

# IRB Infrastructure

Estimate change	↔
TP change	↑
Rating change	↔

**CMP: INR66**      **TP: INR61 (-8%)**      **Neutral**

## In-line performance; order pipeline remains robust

Bloomberg	IRB IN
Equity Shares (m)	6039
M.Cap.(INRb)/(USDb)	398.9 / 4.8
52-Week Range (INR)	73 / 25
1, 6, 12 Rel. Per (%)	-1/74/112
12M Avg Val (INR m)	1311

### Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	74.1	82.8	94.6
EBITDA	33.3	37.7	42.6
PAT	6.1	9.8	12.5
EBITDA (%)	45.0	45.6	45.0
EPS (INR)	1.0	1.6	2.1
EPS Gr. (%)	-15.9	61.2	27.6
BV/Sh. (INR)	22.8	24.0	25.7

### Ratios

Net D/E	1.2	1.1	1.0
RoE (%)	4.5	6.9	8.3
RoCE (%)	8.0	7.9	8.3
Payout (%)	27.4	22.3	17.5

### Valuations

P/E (x)	65.8	40.8	32.0
P/BV (x)	2.9	2.7	2.6
EV/EBITDA (x)	17.0	14.9	13.1
Div Yield (%)	0.5	0.5	0.5

### Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	34.4	34.4	34.2
DII	49.6	7.9	7.0
FII	5.4	47.2	48.5
Others	10.6	10.6	10.2

FII Includes depository receipts

- IRB Infrastructure (IRB)'s revenue grew 27% YoY to INR20.6b in 4QFY24 (in line). EBITDA margin came in at 43.2% (down 370bp YoY, below our estimate of 45%). EBITDA grew 17% YoY to INR8.9b, in line with our estimate.
- Higher interest costs of INR2.4b were attributed to the notional interest accrued on the deferred payment of acquisition costs of concession arrangements in SPV. This increase was partly offset by higher other income. APAT grew 45% YoY to INR1.9b, in line.
- Construction revenue stood at INR14.4b, up 31% YoY during the quarter, while BOT revenue stood at INR6.2b (+18.7% YoY).
- During FY24**, revenue was up 15.7% YoY to INR74.1b, EBITDA grew 3% YoY to INR33.3b, EBITDA margin was 45%, and APAT dipped ~16% YoY to INR6b.
- The order book stood at ~INR348b (excl. GST) at end-4Q. The O&M order book stood at INR291b, while the construction order book stood at INR57b.
- IRB's performance was in line with our expectation. Given its strong order pipeline of INR2t and the company's track record of winning 25-30% of the project pipeline, we expect IRB's order inflows to pick up. With a strong order book of INR348b as of Mar'24 and a robust tender pipeline, driven by BOT projects, we expect a revenue CAGR of ~13% over FY24-26. We broadly retain our APAT estimates for FY25/FY26. Reiterate Neutral with a revised SoTP-based TP of INR61.**

### Robust order pipeline along with a strong balance sheet

- Awarding by NHAI has been subdued in FY24, with only ~2,500km of projects awarded in FY24. Despite this, IRB's order book remains healthy. The tender pipeline remains robust at INR2t, of which IRB is targeting to win at least INR200-250b worth of orders in FY25. IRB's priority would be BOT toll projects, followed by TOT projects, and then HAM projects.
- As of Mar'24, the company's cash position stood at INR27b, with minimal equity commitments in FY25. This financial strength provides IRB with the flexibility to bid for the strong order pipeline of INR2t.

