



IRB InvIT Fund
Q1 FY-23 Earnings Conference Call – Edited Transcript
August 1, 2022

Moderator: Ladies and gentlemen, welcome to the IRB InvIT Call hosted by the Investment Manager for discussing the financial results for Q1 FY23. We have with us on the call today Mr. Vinod K Menon, Mr. Anil Yadav, Mr. Rushabh Gandhi and Ms. Swapna Vengurlekar from IRB InvIT team. As a reminder, all participant lines will be in the listen only mode. After the opening remarks by the management, there will be a question and answer session. Please note that the duration of the call would 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 is being recorded. I now request Mr. Menon to give you an overview of the significant development during the quarter. Over to you, sir.

Vinod Kumar Menon: Thank You. Good morning 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 presentation. During the quarter ended June 2022, four of our project assets that is Jaipur-Deoli, Amritsar-Pathankot, Talegaon-Amravati and Tumkur-Chitradurga have received the tariff revision of 10.16%, which has been effective from 1st of April 2022. On the backdrop of this high tariff rate revision, our per day collections have improved by almost 13% for the current quarter as compared to the quarter ended March 2022, excluding Bharuch Surat and Surat-Dahisar project. There was no tariff revision in MVR project in this quarter.

Now, I would like to provide the project wise revenue growth as compared with the trailing quarter:-

For Tumkur-Chitradurga project, the revenue growth is 15.65%. For Omalur-Salem project, revenue growth is 4.26%. There was no tariff revision for this project in this quarter. For Jaipur-Deoli project, revenue growth is 11.01%.



For Talegaon-Amravati project, revenue growth is 13.24% and for Amritsar-Pathankot project, revenue growth is 17.14% as compared to trailing quarter.

During the quarter, Surat– Dahisar project has completed the concession period and has been successfully handed back to NHAI on 25th of May 2022. The expected tariff revision for Omalur -Salem project would also be in the range of 14% effective from September 2022 considering the WPI for March 2022. With regard to the acquisition of new assets, the trust has already received the non-binding offer from sponsor for acquisition of Vadodara-Kim hand project. We are expecting to finalise the offer soon. The Investment Manager has already appointed the intermediaries for evaluation of this asset. Post completion of the independent valuation for the asset and the due diligence process, which is expected to get completed soon, the proposal will be put forth before our board for discussion. Post the board approval, we will seek unitholders approval if found viable by the Investment Manager. As discussed during the last con call, we expect to distribute a minimum of Rs. 8 per unit for the financial year 2022-23.

I would now request Rushabh Gandhi to take you through the financial performance for the quarter. Over to you Rushabh.

Rushabh Gandhi:

Thank you sir, Comparing the current quarter with the corresponding quarter of previous year. The total consolidated income for the current quarter increased to Rs. 718 crores from Rs. 337 crores in the corresponding quarter of previous year. This income includes income from Arbitration award of Rs. 423 crores, the consolidated toll revenue for the current quarter increased to Rs. 287 crores from Rs. 249 crores in the corresponding quarter of previous year. EBITDA for the current quarter stood at Rs. 253 crores as against Rs. 275 crores in the corresponding quarter of previous year. Interest cost which includes interest from premium deferment for the current quarter, remained at Rs. 35 crores, as against Rs. 35 crores in the corresponding quarter of previous year. Depreciation including amortization for the current quarter, reduced to Rs. 113 crores from Rs. 129 crores in the corresponding quarter of previous year. The profit after tax for the current quarter decreased Rs. 103 crores as compared to Rs. 108 crores in the



corresponding quarter previous year. I would now request the moderator to open the session for Q&A.

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: So my first question is what is the timeline for acquisition of VK1? What are the next steps? And have we tied up for the date for acquiring the asset? And what is the rate expected?

Management: I think, as we had explained last time also that we will try to close this acquisition by end of September and with regard to the acquisition funding our intent is that 50% will be funded through retained internal accruals and 50% through acquisition debt. The cost of debt can be shared once we have final firm offer.

Mohit Kumar: And what are the next steps required to close the transaction?

Management: So, the trust has already received non-binding offer and we are evaluating the same. We have already appointed the valuer and the legal counsel for the due diligence process which is expected to complete soon. Probably once the offer is finalised, we will take it up along with the valuation report and the due diligence report to the board and once the board approves, it will go for the unitholders approval, and I think this process will take 30 to 45 days including the approval of the unitholders.

