# IRB InvIT FUND

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**Q1 FY24 Earnings Conference Call – Edited Transcript – August 7, 2023**

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**Moderator:** Ladies and gentlemen, welcome to the IRB InvIT call hosted by the Company for discussing the Unaudited Financial Results for the quarter-ended June, 2023. 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 participants' lines will be in the listen-only mode, and after the opening remarks by the management, there will be a question & 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 management to give you an overview of the significant developments during the quarter. Over to you.

**Management:** Good morning to all. I would like to welcome all Investors and Analysts on the call. Hope you have reviewed our detailed number as well as the Presentation. We are distributing Rs. 2 per unit for the quarter-ended June 30, 2023. In line with our guidance, we are distributing Rs. 2 per quarter.

During the quarter ended June 30, 2023, we have received a tariff revision of 5% across four of our projects i.e. Tumkur-Chitradurga, Jaipur-Deoli, Pathankot-Amritsar, and Talegaon-Amravati which was effective from 1st of April this year.

As compared to the corresponding quarter of the previous year, we have witnessed 8% growth in toll revenue on a like-to-like basis i.e. excluding Surat-Dahisar project. The recently acquired Vadodara Kim HAM Asset received a second annuity payment from NHAI along with the O&M payment. The cumulative amount received from NHAI for the HAM asset is Rs. 186 crores and this was for the full financial year. The investment manager, on behalf of Trust, continues to evaluate the potential investment opportunity.

The net debt to value of asset of the trust is 0.3:1, providing sufficient debt capacity for acquiring new asset and the Trust continues to have AAA rating from two credit rating agencies.

I would like to request Mr. Rushabh Gandhi to take you to "Financial Performance" for the quarter. Over to you Rushabh.

**Management:** Thank you, Sir. I will now present the "Financial Analysis" for the Quarter-Ended June'23 compared with the corresponding quarter of previous year i.e. June'22.

The total consolidated income for the quarter ended June '23 stood at Rs. 269 crore from Rs. 295 crore for the corresponding quarter of previous year i.e. June'22 excluding the arbitration income of Rs. 423 crores accounted for in the 1st Quarter of FY23.

The consolidated toll revenue for the quarter ended June'23 stood at Rs. 229 crore as against Rs. 287 crore in the corresponding quarter of previous year. Excluding Surat-Dahisar project, the toll revenue has increased to Rs. 229 crores from Rs. 213 crore, registering a growth of around 8%.

EBITDA for the quarter ended June'23, stood at Rs. 227 crore as against Rs. 253 crore in the corresponding quarter of the previous year i.e. June'22. Excluding the Surat-Dahisar project, which has been handed over to the authority, EBITDA increased to Rs. 227 crore from Rs. 181 crore, registering the growth of 25%.

Interest cost, which includes interest on premium deferment for the quarter ended June'23, stood at Rs. 68 crores from Rs. 35 crores in the corresponding quarter of previous year. This is mainly on account of the increase in interest costs from the newly acquired in Vadodara Kim Asset.

Depreciation for the quarter ended June'23 has reduced to Rs. 57 crores from Rs. 113 crores in the corresponding quarter of the previous year.

Profit after tax for the current quarter stood at Rs. 101 crores as compared to Rs. 103 crores in the corresponding quarter of the previous year.

It would be worth comparing the toll performance with the trailing quarter.

We have received a 5% tariff provision which has been effective from 1st of April, 2023. Normally the 4th Quarter has better revenue number as compared to the other quarters of the year so we would like to draw your attention to Slide number 5 of the "Corporate Presentation", which has been uploaded on our website, which pertains to the toll performance of the Tumkur-Chitradurga project.

Considering the average daily collection for the month of April 23, which was Rs. 11.2 million, which was Rs. 11.4 million for May 23, and which was Rs. 11.2 million for June'23. The average per day for the quarter ended June'23 works out to Rs. 11.3 million, which is around 5% higher than the average per day for the trailing quarter i.e. quarter ended March'23, which was Rs. 10.8 million.

Now coming to the Slide number 6 of the Corporate Presentation, which relates to the toll performance for Jaipur-Deoli project:

Similarly, the average per day for the current quarter i.e. June'23 works out to Rs. 4.8 million, which is around 11.6% higher than the average per day for the trailing quarter, i.e. March 23, which was around Rs. 4.3 million.

Coming to the Slide number 7 of our Corporate Presentation relating to Pathankot-Amritsar project:

The average per day for the June Quarter, works out to Rs. 4.5 million, which is around 2.5% higher than the average per day for the trailing quarter, which was Rs. 4.4 million.

We would like to draw your attention to Slide number 8 relating to Omalur-Namakkal-Salem project.

The average per day for the current quarter was 4.7 million, which is around 2.5% higher than the average of trailing quarter which was 4.6 million.

Coming to Talegaon-Amravati project, which is on Slide number 9:

The average per day for the current quarter works out to Rs. 2.4 million which is 4.5% higher than the average per day for the trailing quarter, which was 2.3 million.

On the overall portfolio basis which has been provided on Slide number 10 of the Corporate Presentation,

The average per day collection for the current quarter works out to Rs. 27.7 million, which is around 5% higher than the average per day for the trailing quarter, which was around Rs. 26.4 million.

Thank you. I would now request the moderator to open the session for question and answer.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhavnesh Chawla, an individual investor. Please go ahead.