### Key takeaways from the management commentary

- As of Mar'24, the company's order book stood at INR348b. Within this order book, the EPC segment accounted for INR57b, providing robust revenue visibility for IRB's construction segment for the next two to three years. The O&M order book has been close to INR291b.
- The financial closure for the TOT-12 and TOT-13 projects has been achieved, with upfront payments of INR44.3b and INR16.8b made to NHAI, respectively. Both TOT-12 and TOT-13 have received Appointed Dates (ADs) from NHAI, and accordingly tolling on both these projects commenced from Apr'24.
- IRB had a market share of over 25-30% in awarded BoT and ToT projects in the past and expects to maintain that share in the future as well.
- The construction vertical is likely to clock ~15% CAGR over the next two to three years with a stable EBITDA margin

**Alok Deora - Research analyst** (Alok.Deora@motilaloswal.com)

**Saurabh Dugar - Research analyst** (Saurabh.Dugar@motilaloswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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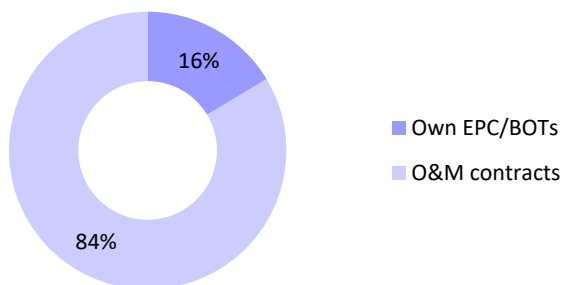
**Valuation and view**

- Fueled by a robust order book and a strong tender pipeline, primarily due to the BOT projects, we expect IRB’s execution to pick up, leading to ~13% CAGR in revenue and sustained margins. We broadly retain our APAT for FY25E/FY26E. **Reiterate Neutral with a revised SoTP-based TP of INR61.**

**Quarterly performance**

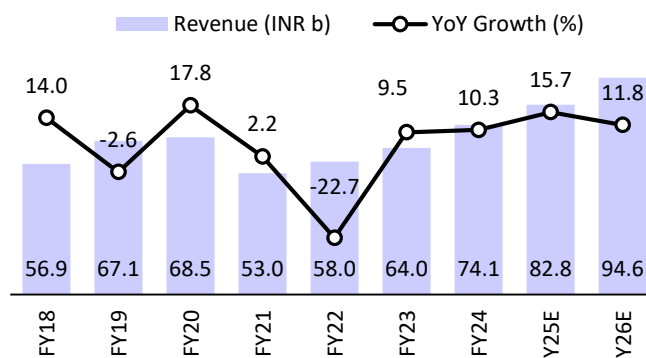
Y/E March	FY23				FY24						(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24	FY24 4QE	Var %
<b>Net Sales</b>	<b>19,246</b>	<b>13,430</b>	<b>15,141</b>	<b>16,200</b>	<b>16,342</b>	<b>17,450</b>	<b>19,685</b>	<b>20,612</b>	<b>64,016</b>	<b>74,090</b>	<b>20,312</b>	<b>1</b>
YoY Change (%)	18.4	(8.3)	18.4	13.0	(15.1)	29.9	30.0	27.2	10.3	15.7	25.4	
<b>EBITDA</b>	<b>10,606</b>	<b>6,651</b>	<b>7,446</b>	<b>7,588</b>	<b>7,778</b>	<b>7,946</b>	<b>8,695</b>	<b>8,899</b>	<b>32,291</b>	<b>33,318</b>	<b>8,891</b>	<b>0</b>
Margins (%)	55.1	49.5	49.2	46.8	47.6	45.5	44.2	43.2	50.4	45.0	43.8	
Depreciation	2,031	1,919	2,150	2,221	2,367	2,327	2,513	2,742	8,321	9,949		
Interest	3,850	3,893	3,671	3,733	3,815	4,346	4,327	6,145	15,146	18,633		
Other Income	708	959	560	789	1,112	1,295	1,088	4,433	3,016	7,928		
<b>PBT</b>	<b>5,434</b>	<b>1,799</b>	<b>2,185</b>	<b>2,423</b>	<b>2,709</b>	<b>2,569</b>	<b>2,942</b>	<b>4,443</b>	<b>11,840</b>	<b>12,663</b>	<b>3,191</b>	
Tax	1,468	702	646	753	836	858	561	1,201	3,569	3,456		
Rate (%)	27.0	39.0	29.6	31.1	30.9	33.4	19.1	27.0	30.1	27.3		
Share of profit in Associates	(334)	(244)	(125)	(367)	(535)	(753)	(507)	(1,353)	(1,069)	(3,148)		
<b>Reported PAT</b>	<b>3,632</b>	<b>854</b>	<b>1,414</b>	<b>1,303</b>	<b>1,338</b>	<b>958</b>	<b>1,874</b>	<b>1,889</b>	<b>7,202</b>	<b>6,058</b>	<b>1,830</b>	
<b>Adj PAT</b>	<b>3,632</b>	<b>854</b>	<b>1,414</b>	<b>1,303</b>	<b>1,338</b>	<b>958</b>	<b>1,874</b>	<b>1,889</b>	<b>7,202</b>	<b>6,058</b>	<b>1,830</b>	<b>3</b>
YoY Change (%)	405.1	101.7	94.5	(25.3)	(63.2)	12.2	32.6	45.0	99.3	(15.9)	40.5	
Margins (%)	18.9	6.4	9.3	8.0	8.2	5.5	9.5	9.2	11.3	8.2	9.0	