Mohit Kumar: Can we expect any other road assets from Private InvIT now to get transferred into or be offered to the Public InvIT over the next 12 months?

Management: Yes, I think in the last con call also, we have discussed about this. There are couple of matured assets with the Private InvIT and once this acquisition of VK1 is done, probably then it will be an appropriate time to discuss what kind of asset is available, however, we can expect at least one asset in next six months from the conclusion of this proposed acquisition including third party asset.

- Mohit Kumar:** Lastly, on the DPU guidance. I think we had told last time ₹8 per unit. Are you maintaining that guidance and can you please confirm the premium repayment plus expectedly principal repayment over FY23? My number is around for 2.3 billion is for the premium repayment and interest is expected for FY 23 is 1.3 billion. Is that number correct?
- Management:** I think on the interest side; the current rate of interest is 7.25%. Even if you look at the toll revenue numbers on the sequential basis, these five assets have seen a very good growth. Though there was no rate revision in Omalur – Salem project, still the overall growth was around 13%-14%. As you rightly mentioned, premium payment for FY23 is close to Rs. 2.25 billion and around Rs. 0.54 billion is the principal repayment and interest will be close to Rs. 1 billion.
- Moderator:** Thank you. The next question is from the line of Rajiv Malhotra from Honda Investments. Please go ahead.
- Rajiv Malhotra:** Sir, could you let us know how much interest do we pay to NHAI on the deferred premium and is there a way we can refinance that through any other Bank or financial institution?
- Management:** The interest rate on deferred premium is Bank rate plus 2%, which translates close to 7.15% as on date.
- Rajiv Malhotra:** OK, then there is no big deal in transferring it to a bank or anything like that, then secondly, Sir, for two of our major projects like Jaipur-Deoli and Tumkur-Chitradurga, is there any improvement on the ground for the mining ban going away or mining trucks improvement on the ground.
- Management:** Firstly, I will take you through the growth during this quarter of Jaipur-Deoli, which is around 11%-12% kind of growth, for Tumkur-Chitradurga, we have seen 15%-16% kind of growth. Jaipur-Deoli and Amritsar-Pathankot project had been impacted due to mining ban. Post uplifting of mining ban, we have seen improvement in commercial vehicles. For Amritsar-Pathankot we have seen around 17% increase in the revenue if I compare with the trailing quarter. So I

think we are seeing a strong recovery and as explained in the earlier quarter, there is some category of mine where the mining has already been started and that has led to a good traffic growth in previous quarter as well.

Rajiv Malhotra: Lastly, Tumkur-Chitradurga one of the cases which is now gone into arbitration, there is lot of money stuck up in the escrow account. Can't we make an application to get that money released to NHAI? At least we will save on the interest that is a personal thought from our team here, and secondly, when do you think both the arbitrations of Tumkur-Chitradurga and Amritsar-Pathankot could conclude. I understand they will start sometime in March of 22.

Management: Regarding Tumkur-Chitradurga project, the embargo lifting on the escrow account operations is under arbitration, the hearings for this particular purpose has been completed and we are expecting the order to be released within 10 to 15 days. So, that issue will be resolved in the next quarter.

Management: Just to add a large chunk of the amount which is stuck in the escrow account will go to NHAI only, we will be getting an amount close to Rs. 75 to 100 crores.

Rajiv Malhotra: No, that was not the point. The point was that we are paying interest to NHAI. The escrow maybe not accruing any interest. That's my thought. I'm not sure is it in a fixed deposit or in a normal account, but that was the thought that if we can release it, at least, we save on interest.

Management: The embargo was put by the Hon'ble High Court at the instance of NHAI. So I don't think that interest will be payable to NHAI on this part.

Rajiv Malhotra: And when do you think would there be a decision on the Amritsar-Pathankot farmer strike arbitration?

Management: Yeah, for that matter we had actually invoked arbitration, but NHAI has called for conciliation and the matter is in progress, we may get some resolution within 45 to 60 days.

