

IRB Infra. Dev. Ltd.

₹ 234

Building New Roads !**Accumulate**

Jan 22, 2016

Company Background

IRB Infrastructure Developers Ltd (IRB) is an Indian highway construction company headquartered in Mumbai. It is part of the IRB Group and 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 more than 10,000 lane kms of road length so far and one of the major road developers in the country. It executed the country's first build-operate-transfer (BOT) road project. Currently it has around 2300 lane KM under development. Among its notable projects are the Mumbai Pune Expressway and the Ahmedabad Vadodara Expressway.

Key Highlights

- ➔ IRB has received a Letter of Award from Ministry of Road Transport & Highways, Govt. of India; for the construction, operation & maintenance of the longest Tunnel in South-East Asia, Zozila Pass Tunnel, in Jammu Kashmir. It is the biggest National Highway Project awarded in India in terms of project cost with a tunnel length spanning 14.08 Km and costing Rs 100.50 bn.
- ➔ The last few years have been very good for IRB with it securing roughly 10% of the marketshare in general projects & 11% plus in the golden quadrilateral.
- ➔ IRB is in the process of transferring operational assets towards a trust for listing investment REITs. This is likely to free up equity capital of ~Rs 52-60 bn for IRB and would act as a key catalyst for the stock in the near term.
- ➔ Construction revenues of IRB have showed good growth of 49.6% YoY; whereas toll revenues grew 9.5% YoY.
- ➔ IRB's equity requirement over the next four years is at ~ 2600 crore with 300 crore in H2FY16E, 1200 crore in FY17E, 500 crore in FY18E and 500 crore in FY19E for the current BOT portfolio. Beside this, IRB is looking to add 200-300 km in the BOT portfolio every year (125 km already included in FY16), which would require additional equity requirement. However, this should be not seen as an issue as it is well on track to generate significant cash profit.

Key Financials

Year Ended 31 st	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	22,458.9	25,284.1	22,008.2
Rev. growth (%)	54.58	12.58	(12.96)
EBITDA (INR mn)	4,282.6	5,436.3	4,448.6
Net profit (INR mn)	1,873.4	2,882.1	1,383.3
Shares outstanding (mn)	332.4	332.4	351.5
EPS (INR)	5.6	8.7	3.9
EPS growth (%)	12.90	53.84	(54.61)
P/E (x)	20.14	11.90	62.35
RONW (%)	16.36	7.14	0.00
ROCE (%)	7.52	3.22	0.00

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Info Codes

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

Market Data

52 Wk Range (₹)	: 197 / 276
Shares in Issue (mn)	: 351.5
Mkt. Cap (₹ bn)	: 82.64
BSE 2 Wk Avg Vol	: 3,02,000

Share Holding Pattern (%)

Promoters	: 57.79
Public	: 42.21
Others	: 00.00

Investment Theme

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 SPVs. IRB, along with its subsidiaries has constructed or operated & maintained more than 10,000 lane kms of road length so far and one of the major road developers in the country. In the last 4 quarters it has nearly doubled its orderbook. As part of its master plan for a mega township, it has obtained approximately 925 acres of land in Pune District & intends acquiring approximately 475 acres additionally. IRB is also in the process of transferring operational assets towards a trust for listing investment REITs by end-FY16. This is likely to free up equity capital of ~5200-6000 crore for IRB and would act as a key catalyst for the stock in the near term.

IRB - India's Road Builder !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	20,324.1	22,137.3	8.9	19,572.2	(11.6)
Other Income	2,134.8	3,146.8	47.4	2,436.0	(22.6)
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	155.5	208.3	34.0	153.3	(26.4)
Indirect Taxes	1.2	17.4	1,350.0	16.7	(4.0)
Other Exp.	18,019.6	19,622.1	8.9	17,389.6	(11.4)
Operating Exp.	18,176.3	19,847.8	9.2	17,559.6	(11.5)
Operating Profit	2,147.8	2,289.5	6.6	2,012.6	(12.1)
Total Interest	1,977.8	2,135.1	8.0	2,711.3	27.0
Gross Profit	2,304.8	3,301.2	43.2	1,737.3	(47.4)
Net Dep.	0.0	0.0	-	0.0	-
Total Taxation	431.4	419.1	(2.9)	354.0	(15.5)
Net Profit/Loss	1,873.4	2,882.1	53.8	1,383.3	(52.0)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 12	Mar 13	Mar 14	Mar 15
SOURCES OF FUNDS	33282.2	32566.1	39211.6	46794.4
Equity Share capital	3323.6	3323.6	3323.6	3514.5
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	11846.1	12390.0	13942.8	17983.3
Long Term Loans	2500.0	8500.0	17015.1	22626.8
Short Term Loans	15612.5	8352.5	4930.1	2669.8
USES OF FUNDS	33282.2	32566.1	39211.6	46794.4
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	13829.9	16697.7	18962.1	23455.9
Current Assets	31033.2	30547.3	40198.1	48009.1
Less : Current Liabilities	11580.9	14678.9	19948.6	24670.6
Total Net Current Assets	19452.3	15868.4	20249.5	23338.5
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	13743.4	16124.8	18829.7	23374.9
Mkt Val. Quoted Investments	87.7	573.9	132.7	81.4
Contingent Liabilities	56496.7	71497.9	92499.0	112042.8
Dividend (%)	18.0	40.0	40.0	40.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 14	Mar 15	Jun 15	Sep 15
Net Sales	4,639.5	4,860.0	4,750.5	6,297.5
Cost Of Sales	4,159.3	4,376.1	4,239.5	5,705.3
Operating Profit	480.2	483.9	511.0	592.2
Other Income	445.3	439.7	1,169.8	452.1
Adjusted PBDIT	925.5	923.6	1,680.8	1,044.3
Financial Expenses	688.1	740.2	620.2	627.3
Depreciation	0.0	0.0	0.0	0.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	237.4	183.4	1,060.6	417.0
Tax Charges	79.1	60.1	118.3	136.6
Adjusted PAT	158.3	123.3	942.3	280.4
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	158.3	123.3	942.3	280.4

52 Week Index Relative Percentage Appreciation



IRB 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 2016-17.

➔ 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, NHAI, MSRDC, PWD, World Bank, and others. IRB is in the process of transferring operational assets towards a trust for listing investment REITs by the end of FY16E. This is likely to free up equity capital of ~Rs 5200-6000 crore for IRB and would act as a key catalyst for the stock in the near term. With award of orders in some of the past quarters like Yedeshi-Aurangabad, Kaithal-Rajasthan, Agra Etawah and Solapur-Yedeshi), the revenue visibility of IRB's construction business has increased over the next two or three years. Plus IRB is now positively working on large scale projects and has succeeded in grabbing the largest ones. The most recent being the award of the longest tunnel on a National Highway in Jammu and Kashmir. Overall the next few years would be the growing years of the company.

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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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