



IRB InvIT Fund

Q3 FY21 Earnings Conference Call – Edited Transcript

18 January 2021; 10.30 a.m.

Moderator: Good morning, ladies and gentlemen and welcome to the IRB InvIT Conference call hosted by the Investment Manager to discuss the financial results for Q3 FY21. We have with us today Mr. Vinod K Menon, Mr. Tushar Kawedia, Ms. Swapna Vengurlekar from IRB InvIT team and Mr. Virendra Mhaikar from Sponsor IRB Infrastructure Developers Limited.

As a reminder, all participants' lines will be in the listen-only mode and after the opening remarks by the management there will be a question-and-answer session. Please note that the duration of the call will be 45 minutes and any queries left unanswered after the call can be subsequently mailed to the management for adequate response and resolution. Please note that this conference has been recorded.

I now request Mr. Menon to give you an overview of the significant development during the quarter. Thank you and over to you, sir.

Vinod K Menon: Thank you. Good morning to everyone. I would like to welcome all the investors and analysts on this call. Hope you have reviewed our detailed numbers as well as the presentations over the weekend. Momentum witnessed in Q3 FY21 has been ahead of our expectations with our portfolio registering a tremendous growth of around 16% QoQ. Notably four of our projects have registered a strong double digit growth on YoY basis as mentioned on the slide 13 of the presentation shared. The relaxation in mining ban has also aided growth for Jaipur-Deoli project which continues to improve further.

During the previous quarter, strong surge in the collections was primarily driven by an increase in the passenger traffic for Q3 FY21. The robust collections have come in with remarkable uptake in the commercial traffic as well as highlighted in the slides 15 to 17 providing segment wise traffic movement for the project.

This reflects the broad bounce back across the sector FMCG, Auto, Electronics, Retail, Infra etcetera and conforms to the strong underlying recovery witnessed in the Indian economy and therefore it expected to stay. The numbers would have been stronger had our Amritsar-Pathankot project also contributed to the same.

However due to the ongoing farmers' protest the tolling on this project has been affected and halted since October beginning. We have intimated NHAI of this event and sought compensation under force majeure clause of the concession agreement where we expect 50% of the O&M and interest cost to be reimbursed in cash and an extension in the

concession agreement to compensate for the revenue loss during the toll suspension period. Our toll collections have improved to over Rs. 48.5 million for the month of December 2020 without any contribution from APBOT. A resumption in the tolling for this project will take this number to new heights and is expected to lead to a double digit YoY growth for the portfolio in the coming quarters.

Corresponding to the impressive rebound in the collections our cash flows for the quarter have increased to over Rs. 1,500 million aided by reduction in interest cost as well. The board has decided to distribute 94.5% of this amount totaling to Rs. 2.50 per unit comprising of Rs. 1.80 per unit as interest and Rs. 0.70 per unit as the capital reduction. I would now request Mr. Tushar Kawedia to take you through the financial performance for the quarter. Over to you, Tushar.

Tushar Kawedia:

Thank you, sir. And I wish Happy New Year to all of you who are present on the call. Now I will present the quarterly financial performance Q3 FY21 versus Q3 FY20.

The total consolidated income for Q3 FY21 increased to Rs. 333 crores from Rs. 330 crores in Q3 FY20. The consolidated toll revenues for Q3 FY21 stood at Rs. 323 crores as compared to Rs. 323 crores in Q3 FY20. EBITDA for quarter ended Q3 FY21 increased to Rs. 278 crores from Rs. 272 crores in Q3 FY20.

Interest cost including interest on premium deferment for quarter ended Q3 FY21 decreased to Rs. 36 crores from Rs. 41 crores in Q3 FY20. This is mainly on account of the reduction in the interest rates. Depreciation for quarter ended Q3 FY21 increased to Rs. 185 crores from Rs. 175 crores in Q3 FY20. The PAT for the quarter ended Q3 FY21 stood at Rs. 58 crores as against Rs. 57 crores in Q3 FY20.

For more details you may also look to our corporate presentation uploaded on the website of the trust. Now I request moderator to open the session for question and answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Mohit Kumar from DM Capital. Please go ahead.

Mohit Kumar:

Sir, two questions. Firstly on the of course Amritsar-Pathankot has been the only disappointment, the rest of toll roads have done really well. So when do you expect this Amritsar-Pathankot resolution? And secondly on the COVID related compensation, is it completely finalized in the sense the extension has been provided there is a complete clarity on the extension?