**Exhibit 1: Order book breakup (4QFY24: INR348b)**



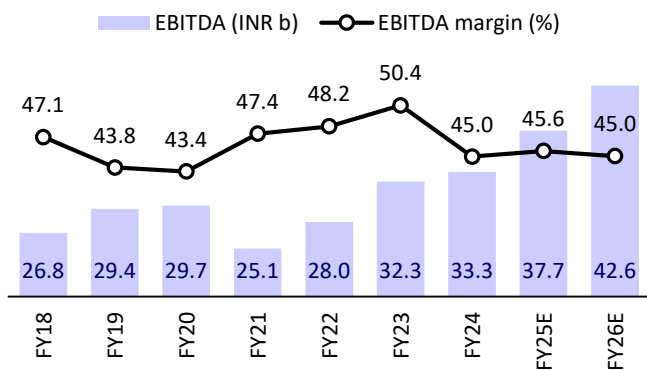
Source: MOFSL, Company

**Exhibit 2: Revenue to post ~13% CAGR over FY24-26E**



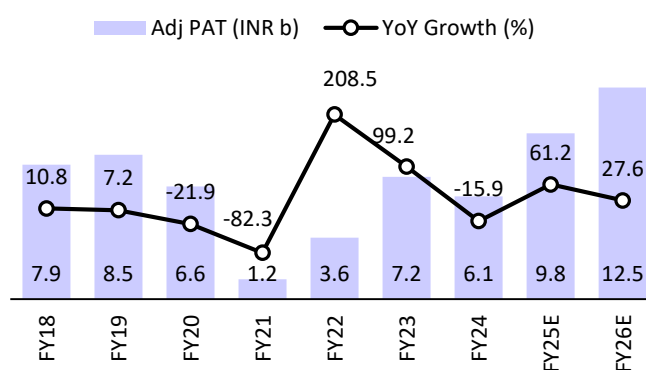
Source: MOFSL, Company

**Exhibit 3: EBITDA and EBITDA margin trends**



Source: MOFSL, Company

**Exhibit 4: APAT to clock a CAGR of ~43% over FY24-26**



Source: MOFSL, Company



### Highlights from the management commentary

- As of Mar'24, the company's order book stood at INR348b. Within this order book, the EPC segment accounted for INR57b, providing robust revenue visibility for IRB's construction segment for the next two to three years. The O&M order book has been close to INR291b.
- Awarding by NHAI has been subdued in FY24, with only ~2,500km of projects awarded in FY24. Despite this, IRB's order book remains healthy. Management expects INR200-250b worth of order inflows in FY25, given a healthy pipeline of orders in the BoT and ToT segments.
- Increased toll collections during the quarter were due to traffic growth, higher tariff, and an increase in the number of tolls.
- The financial closure for the TOT-12 and TOT-13 projects has been achieved, with upfront payments of INR44.3b and INR16.8b made to NHAI, respectively. Both TOT-12 and TOT-13 have received Appointed Dates (ADs) from NHAI, and accordingly tolling on both these projects commenced from Apr'24.
- IRB raised INR22.5b through the IRB Trust, with contributions from both IRB and GIC in the ratio of 51:49. Further, IRB successfully completed a USD540m senior secured loan, which was oversubscribed by 2.25x during the quarter.
- The Board declared a dividend of INR1.8b for FY24.
- Cash position stood at INR27b as of Mar'24, with minimal future equity requirements, allowing the company to bid for ToT projects in the pipeline.
- Higher finance expenses in 4QFY24, including a one-time expense of INR2.4b on the construction side; early redemption of debentures led to higher interest expenses during the quarter.
- Consolidated gross debt as of Mar'24 was INR147b, with INR86b at SPV level.
