

IRB Infrastructure Developers Ltd.

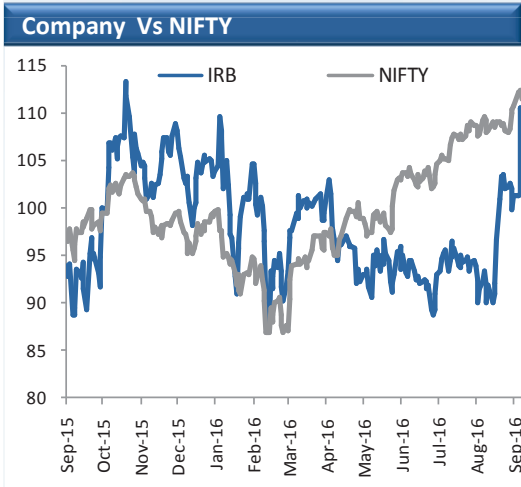
14-Sep-16

Result Update	
CMP	246
Target Price	310
Previous Target Price	-
Upside	26%
Change from Previous	-

Market Data	
BSE Code	532947
NSE Symbol	IRB
52wk Range H/L	272/197
Mkt Capital (Rs Cr)	8,649
Av. Volume	649877
Nifty	8867

Stock Performance			
	1Month	3 Month	1Year
Absolute	11.4	9.6	5.3
Rel.to Nifty	11.9	5.9	-5.1

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY16
Promoters	57%	58%	58%
Public	43%	42%	42%



IRB has filed DRHP (draft red herring prospectus) for its Infrastructure Investment Trust (InvIT) with SEBI. Company plans to raise Rs. 4300 cr through InvIT IPO. IRB will act as sponsor of the trust and IRB Infrastructure Pvt. Ltd., a wholly owned subsidiary of the company act as investment manager of the trust. Money raised from IPO will be utilized for deleverage balance sheet and future growth of the company. Current debt on books as on March 2016 was Rs.13840 cr with 2.87 debt to equity. We expect strong debt to equity position post InvIT IPO. Strong debt to equity position will attract investor to fund future projects of the company.

We expect ramp up in order inflow of BOT Toll projects based on Government and NHAI thrust to build infrastructure. NHAI targets to award 25000 km of road project in FY 17 and out of that 10-15% will be towards BOT Toll. IRB is pre-qualified for Rs.116 bn worth of project. Current order book of the company stands at Rs. 10839 Cr (incl. Udaipur project of 2100 Cr), which provide 3.5 years revenue visibility.

Q1FY17 Result Update

- ◆ IRB reported robust growth of 49% YoY to Rs. 913 cr as against Rs. 613 Cr in construction division based on better than expected execution. Gross toll collection clocked 15% revenue growth on YoY to Rs. 676 cr as against Rs. 584 Cr.
- ◆ EBITDA margin decline by 5.7% on YoY due to change in revenue mix. Higher contribution from lower margin construction segment.
- ◆ PAT grew by 10.4% to Rs.182 Cr as against Rs. 164 Cr.
- ◆ Order book at the end of Q1FY17 stands at Rs.10839 Cr (incl. recent won order of Rs.2100 Cr) which provides good revenue visibility.

Outlook and Valuation

IRB's strong and in-house execution capabilities helped to post strong revenue number in Q1FY17 and we expect it to continue going forward. Company's strategy, from B.O.T (Build, operate and Transfer) to B.E.S.T (Bid, Execute, Stabilize and Transfer) will help company to unlock value going forward. Based on the above argument we have positive view on the stock and we recommend "BUY" with target price Rs. 310

	In Rs. Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	3687	3732	3847	5130	5912
EBITDA	1633	1754	2212	2661	3166
Net Profit	557	459	543	636	834
EBIDTA%	44.3%	47.0%	57.5%	51.9%	53.6%
EV/EBITDA	5.5	6.5	7.9	7.2	7.1

