

# IRB Infra Developers Ltd

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

## Delay in Appointment date continues to remain overhang on Revenue

|                         |                |
|-------------------------|----------------|
| <b>RATING</b>           | <b>NEUTRAL</b> |
| <b>CMP</b>              | <b>95</b>      |
| <b>Price Target</b>     | <b>110</b>     |
| <b>Potential Upside</b> | <b>16%</b>     |

|                        |   |
|------------------------|---|
| <b>Rating Change</b>   | ↔ |
| <b>Estimate Change</b> | ↓ |
| <b>Target Change</b>   | ↔ |

### Stock Info

|                     |        |
|---------------------|--------|
| 52wk Range H/L      | 206/84 |
| Mkt Capital (Rs Cr) | 3409   |
| Free float (%)      | 43%    |
| Avg. Vol 1M (,000)  | 1436   |
| No. of Shares (Cr)  | 35     |
| Promoters Pledged % | 0      |

Fig in Rs Cr

| FINANCIAL     | FY19  | FY20E | FY21E |
|---------------|-------|-------|-------|
| Net Sales     | 6707  | 6294  | 7033  |
| EBITDA        | 2937  | 2914  | 2735  |
| EBIT          | 2398  | 2404  | 2274  |
| PAT           | 850   | 659   | 692   |
| EPS (Rs)      | 24    | 19    | 20    |
| EPS Gr (%)    | -8%   | -23%  | 5%    |
| ROE           | 13%   | 10%   | 9%    |
| ROCE          | 11%   | 11%   | 9%    |
| BVPS          | 179.7 | 195.1 | 211.2 |
| P/B (X)       | 0.9   | 0.5   | 0.5   |
| P/E (x)       | 6.4   | 5.3   | 5.1   |
| EV/EBITDA (x) | 6.7   | 6.0   | 7.4   |

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### 1QFY20 Result Update

- Revenue grew by 15% YoY to Rs 1773 Cr on the back of strong revenue growth from the construction segment.
- Revenue from construction was Rs 1194 a growth of 15% whereas that of Toll revenue was Rs 627 Cr a growth of 14%.
- Interest cost has gone up by 46% YoY due to the increase in a loan on under-construction projects and impact of Sholapur - Yedeshi and Yedeshi – Aurangabad, both the projects become operation during the quarter.
- PAT was down by 17% YoY on account of higher Interest and Tax levels.
- There has been a delay in receiving an appointment date from NHAI for 2 HAM projects due to land acquisition issue.
- IRB has signed the binding definitive agreement with GIC for the total investment of Rs 4400 Cr.
- The order book at the end of 1QFY20 stands at Rs 12650 Cr, while there was no order inflow during the quarter.

### Higher Interest and Tax rate impacted the bottom-line

Revenue during 1QFY20 grew by 15% YoY led by construction segment. Revenue from the construction was up by 15% YoY to Rs 1197 Cr, while the toll collection rose 14% YoY to Rs 627 Cr (include Rs 19 Cr of claim on Thane Ghodbunder BoT project). The toll collections at 3 Rajasthan under construction projects and the Agra Etawah were soft as the construction activities have picked up considerably thus traffic movement was affected on the projects. The PAT de-grew by 17% YoY to Rs 207 Cr while the margins went down by 461 bps on account of higher interest and tax levels. Interest cost was higher due to an increase in the borrowings on under-construction project and impact of Sholapur - Yedeshi and Yedeshi – Aurangabad; both the projects become operational during the quarter hence interest is charged in P&L.

### Partnership with GIC will broaden the Opportunities

IRB has signed a binding definitive agreement with GIC for the total investment of Rs 4400 Cr. Under the deal IRB and GIC will form an InvIT and transfer 9 (5 under construction) BoT assets. IRB will hold the management control (51%) of the InvIT and remaining 49% by the GIC. Rs 3000 Cr out of Rs 4400 Cr will be utilized to reduce debt on the 9 BoT assets and remaining amount of Rs 1400 Cr will be used to fund O/S equity requirement of the 5 under-construction assets. The 9 BoT assets continue to be part of the IRB balance sheet and consolidated in the books. The total enterprise value of the InvIT will be Rs 22500 Cr (Rs 9000 Cr equity and remaining Rs13500 Cr as Debt) once all the assets become operational. The deal will help IRB to deleverage its balance sheet and will have an investor for future projects as well. The GIC is interested to explore the future opportunities in the Indian Road sector with the IRB. Both the entity will bid for the future projects combined at equity structure of 51:49.