- IRB had a market share of over 30% in awarded BoT and ToT projects in the past, and expects to maintain more than 30% share in future as well

#### Guidance:

- The construction vertical is likely to clock ~15% CAGR over the next two to three years with a stable EBITDA margin.
- During the bidding process, IRB's priority will be to focus on BOT projects, followed by TOT projects, and then HAM projects. Considering the strong pipeline of BOT and TOT projects, IRB may not consider bidding much for HAM projects for now.
- ToT project pipeline includes nearly 35 projects and the bidding process is likely to start from mid-Jun'24.
- Management is expecting BoT and ToT project inflows to be INR200-250b in FY25.
- The construction progress on the Ganga Expressway project has exceeded 50%, making the project eligible for transfer to a Private Infrastructure Investment Trust (InvIT), subject to the necessary approvals.
- The JV/Associate loss would be in the range of INR1.5-1.6b in FY25.

**Exhibit 5: Segmental performance snapshot**

(INR m)	4QFY24	4QFY23	YoY	3QFY24	QoQ
<b>Construction business</b>					
Revenue	14,424	10,984	31.3%	13,526	6.6%
EBITDA	3,459	2,795	23.8%	3,225	7.3%
EBITDA margin (%)	24.0%	25.4%	-147	23.8%	14
Adjusted PAT	2,582	1,358	90.1%	2,000	29.1%
<b>BOT business</b>					
Revenue	6,189	5,216	18.7%	6,159	0.5%
EBITDA	5,440	4,793	13.5%	5,471	-0.6%
EBITDA margin (%)	87.9%	91.9%	-399	88.8%	-92
Adjusted PAT	-693	-55	NA	-125	NA

Source: MOFSL, Company

**Valuation and view**

■ The order pipeline is robust and IRB is well placed to execute strongly along with stable margins. We broadly retain our APAT for FY25E/FY26E. **Reiterate Neutral with a revised SoTP-based TP of INR61.**

**Exhibit 6: Our revised forecasts**

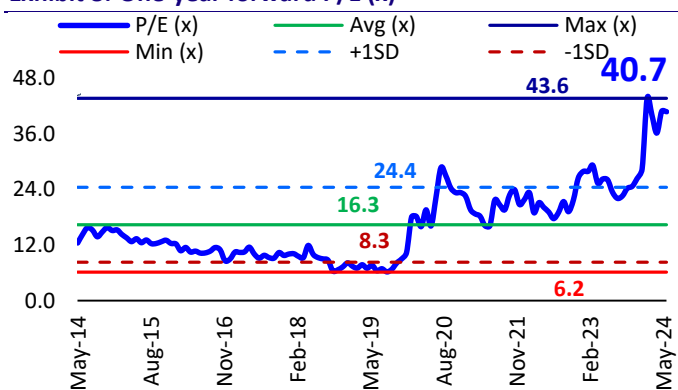
Earnings Change INR m	Old		New		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	81,773	92,943	82,830	94,573	1.3	1.8
EBITDA	38,651	44,713	37,733	42,568	-2.4	-4.8
EBITDA margin	47.3%	48.1%	45.6%	45.0%	-171	-310
Adj. PAT	9,786	12,455	9,769	12,465	-0.2	0.1

