



Press Release
IRB INFRA STRUCTURE DEVELOPERS LIMITED
September 29, 2023
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	350.00	ACUITE AA- Stable Reaffirmed	-
Non Convertible Debentures (NCD)	150.00	Not Applicable Withdrawn	-
Commercial Paper (CP)	25.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	350.00	-	-
Total Withdrawn Quantum (Rs. Cr)	175.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE AA- (read as ACUITE double A minus)**' on the Rs. 350 Cr. long term debt facilities of IRB Infrastructure Developers Limited (IRB). The outlook is 'Stable'.

Further, Acuite has withdrawn its long term rating of Rs.150 Cr. on the Proposed Non Convertible Debentures (NCDs) and short-term rating of the Rs. 25 Cr. on the Commercial Paper (CP) of IRB.

The withdrawal is on account of debt being unutilised and request received from the client.

Rationale for the rating

The rating reaffirmation takes into consideration, the established market position of IRB in the EPC, highway development and toll collection sector supported by a strong order book position of ~Rs.33707 Cr. as on 30 June, 2023. The rating also draws comfort from improved operating performance reflected by revenues of Rs.6451 Cr. in FY2023 against Rs.5852 Cr. in FY2022. The improvement was majorly led by one time claim income of ~Rs. 400 Cr. along with improvement in the contract revenues & toll collection revenues during FY2023. Further, IRB's financial flexibility continues to be supported by the company's ability to set up 2 InvITs in the past and the option of transferring road assets to the latter.

Going forward, for its upcoming projects IRB has an equity commitment to the tune of ~Rs. 1000 Cr. to be infused in the next two years. The company plans to majorly source the same through contribution from InvITs, and internal accruals. The financial risk profile of the company remains comfortable marked by healthy tangible net worth of around Rs. 13,379 Cr. and Debt/Equity of 1.25 times as on March 31, 2023. Nevertheless, any increase in debt levels beyond expected range will remain critical towards IRB's credit profile. Further, IRB's cash flows remain highly susceptible to the traffic volumes, and inherent dependence on government spending on infrastructure and project execution risk. Achieving debt tie-ups and timely completion of future projects will remain key rating sensitivity.

About Company

IRB Infrastructure Developers Limited (IRB), incorporated in 1998, is a Mumbai - based Engineering, Procurement and Construction (EPC) Company. The company has presence in

road and highway, construction, airport and real estate construction segment. As of June 2023, IRB has a portfolio of three fully owned BOT, two TOT and three hybrid annuity mode (HAM) projects. Under the Private InvIT IRB has a 51% holding and balance 49% is held by GIC affiliates (a Singapore based sovereign fund) which houses 1 large TOT & 10 BOT projects of which 9 projects are in the operational BOT space and 1 project is under the tolling and construction phase aggregating to ~7,529 lane kms. IRB also holds a 16% stake as a sponsor in a Listed Public InvIT (IRB InvIT Fund), which has 5 BOT project and 1 HAM project in its portfolio of around ~2,421 lane kms. The company is promoted by Mr. Virendra D. Mhaiskar, CMD and is currently listed on both BSE and NSE.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated financials and business profile of IRB and its subsidiaries to arrive at the rating, together referred as 'IRB'. *refer Annexure 2 for list of entities considered in consolidation.

Key Rating Drivers

Strengths

Well established position in EPC and road & highway segment

Mumbai based IRB was incorporated in 1998 by Mr. Virendra D. Mhaiskar, who has more than two decades of experience in the infrastructure sector. Besides, he is well-supported by experienced professionals having more than a decade of experience in their respective fields. The company is one of the leading players in the domestic infrastructure sector which is engaged in EPC and O&M business for roads & highways, airports, and real estate segments. IRB has an established track record of more than two decades in executing EPC contracts and has constructed more than 14,000 lane kilometres of road across 11 states in India since its inception. As of June 2023, IRB has portfolio of three fully owned BOT, two TOT and three hybrid annuity mode (HAM) projects. The company has in-house Engineering Procurement, Construction (EPC) and Operation & Maintenance (O&M) activities primarily handled by its subsidiary, Modern Road Makers Pvt. Limited, (MRMPL). IRB has low dependency on external subcontracting for order execution which helps the company to maintain healthy operating margin in its construction business.