Management:

So for Pathankot-Amritsar as we have seen presently the project was affected due to ongoing farmer protests the revenue was not there for this particular quarter however as per the

provisions of the concession agreement we have informed to NHAI about this particular event and we have filed the interim claims for the project.

Till the time the farmer protest is continuing we will be filing our claims as per the provisions of the CA. For the COVID-19 claims we have applied for the extension of time as per the circular issued by the authority in the earlier quarters and we expect that the minimum 90 days extension would be available as per this circular and also they have issued a circular relating to some COVID loans which we are also pursuing as per the circular. As per the concession agreement the compensation for Pathankot Amritsar project will fall under indirect political event. Under the indirect political event, 50% of the expenses that is O&M and interest is paid and equivalent number of days of extension typically will be received as per the concession agreement and with respect to the past precedence, in past also I think three, four years back we have seen a transporter's strike at that time those were also treated as indirect political events and because of the same the number of days there were hardly 7 days to 10 days we have got adequately compensated at that time.

Mohit Kumar: Sir, how much is the cash lying on the books as of now?

Management: So post this distribution it will be close to Rs. 60 crores to Rs. 65 crores.

Mohit Kumar: And thirdly sir, on the traffic front if you can give some qualitative picture are these similar what we have seen in this 3Q or there is some moderation?

Management: Mohit, your voice was not audible. If I am correct you are talking about the traffic movement in this particular quarter, right?

Mohit Kumar: Yes, I am talking about the traffic movement in January have you seen some kind of moderation or are the numbers are similar as you witnessed in Q3?

Management: So what we are observing is the momentum still continues the way what we have seen seen in the third quarter. The traffic mix remains the same as of now.

Moderator: Thank you. The next question is from the line of Viral Shah from Prabhudas Lilladher. Please go ahead.

Viral Shah: So first to start with is the understanding correct that whether the Bharuch-Surat and Surat-Dahisar, we are in the range of around 5%, 6% kind of traffic growth. Is the understanding correct for all issues related to the project in terms of construction activity of bridges and all that have been sorted and we are seeing a good rebound in traffic?

Management: Viral, you are right for particular project SD and IDAA, if you see the tariff increase for this particular was quite low as 0.50%, so maximum contribution is due to the increase in traffic.

Viral Shah: Sir, what is the status of our claim on Jaipur-Deoli because I believe there also we were the project had suffered huge due to mining ban in the respective area and now we are seeing a significant rebound in traffic. So what is the status on our loan and how do you take this project actually to cope up as per our earlier estimate or when we have bided for the project? So in terms of numbers do you see that project is rebounding on track or there is some discrepancy in the project?

Management: Viral, for this particular project Jaipur-Deoli what we have observed recently is there was some relaxation being given by the state government on the movement of the mining traffic because of which the revenue was improved for this project. We are still awaiting the response from the Honorable Supreme Court for the upliftment of complete ban..

However the project is showing a good rebound and it has improved recently mainly on account of the relaxation being given. For the past claims we will be eligible for the maximum extension of time that is five years for this project and that has been given as a confirmation from the IE also in the project.

Viral Shah: And how is the current profits when we look at or versus our projections when we have bided for this? So are we on track because this was one of the activities which were not in our hand or not in our control and this was related to a traffic deviation which was done and now things are moving in place. So where do we see in terms of traffic growth and estimates what we have projected? So it is 80%, 90% or it is somewhat our range only what we were looking at?

Management: Are you talking about any particular project or all projects?

Viral Shah: Only Jaipur project.

Management: So for Jaipur-Deoli what we are seeing is once this complete ban is uplifted we may come back to the traffic assumption what we have considered for this project at the time of IPO. However we are still seeing some improvement in the traffic only on account of relaxation. We believe that the traffic improvement would happen in a phased manner as and when this relaxation is further improved.

Viral Shah: And sir, I believe similar is the trend with Talegaon-Amravati as well, right?

Management: Talegaon-Amravati project is showing a good rebound and the revenue growth itself was more than double digit around 18% to 20% for the quarter. We are still seeing the similar kind of traffic ongoing in this month as well.

