBITDA margin is lower on HAM projects but at bottom line is at par with BoT projects.

Temporary dip in Toll Revenue, added 5 new toll stream in FY18

Toll Revenue during the Q4FY18/FY18 was down by 17%/22% due to transfer for 7 BoT assets to IRB InvIT but it is temporary. IRB has added 5 new toll streams in FY18: 3 Rajasthan projects started construction and tolling and commissioning of Solapur Yedeshi and Kaithal Rajasthan. These projects will contribute fully in FY19 and couple of more projects (Yedeshi Aurngabad and Goa Kundapur) will commissioned. We expect strong recovery in toll revenue going ahead. Additionally, GST issue has settled down and management has witnessed revival in traffic growth.

Clean chit from CBI

During the quarter CBI has completed its investigation and given clean chit to top management of the company in connection with murder case of RTI activist Satish Shetty in 2010.

Concall Highlights:-

- ✓ Expect Rs.10000 Cr of revenue by 2020 with Rs.1000 Cr of bottom line. Out of this Rs.7000 Cr will be from EPC segment.
- ✓ Rs.7000-9000 Cr of new orders in FY19.
- ✓ Equity Requirement of Rs.2500 Cr of current order book.
- ✓ IRB will not transfer any assets to IRB InvIT in FY19.
- ✓ Expect Rs.2400 Cr toll revenue in FY20 and debt to equity will be 2.5x once all the current projects will construct.

Revenue Mix

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY (+/-)	QoQ (+/-)
Construction	755	834	1,062	1,362	884	832	885	*-17%*	*6%*
BoT	569	606	594	508	385	460	494	*-17%*	*7%*
Total	**1,324**	**1,441**	**1,656**	**1,870**	**1,269**	**1,292**	**1,379**	*-17%*	*7%*

Order Book Break Up

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY (+/-)	QoQ (+/-)
Ongoing Projects	5,634	4,826	3,822	2,785	4,079	5,297	6,917	*148%*	*31%*
Yet to commence	3,987	5,436	5,436	5,436	3,438	1,449	8,163	*50%*	*463%*
Total	**9,621**	**10,262**	**9,258**	**8,221**	**7,517**	**6,746**	**15,080**	*83%*	*124%*

Gross Toll Collection at Major Projects

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY (+/-)	QoQ (+/-)
Munbai- Pune	173	137	183	228	213	233	227	*24%*	*-3%*
Ahemdabad - Vadodra	83	69	92	92	87	101	102	*11%*	*1%*
Thane - Ghodbandar	8	5	8	8	8	10	10	*24%*	*3%*
Pune - Nasik	8	6	8	8	8	8	8	*7%*	*-3%*
Pune - Solapur	6	5	6	6	6	6	6	*4%*	*-3%*

Exhibit: Order Book Break Up

40% orders are new which ensure strong revenue growth going ahead

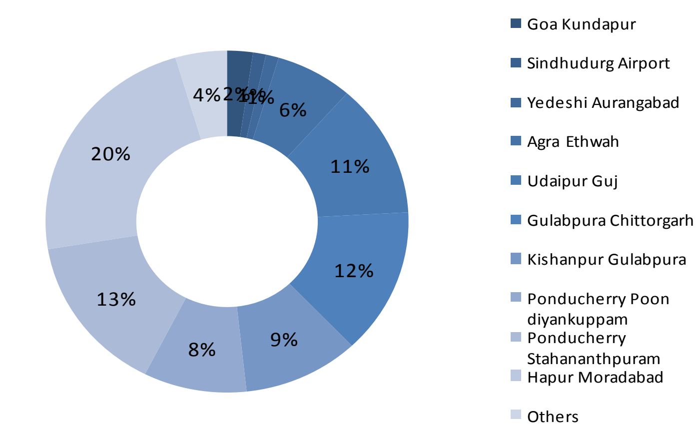


Exhibit: Order Book and Book to Bill

Revenue visibilities has shoot up to 4x after strong order inflow of 8900 Cr in Q4FY18

