

IRB Infrastructure Developers Ltd.

24-Nov-16

Result Update

CMP	186
Target Price	NA
Previous Target Price	-
Upside	
Change from Previous	-

Market Data

BSE Code	532947
NSE Symbol	IRB
52wk Range H/L	269/177
Mkt Capital (Rs Cr)	6,544
Av. Volume	384833
Nifty	7966

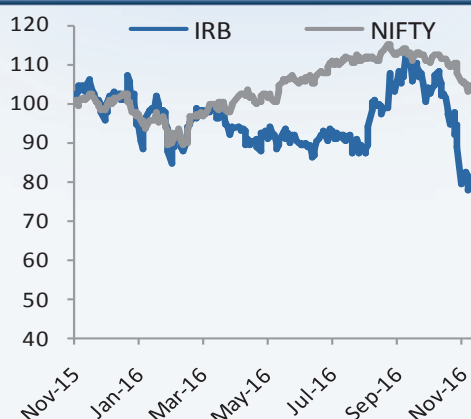
Stock Performance

	1Month	3 Month	1Year
Absolute	-23.2	-20.6	-25.3
Rel.to Nifty	-15.7	-12.9	-26.8

Share Holding Pattern-%

	2QFY17	1QFY17	4QFY16
Promoters	57%	57%	58%
Public	43%	43%	42%

Company Vs NIFTY



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IRB reported 12.3% YoY growth in topline below than our expectation (Estimate:- Rs. 1517 Cr) on account of muted revenue growth (7% vs 33% our estimates) of construction segment due to heavy and extended monsoon. EBITDA margin was improved by 220 bps to 54.9% because of higher proportion of toll revenue. PAT de-grew by 5% YoY to Rs. 142 Cr as compared to Rs. 150 Cr in same period last year on account of lower topline and higher interest outgo.

Current Order book stands at Rs.11394 Cr from recently won projects 1)Gulabpur- Chittorgarh and 2) Udaipur-Guajrat border worth Rs. 3988 Cr, which provides strong construction revenue visibility going forward. The company recently started work on Agra- Etawah project, we expect ramp up in H2FY17 and it has also got appointment date(1st April 2017) for these two new projects mentioned above. Management has guided 10-12% construction revenue growth for next 3 years based on current order book.

Demonetization does not have any impact on Revenue

IRB's toll collections during the period of 11 to 24 November remain suspended due to demonetization of currency. There will be no impact on revenue. Revenue loss will be compensated by the NHAI and related state authority by way of adjusting premium and revenue share payment. But company might require higher working capital. The company does not face any challenge to perform day to day activity post demonetization of currency.

Outlook and Valuation

IRB posted moderate set of numbers in Q2FY17 due to heavy and extended monsoon. But current order book provides strong construction revenue visibilities going forward. We expect better construction revenue growth in H2FY17 based on ramp up of Agra-Etwah project and robust growth in toll collection. Company will resume its toll collection operations from 24th November. But considering the current volatile macro economy condition **we recommend "HOLD" on the stock and we will review our rating in January once we have more clear view on macro economy.**

	In Rs. Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	3687	3732	3847	5130	5733
EBITDA	1633	1754	2212	2661	3113
Net Profit	557	459	543	636	756
EBIDTA%	44.3%	47.0%	57.5%	51.9%	54.3%
EV/EBITDA	5.5	6.5	7.9	7.2	7.2

(Source: Company/Eastwind)