### View and Valuation

The deal with the GIC, Singapore comes at a very important juncture. The deal will help IRB to deleverage its balance sheet which will result in an interest cost saving of Rs 300-350 Cr annually and will have an investor for the future projects as well. But the appointment date on the 2 HAM projects are delaying quarter after quarter and will remain an overhang on the future revenue performance. Considering the delay in appointment date we have reduced our estimated revenue for FY20/21 by 13/8%. **We maintain our target price of Rs 110 (7.5x FY21E EV/EBITDA) and a NEUTRAL stance on the stock.**

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## 1QFY20 Results

| Financials       | 1QFY19       | 2QFY19       | 3QFY19       | 4QFY19       | 1QFY20       | YoY %       | QoQ%       | Fig in Rs Cr |              |              |
|------------------|--------------|--------------|--------------|--------------|--------------|-------------|------------|--------------|--------------|--------------|
|                  |              |              |              |              |              |             |            | FY18         | FY19         | YoY %        |
| <b>Net Sales</b> | <b>1,538</b> | <b>1,432</b> | <b>1,789</b> | <b>1,948</b> | <b>1,773</b> | <b>15%</b>  | <b>-9%</b> | <b>5,694</b> | <b>6,707</b> | <b>17.8%</b> |
| Construction     | 1,035        | 932          | 1,253        | 1,408        | 1,194        | 15%         | -15%       | 3,964        | 4,628        | 16.8%        |
| >>Toll           | 548          | 494          | 532          | 536          | 627          | 14%         | 17%        | 1,847        | 2,110        | 14.3%        |
| Other            | 45           | 53           | 47           | 51           | 48           | 6%          | -5%        | 169          | 196          | 16.0%        |
| COGS             | 627          | 589          | 860          | 1,044        | 729          | 16%         | -30%       | 2,397        | 3,120        | 30.2%        |
| Employee         | 77           | 86           | 82           | 42           | 79           | 2%          | 90%        | 291          | 286          | -1.8%        |
| Other            | 88           | 87           | 86           | 102          | 110          | 25%         | 7%         | 327          | 364          | 11.3%        |
| Total            | 791          | 762          | 1,028        | 1,188        | 918          | 16%         | -23%       | 3,015        | 3,770        | 25.0%        |
| <b>EBITDA</b>    | <b>747</b>   | <b>670</b>   | <b>760</b>   | <b>760</b>   | <b>855</b>   | <b>15%</b>  | <b>13%</b> | <b>2,679</b> | <b>2,937</b> | <b>9.6%</b>  |
| Depreciation     | 134          | 137          | 132          | 136          | 154          | 14%         | 13%        | 544          | 540          | -0.8%        |
| <b>EBIT</b>      | <b>612</b>   | <b>533</b>   | <b>628</b>   | <b>624</b>   | <b>702</b>   | <b>15%</b>  | <b>12%</b> | <b>2,135</b> | <b>2,398</b> | <b>12.3%</b> |
| Interset         | 248          | 272          | 287          | 314          | 363          | 46%         | 16%        | 967          | 1,120        | 15.9%        |
| Excep Item       | -            | -            | -            | -            | -            | NA          | NA         | 127          | -            | NA           |
| <b>PBT</b>       | <b>410</b>   | <b>314</b>   | <b>388</b>   | <b>361</b>   | <b>387</b>   | <b>-6%</b>  | <b>7%</b>  | <b>1,337</b> | <b>1,473</b> | <b>10.2%</b> |
| Tax              | 160          | 141          | 169          | 153          | 181          | 13%         | 18%        | 544          | 623          | 14.5%        |
| <b>PAT</b>       | <b>250</b>   | <b>173</b>   | <b>219</b>   | <b>208</b>   | <b>207</b>   | <b>-17%</b> | <b>-1%</b> | <b>920</b>   | <b>850</b>   | <b>-7.6%</b> |