- Moderator:** Thank you. The next question is from the line of Dhiraj Dave from Samvad, please go ahead.
- Dhiraj Dave:** So my question is basically on slide 23 - NDCF working slide we find note as excludes amount due but not received Rs. 32.8 crores in Q1 FY23 as well as same amount in Q1 FY22. So what is this amount for?.
- Management:** As explained earlier regarding the Tumkur-Chitradurga project, there is an embargo on our escrow account, so the SPV is unable to pay the interest to the trust. So this amount relates to the interest payable by the SPV to the trust.
- Dhiraj Dave:** OK, so that has been because of embargo on the escrow account, we are not considering that in the distribution so whenever that amount will get released, would it mean that company would have higher NDFC to be shared with the unit holder?
- Management:** Yes, but as I explained earlier, part of that will be used for the proposed acquisition funding of VK1 project.
- Dhiraj Dave:** New acquisition which we intend to do.
- Management:** Yes.
- Dhiraj Dave:** OK, and what would be approximate amount? Let us say that if Q1 is the last day Q1 23, then what would be the amount? Assuming that ever happens say, whatever 25-30 days, what we are expecting, then what would be the total amount which we shall be getting only on our part? I'm not worried about what NHAI need to get, but what is the total amount? Because to that extent our debt and equity will be lesser required for acquisition of new assets.
- Management:** I believe with respect to the final amount, we will update you once the embargo is lifted. As we have explained in the previous quarters numbers also, the amount will be ranging from Rs. 75 to 100 crores.

- Dhiraj Dave:** OK, so to that extent we will be having a fund which can be utilized for acquisition of new assets and hence will require lesser dilution, that's the one part. Secondly on slide 17 there is some income booked from Bharuch Surat BOT Project, Rs. 6 million as total income and EBIDTA of Rs. 5 million. So what is that for, like we have passed on the project to NHAI. So how are we getting that? What is the nature of that income?
- Management:** The project has been handed over to NHAI. There were some fixed deposits in the entity on which we have received interest income, and this amount includes that.
- Dhiraj Dave:** OK, so henceforth we won't earn anything means basically this is the closure. That's for the last quarter, which we have that Rs. 6 million is the interest on that fixed deposit. Henceforth we should not expect anything from Bharuch Surat, right? It would be just done.
- Management:** Right.
- Dhiraj Dave:** Just one request on your presentation. At least, I couldn't find on BSE website or NSE website. So I would request that it was available on company website, but it might be worthwhile if you put in BSE, NSE because most other companies and InvIT, presentations are also available. Just a request. If you can consider it. Thanks a lot. Wish you all the best.
- Management:** OK, we will keep in mind.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** So first question is on the IRR threshold that we might have for the acquisition of the HAM asset. So if there's anything that you would like to share in terms of what's the minimum IRR that you would seek for the acquisition?
- Management:** I think Ashish, once the firm offer is made and approved by the Board, we can provide you the exact IRR. But since the 50% funding is happening through debt

and 50% through internal accrual, which can be considered as the equity. So IRR on the equity portion is expected to more than 12%. This is what I can say.

Ashish Shah: So that's like the target IRR that you have.

Management: Yes

Ashish Shah: And in terms of the major maintenance for FY23, or FY24 that we can probably forecast at this stage, what would be the amount that one can expect?

Management: I think for FY23 and FY24, there is no major maintenance because for most of the assets we have completed the major maintenance by FY22. So for next two years, even if you look at the O&M, it is hardly 100 crores each year. So FY23 100 crores and in FY24 it is close to 90 crores.

Ashish Shah: OK, and nothing significant, you are saying in terms of the major maintenance.

Management: Yes

Ashish Shah: And lastly, sir, it is more of a suggestion that we used to have a traffic volume data towards the end of the presentation which is not there this time, so it will still be actually quite helpful. So if you can continue giving.

Management: It is available in the presentation from slide number 19 to 23.

Moderator: Thank you. The next question is from the line of Satyandar Singh from UON Infotech. Please go ahead.

Satyandar Singh: My first question is regarding Talegaon-Amravati Highway, so is the impact of the road closure due to the Nagpur ROB works, is that over and are we back to business as usual and also have we done any study of any impact of the Samruddhi Expressway on this road. So has this study been done? What is the impact and do we have any claim over NHAI because of this?

Management: So as you can see for Talegaon-Amravati project, the sequential growth in toll number has been by 13%. Therefore we have seen gradual improvement in the toll collection apart from the tariff revision. Apart from that on the Samruddhi Expressway, we don't see much impact on our project pathway on account of expressway getting operational.

Satyandar Singh: But is that ROB works over and is it back to business?

Management: There are some restrictions still going on, but we have some gradual improvement in our collection. The restriction is still there.

