

IRB Infra. Dev. Ltd.

₹ 266

No Tolls during Growth**Buy**

Nov 14, 2014

Company Background

IRB Infrastructure Developers Ltd. (IRB Infra) was incorporated to fund the capital requirements of the IRB Group initiatives in the infrastructure sector. The company undertakes development of various infrastructure projects in the road sector through several Special Purpose Vehicles. The company, along with its subsidiaries has constructed or operated and maintained around 9,295 lane kms of road length so far and one of the major road developers in the country.

Key Highlights

- ➔ IRB Infra has completed nearly 62% of the Ahmedabad Vadodara toll expressway and will shortly be allowed to collect tolls after it reaches a 75% completion. This expressway will earn same revenue pattern as the Mumbai Pune Expressway.
- ➔ Recently IRB was awarded 3 major BOT projects including the Rs 3200 Cr Yedeshi-Aurangabad project the Rs 3200 Cr Kaithal-Rajasthan border project along with the Rs 1500 Cr Solapur Yedeshi project.
- ➔ IRB Infra participated in the annual prequalification process of NHAI and was declared qualified to bid for a single project on BOT worth up to Rs. 5,319 Crores. It also stands prequalified to bid for approximately Rs. 33,000 Crores worth of road projects. We expect around 8,500 Km of projects to be opened for bidding in FY 2014-15. Of this, around 3,500 Km is expected on a BOT basis and balance on an EPC basis.
- ➔ The last few years have been very good for the company with it securing roughly 10% of the marketshare in general projects and 11% plus in the golden quadrilateral.
- ➔ The companies current portfolio contains 21 Road projects out of which 16 Road Projects are operational, 2 are under implementation and 3 are recently awarded.
- ➔ Among IRB's existing projects Talegaon-Amravati and Jaipur-Deoli projects have commenced commercial operations this year. The company is in the process of obtaining the Provisional Certificate for Amritsar-Pathankot project for commencement of tolling there too.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	14,529.3	22,458.9	25,284.1
Rev. growth (%)	289.1	54.6	12.6
EBITDA (INR mn)	3,424.3	4,282.6	5,436.3
Net profit (INR mn)	1,659.3	1,873.4	2,882.1
Shares outstanding (mn)	332.4	332.4	332.4
EPS (INR)	5.0	5.6	8.7
EPS growth (%)	84.0	12.9	53.8
P/E (x)	37.3	20.1	11.9
RONW (%)	11.3	12.1	16.4
ROCE (%)	5.4	5.7	7.5

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Info Codes

Reuters	: IRBI.BO
Bloomberg	: IRB@IN
NSE	: IRB
BSE	: 532947

Market Data

52 Wk Range (₹)	: 279 / 68
Shares in Issue (mn)	: 332.4
Mkt. Cap (₹ bn)	: 89.05
2Wk Avg. Qty	: 470000

Shareholding

Promoters	: 61.11
FII's	: 23.74
DII's	: 5.99
Others	: 9.16

Investment Theme

IRB is a company that has grown up large and fast together. Though many contraventions prevailed, it always was the fore-runner, that is why today in just less than 20 years it has gathered a marketshare of more than 10% in the overall road BOT market. Approx 20,000 kms of identified road development works are yet to be awarded under NHDP. Out of this, approx 5,000 kms are already in the bidding calendar of NHAI and are likely to be tendered in the coming months. This will turn fruitful for IRB, especially when the political scenario & government policies are both favourable for the company now. The company has a good support of lenders and a large experience in the execution of some of the biggest BOT projects till date. This coupled with the fact that it has secured financial prequalification from NHAI would be beneficial in the short term.

