

# IRB Infra Developers

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

## Lower Revenue Visibility Going Ahead

### 3QFY20 Result Update

- IRB has reported flat revenue YoY to Rs 1743 Cr on account of the lower order book and lower number operational toll projects.
- Revenue from construction was Rs 1407 a growth of 12% whereas that of Toll revenue was Rs383 Cr de-growth of 28%. The concession period of the Mumbai Pune project was completed in August.
- The EBITDA margin was compressed by 150 bps due to a change in revenue mix. Contribution from the high margin Toll segment has come down to 21% from 30%.
- Interest cost has gone up by 43% YoY due to the increase in the loan on under-construction projects.
- The order book at the end of 3QFY20 stands at Rs 6801 Cr, while there was no order inflow during the quarter.
- During the quarter the company has emerged as a single bidder for the Mumbai Pune ToT project. If the projects will be awarded to the IRB, toll collection will start from 1<sup>st</sup> March 2020.
- Company has received the PCoD on Goa Karnataka BoT project for the completion of 75% and balance, the land parcel has also handed over by the NHAI and construction will be completed in the next 2-3 months.

### Flat revenue growth on account of lower order book

Company has reported revenue of Rs 1743 Cr which is lower by 2.5% YoY. The revenue from EPC business has grown by 12% compared to 43% growth in last quarter. Some of the big projects are at advance stage of execution; the execution from these projects will decline as the projects are approach the completion. Revenue from toll collection has come down by 28% YoY. Concession period of Mumbai Pune project was completed in August. Toll collection the Ahmedabad projects has improved and reported growth of 12% YoY as the economic activity has picked up in the state. While 3 under construction projects in Rajasthan continue to bleed as the on-going construction activity impacting the traffic flow.

### Lower Revenue Visibility Going Ahead

IRB has a total order book of Rs 6801 Cr, during the quarter 2 (HAM) Tamil Nadu projects which are of Rs 3000 Cr has taken out of the order book as the NHAI is unable to provide land. With the remove of these order book has reduce drastically from Rs 11381 Cr to Rs 6801 Cr, i.e only 1.3x of the TTM revenue. This led to reduce the revenue visibility going ahead. Though the company has bided 3-4 HAM projects and company is stand to qualify to bid 2 BoT projects of Rs 2500 Cr each. Additionally NHAI is also working on 14 BoT projects worth Rs 22000 Cr which will come under bidding in next couple of quarters.

### View and Valuation

With the termination of 2 HAM projects in the state of Tamil Nadu, EPC order book has reduced drastically from Rs 11381 Cr to Rs 6801 Cr, i.e only 1.3x of the TTM revenue. The lower revenue visibility will impact the revenue growth going ahead. The company has submitted bids for the 3-4 projects but it will take time to reflect on revenue numbers. Toll revenue is also likely to remain subdued as the concession periods get over of Mumbai Pune. Considering the current order book situation and absence of near term growth driver we are NEUTRAL on the stock.

**RATING** NEUTRAL

**CMP** 100

**Price Target** NA

**Potential Upside** NA

**Rating Change** 

**Estimate Change** 

**Target Change** NA

### Stock Info

52wk Range H/L	159/56
Mkt Capital (Rs Cr)	3532
Free float (%)	43%
Avg. Vol 1M (,000)	303
No. of Shares (Cr)	35
Promoters Pledged %	0.1%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	6707	6978	5096
EBITDA	2937	3028	2366
EBIT	2398	2549	1907
PAT	850	783	459
EPS (Rs)	24	22	13
EPS Gr (%)	-8%	-8%	-41%
ROE	13%	11%	6%
ROCE	11%	11%	7%
BVPS	179.7	198.0	208.7
P/B (X)	0.9	0.5	0.5
P/E (x)	6.4	4.5	7.7
EV/EBITDA (x)	6.2	5.8	8.2