- Viral Shah:** So sir, can we expect especially that FY30 onwards you could see that this abnormal growth will be standardized going forward for this project or do you expect this kind of growth to continue at least for one.....
- Management:** What we have observed is the increase in traffic is mostly in cars and MAV and we do not see that this is an abnormal increase but definitely when we see that ETC collection will be made mandatory the car traffic what we are seeing today should continue and for MAV definitely it will also depend on the economic activity in the state but we are seeing the similar traffic ongoing today as well.
- Viral Shah:** And last question from my end sir, since you had mentioned car traffic in your presentation also show some highlight of the car traffic in respective regions if my understanding is correct then the car traffic generally whenever there is an increase that increase is bound to stay? For example a project having a 100 TUVs of car so next year it is very unlikely that this 100 would go to 60 or 80. So is the understanding is correct in that sense per se?
- Management:** So that is what we are seeing. Once fastag becomes mandatory, we will see that the car traffic which is ongoing today should continue and that is what we will have to wait for another one, one-and-a-half months.
- Viral Shah:** And sir, if I may. I just forgot one. Any update on new project additions per se?
- Management:** Viral, we are evaluating couple of projects. As of now we have couple of projects in hand and in some of the projects we are in the stage of due diligence On the face of it the project looks quite attractive but when we go for due diligence we find some serious issues in the project and that is why it is delaying our acquisition but we are evaluating projects to acquire which will be at least value accretive from the year of acquisition itself.
- Moderator:** Thank you. The next question is from the line of Apoorva Goenka from Master Trust. Please go ahead.
- Apoorva Goenka:** What can be expected growth rate for Talegaon-Amravati as we can see that Samruddhi Expressway is also coming into existence from May 2022? So can we expect the same growth rate or there will be some downfall in the growth rate because of the new projects coming up?
- Management:** See for full year FY22 at least we can expect 6% to 7% kind of traffic growth beyond the tariff.
- Apoorva Goenka:** And after that there can be downfall because of the competition?
- Management:** That we will be able to evaluate once the project is commenced.

- Apoorva Goenka:** And sir, according to your last con call Company has availed some moratorium period for the payment of loan so what will be the amount and interest payable and principle payable in this year and in the coming years?
- Management:** So for next year the principle payment should be around Rs. 55 odd crores.
- Apoorva Goenka:** And sir, what is the expected growth rate in Tumkur-Chitradurga as it is showing negative growth of quarter-on-quarter? So like can we expect a growth rate of negative in the future or there will be some revival in this project?
- Management:** I think with the current set of number what we have seen in this particular quarter Tumkur project has performed better and the growth itself has shown a double digit kind of growth. So we do not foresee any negative growth for this particular project.
- Apoorva Goenka:** So like you expect double digit growth rate in the future also or just it was one time movement in this quarter?
- Management:** So just to basically clarify you, this quarter the project has shown a 15% year-on-year growth. So I think there is no negative growth as such. You may be comparing because nine months and nine months FY21 is impacted because of the 19 days of the non-collection from April 1 to April 19 and thereafter the collection was very soft because of the lockdown restriction due to COVID.
- Apoorva Goenka:** And like sir, related to Pathankot and Amritsar highway traffic showed growth rate of like below 5% for a couple of years and then because of Delhi-Katra Expressway it might be coming in to existence because of the land acquisition is almost over. So they will be coming in to existence in four to five years.
- So what can be the growth rate expected in this project and moreover there are farmer protests going on so there was zero like traffic growth in revenue in November and December. So because of that only there was zero traffic in November and December but or there were some other reason also because people were travelling in this quarter also?
- Management:** So right for this particular quarter it is mainly because of the farmer protest whereas we believe that the project should perform well once all these issues are over and hopefully the traffic growth should be back what we have envisaged in this project. It should be in the range of 5% to 6%.
- Management:** And just to clarify we have provided a note in our results to the stock exchanges and we have clearly mentioned that there was a complete closure of the toll plaza and collection was banned and we are eligible for compensation as per concession agreement which will be 50% of the expenses and equivalent extension in the construction period.