## Concall Highlights

- IRB will be forming private InvIT with partnership of GIC Singapore. IRB will hold 51% stake in InvIT and balance 49% by the GIC.
- IRB will transfer the 9 BoT assets (5 are under construction) to the InvIT.
- Under the deal GIC will invest 4400 Cr as the equity in 9 BoT assets of IRB.
- On completion of InvIT, it will have enterprise value of Rs 22500 Cr.
- The proceed will be utilised to reduce debt of Rs 3000 Cr of 9 BoT assets and the remaining will be used to fund equity requirements.
- Post the transactions company will save interest cost of Rs 300-350 Cr annually.
- These 9 assets will generate FCF of over Rs 88000 Cr over its 20+ years of concession and EBITDA of Rs 129000 Cr with project IRR of 11.5-12%. Rs 800 Cr of cash flows will be generated over 2.5 years and will be distributed in 51:49 ratios to IRB and GIC.
- Outstanding equity in the 9 assets is Rs 2800 Cr and will be brought in 51:49 ratios by IRB & GIC. For rest 2 HAM projects equity commitment by IRB is Rs 100 Cr.
- 2 HAM projects are delayed due to land acquisition problem.
- NHAI will be awarding 3000 Km of roads under BOT.
- TOT projects from NHAI package 3 and Mumbai Pune from 11years are in the bidding pipeline.
- Ahmadabad Baroda has not been included in Pvt InvIT due to issue of diverted traffic.
- Depreciation has increased due to Sholapur - Yedeshi and Yedeshi – Aurangabad has become operational.
- Interest cost has increased due to loan drawn for completion of projects and had an impact of Sholapur - Yedeshi and Yedeshi – Aurangabad has become operation hence interest is charged in P&L.

**Revenue Mix**

Fig in Rs Cr

|              | 3QFY18       | 4QFY18       | 1QFY19       | 2QFY19       | 3QFY19       | 4QFY19       | 1QFY20       | YoY (+/-)  | QoQ (+/-)  |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| Construction | 832          | 885          | 1,035        | 932          | 1,253        | 1,408        | 1,194        | 15%        | -15%       |
| BoT          | 460          | 494          | 548          | 494          | 532          | 536          | 627          | 14%        | 17%        |
| <b>Total</b> | <b>1,296</b> | <b>1,379</b> | <b>1,583</b> | <b>1,432</b> | <b>1,789</b> | <b>1,948</b> | <b>1,827</b> | <b>15%</b> | <b>-6%</b> |

**Order Book Break Up**

Fig in Rs Cr

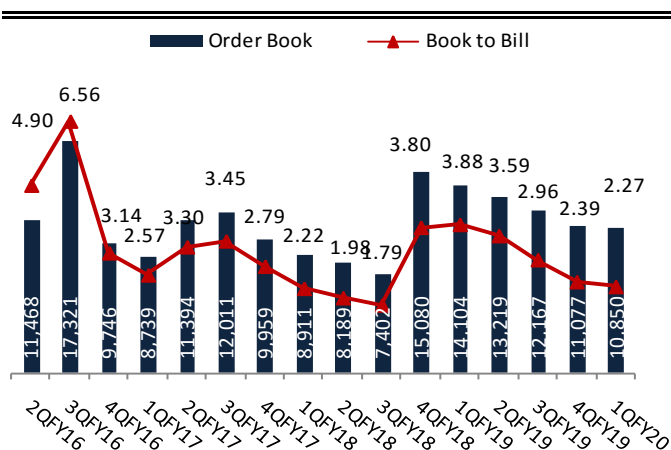
|                     | 3QFY18       | 4QFY18        | 1QFY19        | 2QFY19        | 3QFY19        | 4QFY19        | 1QFY20        | YoY (+/-)   | QoQ (+/-)  |
|---------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|------------|
| Ongoing Projects    | 5,297        | 6,917         | 5,943         | 5,058         | 4,006         | 4,781         | 7,579         | 50%         | 59%        |
| Yet to commence     | 1,449        | 8,163         | 8,161         | 8,161         | 8,161         | 6,296         | 3,271         | -60%        | -48%       |
| BOT Projects in O&M | 656          | -             | -             | -             | -             | -             | -             | -           | -          |
| <b>Total</b>        | <b>7,402</b> | <b>15,080</b> | <b>14,104</b> | <b>13,219</b> | <b>12,167</b> | <b>11,077</b> | <b>10,850</b> | <b>-18%</b> | <b>-2%</b> |