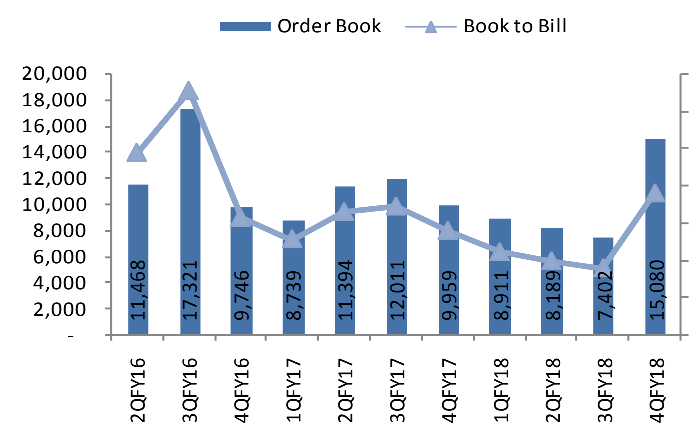


Exhibit: Revenue Mix % with EBITDA M %

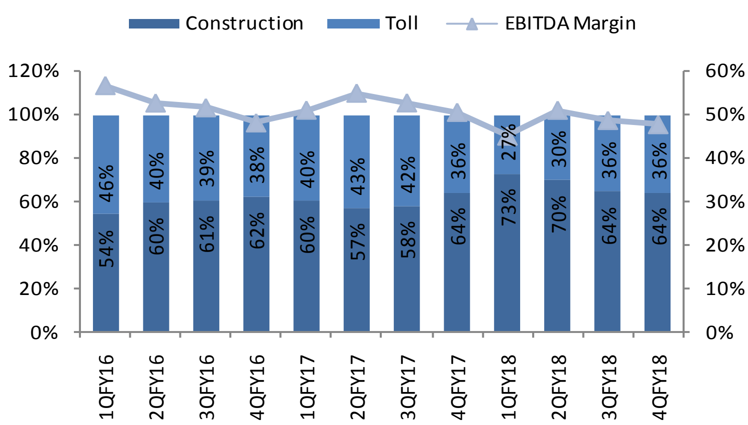
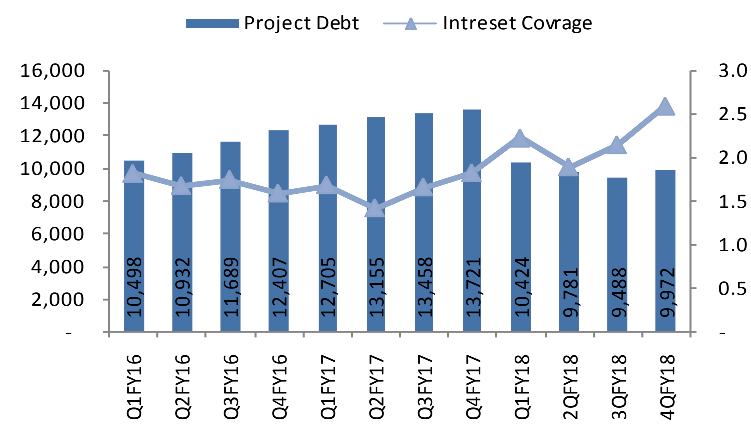


Exhibit: Project Debt and Intreset Covrage



Financials 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**	**7,125**	**9,339**
Change (%)	*18%*	*1%*	*3%*	*33%*	*14%*	*-3%*	*25%*	*31%*
EBITDA	**1,633**	**1,754**	**2,212**	**2,660**	**3,048**	**2,679**	**3,389**	**3,475**
Change (%)	19%	7%	26%	20%	15%	-12%	26%	3%
Margin (%)	**44%**	**47%**	**57%**	**52%**	**52%**	**47%**	**48%**	**37%**
Depr & Amor.	442	477	707	853	855	544	598	454
EBIT	***1,192***	***1,277***	***1,505***	***1,807***	***2,193***	***2,135***	***2,791***	***3,022***
Int. & other fin. Cost	*615*	*756*	*931*	*1,064*	*1,333*	*967*	*1,254*	*1,517*
Other Income	*130*	*121*	*113*	*127*	*123*	*169*	*130*	*113*
EBT	**707**	**642**	**686**	**870**	**984**	**1,337**	**1,666**	**1,618**
Exp Item	-	-	-	-	-	127	-	-
Tax	**153**	**182**	**144**	**231**	**269**	**544**	**567**	**556**
Min. Int & P/L share of Ass.	(3)	0	(1)	0	(0)	-	-	-
Reported PAT	**557**	**459**	**543**	**639**	**715**	**920**	**1,100**	**1,062**
Adjusted PAT	***557***	***459***	***543***	***639***	***715***	***845***	***1,100***	***1,062***
Change (%)		-18%	18%	18%	12%	18%	30%	-3%
Margin(%)	*15%*	*12%*	*14%*	*12%*	*12%*	*15%*	*15%*	*11%*