- Apoorva Goenka:** Okay sir and sir, my last question would be whether the traffic growth percentage is at its peak for Surat-Dahisar and more Surat project because they have just a couple of years to run or can we see growth in them also for the upcoming years?
- Management:** So we are also observing good growth in these projects despite that the project has seen a very minimal tariff hike. So maximum contribution is only on account of traffic increasing.
- Apoorva Goenka:** So we can expect growth rate in this future also for these projects?
- Management:** Yes, you may.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Just wanted to check in terms of the traffic I mean apart from Amritsar-Pathankot we are obviously back in terms of the traffic collection levels. So do we have like a crystallized number on how much will be the extension related to COVID in our projects? Has that framework has that number now got crystallized?
- Management:** Minimum 90 days.
- Management:** So Ashish, as the collection has picked up and now the 90% of the criteria all the projects has crossed pre-COVID level so minimum 90 days extension will be in most of the projects.
- Ashish Shah:** I understand sir, I know it is minimum 90 days but I am just saying is it likely to be more than 90 days or do you think 90 days is the number to go by?
- Management:** No, because whatever the number was coming in the September there was close to 70 days to 80 days and because post-September the revenue has basically picked up and we do not expect more than 90 days extension in any of the projects.
- Ashish Shah:** Also is any major maintenance due in any of the projects or is it ongoing in this year and anything which is likely next year, year after that in next couple of years?
- Management:** Ashish, the major maintenance continues in the planned manner and couple of projects, will have some major maintenance due next year. There are ongoing major maintenance in other projects like Jaipur-Deoli and Pathankot. As per the requirements of the concession agreement it will come in a phased manner or every four to five years in all the projects.
- Ashish Shah:** So sir, any quantifications that you might be able to give us so that just from a number perspective that may be in FY22 what is the kind of major maintenance that is likely to be incurred in value terms?

- Management:** It should be in the range of Rs. 130 crores to Rs. 140 crores.
- Moderator:** Thank you. The next question is from the line of Alok Deora from Yes Securities. Please go ahead.
- Alok Deora:** I just had a few questions. Sir, one was on the acquisition. Earlier you mentioned that you are evaluating the project but as you know at the latest stage it does not materialize. So sir, in the current case the traffic is now improving and are you also evaluating toll projects or we are looking at HAM projects? So if you could just throw some light on that?
- Management:** Right now we have BOT projects in hand. We may also look for HAM projects when it comes for evaluation.
- Alok Deora:** And sir, with the Fastag you mentioned that the passenger vehicle will improve with Fastag being mandatory but just wanted to understand Fastag is nearly at 80%, 85% so Fastag being mandatory also the passenger traffic would not like increase because of that right, it would be just that the leakage will stop further it would not like really there would not be any increase just because of the Fastag implementation?
- Management:** Yes, you are right. We do not foresee any significant increase should happen. We are seeing that the car traffic which is moving today will get converted into Fastags going forward.
- Moderator:** Thank you. The next question is from the line of Anupam Gupta from IIFL. Please go ahead.
- Anupam Gupta:** I just had one question. One of the earlier participants also mentioned this. What is the increase competition which you are seeing for Talegaon-Amravati project? Is there a new project which is coming up and what is the timeline for that? And do you have any compensation which can happen?
- Management:** So for Talegaon-Amravati there is no compensation as such. We are seeing a good traffic growth in that particular project so that is on account of both car and MAV. We are still seeing in the current month as well. Secondly on the compensation what we have discussed is for the Pathankot-Amritsar project wherein we will be eligible for the claims under the indirect political events or force majeure as per the NHAI concession agreement and that will be 50% of the O&M and the 50% of the interest cost.
- Anupam Gupta:** What I was referring to was, is there any parallel project or an alternate route which is coming up for Talegaon-Amravati?
- Management:** As of now we are not seeing any impact of parallel facility coming for this particular project.
- Moderator:** Thank you. The next question is from the line of Krishnaprasad from Gofulgar. Please go ahead.

