

IRB Infra Developers

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

Better than expected execution but lower order book remain concern

RATING	NEUTRAL
CMP	81
Price Target	81
Potential Upside	0%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	169/56
Mkt Capital (Rs Cr)	2845
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	6777	5096
EBITDA	2937	2974	2357
EBIT	2398	2490	1902
PAT	850	822	507
EPS (Rs)	24	23	14
EPS Gr (%)	-8%	-3%	-38%
ROE	13%	12%	7%
ROCE	11%	11%	7%
BVPS	179.7	198.9	210.7
P/B (X)	0.9	0.4	0.4
P/E (x)	6.4	3.5	5.6
EV/EBITDA (x)	6.7	6.0	8.1

2QFY20 Result Update

- Registered robust growth in Revenue by 22% YoY to Rs 1752 Cr on the back of strong revenue growth from the construction segment.
- Revenue from construction was Rs 1330 a growth of 43% whereas that of Toll revenue was Rs 416 Cr de-growth of 16%.
- Interest cost has gone up by 40% YoY due to the increase in the loan on under-construction projects.
- PAT was grown by 16% YoY on account of a decrease in depreciation and lower Tax levels.
- For 2 Tamil Nadu projects, the company has not received any formal letter from authorities about the discontinuation.
- Company expects to complete GIC deal by end of Dec 2019.
- The order book at the end of 2QFY20 stands at Rs 11381 Cr, while there was no order inflow during the quarter.

Robust Execution lead to growth

Company saw a robust revenue growth during the quarter which grew by 22% YoY led by construction segment. Revenue from the construction was up by 43% YoY to Rs 1330 Cr on account of better than expected execution, while the toll collection declined by 16% YoY to Rs 416 Cr mainly due to end of concession agreement on Mumbai Pune expressway. Traffic volumes remained subdued except Ahmadabad Vadodara and Kaithal Rajasthan Border which reported robust growth. Operating margin decline by 410 bps due change in revenue mix. Depreciation was reduced by 17% YoY largely on account end of concession agreement on Mumbai Pune. The PAT grew by 16% YoY to Rs 200 Cr supported by lower depreciation and tax.

Lower Revenue Visibility Going Ahead

IRB has a total order book of Rs 11381 Cr of which there are 2 (HAM) Tamil Nadu projects which are of Rs 3000 Cr. These projects are facing land acquisition issues and likely to terminate by the NHAI but yet to receive formal communication from NHAI. So excluding these orders, order book stands at Rs 8458 Cr i.e 1.6x of TTM revenue. NHAI has listed down 19 BoT projects worth Rs 30000 Cr and likely to bid out before end of the year. Company expects to win some projects out of it but the new projects will take time to translate into revenue. Going ahead there is low revenue visibility of construction vertical.

View and Valuation

The appointment date of 2 HAM projects are continuously reaming overhang on the future revenue performance and continuously facing land issues. NHAI is likely to terminate the projects (though no formal communication from NHAI) will impact the revenue growth of next year. Toll revenue is also likely to remain subdued as the concession periods gets over of Mumbai Pune. Considering the issue on land acquisition (2 HAM projects), we have reduce FY21 EPS estimates by 7%. **We maintain our NEUTRAL rating on the stock with target price of Rs 81 (8x EV/EBITDA).**