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	6,311	7,248
Networth	**3,256**	**3,561**	**4,451**	**4,836**	**5,272**	**5,693**	**6,663**	**7,600**
Debt	*7,906*	*10,294*	*11,747*	*14,473*	*13,020*	*12,996*	*14,399*	*21,010*
Other Non Cur Liab	485	339	21,262	20,744	15,960	15,661	14,882	14,882
Total Capital Employed	*9,890*	*12,959*	*15,568*	*18,120*	*17,361*	*17,524*	*20,131*	*27,679*
Net Fixed Assets (incl CWIP)	*10,425*	*13,041*	*36,486*	*39,057*	*31,083*	*36,712*	*38,601*	*46,563*
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*	*39,014*	*46,976*
Non Curr Assets	10,878	13,351	36,992	39,625	31,705	37,887	39,776	47,738
Inventory	249	268	260	309	353	487	256	336
Debtors	*8*	*6*	*6*	*9*	*70*	*133*	*166*	*218*
Cash & Bank	*1,471*	*1,501*	*1,530*	*1,501*	*1,308*	*1,268*	*1,299*	*1,170*
Other Curr Assets	**608**	**586**	**590**	**723**	**522**	**629**	**776**	**712**
Curr Assets	*2,336*	*2,361*	*2,386*	*2,541*	*2,252*	*2,517*	*2,497*	*2,435*
Creditors	341	408	225	309	451	406	508	666
Provisons	*311*	*289*	*94*	*137*	*93*	*75*	*120*	*119*
Other Curr Liab	1,117	1,074	1,659	1,769	1,733	5,648	5,821	6,017
Curr Liabilities	1,057	1,036	1,655	1,760	1,724	5,639	5,766	5,964
Net Curr Assets	**1,278**	**1,325**	**731**	**781**	**529**	**(3,122)**	**(3,270)**	**(3,528)**
Total Assets	***13,214***	***15,712***	***39,378***	***42,166***	***46,641***	***40,403***	***42,273***	***50,173***

Financials Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E*	FY19E	FY20E
PBT	707	642	686	870	984	1,337	1,666	1,618
(inc)/Dec in Working Capital	48	139	(177)	(48)	403	3,397	407	120
Non Cash Op Exp	442	477	707	853	855	544	598	454
Int Paid (+)	611	747	931	1,064	1,333	967	1,254	1,517
Tax Paid	242	232	216	313	311	544	567	556
others	(123)	(117)	(108)	(87)	(55)	-	-	-
CF from Op. Activities	1,441	1,656	1,823	2,340	3,209	5,700	3,359	3,153
(inc)/Dec in FA & CWIP	*(2,517)*	*(3,001)*	*(2,308)*	*(3,159)*	*(2,779)*	*(6,173)*	*(2,488)*	*(8,416)*
Free Cashflow	*(1,076)*	*(1,345)*	*(484)*	*(819)*	*430*	*(473)*	*871*	*(5,262)*
(Pur)/Sale of Inv	*(48)*	*48*	*8*	*4*	*(370)*	*(800)*	*(81)*	*165*
others	*321*	*262*	*21*	*13*	*12*	*-*	*-*	*-*
CF from Inv. Activities	*(2,247)*	*(2,743)*	*(2,295)*	*(3,144)*	*(2,998)*	*5,854*	*(2,569)*	*(8,251)*
inc/(dec) in NW	*-*	*-*	*422*	*-*	*-*	*-*	*-*	*-*
inc/(dec) in Debt	*1,481*	*2,209*	*1,448*	*2,360*	*1,634*	*(25)*	*1,404*	*6,610*
Int. Paid	*(613)*	*(740)*	*(1,317)*	*(1,435)*	*(1,751)*	*(967)*	*(1,254)*	*(1,517)*
Div Paid (inc tax)	*(119)*	*(194)*	*(78)*	*(254)*	*(85)*	*(108)*	*(130)*	*(125)*
others	*(0)*	*(1)*	*(1)*	*-*	*-*	*-*	*-*	*-*
CF from Fin. Activities	*748*	*1,274*	*474*	*671*	*(202)*	*(11,306)*	*(759)*	*4,968*
Inc(Dec) in Cash	*(57)*	*186*	*2*	*(133)*	*9*	*248*	*32*	*(129)*
Add: Opening Balance	*355*	*257*	*443*	*410*	*276*	*1,308*	*1,268*	*1,299*
Closing Balance	*302*	*443*	*445*	*276*	*286*	*1,556*	*1,299*	*1,170*

* FY18 numbers are estimated

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	17%	13%	12%	13%	14%	16%	17%	14%
ROCE	11%	9%	9%	9%	12%	11%	13%	11%
Asset Turnover	0.28	0.24	0.10	0.12	0.13	0.14	0.17	0.19
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	1.94	1.69	1.62	1.70	1.65	2.21	2.23	1.99
P/E	8	7	15	13	11	10	9	9
Price / Book Value	1	1	2	2	1	2	1	1
EV/EBITDA	6	6	8	8	6	8	7	8
FCF per Share	62	72	68	89	111	206	113	150
Div Yield	0	0	-	0	0.9%	1.0%	1.1%	1.1%

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