

## IRB Infra

### Awarding key for further rerating

IRB Infrastructure Developers Limited (IRB) reported Revenue/EBITDA/APAT of INR 15.9/7.7/1.7bn, beat/(miss) from our estimates by -4.7/-1.1/22.5% respectively. EBITDA margin came ahead of our estimates of 46.6% at 48.3% (+281/+210bps YoY/QoQ). The order book (OB) as of Sep'24 stood at INR 326bn, with EPC contributing 12.3% (INR 40bn) and O&M contributing 87.7% (INR 286bn). The company expects a considerable NHAI ordering in the near future, considering 6 to 7 BOT (Build-Operate-Transfer) projects and 4 TOT (Toll-Operate-Transfer) projects are lined up for bidding. Moreover, over the longer term, the company is expecting opportunities under PPP mode for BOT projects worth INR 2trn. IRB's access to two InvIT platforms (IRB InvIT Fund and IRBIT) has previously facilitated capital unlocking through asset monetisation, and the company is expected to continue benefiting from these platforms in the future, visible from one new asset being added to the private InvIT platform in H1FY25. Given the improving outlook on ordering and likely better toll growth in H2FY25, we maintain our ADD rating. We have tweaked our estimates to factor in the delay in project awards with a reduced SOTP-based target price of INR 69/sh.

- Q2FY25 financial highlights:** IRB generated revenue of INR 15.9bn (-9.1/-14.4% YoY/QoQ, a miss of 4.7%) while EBITDA came in at INR 7.7bn (-3.5/-10.5% YoY/QoQ, a miss of 1.1%). The EBITDA margin stood at 48.3% (+281/+210bps YoY/QoQ vs. our estimate of 46.6%). Share of associates was at INR -837mn (INR -753/-534mn in Q2FY24/Q1FY25), which resulted in APAT at INR 1bn (+4/-29.1% YoY/QoQ, a beat of 22%). For H1FY25, average daily toll collection came in at INR 101mn (FY24: INR 85mn); further construction and BOT/TOT revenue stands at 63/37% for Q2FY25 (Q1FY25: 67/33%).
- Stable OB and strong execution expected in H2FY25:** The OB as of Sep'24 stood at INR 326bn, with EPC contributing 12.3% (INR 40bn) and O&M contributing 87.7% (INR 286bn). IRB Private InvIT further added a ToT project to its portfolio, while management expects total projects worth INR 2trn under BOT and INR 49bn under TOT to be awarded in the near term. H1FY25 witnessed subdued execution marked by heavy monsoon, which the management expects it will catch up on in H2FY25. The tender pipeline is strong, and IRB has clearly stated that its priority would be BOT toll projects, followed by TOT projects, and then HAM projects. It expects to generate O&M revenue of INR 20-25bn per annum, even if BOT EPC orders don't materialise.

#### Financial summary (INR mn)

Particulars	2QFY25	2QFY24	YoY(%)	1QFY25	QoQ (%)	FY25E	FY26E	FY27E
Net Sales	15,858	17,450	(9.1)	18,529	(14.4)	78,608	84,368	94,569
EBITDA	7,667	7,946	(3.5)	8,570	(10.5)	36,867	38,556	43,218
APAT	999	957	4.3	1,410	(29.2)	7,771	8,120	10,186
Diluted EPS (INR)	0.17	0.16	4.3	0.2	(29.2)	1.3	1.3	1.7
P/E (x)						42.0	40.2	32.0
EV / EBITDA (x)						12.8	12.3	11.0
RoE (%)						5.6	5.6	6.7

Source: Company, HSIE Research

#### Change in Estimates (INR mn)

Particulars	FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)
Net Revenues	78,608	82,134	(4.3)	84,368	93,459	(9.7)
EBITDA	36,867	37,699	(2.2)	38,556	42,711	(9.7)
Margins (%)	46.9	45.9	100	45.7	45.7	(0)
APAT	7,771	9,047	(14.1)	8,120	11,651	(30.3)

Source: Company, HSIE Research

## ADD

CMP (as on 30 Oct 2024)	INR 54
Target Price	INR 69
NIFTY	24,341

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 72	INR 69
EPS change %	FY25E (14.1)	FY26E (30.3)

#### KEY STOCK DATA

Bloomberg code	IRB IN
No. of Shares (mn)	6,039
MCap (INR bn) / (\$ mn)	326/3,880
6m avg traded value (INR mn)	3,637
52 Week high / low	INR 78/33

#### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(19.0)	(20.5)	58.0
Relative (%)	(17.1)	(27.9)	33.3

#### SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	30.42	30.42
FIs & Local MFs	7.65	8.10
FPIs	44.47	45.99
Public & Others	17.46	15.49
Pledged Shares	16.80	16.80

Source: BSE

Pledge share as a % of total shares

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