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## 3QFY20 Results

## Muted Performance

Fig in Rs Cr

Financials	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	9MFY19	9MFY20	YoY %
<b>Net Sales</b>	<b>1,789</b>	<b>1,948</b>	<b>1,773</b>	<b>1,752</b>	<b>1,743</b>	<b>-3%</b>	<b>-1%</b>	<b>4,759</b>	<b>5,268</b>	<b>10.7%</b>
Construction	1,253	1,408	1,194	1,330	1,407	12%	6%	3,220	3,931	22.1%
Toll	532	536	627	416	383	-28%	-8%	1,574	1,426	-9.4%
Other	47	51	48	49	48	2%	-3%	145	145	-0.3%
COGS	860	1,044	729	853	876	2%	3%	2,076	2,458	18.4%
Employee	82	42	79	73	68	-18%	-8%	245	220	-10.1%
Other	86	102	110	78	86	-1%	10%	261	273	4.6%
Total	1,028	1,188	918	1,005	1,029	0%	2%	2,582	2,951	14.3%
<b>EBITDA</b>	<b>760</b>	<b>760</b>	<b>855</b>	<b>747</b>	<b>714</b>	<b>-6%</b>	<b>-5%</b>	<b>2,177</b>	<b>2,316</b>	<b>6.4%</b>
Depreciation	132	136	154	114	96	-28%	-16%	404	363	-10.1%
<b>EBIT</b>	<b>628</b>	<b>624</b>	<b>702</b>	<b>633</b>	<b>618</b>	<b>-2%</b>	<b>-2%</b>	<b>1,773</b>	<b>1,954</b>	<b>10.2%</b>
Interaset	287	314	363	381	410	43%	8%	806	1,154	43.1%
Excep Item	-	-	-	-	-	NA	NA	-	-	NA
<b>PBT</b>	<b>388</b>	<b>361</b>	<b>387</b>	<b>301</b>	<b>256</b>	<b>-34%</b>	<b>-15%</b>	<b>1,112</b>	<b>944</b>	<b>-15.1%</b>
Tax	169	153	181	101	96	-43%	-5%	470	378	-19.7%
<b>PAT</b>	<b>219</b>	<b>208</b>	<b>207</b>	<b>200</b>	<b>160</b>	<b>-27%</b>	<b>-20%</b>	<b>642</b>	<b>567</b>	<b>-11.7%</b>

## Concall Highlights

- Company has emerged as the only bidder for the Mumbai Pune ToT project with the bid price of Rs 8262 Cr.
- As it is the signal bid, there is process involved in it. As per the CBC guideline, MSRCD can award as single bid in second call after due process is approval.
- Bid price is the inline with the MSRDC expectation.
- If the IRB won the project, tolling will start from 1<sup>st</sup> March 2020.
- Company has to pay Rs 8262 Cr in 4 installments with first installment is due in June-20 of Rs 6500 Cr, 2<sup>nd</sup> and 3<sup>rd</sup> installment of Rs 850 Cr each will be due in March-21 and March-22. The last installment is due in March-23 of Rs 62 Cr.
- If the actual collection is higher than the estimated collection, operator has to share excess revenue with MSRDC in ratio of 10:90.
- Received PCoD for the Goa Karnataka BoT project and toiling has started from 11<sup>th</sup> Feb 2020. Project has completed 75% and balance land parcel has also handed over by the NHAI and construction will be completed in next 2-3 months.
- Initial toll collection on the Goa Karnataka project is in line with the expectation.
- Currently NHAI bid pipeline is Rs 63000 Cr with 2 ToT, 2 BoT and 53 HAM projects. Additionally, NHAI is preparing bids for the 14 BoT projects worth Rs 22000 Cr.

**Revenue Mix**

Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Construction	1,035	932	1,253	1,408	1,194	1,330	1,407	12%	6%
BoT	548	494	532	536	627	416	383	-28%	-8%
<b>Total</b>	<b>1,583</b>	<b>1,432</b>	<b>1,789</b>	<b>1,948</b>	<b>1,827</b>	<b>1,752</b>	<b>1,790</b>	<b>0%</b>	<b>2%</b>

**Order Book Break Up**

Fig in Rs Cr

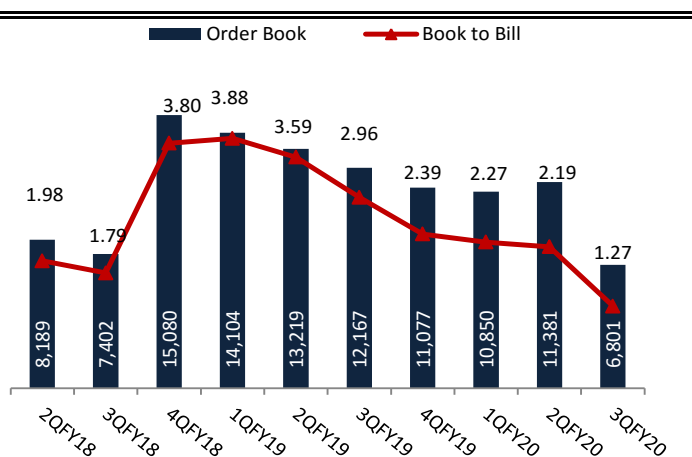
	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Ongoing Projects	5,943	5,058	4,006	4,781	7,579	9,653	6,000	26%	-38%
Yet to commence	8,161	8,161	8,161	6,296	3,271	-	-	-100%	NA
BOT Projects in O&M	-	-	-	-	-	1,728	801	NA	-54%
<b>Total</b>	<b>14,104</b>	<b>13,219</b>	<b>12,167</b>	<b>11,077</b>	<b>10,850</b>	<b>11,381</b>	<b>6,801</b>	<b>-39%</b>	<b>-40%</b>