Acuité believes that IRB's established position in the infrastructure industry and its project execution capabilities across various platforms namely EPC, BOT and HAM will support its business risk profile over to near to medium term.

Healthy order book position reflecting healthy revenue visibility over the medium term

IRB is engaged in the execution of EPC contracts and BOT road projects for over two decades. The company has an order book of Rs.33707 Cr. as on June 30, 2023, which includes O&M for BOT road projects worth Rs. 25,284 Cr. and EPC orders worth Rs. 8423 Cr. The current order book includes couple of recently bagged projects i.e. two BOT projects namely Palsit – Dankuni, Ganga Expressway and three HAM projects together worth of ~Rs.6100 Cr. Further, during FY2023 IRB bagged two projects viz; the upgradation project for 6 laning of NH27 from Samakhialyali to Santalpur having a project cost of Rs. 2,132 Cr. with a concession life of 20 years on BOT basis from NHAI and a TOT for the Hyderabad Outer Ring Road (ORR) project having a project cost of Rs. 8362 Cr. comprising an 8-lane highway for a concession period of 30 years. The book to turnover (FY2023) ratio stood at 3.18x, thus giving a healthy revenue visibility in the near to medium term. Further, the company also plans to bid for new projects in medium term which will further improve the order book position of the company. IRB's operating income improved to Rs. 6451 Cr. in FY2023 against Rs. 5852 Cr. in FY2022. This is primarily on account of claim income of ~Rs. 400 Cr. as a onetime income thereby improving the EBITDA by ~Rs. 373 Cr. during Q1FY2023 with a collective increase in the overall EBITDA

during FY2023.

However, going ahead, profit from the tolling revenue towards its Mumbai Pune Expressway project is expected to grow as the deferred sub-concession fees have now been fully repaid in February 2023.

Invit platforms ensuring reduced equity commitments.

The company launched its public InvIT platform in 2017, with initial portfolio of six operational assets and seventh asset was transferred in Sep-2017. Two assets were successfully completed and handed back to the authority and one HAM asset (VK1) was transferred in Oct-2022. With the transfer of its VK1 HAM project to the Public InvIT in FY2023 IRB has received a consideration of Rs. 342 Cr. Currently the public InvIT has a portfolio of 6 operational assets which has helped IRB to unlock capital. Further, a private InvIT, named, IRB Infrastructure Trust was set up in association with GIC Affiliates (GIC) in FY2020. With GIC being partner in the Private InvIT the equity commitments for IRB Infra is restricted to 51% of the equity component as 49% of the equity component is contributed by GIC. Further, as a part of this monetisation strategy any HAM assets can be monetised post their completion while the EPC and O&M of all the projects will be undertaken by IRB. This has helped the company to unlock capital and churn it into future projects. Going forward, IRB has an equity commitment to the tune of ~Rs. 1000 Cr. (Net of GIC's contribution) to be infused in the next two years. Further, in all its upcoming BOT and TOT projects IRB's equity commitment will be restricted to only 51% as balance would be contributed by GIC. The InvIT structure helps in upstreaming of surplus cash flows to the sponsors from the beginning of operations, providing flexibility in managing the investment requirements.

Acuité believes timely infusion of the equity will remain critical towards completion of the projects.

Weaknesses

Cash flows susceptible to traffic volumes; revenues linked to tender floated by Government

IRB is exposed to risks such as delays in receipt of approvals in the infrastructure segment, which may impact operational cash flows. The timely flow of orders and their execution are critical to the maintenance of steady revenue growth. IRB is also required to support the projects until the projects reach optimal utilization. The cash flows of a toll-based project are dependent on traffic volumes which in turn are largely influenced by the level of economic activity in and around the area of operation. In the event of a project's cash flows being insufficient to meet its debt servicing commitments/maintenance commitments, the support would be required to be extended from IRB. Additionally, lower than expected traffic volumes due to prolonged slowdown in the economic activities may also impact cash flows, causing cash flow mismatches. In such cases, support may be required to be extended to the SPVs. IRB has a presence in construction industry and faces intense competition from the presence of several mid to large sized players in the said industry. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclicity in the sector. The recent relaxation of qualification norms by the Central Government for undertaking road projects is further expected to intensify the competitive scenario in the industry.