Transport & IRB go hand in hand!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	12498.1	20324.1	62.62	22137.3	8.92
Other Income	2031.2	2134.8	5.10	3146.8	47.40
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	179.9	155.5	(13.56)	208.3	33.95
Indirect Taxes	1.3	1.2	(7.69)	17.4	1350.00
Other Exp.	10923.8	18019.6	64.96	19622.1	8.89
Operating Exp.	11105.0	18176.3	63.68	19847.8	9.20
Operating Profit	1393.1	2147.8	54.17	2289.5	6.60
Total Interest	1342.2	1977.8	47.36	2135.1	7.95
Gross Profit	2082.1	2304.8	10.70	3301.2	43.23
Net Dep.	0.0	0.0	-	0.0	-
Total Taxation	422.8	431.4	2.03	419.1	(2.85)
Net Profit/Loss	1659.3	1873.4	12.90	2882.1	53.84

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	28,124.2	33,282.2	32,566.1	39,211.6
Equity Share capital	3,323.6	3,323.6	3,323.6	3,323.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	10,785.0	11,846.1	12,390.0	13,942.8
Long Term Loans	1,606.5	2,500.0	8,500.0	17,015.1
Short Term Loans	12,409.1	15,612.5	8,352.5	4,930.1
USES OF FUNDS	28,124.2	33,282.2	32,566.1	39,211.6
Gross Block	0.0	0.0	0.0	0.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	0.0	0.0	0.0	0.0
Net Block	0.0	0.0	0.0	0.0
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	10,010.7	13,829.9	16,697.7	18,962.1
Current Assets	22,829.8	31,033.2	30,547.3	40,198.1
Less : Current Liabilities	4,716.3	11,580.9	14,678.9	19,948.6
Total Net Current Assets	18,113.5	19,452.3	15,868.4	20,249.5
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	9,792.5	13,743.4	16,124.8	18,829.7
Mkt Val. Quoted Investments	220.4	87.7	573.9	132.7
Contingent Liabilities	37,178.2	56,496.7	71,497.9	92,499.0
Dividend (%)	15	18	40	40

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 13	Mar 14	Jun 14	Sep 14
Net Sales	5497.4	5611.4	5693.2	4364.5
Cost Of Sales	4913.1	5065.3	5070.7	3957.0
Operating Profit	584.3	546.1	622.5	407.5
Recurring Income	311.4	1090.5	436.4	1114.5
Adjusted PBDIT	895.7	1636.6	1058.9	1522.0
Financial Expenses	522.1	591.8	605.8	658.6
Depreciation	0.0	0.0	0.0	0.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	373.6	1044.8	453.1	863.4
Tax Charges	118.4	0.0	153.9	61.0
Adjusted PAT	255.2	1044.8	299.2	802.4
Non Recurring Items	0.0	113.1	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	255.2	1157.9	299.2	802.4

52 Week Index Relative Percentage Appreciation



IRB Infra vs SENSEX

Risks Associated

➔ Competition Risk

The Company is operating in a highly competitive environment and believes that the competitive intensity may come back in FY 2015-16.

➔ Capital & Interest Risk

Typically all infrastructure projects are very capital intensive and tend to rely on Debt for capital purposes. Any delay in the arrangement of debt, completion of project may result in an interest burden on the financials which may further eat up the revenue as well as the network.

➔ Traffic growth risk

Most of the tolls rate escalations are connected to the WPI and any decrease in WPI along with the decrease in traffic growth may hamper the long term profitability of the company.

➔ Miscellaneous risks

Change in Political Scenario, Labour unrest, Rise in input costs are some of the risks inherent to any Infrastructure development company.



In a Nutshell

IRB Infrastructure Developers is primarily a holding company of the IRB group, engaged in infrastructure development and real estate. The assets of the IRB Group are held by and business operations conducted through the various subsidiaries of the company. The business model involves construction, development and operation of infrastructure development projects; engineering, procurement and construction work for construction projects on a contractual basis. It is one of the leading private developers in Western India having executed build-operate-transfer (BOT) projects like the Thane-Bhiwandi By-Pass Road, the prestigious Mumbai-Pune Expressway and NH 4 BOT project. It collects toll revenue of more than Rs 45 mn per day, manages approximately 5 Km of tunnels on the Mumbai-Pune Expressway and Khambatki Ghat, and has executed BOT/funded projects of for clients like MoRST&H, NHA, MSRDC, PWD, World Bank, and others. The aggregate size of BOT assets are around Rs 125.8 bn and the order book position is Rs 113.5 bn as on Jun. 30, 2014. As part of its master plan for a mega township, the company obtained approximately 925 acres of land in the Pune district of Maharashtra and intends acquiring approximately 475 acres additionally. With the ministry and the budgetary allocation favouring the development of Infrastructure and the company being one of the main Infrastructure companies who has demonstrated the fastest growth. Time is favourable.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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