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2QFY20 Results

Robust Revenue Growth

Fig in Rs Cr

Financials	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	H1FY19	H1FY20	YoY %
Net Sales	1,432	1,789	1,948	1,773	1,752	22%	-1%	2,970	3,525	18.7%
Construction	932	1,253	1,408	1,194	1,330	43%	11%	1,967	2,524	28.3%
Toll	494	532	536	627	416	-16%	-34%	1,042	1,043	0.1%
Other	53	47	51	48	49	-8%	2%	98	97	-1.4%
COGS	589	860	1,044	729	853	45%	17%	1,216	1,582	30.1%
Employee	86	82	42	79	73	-14%	-7%	163	152	-6.3%
Other	87	86	102	110	78	-10%	-29%	175	188	7.4%
Total	762	1,028	1,188	918	1,005	32%	9%	1,553	1,922	23.7%
EBITDA	670	760	760	855	747	12%	-13%	1,417	1,603	13.1%
Depreciation	137	132	136	154	114	-17%	-26%	272	267	-1.6%
EBIT	533	628	624	702	633	19%	-10%	1,145	1,335	16.6%
Interaset	272	287	314	363	381	40%	5%	520	744	43.2%
Excep Item	-	-	-	-	-	NA	NA	-	-	NA
PBT	314	388	361	387	301	-4%	-22%	724	688	-4.9%
Tax	141	169	153	181	101	-28%	-44%	301	282	-6.4%
PAT	173	219	208	207	200	16%	-3%	423	407	-3.8%

Concall Highlights

- Traffic volumes remained subdued across all the projects baring Ahmadabad Vadodara and Kaithal Rajasthan Border which reported robust growth.
- 19 projects have been listed by NHA of 1000 km for a cost of Rs 30000 Cr to be awarded under BOT. Large number of these projects are expected to be awarded by end of FY20.
- 12 of the 19 projects are 4-6 lane BOT projects.
- TOT 3, Mumbai Pune and large set of BOT projects lined up management is confident about the upcoming order book. Overall Rs 45000 Cr of projects is expected to be bid out in 4-5 months.
- Any new project which gets bided to the company by end of FY20, execution will start by Oct 2020 as GIC will be a strong financial supporter which will reduce time of financial closer.
- GIC and IRB will be partnering and forming Pvt. InvIT for which GIC will be bring in Rs 4400 Cr in for 49% stake in 9 BOT projects. This deal is expected to close by December end.
- Tax rate going forward will be 26%.
- Company has not received any official letter on 2 Tamil Nadu projects discontinuation.
- Standalone & MRM put together debt is Rs 3200 Cr and Cash balance is Rs 1000 Cr.
- Rs 112 Cr has been received by the company as Royalty reimbursement for Yedeshi Aurangabad, Solapur Yedeshi and Karwar Kundapur projects.
- Goa Kundapur projects months work is left and expects to receive PCOD in month time.

Revenue Mix

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Construction	885	1,035	932	1,253	1,408	1,194	1,330	43%	11%
BoT	494	548	494	532	536	627	416	-16%	-34%
Total	1,379	1,583	1,432	1,789	1,948	1,827	1,752	22%	-4%

Order Book Break Up

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Ongoing Projects	6,917	5,943	5,058	4,006	4,781	7,579	6,653	66%	-12%
Yet to commence	8,163	8,161	8,161	8,161	6,296	3,271	3,000	-63%	-8%
BOT Projects in O&M	-	-	-	-	-	-	1,728		
Total	15,080	14,104	13,219	12,167	11,077	10,850	11,381	-6%	5%

Gross Toll Collection at Major Projects

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20E	YoY (+/-)	QoQ (+/-)
Mumbai- Pune	227	231	215	237	235	247	-	NA	NA
Ahemdabad - Vadodra	102	104	98	113	114	114	110	12%	-3%
Thane - Ghodbandar	10	20	10	10	11	32	13	29%	-60%
Pune - Nasik	8	8	9	9	9	9	8	-9%	-7%
Pune - Solapur	6	6	6	6	5	-	-	NA	NA