**Exhibit 7: SOTP-based target price stands at INR61**

Particulars	INR m	Per share (INR)
<b>Standalone</b>		
FY26E Core PAT	10,417	
Target PE multiple	15.0	
<b>Standalone valuation</b>	<b>1,56,249</b>	<b>26</b>
<b>Asset business</b>		
Other Assets	1,91,022	35
<b>Total</b>	<b>3,47,271</b>	<b>61</b>

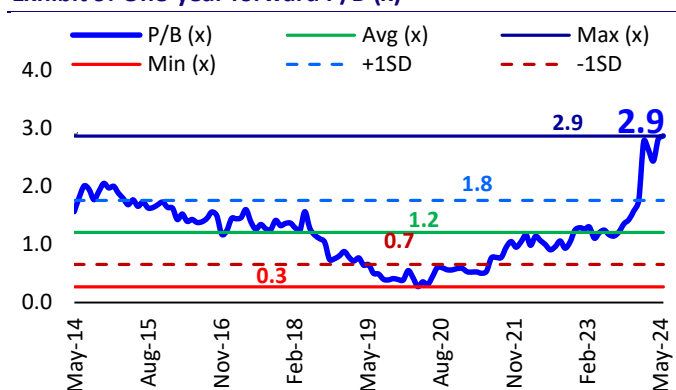
Source: MOFSL, Company

**Exhibit 8: One-year forward P/E (x)**



Source: MOFSL, Company

**Exhibit 9: One-year forward P/B (x)**



Source: MOFSL, Company

## Financials and valuations

Consolidated Income Statement						(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>68,522</b>	<b>52,986</b>	<b>58,037</b>	<b>64,016</b>	<b>74,090</b>	<b>82,830</b>	<b>94,573</b>
Change (%)	2.2	-22.7	9.5	10.3	15.7	11.8	14.2
<b>EBITDA</b>	<b>29,714</b>	<b>25,127</b>	<b>27,975</b>	<b>32,290</b>	<b>33,318</b>	<b>37,733</b>	<b>42,568</b>
Margin (%)	43.4	47.4	48.2	50.4	45.0	45.6	45.0
Depreciation	4,683	5,817	6,828	8,321	9,949	10,006	10,480
<b>EBIT</b>	<b>25,031</b>	<b>19,310</b>	<b>21,147</b>	<b>23,968</b>	<b>23,368</b>	<b>27,727</b>	<b>32,088</b>
Int. and Finance Charges	15,644	16,924	18,906	15,146	18,633	16,780	16,887
Other Income	1,950	1,889	5,517	3,017	7,928	4,638	3,364
<b>PBT bef. EO Exp.</b>	<b>11,337</b>	<b>4,274</b>	<b>7,758</b>	<b>11,839</b>	<b>12,663</b>	<b>15,586</b>	<b>18,565</b>
EO Items	574	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>11,911</b>	<b>4,274</b>	<b>7,758</b>	<b>11,839</b>	<b>12,663</b>	<b>15,586</b>	<b>18,565</b>
Total Tax	4,544	1,445	1,882	3,569	3,456	4,243	4,840
Tax Rate (%)	38.1	33.8	24.3	30.1	27.3	27.2	26.1
Minority Interest/Associate income	-158	-1,658	-2,262	-1,070	-3,148	-1,574	-1,259
<b>Reported PAT</b>	<b>7,209</b>	<b>1,172</b>	<b>3,614</b>	<b>7,200</b>	<b>6,058</b>	<b>9,769</b>	<b>12,465</b>
<b>Adjusted PAT</b>	<b>6,635</b>	<b>1,172</b>	<b>3,614</b>	<b>7,200</b>	<b>6,058</b>	<b>9,769</b>	<b>12,465</b>
Change (%)	-21.9	-82.3	208.5	99.2	-15.9	61.2	27.6
Margin (%)	9.7	2.2	6.2	11.2	8.2	11.8	13.2