Satyandar Singh: My second question was a follow up on a question that had come earlier by some other speaker. So this was regarding the money lying in the escrow, so I think the issue is that we are paying to NHAI for deferred premium interest at the rate of a Bank rate plus 2%, which is now like you said, 7.15% and at the same time we have large sum of money which is lying in the escrow not earning any interest so could this idea not be explored? While I understand that the arbitration outcome is expected soon, that at least the uncontested portion of the NHAI premium. So maybe application could be made for that part could be released. It would save us the interest on deferred premium, which is a sizable at about Rs. 9 crores per quarter and growing.

Management: I think I already answered this in the earlier question, that whatever is lying in the escrow account due to embargo placed on the escrow account by the Hon'ble Court, I don't think there would be any interest payable to NHAI for delay in the payment of this premium. At the same time, whatever is lying in the escrow account, maximum amount is payable to NHAI and that could be going without the interest as I believe the order would be.

Management: And just to add with respect to the interest provided in the books that relates the premium deferment which was allowed by the Government as the part of the premium deferment policy so that amount is different than whatever amount is lying in the escrow account.

- Satyandar Singh:** No, I agree with you and the point that before we need for premium deferment, in case we had that funds available so it is that blocking of funds which is causing this premium deferment. If we could have probably foreclosed that premium deferment provision.
- Management:** No, the premium deferment scheme is still there, available. After the arbitral award, it will be there. We are not going away from the deferment scheme at all. So if the embargo is lifted, the deferment scheme, whatever we have to pay the repayment will start as per the supplementary agreement. I think 2024-25 it will start the repayment, so that doesn't affect it.
- Satyandar Singh:** OK fine, one final question and this is regarding to the two projects which have completed concession i.e. IRBSD and IDAA. So I just want to understand what is the equity or funds lying in these two SPVs and how do these flow? Are there any residual funds and equity lying in these two SPVs? And how do they flow back to the trust? Now that the projects are over.
- Management:** I think with regard to IRBSD and IDAA, whatever the surplus and equity was lying, they have extended to other SPVs. For example, there was farmer's agitation in Pathankot Amritsar project during that period or even in Tumkur-Chitradurga embargo, these SPVs have given. That money is already extended to the other SPVs and whenever those SPVs will have a surplus, it will flow to IRBSD and IDAA and that will ultimately flow to the Trust.
- Satyandar Singh:** One final question so that there has been a repeated query regarding the buyback so the management last time said that we have a look at it and come back. So any thoughts on the buyback?
- Management:** We are still in discussion with SEBI and we are awaiting the buyback regulation from them.
- Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Absolute Advisory, please go ahead.



- Rikesh Parikh:** We like to understand what will be the IRR on the new project which we are looking at to acquire?
- Management:** Sir, with respect to the new project, as we have already talked about that with 50% internal accruals, IRR will be more than 12%.
- Rikesh Parikh:** OK, so we'll be maintaining that 12% benchmark, it's not increasing. Trying to increase over there by any chance? Or how do we look at?
- Management:** The project which we are acquiring is a not a toll project and the project is AA rated and on receipt of first annuity, probably it will become an AAA asset and that has a stabilized kind of revenue. So typically those kind of stabilized assets are available at lower discounting, but we are trying to get at least 12% IRR on whatever internal accruals we will be spending on that particular project.
- Rikesh Parikh:** And what will be our leverage post this acquisition?
- Management:** I think we will be reaching to 40% to 45% of the leverage level.
- Rikesh Parikh:** And, these two project Dahisar-Surat and the other project what we have completed, any fixed deposit is on the line. So can we utilize it at other places, the funds released from them?
- Management:** So that fixed deposit has been utilized in the current quarter and will be used for the payment of distribution also.
- Moderator:** Thank you. The next question is from the line of Dhwanit Savla an individual investor. Please go ahead.
- Dhwanit Savla:** My question is with regards to the review side. The review which we have announced for this quarter, it includes pay offs from this Surat-Dahisar project as well and if that's the case, barring the revenue from this product, how would you still be able to manage the same DPU over the next 3 quarters?