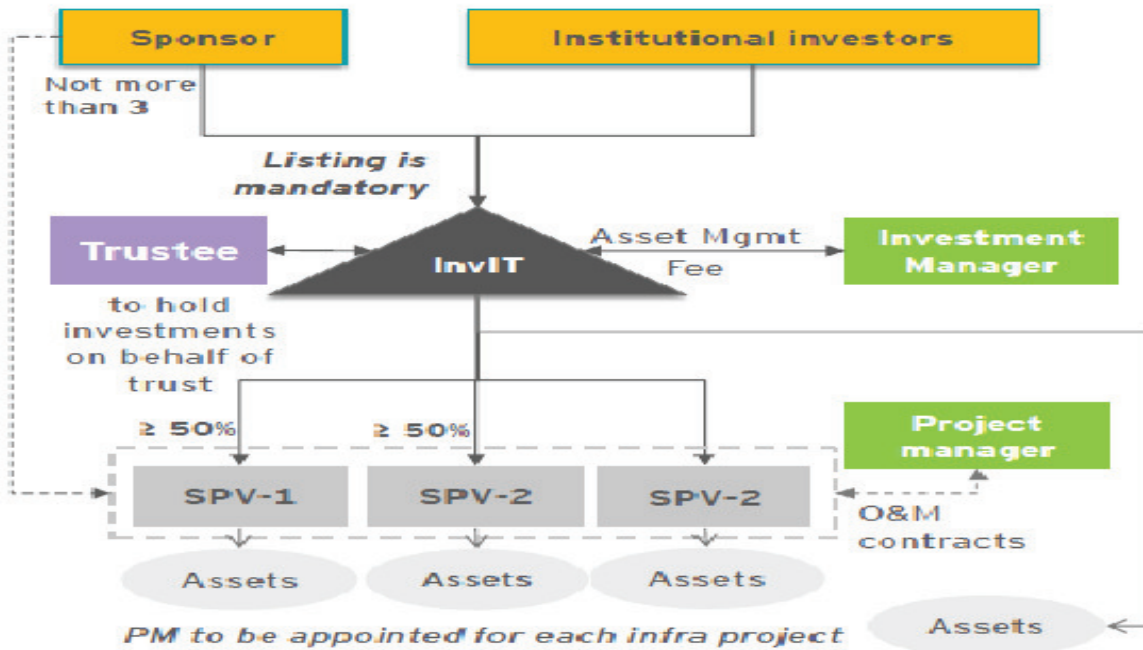
Concall Highlights :-

- ◆ IRB is pre-qualified in project worth Rs. 16600 Cr.
- ◆ The company aims to win 300 km project (including 230 km already won)
- ◆ NHAI and related State authority will compensate revenue loss by way of adjusting premium and revenue share payment.
- ◆ Current Toll collection at Agra-Etwah project is 35lakh/day and likely to go up by 45-50% post full completion of the project
- ◆ IRB has filed DRHP of InvIT and waiting for the Sebi's replay and expect to lunch in January
- ◆ The Company will have to infuse equity of Rs. 1600-1800 Cr over period of two years.
- ◆ Tax reversal of Rs.15-18 Cr in Q2FY17
- ◆ Construction revenue will grow at 10-12% for next 3 year based on current order book.
- ◆ Solapur- Yedeshi and Kaithal – Rajasthan project will gets complete by H1FY18
- ◆ Company has received appointment date for the 1)Gulabpura- Chittorgarh and Udaipur- Gujarat Border project and work will start from 1st april 2017

About the Comapny :-

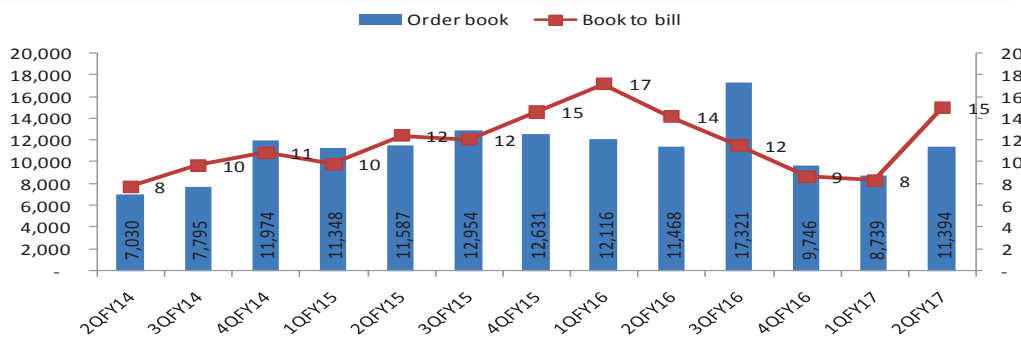
IRB Infrastructure Developers Limited is a road build–operate–transfer (BOT) operator. The Company's principal activity is the construction and maintenance of roads. Its business segments include Road Infrastructure Projects, which includes development and operation of roadways; Real Estate, which includes real estate development, and Others, which includes windmill (sale of electricity generated by windmill), hospitality and airport infrastructure. Its construction business complements its BOT vertical by executing engineering, procurement and construction, and operation and management (O&M) aspects of BOT concessions. It has a portfolio of over 20 Road BOT projects. It has in-house integrated project execution capabilities in both its business verticals, including construction, and operation and maintenance of highways.