However, Acuité believes that IRB is well positioned on account of its established brand position and experience of its promoters spanning over three decades.

Project execution risk

IRB has a presence in road and highway construction, airport and real estate construction segment. As on date company has constructed more than 14,000 lane kilometres of road across 11 states in India. As of June 2023, company has an unexecuted order book value of ~Rs. 33707 Cr. to be executed in next 2-3 years. Given the large ticket orders, timely closure of debt tie ups remains critical to the project completion. Further, the company is exposed to execution risk as majority of the projects are still at nascent stage. However, this is largely mitigated, as IRB has an experience of over two decades as an EPC contractor and has a track record of handling projects of complexity. The execution risk is further mitigated on account of 49% equity contribution commitment from GIC in all the BOT & TOT projects as per the Private InvIT terms thus reducing the equity commitment burden of IRB.

However, Acuité believes that timely infusion of funds along with completion of projects without cost escalations will remain critical towards the rating.

ESG Factors Relevant for Rating

Environment

For the civil engineering industry, considerations for low carbon processes are becoming increasingly important making GHG emissions and energy efficiency material key issues. The costs incurred by the industry for material inputs are very high, therefore, material efficiency is also a significant issue, similarly establishing a green supply chain is crucial as well. Further, overall environmental management practices including water efficiency and waste are important for the companies in the industry.

Social

The civil engineering industry has employees working in high risk settings, therefore, the safety of the employees and employment quality is a key material issue. Further, because of the working conditions, it is important that human rights of the employees is given due importance. The support and development that the companies render to the community is crucial in determining their societal impact. To avoid defects and safety concerns, the product quality is another parameter of crucial importance.

Governance

The civil engineering industry has witnessed cases of bribery, corruption and anti-competitive behavior globally. It is in this context that upholding fundamental business ethics is a key material issue for the industry. Other significant issues include compensation of the board and management personnel. Independence and diversity of the board, rights of the shareholders, financial audit and control, audit committee functioning and takeover defense mechanisms are key material issues as well.

Rating Sensitivities

- Sustained growth in executing orders, along with growth in toll collections and profitability.
- Timely fund infusion and execution of projects on a timely basis.
- Higher than expected increase in debt levels leading to deterioration in financial risk profile.
- Any stretch in working capital cycle and deterioration in liquidity position.

All Covenants

Material Covenant

The gross leverage ratio (Gross Debt/EBITDA) of the combined group (which includes only the EPC business of the company) cannot exceed 4.5 times; (Earlier more than 5.5 times till December 31, 2021 while 4.5 times from January 31 2022.)

Liquidity Position

Strong

The company has adequate liquidity position marked by healthy net cash accruals of Rs.1552 Cr. in FY2023 against which the repayment obligations stood at Rs. 633 Cr. Going forward, the repayment obligations for FY2024 are expected to remain at Rs. 1153 Cr. while the net cash accruals are expected to maintain an adequate cushion at ~Rs. 1800 Cr. The company has cash and cash equivalents of Rs. 300.56 Cr and liquid investments of Rs. 1,318 crores as on 31 March, 2023. Further, average utilization of the working capital limits in the last six months ended June 2023 stood at around 42 percent.

Outlook: Stable

Acuité believes that IRB will maintain a 'stable' credit profile on the back of its established presence in the infrastructure sector and the increasing infrastructure spending in the economy with healthy toll collection and order book position. The outlook may be revised to 'Positive' in case of sufficiently higher than expected growth in accruals and a further strengthening in business risk profile or in case of significant deduction in the outstanding debt levels. Conversely, the outlook may be revised to 'Negative' in case of a slowdown in the

flow of orders, elongation of working capital cycle, significant support required to be extended to its subsidiaries or higher than expected increase in debt levels thus leading to deterioration in financial risk profile of IRB.