(Source: Company/Eastwind)

Managment/ Concall Update

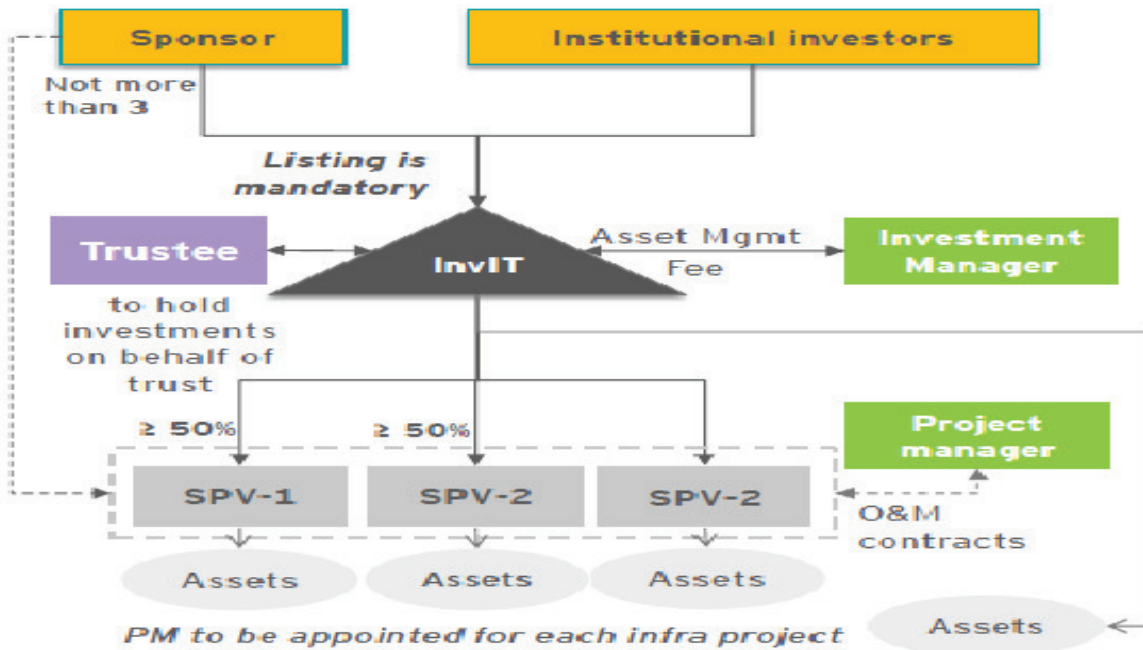
- ◆ Management targeting 300-400 km of road project in FY17
- ◆ Company is pre-qualified for 116 bn worth of project
- ◆ Company is in advance stage of filling DRHP for InvIT
- ◆ Management expect ramp up in BOT project awarding activity from H2FY17
- ◆ Work started on Agra- Ethwah project and construction revenue will start flowing in from Q2FY17
- ◆ Requirement of Rs.1700 cr as equity over next 3 years
- ◆ Current toll collection at Agra-Ethwah is 20-35 lakh per day
- ◆ Bharuch- Surat received negative 2% tariff revision from April
- ◆ Jaipur- Deoli, Telegaon- Amratvati and Amritsar pathankot project will get concession period extension

New peoject Update

IRB has emerged as preferred bidder for the project six laning from Udaipur to Rasthan / Gujarat border i.e. 113 km road on section of NH-8 in state of Rajsthan & Gujarat on DBFOT(Toll) under NHDP Phase V.