InvIT Structure



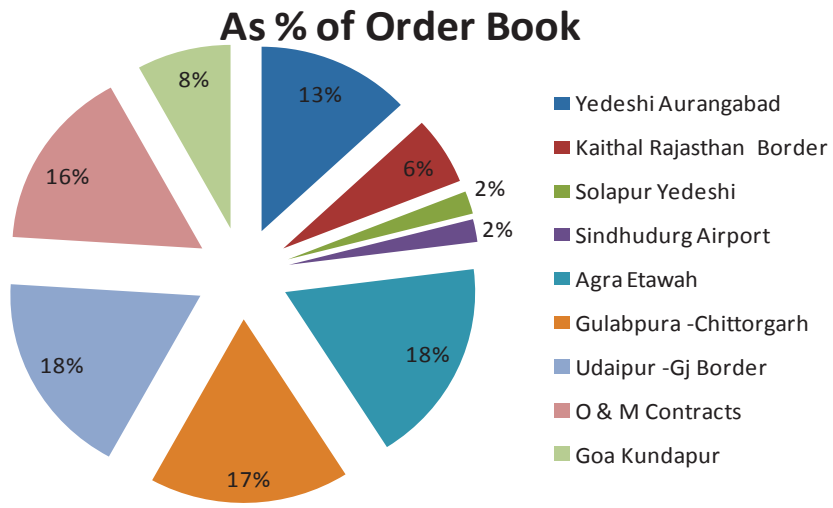
- ◆ IRB will act as Sponsor of the Trust
- ◆ IRB infrastructure Pvt. Ltd. A wholly owned subsidiary of the company Will act as Investment Manager of the Turst

Order Book

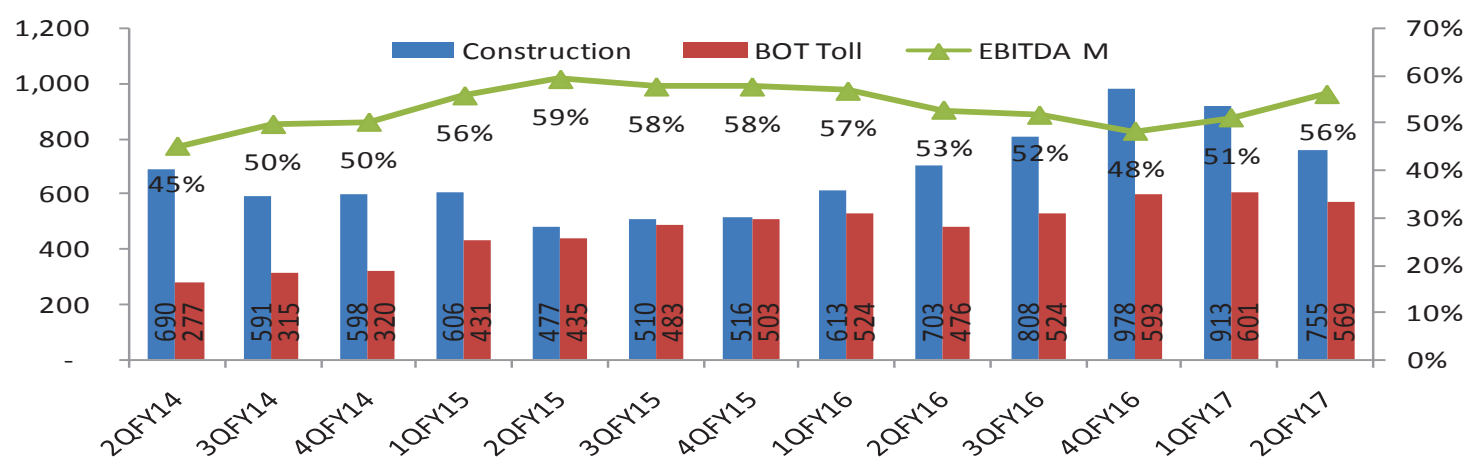


Company has received appointment date and start work from 1st April 2017

Work on Agra Ethawah project (Rs.2133 Cr) has started from August 2016 onwards and we expect ramp up in H2FY17



Revenue Mix



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)