Exhibit: Order Book and Book to Bill

Exhibit: Revenue Mix % with EBITDA M %

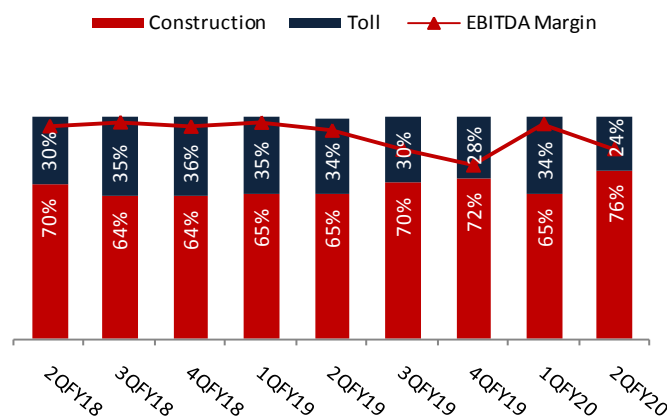
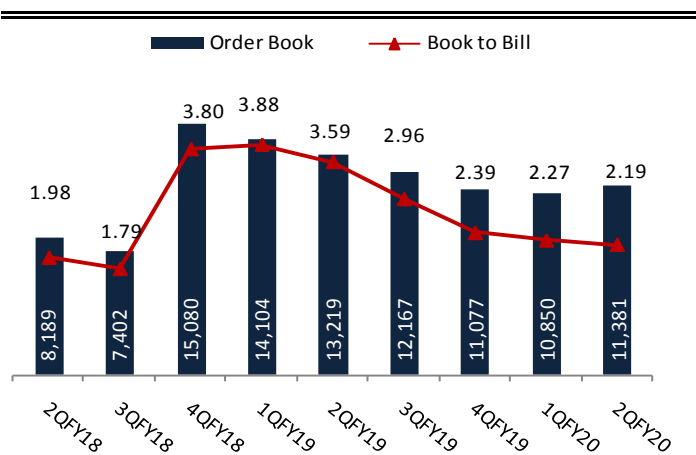
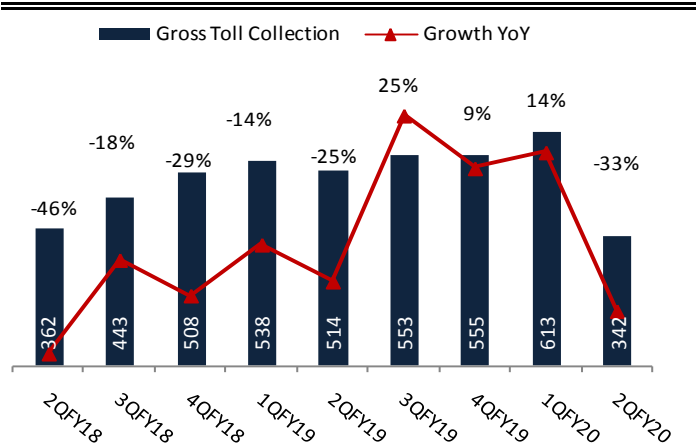