**Gross Toll Collection at Major Projects**

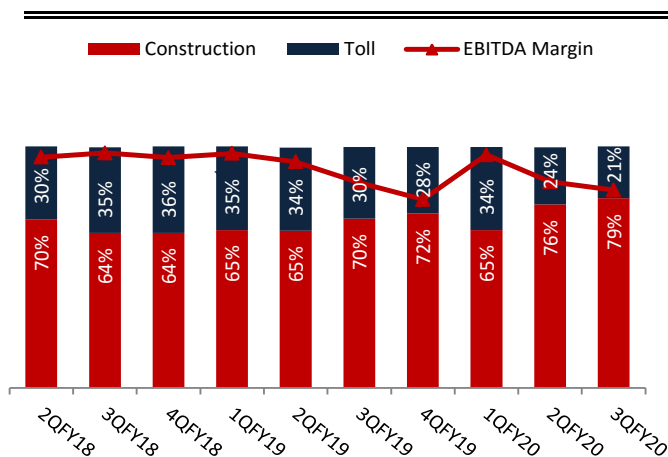
Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Ahemdabad - Vadodra	104	98	113	114	114	110	126	12%	15%
Gulabpura Chittorgarh	53	50	47	46	42	39	40	-16%	1%
Hapur bypass to Moradabac	-	-	-	-	13	29	34	NA	16%
Udaipur Rajasthan to Gujjar	39	38	35	36	36	35	32	-9%	-9%
Agra- Etawah	25	23	20	23	21	21	19	-6%	-7%

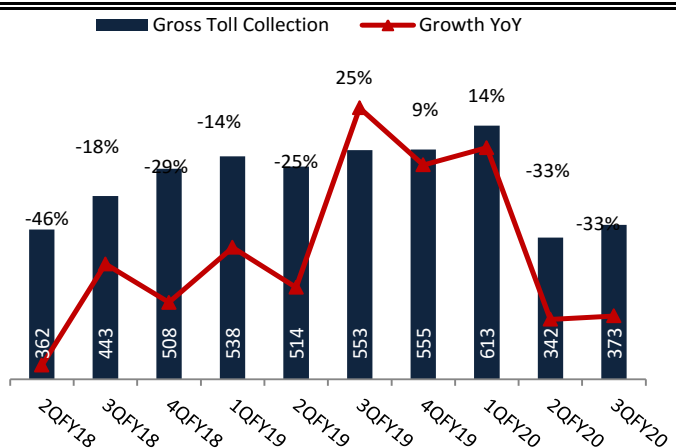
**Exhibit: Order Book and Book to Bill**



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



**Exhibit: Gross toll collection**



**Financial Details**
**Income Statement**

Fig in Rs Cr

<b>Y/E March</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
Revenue from Operation	3,732	3,847	5,128	5,846	5,694	6,707	6,978	5,096
Change (%)	1%	3%	33%	14%	-3%	18%	4%	-27%
<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>3,028</b>	<b>2,366</b>
Change (%)	7%	26%	20%	15%	-12%	10%	3%	-22%
Margin (%)	<b>47%</b>	<b>57%</b>	<b>52%</b>	<b>52%</b>	<b>47%</b>	<b>44%</b>	<b>43%</b>	<b>46%</b>
Depr & Amor.	477	707	853	855	544	540	479	459
<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>2,549</b>	<b>1,907</b>
Int. & other fin. Cost	756	931	1,064	1,333	967	1,120	1,506	1,487
Other Income	121	113	127	123	169	196	190	193
<b>EBT</b>	<b>642</b>	<b>686</b>	<b>870</b>	<b>984</b>	<b>1,337</b>	<b>1,473</b>	<b>1,233</b>	<b>613</b>
Exp Item	-	-	-	-	127	-	-	-
Tax	<b>182</b>	<b>144</b>	<b>231</b>	<b>269</b>	<b>544</b>	<b>623</b>	<b>450</b>	<b>154</b>
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>783</b>	<b>459</b>
<b>Adjusted PAT</b>	<b>459</b>	<b>543</b>	<b>639</b>	<b>715</b>	<b>845</b>	<b>850</b>	<b>783</b>	<b>459</b>
Change (%)	-18%	18%	18%	12%	18%	1%	-8%	-41%
Margin(%)	12%	14%	12%	12%	15%	13%	11%	9%