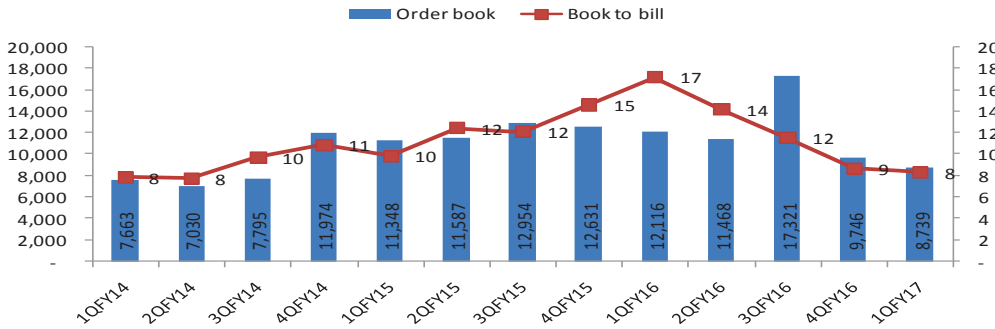
- ◆ The project on DBFOT pattern
- ◆ The estimate project cost of the company is approx. Rs.2100 Cr
- ◆ The concession period of the project is 21 years including construction period of 910 days
- ◆ The company will get tolling right on project from the appointment date
- ◆ The company has offered premium of Rs. 163 cr to NHAI in terms of the concession agreement

InvIT Structure



- ◆ IRB will act as Sponsor of the Trust
- ◆ IRB infrastructure Pvt. Ltd. A wholly owned subsidiary of the company Will act as Investment Manager of the Turst

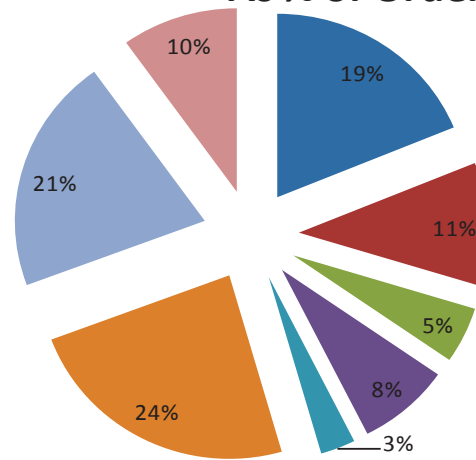
Order Book



Company emerge as preferred bidder for the Six lanning road from Udaipur to Rajsthan/Gujrat border of 2100 Cr. Which is not included in orded book.

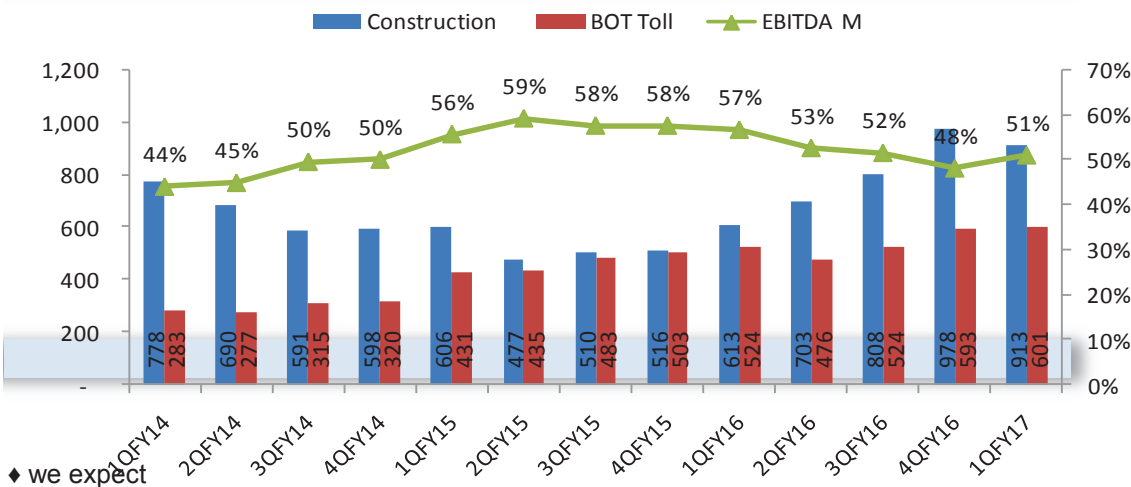
Work on Agra Ethawah project (Rs.2133 Cr) has started from August 2016 onwards.