Exhibit: Gross toll collection



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	6,777	5,096
Change (%)	1%	3%	33%	14%	-3%	18%	1%	-25%
EBITDA	1,754	2,212	2,660	3,048	2,679	2,937	2,974	2,357
Change (%)	7%	26%	20%	15%	-12%	10%	1%	-21%
Margin (%)	47%	57%	52%	52%	47%	44%	44%	46%
Depr & Amor.	477	707	853	855	544	540	485	456
EBIT	1,277	1,505	1,807	2,193	2,135	2,398	2,490	1,902
Int. & other fin. Cost	756	931	1,064	1,333	967	1,120	1,512	1,486
Other Income	121	113	127	123	169	196	256	261
EBT	642	686	870	984	1,337	1,473	1,233	677
Exp Item	-	-	-	-	127	-	-	-
Tax	182	144	231	269	544	623	411	170
Minority Int & P/L share of Ass.	0	(1)	0	(0)	-	-	-	-
Reported PAT	459	543	639	715	920	850	822	507
Adjusted PAT	459	543	639	715	845	850	822	507
Change (%)	-18%	18%	18%	12%	18%	1%	-3%	-38%
Margin(%)	12%	14%	12%	12%	15%	13%	12%	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	6,639	7,055
Networth	3,561	4,451	4,836	5,272	5,693	6,315	6,991	7,406
Debt	10,294	11,747	14,473	13,020	12,996	15,719	16,428	18,263
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	22,119	24,369
Net Fixed Assets (incl CWIP)	13,041	36,486	39,057	31,083	36,712	36,732	41,699	44,683
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	41,967	44,951
Non Curr Assets	13,351	36,992	39,625	31,705	37,887	37,613	42,580	45,564
Inventory	268	260	309	353	487	442	447	336
Debtors	6	6	9	70	133	114	115	86
Cash & Bank	1,501	1,530	1,501	1,308	1,268	1,560	1,255	1,311
Other Curr Assets	586	590	723	522	629	767	772	648
Curr Assets	2,361	2,386	2,541	2,252	2,517	2,883	2,588	2,381
Creditors	408	225	309	451	406	706	713	536
Provisions	289	94	137	93	75	87	87	77
Other Curr Liab	1,074	1,659	1,769	1,733	5,648	4,136	4,853	5,586
Curr Liabilities	1,036	1,655	1,760	1,724	5,639	4,095	4,811	5,555
Net Curr Assets	1,325	731	781	529	(3,122)	(1,212)	(2,223)	(3,174)
Total Assets	15,712	39,378	42,166	46,641	40,403	40,496	45,169	47,945

Financial Details

Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	642	686	870	984	1,464	1,473	1,233	677
(inc)/Dec in Working Capital	139	(177)	(48)	424	(106)	114	713	820
Non Cash Op Exp	477	707	853	855	544	540	485	456
Int Paid (+)	747	931	1,064	1,333	967	1,120	1,512	1,486
Tax Paid	232	216	313	348	501	348	411	170
others	(117)	(108)	(87)	(55)	(59)	(179)	-	-
CF from Op. Activities	1,656	1,823	2,340	3,192	2,132	2,710	3,532	3,267
(inc)/Dec in FA & CWIP	(3,001)	(2,308)	(3,159)	(2,775)	(3,970)	2	(5,452)	(3,440)
Free Cashflow	(1,345)	(484)	(819)	417	(1,838)	2,712	(1,920)	(172)
(Pur)/Sale of Inv	48	8	4	(332)	1,298	(4,024)	0	-
others	262	21	13	(12)	(19)	105	-	-
CF from Inv. Activities	(2,743)	(2,295)	(3,144)	(2,981)	(2,621)	(4,081)	(2,887)	(3,469)
inc/(dec) in NW	-	422	-	-	-	-	-	-
inc/(dec) in Debt	2,209	1,448	2,360	1,634	1,643	2,599	709	1,835
Int. Paid	(740)	(1,317)	(1,435)	(1,751)	(895)	(1,056)	(1,512)	(1,486)
Div Paid (inc tax)	(194)	(78)	(254)	(85)	(338)	(106)	(148)	(91)
others	(1)	(1)	-	-	-	-	-	-
CF from Fin. Activities	1,274	474	671	(202)	410	1,438	(674)	182
Inc(Dec) in Cash	186	2	(133)	9	(79)	66	(29)	(19)
Add: Opening Balance	257	443	410	276	285	206	278	250
Closing Balance	443	445	276	286	206	272	248	231

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	13%	12%	13%	14%	16%	13%	12%	7%
ROCE	9%	9%	9%	12%	11%	11%	11%	8%
Asset Turnover	0.24	0.10	0.12	0.13	0.14	0.17	0.15	0.11
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	1
P/E	6.7	14.8	13.0	10.8	10.3	6.4	3.5	5.6
Price / Book Value	0.9	1.8	1.7	1.4	1.7	0.9	0.4	0.4
EV/EBITDA	6.2	8.5	8.0	6.4	7.9	6.7	6.0	8.1
FCF per Share		68	89	111	89	77	139	117
Div Yield	4.3%	0.0%	2.5%	0.9%	3.0%	1.6%	4.3%	2.7%

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