**Gross Toll Collection at Major Projects**

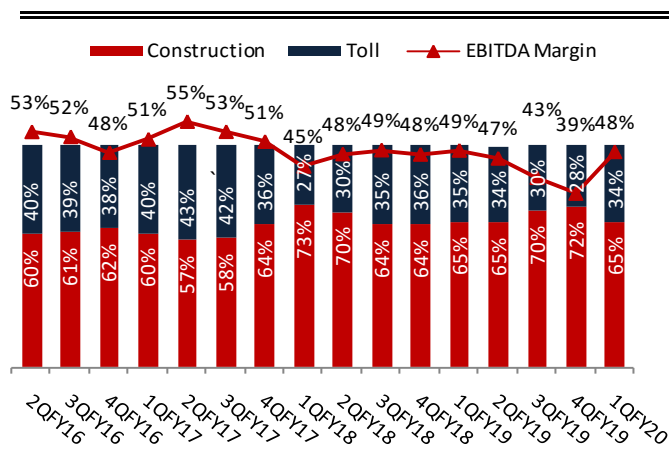
Fig in Rs Cr

|                     | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY (+/-) | QoQ (+/-) |
|---------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| Mumbai- Pune        | 233    | 227    | 231    | 215    | 237    | 235    | 247    | 7%        | 5%        |
| Ahemdabad - Vadodra | 101    | 102    | 104    | 98     | 113    | 114    | 114    | 9%        | -1%       |
| Thane - Ghodbandar  | 10     | 10     | 20     | 10     | 10     | 11     | 32     | 65%       | 200%      |
| Pune - Nasik        | 8      | 8      | 8      | 9      | 9      | 9      | 9      | 7%        | -1%       |
| Pune - Solapur      | 6      | 6      | 6      | 6      | 6      | 5      | -      | -100%     | -100%     |

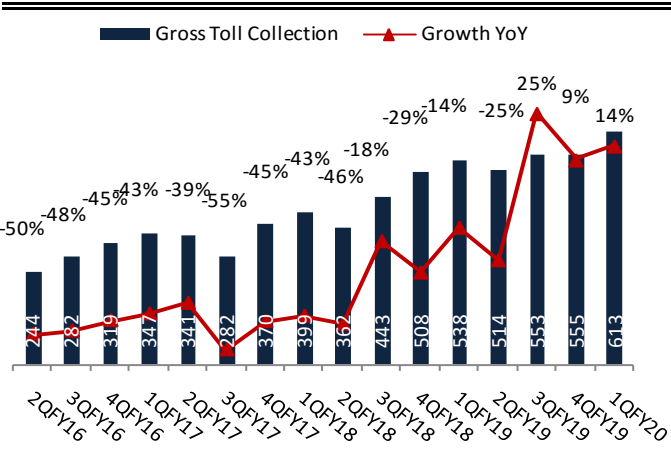
**Exhibit: Order Book and Book to Bill**



**Exhibit: Revenue Mix % with EBITDA M %**



**Exhibit: Gross toll collection**



## Financial Details

## Income Statement

Fig in Rs Cr

| Y/E March                        | FY14         | FY15         | FY16         | FY17         | FY18         | FY19         | FY20E        | FY21E        |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue from Operation           | 3,732        | 3,847        | 5,128        | 5,846        | 5,694        | 6,707        | 6,294        | 7,033        |
| Change (%)                       | 1%           | 3%           | 33%          | 14%          | -3%          | 18%          | -6%          | 12%          |
| <b>EBITDA</b>                    | <b>1,754</b> | <b>2,212</b> | <b>2,660</b> | <b>3,048</b> | <b>2,679</b> | <b>2,937</b> | <b>2,914</b> | <b>2,735</b> |
| Change (%)                       | 7%           | 26%          | 20%          | 15%          | -12%         | 10%          | -1%          | -6%          |
| Margin (%)                       | 47%          | 57%          | 52%          | 52%          | 47%          | 44%          | 46%          | 39%          |
| Depr & Amor.                     | 477          | 707          | 853          | 855          | 544          | 540          | 510          | 462          |
| <b>EBIT</b>                      | <b>1,277</b> | <b>1,505</b> | <b>1,807</b> | <b>2,193</b> | <b>2,135</b> | <b>2,398</b> | <b>2,404</b> | <b>2,274</b> |
| Int. & other fin. Cost           | 756          | 931          | 1,064        | 1,333        | 967          | 1,120        | 1,502        | 1,431        |
| Other Income                     | 121          | 113          | 127          | 123          | 169          | 196          | 198          | 205          |
| <b>EBT</b>                       | <b>642</b>   | <b>686</b>   | <b>870</b>   | <b>984</b>   | <b>1,337</b> | <b>1,473</b> | <b>1,100</b> | <b>1,048</b> |
| Exp Item                         | -            | -            | -            | -            | 127          | -            | -            | -            |
| Tax                              | 182          | 144          | 231          | 269          | 544          | 623          | 441          | 356          |
| Minority Int & P/L share of Ass. | 0            | (1)          | 0            | (0)          | -            | -            | -            | -            |
| <b>Reported PAT</b>              | <b>459</b>   | <b>543</b>   | <b>639</b>   | <b>715</b>   | <b>920</b>   | <b>850</b>   | <b>659</b>   | <b>692</b>   |
| <b>Adjusted PAT</b>              | <b>459</b>   | <b>543</b>   | <b>639</b>   | <b>715</b>   | <b>845</b>   | <b>850</b>   | <b>659</b>   | <b>692</b>   |
| Change (%)                       | -18%         | 18%          | 18%          | 12%          | 18%          | 1%           | -23%         | 5%           |
| Margin(%)                        | 12%          | 14%          | 12%          | 12%          | 15%          | 13%          | 10%          | 10%          |