- Management:** Good question with respect to the DPU, the current quarter there was embargo on Tumkur-Chitradurga Project. And as already explained, the hearing for the particular embargo aspect has been already concluded, and we expect the order in next 10-15 days. Once the embargo is lifted, there will be a surplus which will be also available for distribution and if you look at the five projects the growth is quite robust, with respect to two projects, as we explained last time that the maintenance which was there in FY22 was Rs. 300 crores, in FY23 the expected maintenance will be Rs. 100 crores because we have a fixed price contract. The maintenance itself is coming down by Rs. 200 crores so there will be a saving on the maintenance side and we expect there will not be a very significant dip in the EBITDA on overall space. So I think we will be able to meet our guided payout for this financial year and for future years as well.
- Dhwanit Savla:** Second, just out of curiosity, for Surat-Dahisar and Bharuch- Surat projects have you tried to increase the convergence here or get them back or have they been allocated to some other company or trust account.
- Management:** I think Surat-Dahisar and Bharuch- Surat project are already given on the cash collection and the trust do not take a contract on cash collection basis that you collect and pay to the NHAI. If those project will come for a longer tenure period, then the trust can look for those projects.
- Moderator:** Thank you. The next question is from the line of Sanjay Surve, an individual investor. Please go ahead.
- Sanjay Surve:** I just wanted to understand how to read this particular slide here. So I see in on slide 13 the net toll collection is around Rs. 287 crores and when I'm looking at the NDCF slide, which is the slide 23, the total cash inflow at the trust level is round about Rs. 160 crores or Rs. 159.4 crores. So how is one supposed to read this?
- Management:** So on slide number 13, we have provided toll revenue earned by each and every individual SPV, and at each SPV level there is income from toll collection. There are payments towards maintenance part and the interest is paid to the trust on the



outstanding loan. So that interest payment by the SPV to the trust is considered for NDCF purpose by the trust as income on trust level.

Sanjay Surve: OK so basically it is the net toll collection, less all the interest and expenses part. And then you're saying that the cash flow of the trust level is around Rs. 160 crores, right?

Management: Correct

Moderator: Thank you. The next question is from the line of Subhankar Ojha from SKS Capital. Please go ahead.

Subhankar Ojha: So basically how soon do we need to complete this acquisition of the new assets to maintain this Rs. 8 distribution? Or is it not subject to the acquisition getting completed? By irrespective of this new assets coming or not, we'll still be able to maintain this Rs. 8 distribution? That's my question.

Management: So with regard to the payout we have talked about the payout based on the certain growth assumption in the current portfolio. We have not considered the new asset addition in the expected payout of Rs. 8.

Subhankar Ojha: OK, so even if that doesn't happen, you will still be able to do Rs. 8 distribution for the year.

Management: Yes, we expect to distribute Rs. 8 without acquisition of the asset.

Moderator: Thank you. The next question is from the line of Sunil, an individual investor. Please go ahead.

Sunil: My question is short. Would you be looking at only HAM projects going forward? Or would you be still considering BOT project?

Management: I think we will be looking at both HAM and BOT because in the HAM asset, even though it has stable cashflows, it does not increase the payout very significantly. On the BOT project side, growth will be coming that can basically



increase the payout in the later years. So I think we will be looking at mix of HAM and BOT.

Sunil: OK, and one last query, what is your current weighted average cost?

Management: So the current cost of debt is 7.25%.

Moderator: Thank you. The next question is from the line of Murthy and individual investor. Please go ahead.

Murthy: My question is very simple. We're going for a new project to acquire in that internal rate of return I was informed by Mr. Menon is 12%. But, we see our trust units are providing EBITDA for 16% at this point of time. So when you upgrade at a lower yield will it result in depreciation of unit rate? That's my question and do we have internal accruals enough to acquire? Because every quarter we are releasing almost most of the money as either distribution as interest or repayment of capital, have you reserved any money? If so, how much we have reserved?

Management: With respect to the acquisition funding, we have already explained in past, our instant is to do 50% through internal accruals when I say that internal accruals it is through retained internal accruals and balance through debt or else we can do with 100% debt, these are the two options we have. With regard to internal accruals, as we were talking about, we have internal accruals in Tumkur-Chitradurga and plus we have receivable in Pathankot-Amritsar and that can be utilized for funding this 50% acquisition and with regard to whether it will be dilutive to the unitholders going forward, the answer is no, because we are not issuing any unit capital and the acquisition can be through a debt or mix of debt and internal accrual. Anyway, without spending any single penny, the payout to the unit holder in future is going to increase, so hence it will not be dilutive to the unitholder.

Moderator: Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to Mr. Menon for closing comments.



Management: Thanks to all the investors and analysts on today's call. Hope to see you all soon. Take care.

Moderator: Thank you Sir. Ladies and gentlemen this concludes your conference for today. We thank you for your participation and using researchbytes conferencing services. You may please disconnect your lines now. Thank you and have a great day.