Other Factors affecting Rating

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	6451.70	5852.83
PAT	Rs. Cr.	720.01	361.40
PAT Margin	(%)	11.16	6.17
Total Debt/Tangible Net Worth	Times	1.25	1.33
PBDIT/Interest	Times	2.25	1.65

Status of non-cooperation with previous CRA (if applicable)

Not Applicable.

Any Other Information

The debt considered for calculating Total Debt/Tangible Net Worth ratio includes Deferred Premium Obligations of ~Rs. 2546 Cr. towards the Ahmedabad-Vadodra project.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Sep 2022	Proposed Non Convertible Debentures	Long Term	150.00	ACUITE Provisional AA- Stable (Reaffirmed)
	Commercial Paper Program	Short Term	25.00	ACUITE A1+ (Reaffirmed)
	Proposed Bank Facility	Long Term	2600.00	ACUITE AA- (Withdrawn)
	Non Convertible Debentures	Long Term	350.00	ACUITE AA- Stable (Reaffirmed)
29 Sep 2021	Proposed Bank Facility	Long Term	2600.00	ACUITE AA- Stable (Reaffirmed)
	Commercial Paper Program	Short Term	25.00	ACUITE A1+ (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	150.00	ACUITE Provisional AA- Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	350.00	ACUITE AA- Stable (Assigned)
19 Aug 2021	Commercial Paper Program	Short Term	25.00	ACUITE A1+ (Assigned)
	Proposed Non Convertible Debentures	Long Term	500.00	ACUITE Provisional AA- Stable (Assigned)
	Proposed Bank Facility	Long Term	2600.00	ACUITE AA- Stable (Reaffirmed)
07 Dec 2020	Proposed Bank Facility	Long Term	2600.00	ACUITE AA- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Commercial Paper Program	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	Not Applicable Withdrawn
Not Applicable	INE821107102	Non-Convertible Debentures (NCD)	30 Sep 2021	9.55	30 Sep 2027	Simple	350.00	ACUITE AA- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	150.00	Not Applicable Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

Sr. No.	Name of Entity	Holding
Direct		
1	Ideal Road Builders Private Limited	100%
2	Mhaikar Infrastructure Private Limited	100%
3	Modern Road Makers Private Limited	100%
4	Aryan Toll Road Private Limited	100%
5	ATR Infrastructure Private Limited	100%
6	IRB Infrastructure Private Limited	100%
7	Thane Ghodbunder Toll Road Private Limited	100%
8	Aryan Infrastructure Investments Private Limited	100%
9	IRB MP Expressway Private Limited	100%
10	IRB Kolhapur Integrated Road Development Company Private Limited	100%
11	Aryan Hospitality Private Limited	100%
12	IRB Sindhudurg Airport Private Limited	100%
13	IRB Goa Tollway Private Limited	100%
14	IRB PS Highway Private Limited	100%
15	IRB Ahmedabad Vadodara Super Express Tollway Private Limited	100%
16	GE1 Expressway Private Limited (formerly known as IRB PP Project Private Limited) (IRBPP)	100%
17	VM7 Expressway Private Limited	100%
18	Pathankot Mandi Highway Private Limited	100%
19	Chittoor Thachur Highway Private Limited	100%
20	Samakhiyali Tollway Private Limited	100%
Indirect		
21	MRM Mining Private Limited	100%
Join Ventures		
Direct		
1	IRB Infrastructure Trust	51%
2	Meerut Badaun Expressway Limited	51%

3	MMK Tollway Private Limited	51%
	Indirect	
1	IRB Westcoast Tollway Limited	51%
2	Solapur Yedeshi Tollway Limited	51%
3	Yedeshi Aurangabad Tollway Limited	51%
4	Kaithal Tollway Limited	51%
5	AE Tollway Limited	51%
6	Udaipur Tollway Limited	51%
7	CG Tollway Limited	51%
8	Kishangarh Gulabbura Tollway Limited	51%
9	IRB Hapur Moradabad Tollway Limited	51%
10	Palsit Dankuni Tollway Private Limited (PDTPL)	51%

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 jaitashree.hukerikar@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.