**Balance sheet**

Fig in Rs Cr

<b>Y/E March</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
<i>Share Capital</i>	332	351	351	351	351	351	351	351
<i>Reserves</i>	3,228	4,099	4,485	4,920	5,341	5,964	6,607	6,983
<i>Networth</i>	3,561	4,451	4,836	5,272	5,693	6,315	6,959	7,335
<i>Debt</i>	10,294	11,747	14,473	13,020	12,996	15,719	16,459	18,284
<i>Other Non Cur Liab</i>	339	21,262	20,744	15,960	15,661	13,619	13,619	13,619
<i>Total Capital Employed</i>	12,959	15,568	18,120	17,361	17,524	20,723	22,118	24,318
<i>Net Fixed Assets (incl CWIP)</i>	13,041	36,486	39,057	31,083	36,712	36,732	41,935	44,905
<i>Non Cur Investments</i>	1	1	1	1	762	613	613	613
<i>Other Non Cur Asst</i>	13,350	36,991	39,624	31,704	37,125	37,000	42,203	45,173
<i>Non Curr Assets</i>	13,351	36,992	39,625	31,705	37,887	37,613	42,816	45,786
<i>Inventory</i>	268	260	309	353	487	442	460	336
<i>Debtors</i>	6	6	9	70	133	114	118	86
<i>Cash &amp; Bank</i>	1,501	1,530	1,501	1,308	1,268	1,560	1,051	1,098
<i>Other Curr Assets</i>	586	590	723	522	629	767	786	648
<i>Curr Assets</i>	2,361	2,386	2,541	2,252	2,517	2,883	2,416	2,168
<i>Creditors</i>	408	225	309	451	406	706	735	537
<i>Provisions</i>	289	94	137	93	75	87	88	77
<i>Other Curr Liab</i>	1,074	1,659	1,769	1,733	5,648	4,136	4,867	5,586
<i>Curr Liabilities</i>	1,036	1,655	1,760	1,724	5,639	4,095	4,824	5,555
<i>Net Curr Assets</i>	1,325	731	781	529	(3,122)	(1,212)	(2,409)	(3,387)
<i>Total Assets</i>	15,712	39,378	42,166	46,641	40,403	40,496	45,232	47,955

## 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	613
(inc)/Dec in Working Capital	139	(177)	(48)	424	(106)	114	717	815
Non Cash Op Exp	477	707	853	855	544	540	479	459
Int Paid (+)	747	931	1,064	1,333	967	1,120	1,506	1,487
Tax Paid	232	216	313	348	501	348	450	154
others	(117)	(108)	(87)	(55)	(59)	(179)	-	-
CF from Op. Activities	1,656	1,823	2,340	3,192	2,132	2,710	3,485	3,220
(inc)/Dec in FA & CWIP	(3,001)	(2,308)	(3,159)	(2,775)	(3,970)	2	(5,682)	(3,429)
Free Cashflow	(1,345)	(484)	(819)	417	(1,838)	2,712	(2,197)	(209)
(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)	(3,118)	(3,458)
inc/(dec) in NW	-	422	-	-	-	-	-	-
inc/(dec) in Debt	2,209	1,448	2,360	1,634	1,643	2,599	740	1,824
Int. Paid	(740)	(1,317)	(1,435)	(1,751)	(895)	(1,056)	(1,506)	(1,487)
Div Paid (inc tax)	(194)	(78)	(254)	(85)	(338)	(106)	(141)	(83)
others	(1)	(1)	-	-	-	-	-	-
CF from Fin. Activities	1,274	474	671	(202)	410	1,438	(425)	188
Inc(Dec) in Cash	186	2	(133)	9	(79)	66	(58)	(50)
Add: Opening Balance	257	443	410	276	285	206	278	250
Closing Balance	443	445	276	286	206	272	219	200

## Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	13%	12%	13%	14%	16%	13%	11%	6%
ROCE	9%	9%	9%	12%	11%	11%	11%	7%
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	4.5	7.7
Price / Book Value	0.9	1.8	1.7	1.4	1.7	0.9	0.5	0.5
EV/EBITDA	6.2	8.0	7.6	6.1	7.5	6.2	5.8	8.2
FCF per Share		68	89	111	89	77	140	116
Div Yield	4.3%	0.0%	2.5%	0.9%	3.0%	1.6%	3.3%	2.0%

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Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

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