## Balance sheet

Fig in Rs Cr

| Y/E March                    | FY14          | FY15          | FY16          | FY17          | FY18          | FY19          | FY20E         | FY21E         |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Share Capital                | 332           | 351           | 351           | 351           | 351           | 351           | 351           | 351           |
| Reserves                     | 3,228         | 4,099         | 4,485         | 4,920         | 5,341         | 5,964         | 6,504         | 7,071         |
| Networth                     | 3,561         | 4,451         | 4,836         | 5,272         | 5,693         | 6,315         | 6,855         | 7,422         |
| Debt                         | 10,294        | 11,747        | 14,473        | 13,020        | 12,996        | 15,719        | 15,483        | 18,293        |
| Other Non Cur Liab           | 339           | 21,262        | 20,744        | 15,960        | 15,661        | 13,619        | 13,619        | 13,619        |
| Total Capital Employed       | 12,959        | 15,568        | 18,120        | 17,361        | 17,524        | 20,723        | 21,038        | 24,416        |
| Net Fixed Assets (incl CWIP) | 13,041        | 36,486        | 39,057        | 31,083        | 36,712        | 36,732        | 39,802        | 43,036        |
| Non Cur Investments          | 1             | 1             | 1             | 1             | 762           | 613           | 613           | 613           |
| Other Non Cur Asst           | 13,350        | 36,991        | 39,624        | 31,704        | 37,125        | 37,000        | 40,070        | 43,304        |
| Non Curr Assets              | 13,351        | 36,992        | 39,625        | 31,705        | 37,887        | 37,613        | 40,683        | 43,917        |
| Inventory                    | 268           | 260           | 309           | 353           | 487           | 442           | 415           | 464           |
| Debtors                      | 6             | 6             | 9             | 70            | 133           | 114           | 107           | 119           |
| Cash & Bank                  | 1,501         | 1,530         | 1,501         | 1,308         | 1,268         | 1,560         | 1,350         | 1,480         |
| Other Curr Assets            | 586           | 590           | 723           | 522           | 629           | 767           | 736           | 790           |
| Curr Assets                  | 2,361         | 2,386         | 2,541         | 2,252         | 2,517         | 2,883         | 2,608         | 2,853         |
| Creditors                    | 408           | 225           | 309           | 451           | 406           | 706           | 663           | 740           |
| Provisions                   | 289           | 94            | 137           | 93            | 75            | 87            | 84            | 89            |
| Other Curr Liab              | 1,074         | 1,659         | 1,769         | 1,733         | 5,648         | 4,136         | 4,107         | 4,160         |
| Curr Liabilities             | 1,036         | 1,655         | 1,760         | 1,724         | 5,639         | 4,095         | 4,068         | 4,117         |
| Net Curr Assets              | 1,325         | 731           | 781           | 529           | (3,122)       | (1,212)       | (1,461)       | (1,263)       |
| <b>Total Assets</b>          | <b>15,712</b> | <b>39,378</b> | <b>42,166</b> | <b>46,641</b> | <b>40,403</b> | <b>40,496</b> | <b>43,291</b> | <b>46,770</b> |