Consolidated Balance Sheet						(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	3,515	3,515	6,039	6,039	6,039	6,039	6,039
Total Reserves	63,314	65,493	1,19,617	1,27,750	1,31,406	1,38,993	1,49,278
<b>Net Worth</b>	<b>66,829</b>	<b>69,008</b>	<b>1,25,656</b>	<b>1,33,789</b>	<b>1,37,445</b>	<b>1,45,032</b>	<b>1,55,317</b>
Minority Interest	0	0	0	0	0	0	0
Total Loans	75,709	1,66,640	1,66,853	1,67,397	1,86,490	1,88,924	1,90,662
Deferred Tax Liabilities	-570	-687	-435	637	2,031	2,031	2,031
<b>Capital Employed</b>	<b>1,41,968</b>	<b>2,34,962</b>	<b>2,92,074</b>	<b>3,01,823</b>	<b>3,25,966</b>	<b>3,35,987</b>	<b>3,48,009</b>
Gross Block	2,99,277	3,02,110	3,07,928	3,08,339	3,08,625	3,13,830	2,98,576
Less: Accum. Deprn.	22,572	28,389	35,217	43,538	53,487	63,564	55,290
<b>Net Fixed Assets</b>	<b>2,76,705</b>	<b>2,73,721</b>	<b>2,72,711</b>	<b>2,64,801</b>	<b>2,55,138</b>	<b>2,50,267</b>	<b>2,43,286</b>
Capital WIP	4,030	4,030	625	75	76	76	76
<b>Total Investments</b>	<b>41,459</b>	<b>47,989</b>	<b>49,042</b>	<b>51,409</b>	<b>96,420</b>	<b>1,01,420</b>	<b>1,06,420</b>
<b>Curr. Assets, Loans and Adv.</b>	<b>76,091</b>	<b>85,285</b>	<b>1,01,999</b>	<b>1,10,739</b>	<b>97,061</b>	<b>1,03,911</b>	<b>1,19,844</b>
Inventory	3,314	3,217	3,175	2,990	2,931	4,960	5,741
Account Receivables	4,408	5,879	15,934	16,352	7,586	8,697	10,066
Cash and Bank Balance	22,707	23,390	17,438	24,171	17,626	25,009	30,695
Loans and Advances and CA	45,663	52,799	65,451	67,226	68,918	65,245	73,342
<b>Curr. Liability and Prov.</b>	<b>2,56,317</b>	<b>1,76,064</b>	<b>1,32,303</b>	<b>1,25,202</b>	<b>1,22,730</b>	<b>1,19,688</b>	<b>1,21,618</b>
Other Current Liabilities	2,55,800	1,75,562	1,31,707	1,24,630	1,21,832	1,18,790	1,20,720
Provisions	517	502	596	572	898	898	898
<b>Net Current Assets</b>	<b>-1,80,226</b>	<b>-90,780</b>	<b>-30,305</b>	<b>-14,463</b>	<b>-25,669</b>	<b>-15,777</b>	<b>-1,774</b>
<b>Appl. of Funds</b>	<b>1,41,968</b>	<b>2,34,961</b>	<b>2,92,074</b>	<b>3,01,823</b>	<b>3,25,966</b>	<b>3,35,987</b>	<b>3,48,010</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>							
EPS	1.9	0.3	0.6	1.2	1.0	1.6	2.1
Cash EPS	3.2	2.0	1.7	2.6	2.7	3.3	3.8
BV/Share	19.0	19.6	20.8	22.2	22.8	24.0	25.7
DPS	0.5	0.0	0.0	0.0	0.3	0.3	0.3
Payout (%)	29.3	0.0	0.0	10.5	27.4	22.3	17.5
<b>Valuation (x)</b>							
P/E	35.0	198.0	110.3	55.4	65.8	40.8	32.0
Cash P/E	20.5	33.2	38.2	25.7	24.9	20.2	17.4
P/BV	3.5	3.4	3.2	3.0	2.9	2.7	2.6
EV/Sales	4.2	7.1	9.4	8.5	7.7	6.8	5.9
EV/EBITDA	9.6	14.9	19.6	16.8	17.0	14.9	13.1
Dividend Yield (%)	0.8	0.0	0.0	0.0	0.5	0.5	0.5
FCF per share	39.0	-19.3	-7.1	2.9	5.3	4.3	4.3
<b>Return Ratios (%)</b>							
RoE	10.2	1.7	3.7	5.5	4.5	6.9	8.3
RoCE	12.0	9.0	8.1	7.3	8.0	7.9	8.3
RoIC	13.5	11.0	8.3	7.4	7.8	9.6	11.3
<b>Leverage Ratio (x)</b>							
Interest Coverage Ratio	1.6	1.1	1.1	1.6	1.3	1.7	1.9
Net Debt/Equity	0.8	2.1	1.2	1.1	1.2	1.1	1.0