As % of Order Book



- Yedeshi Aurangabad
- Kaithal Rajasthan Border
- Solapur Yedeshi
- Mumbai Pune Phase - II
- Sindhudurg Airport
- Agra Etawah
- O & M Contracts
- Goa Kundapur

Revenue Mix



◆ we expect

Financials Snap Shot

	INCOME STATEMENT			
	FY13	FY14	FY15	FY16
Revenue (Net of Excise D	3687	3732	3847	5130
Other Income	130	121	113	124
Total Revenue	3817	3853	3960	5254
COGS	1776	1650	1306	2054
GPM	0	0	0	0
Other Expenses	122	148	140	170
EBITDA	1633	1754	2212	2661
EBITDA Margin (%)	44%	47%	57%	52%
Depreciation	442	477	707	853
EBIT	1192	1277	1505	1807
Interest	615	756	931	1063
PBT	707	642	686	868
Tax	153	182	144	232
Tax Rate (%)	22%	28%	21%	27%
Reported PAT	557	459	543	636
Dividend Paid	117	194	164	164
No. of Shares	33	33	35	35

(Source: Company/Eastwind)

	RATIOS			
	FY13	FY14	FY15	FY16
EPS	16.7	13.8	15.4	18.1
Book Value	98.0	107.1	124.1	137.4
DPS	3.5	5.9	4.7	4.7
Payout (incl. Div. Tax.)	21%	42%	30%	26%
Valuation(x)				
P/E	6.8	7.5	15.1	12.9
Price / Book Value	1.2	1.0	1.9	1.7
Dividend Yield (%)	3.09%	5.66%	2.00%	2.01%
Profitability Ratios				
RoE	17%	13%	12%	13%
RoCE	11%	9%	10%	10%
Turnover Ratios				
Asset Turnover (x)	0.3	0.2	0.1	0.1
Debtors (No. of Days)	0.8	0.5	0.5	7.4
Inventory (No. of Days)	51.1	59.4	72.6	54.9
Creditors (No. of Days)	33.8	39.9	22.2	21.7
Net Debt/Equity (x)	2.04	2.64	2.48	2.62

(Source: Company/Eastwind)

	FY13	FY14	FY15	FY16
Share Capital	332	332	351	351
Reserves	2923	3228	4009	4476
Net Worth	3256	3561	4361	4827
Long term Debt	6635	9398	10804	12652
Short term Debt	1271	897	631	1189
Deferred Tax	33	22	19	16
Total Capital Employed	9890	12959	15165	17479
Net Fixed Assets	10425	13041	36599	39169
Capital WIP	35	48	80	78
Debtors	8	6	5	104
Cash & Bank Balances	1471	1501	1580	1559
Trade payables	341	408	234	305
Total Provisions	311	289	219	169
Net Current Assets	877	879	477	510
Total Assets	13214	15712	39393	42181

(Source: Company/Eastwind)

	FY13	FY14	FY15	FY16
OP/(Loss) before Tax	707	642	686	868
Depreciation	442	477	707	853
Direct Taxes Paid	242	232	216	312
Operating profit before w	1636	1749	2216	2719
CF from Op. Activity	1441	1656	1823	2342
	0	0	1	0
Capital expenditure on fix	2518	3002	2311	3161
CF from Inv. Activity	(2247)	(2743)	(2295)	(3175)
Repayment of Long Term	363	888	794	1140
Interest Paid	613	740	1317	1435
Divd Paid (incl Tax)	119	194	78	254
CF from Fin. Activity	748	1274	474	667
Inc/(Dec) in Cash	(57)	186	2	(165)
Add: Opening Balance	355	257	443	445
Closing Balance	302	443	445	279

(Source: Company/Eastwind)