- Krishnaprasad:** My question is I saw the price realizations so there is 8% if I break down the overall growth there is a 3% growth Quarter-on- Quarter where the traffic growth is around 8.5% but the realization has gone down by 5.5%. So is there any logic to it? I understand that the car volumes have gone up but the realization compared to the previous quarter is like 5% down so any reason for that?
- Management:** I think answer lies to your questions only because as you rightly mentioned that there is significant increase in the number of cars basically the car itself is in bench of more than 10% growth and realization per car is very low. For example if a truck is there that is counted as 3 PCU but if the car for example having a Rs. 50 fare the truck will have roughly Rs. 300 or so kind of fare. So then definitely as the number of car will increase the realization per vehicle will automatically dip.
- Krishnaprasad:** So you expect that the normal mix because if I look at the overall realization per vehicle the highest has been in the range of Rs. 220 so that has come down. So do you think that over a period in the next change it will go back to that number?
- Management:** I think instead going a realization per vehicle typically what we look at is what kind of growth is coming from the project and what kind of tariff increase is there. I think realization per vehicle does not have any meaning to basically for the company to calculate. It depends upon the mix of the vehicle and we do not have any control on the mix of the vehicle.
- Krishnaprasad:** The second question is that if I add up all the EBITDA of the project excluding the two which are going out it is less than the 50% of the overall EBITDA and if I consider the payout for interest and also the principle what is the estimate of the per unit you expect without adding new project?
- Management:** Assuming the growth is around 9.5% to 10% for the other projects at least a minimum payout what we believe should be in the range of Rs. 8 to Rs. 9 which gradually increases over the life of assets.
- Krishnaprasad:** So even after considering the principle and interest repayments for the Pathankot project?
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, two questions. I am to begin with one was bookkeeping. So could you help me with the debt number on the InvIT level? So I have the debt number for your assets so if you could share the InvIT debt? And when you say there will be a repayment for almost around Rs. 35

odd crores in let us say in H2 I mean this is essentially only for the debt which is at the InvIT right it does not include any repayments that you will get to have with SPV?

Management: So the debt outstanding as on date as on 31st December was close to Rs. 1,490 crores.

Prem Khurana: When I look at our presentation it seems that you will get to have significant amount of repayments in Surat-Dahisar almost around Rs. 193 odd crores I mean if I were to go by the original schedule that we have so have we been able to get in touch with the bankers to get this refinanced or restructured because the idea will be to maintain your payouts right and given the fact that H1 was not that great in terms of traffic numbers you would not have been able to kind of generate the kind of money that we were expecting.

So if you could share your thoughts on I mean if we have been able to manage either let us say deferment or refinancing or restructuring any of these SPVs especially Surat-Dahisar because around Rs. 193 odd crores of payment is due by FY21 end as per the original schedule?

Management: So to answer your question in one line that all the debts what we have in SPVs is from the trust. There is no external debt in the books of SPVs. And the repayment what we are seeing is the repayment to the trust by these SPV as this project is coming closure to its construction period. The debt would be paid before this period ends.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DM Capital. Please go ahead.

Mohit Kumar: Sir Will we reduce principal repayment in FY23 and FY24 given the fact that the couple of our projects will be out so is there any way to reduce or restructure the debt now?

Management: So as such what we are seeing is the loan has a ballooning repayment schedule. We do not feel there is a restructuring required as of now. We will see in future ones we see the revenue post Surat-Dahisar and Bharuch-Surat.

Mohit Kumar: And sir, what is the debt the interest cost on the portfolio?

Management: On an average it is close to 7.6% per annum.

Moderator: Thank you. The next question is from the line of Sheetal Shah from Angel Financial Services. Please go ahead.

Sheetal Shah: My question is in relation to Surat-Dahisar and Bharuch Surat- going out of concession period. Any links I think during April to June quarter? And if I project post concession period end the per unit payout comes to around Rs. 4 to Rs. 6 but according to you it should be around Rs. 8

to Rs. 9. So can you share your assumptions and the calculations with us or on your website or something like that?

Management:

So Sheetal, I just want to inform you that the Surat-Dahisar-Bharuch-Surat is not going in FY22, it is going out in FY23. The timeline when the Surat-Dahisar and Bharuch-Surat goes out is April and May. Secondly what we are saying is if the other projects perform more than double digit or a revenue growth of in the range of 9.5%, 10%.

We believe that with that kind of revenue growth and all the issues which are presently there are normalized like what we have discussed about the mining ban in the Jaipur-Deoli project. All such issues are normalized then we may see that the distribution should be in the range of 8% to 9%. It is on the backdrop of certain underlying assumptions. Further the retained cashflows from projects like SD and IDAA in next couple of years will also supports to maintain such payouts for atleast couple of years.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Menon for closing comments.

Vinod K Menon:

Thanks to all the investors and analysts for your active participation in today's investor's call. Happy New Year ahead to all of you and take care.

Moderator:

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for your participation and you may please disconnect your lines now. Thank you and have a great day.