### Consolidated Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>(INR m)</b>							
<b>OP/(Loss) before Tax</b>	11,337	4,274	7,758	10,770	9,514	15,586	18,565
Depreciation	4,683	5,817	6,828	8,321	9,949	10,006	10,480
Interest and Finance Charges	15,644	16,924	18,906	13,109	15,930	16,780	16,887
Direct Taxes Paid	-4,544	-1,445	-1,882	-2,020	-2,261	-4,243	-4,840
(Inc.)/Dec. in WC	30,008	-90,047	-73,115	-12,999	9,052	-2,509	-8,316
<b>CF from Operations</b>	<b>57,128</b>	<b>-64,476</b>	<b>-41,505</b>	<b>17,180</b>	<b>42,185</b>	<b>35,619</b>	<b>32,776</b>
Others	-1,376	-1,889	-5,517	461	-1,647	-4,638	-3,364
<b>CF from Operations incl. EO</b>	<b>55,752</b>	<b>-66,365</b>	<b>-47,023</b>	<b>17,641</b>	<b>40,538</b>	<b>30,981</b>	<b>29,412</b>
(Inc.)/Dec. in FA	81,260	-1,550	4,277	99	-8,242	-5,135	-3,500
<b>Free Cash Flow</b>	<b>1,37,012</b>	<b>-67,915</b>	<b>-42,746</b>	<b>17,740</b>	<b>32,296</b>	<b>25,846</b>	<b>25,912</b>
(Pur.)/Sale of Investments	-35,005	-8,189	-3,315	-4,385	-36,720	-6,574	-6,259
Others	1,950	1,889	5,517	1,982	2,651	4,638	3,364
<b>CF from Investments</b>	<b>48,204</b>	<b>-7,849</b>	<b>6,479</b>	<b>-2,303</b>	<b>-42,311</b>	<b>-7,071</b>	<b>-6,395</b>
Issue of Shares	0	0	53,466	0	0	0	0
Inc.)/(Dec.) in Debt	-78,300	90,932	212	4,475	13,528	2,434	1,739
Interest Paid	-15,644	-16,924	-18,906	-12,279	-16,591	-16,780	-16,887
Dividend Paid	-2,116	0	0	-755	-1,661	-2,181	-2,181
Others	-793	890	-180	-46	-48	0	0
<b>CF from Fin. Activity</b>	<b>-96,852</b>	<b>74,897</b>	<b>34,592</b>	<b>-8,605</b>	<b>-4,772</b>	<b>-16,527</b>	<b>-17,330</b>
<b>Inc./Dec. in Cash</b>	<b>7,104</b>	<b>683</b>	<b>-5,951</b>	<b>6,733</b>	<b>-6,545</b>	<b>7,383</b>	<b>5,687</b>
Opening Balance	15,603	22,707	23,390	17,438	24,171	17,626	25,009
<b>Closing Balance</b>	<b>22,707</b>	<b>23,390</b>	<b>17,438</b>	<b>24,171</b>	<b>17,626</b>	<b>25,009</b>	<b>30,695</b>

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Explanation of Investment Rating	
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Nainesh Rajani

Email: [nainesh.rajani@motilaloswal.com](mailto:nainesh.rajani@motilaloswal.com)

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Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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