## Financial Details

## Cash Flow

Fig in Rs Cr

| Y/E March                    | FY14    | FY15    | FY16    | FY17    | FY18    | FY19E   | FY20E   | FY21E   |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| PBT                          | 642     | 686     | 870     | 984     | 1,464   | 1,473   | 1,100   | 1,048   |
| (inc)/Dec in Working Capital | 139     | (177)   | (48)    | 424     | (106)   | 94      | (8)     | 15      |
| Non Cash Op Exp              | 477     | 707     | 853     | 855     | 544     | 540     | 510     | 462     |
| Int Paid (+)                 | 747     | 931     | 1,064   | 1,333   | 967     | 1,120   | 1,502   | 1,431   |
| Tax Paid                     | 232     | 216     | 313     | 348     | 501     | 623     | 441     | 356     |
| others                       | (117)   | (108)   | (87)    | (55)    | (59)    | -       | -       | -       |
| CF from Op. Activities       | 1,656   | 1,823   | 2,340   | 3,192   | 2,132   | 2,604   | 2,662   | 2,599   |
| (inc)/Dec in FA & CWIP       | (3,001) | (2,308) | (3,159) | (2,775) | (3,970) | (560)   | (3,580) | (3,695) |
| Free Cashflow                | (1,345) | (484)   | (819)   | 417     | (1,838) | 2,044   | (918)   | (1,096) |
| (Pur)/Sale of Inv            | 48      | 8       | 4       | (332)   | 1,298   | 300     | 0       | -       |
| others                       | 262     | 21      | 13      | (12)    | (19)    | -       | -       | -       |
| CF from Inv. Activities      | (2,743) | (2,295) | (3,144) | (2,981) | (2,621) | (1,673) | (1,016) | (3,724) |
| inc/(dec) in NW              | -       | 422     | -       | -       | -       | -       | -       | -       |
| inc/(dec) in Debt            | 2,209   | 1,448   | 2,360   | 1,634   | 1,643   | 2,723   | (236)   | 2,811   |
| Int. Paid                    | (740)   | (1,317) | (1,435) | (1,751) | (895)   | (1,120) | (1,502) | (1,431) |
| Div Paid (inc tax)           | (194)   | (78)    | (254)   | (85)    | (338)   | -       | (119)   | (125)   |
| others                       | (1)     | (1)     | -       | -       | -       | -       | -       | -       |
| CF from Fin. Activities      | 1,274   | 474     | 671     | (202)   | 410     | (539)   | (1,857) | 1,256   |
| Inc(Dec) in Cash             | 186     | 2       | (133)   | 9       | (79)    | 393     | (210)   | 130     |
| Add: Opening Balance         | 257     | 443     | 410     | 276     | 285     | 1,268   | 1,560   | 1,350   |
| Closing Balance              | 443     | 445     | 276     | 286     | 206     | 1,660   | 1,350   | 1,480   |

## Key Ratio

| Y/E March          | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|--------------------|------|------|------|------|------|------|-------|-------|
| ROE                | 13%  | 12%  | 13%  | 14%  | 16%  | 13%  | 10%   | 9%    |
| ROCE               | 9%   | 9%   | 9%   | 12%  | 11%  | 11%  | 11%   | 9%    |
| Asset Turnover     | 0.24 | 0.10 | 0.12 | 0.13 | 0.14 | 0.17 | 0.15  | 0.15  |
| Debtor Days        | 1    | 1    | 1    | 4    | 9    | 6    | 6     | 6     |
| Inv Days           | 26   | 25   | 22   | 22   | 31   | 24   | 24    | 24    |
| Payable Days       | 40   | 21   | 22   | 28   | 26   | 38   | 38    | 38    |
| Int Coverage       | 2    | 2    | 2    | 2    | 2    | 2    | 2     | 2     |
| P/E                | 6.7  | 14.8 | 13.0 | 10.8 | 10.3 | 6.4  | 5.3   | 5.1   |
| Price / Book Value | 0.9  | 1.8  | 1.7  | 1.4  | 1.7  | 0.9  | 0.5   | 0.5   |
| EV/EBITDA          | 6.2  | 8.5  | 8.0  | 6.4  | 7.9  | 6.7  | 6.0   | 7.4   |
| FCF per Share      |      | 68   | 89   | 111  | 89   | 78   | 101   | 100   |
| Div Yield          | 4.3% | 0.0% | 2.5% | 0.9% | 3.0% | 0.0% | 2.8%  | 3.0%  |

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