**Dhavnesh Chawla:** First of all, Congratulations on a good quarter, especially since this is almost a year since two of the major assets have left our portfolio and yet we have maintained considerably good performance, especially on the DPU guidance. My first question is with regard to the Talegaon-Amravati project. As you can see this current quarter, we have an increase in toll collection. I just wanted to know how much of it can be attributed to the increase in the movement of passengers and how much can be attributed to the revision in toll? And secondly, I wanted to know is there any other project which we are considering or which is in the late stages of discussion for addition in our portfolio? Thank you.

**Management:** So, with respect to Talegaon-Amravati, if we compare with the trailing quarter i.e. Q4 FY23, per day average collection was around Rs. 23 lakhs and Q1 FY24 it's around Rs. 24 lakhs. So, there is a growth of almost 5% and from 1st April 2023, there is tariff revision of 5%. Typically Q4 is the strongest quarter in a particular year and the performance is more or less in line with the expectation. With respect to the asset addition, yes, we are looking for third-party assets as well and at appropriate time, we will bring to the unit holder for evaluation once it is approved by the Board. With respect to the Assets under the sponsor umbrella, there are three assets with the sponsor which will be offered to Public InvIT upon completion. All three are HAM assets and once the construction is done, those will be offered to InvIT and if I will share the stage of completion of three HAM assets, one is almost 60% to 70% complete and we can expect that within a year, the said project will be offered to the Trust. The balance two also we will be eligible to transfer in next couple of years. In next two years from now, there will be total 3 assets which will be eligible to offer to the InvIT.

**Dhavnesh Chawla:** So, just a small add up question. So, is there any internal competition for the same project with the private InvIT which has been listed or that is a completely separate matter?

**Management:** So, Private InvIT is a development platform and the appetite for Private InvIT is totally different from that of Public InvIT. They are taking construction risk or development risk as per InvIT regulations and based on their mandate. If you look at the private InvIT which was incorporated in 2020, till date, there is no distribution from the Private InvIT. It's more of a development platform, probably, we may see some distribution from the Private InvIT coming which may start from the current financial year. So, what I was explaining is that most of the assets when the private InvIT was formed were under-construction, now few have completed and few are under construction. Accordingly, Private InvIT is not comparable to the public listed InvIT. Public listed InvIT will scout for completed matured asset where the risk is lower and where the asset can improve yield of the unit holder.

**Dhavnesh Chawla:** Just one small hygiene point, if possible next time on the conference call or something you can probably add an express joining invite because it takes a while to connect to the conference call after you're initially dialed into the universal. That's it from my side. Thank you very much.

**Management:** Thank you for your suggestion. Definitely we'll do that.

**Moderator:** Thank you. The next question is from the line of the Dheeraj Dave from Samvat Financial. Please go ahead.

**Dheeraj Dave:** Thanks a lot for providing the opportunity and thanks for declaring Rs. 2 distribution to the unitholders. My question one is basically on this HAM asset which we acquired just wanted to understand because basically we have seen Rs. 32 crores increase in the finance cost as CFO mentioned over call. How much it could we attribute it to the HAM asset, Rs. 67 in Q1 finance expense with increase of Rs. 35 crores?

**Management:** So, I think large portion of the increase is attributable to the Vadodara Kim HAM asset and if you look at the HAM asset in last financial year has provided an income of close to Rs. 184 crores to Rs. 186 crore. On Vadodara Kim HAM asset, the quarterly interest would be close to around Rs. 25 crores. Rise in the interest cost is also attributable to interest on premium deferment which is linked to RBI rate plus 2%. So, that rate has increased over the last one year from somewhere around 4.25% to 6.75% currently. So, even that rate increase has attributed to this increase in finance cost.

**Dheeraj Dave:** My question what I was trying to understand was basically does HAM has contributed anything positively to our distribution because while I understand we had a Surat Dahisar asset for one month or something last year and that has contributed, but the distribution remained Rs. 2 to an extent, interest rate has gone up but how do management see HAM asset contributing positively to the distribution, that's something. Maybe interest rate remains same what do you see means you have given some guidance of around 50 paisa to Rs. 1.00 something coming incrementally from that?

**Management:** So, this year, considering the a little higher cost, the HAM is contributing roughly 35 to 40 paisa and we expect around the 50 to 60 paisa contribution coming from the HAM asset for the subsequent year as well.

**Dheeraj Dave:** Secondly, in Pathankot-Amritsar, why we see some kind of decline particularly in the toll traffic details which we have provided multi-axle vehicles and so any specific reason because this asset has actually not given the desired result which we wanted. What is the reason for decline in the traffic, particularly in Pathankot-Amritsar, we see significant decline in multi-axle vehicle i.e. 312 to 277 - Slide number 20.

**Management:** If you look at the comparison with the trailing quarter, the revenue per day was Rs. 44 lakhs in Q4FY23 that has increased to 45 lakhs in Q1FY24. Typically the MAV is largely dependent upon the mining traffic and if there are slow down in the mining activity, then MAV gets impacted and due to some restriction on the mining that has led to a lower MAV vehicle in the Pathankot-Amritsar project.

**Dheeraj Dave:** And what is your view, do you see any change that it will continue to remain like this?

**Management:** I think typically the mining activity will increase in Q3 and Q4 and because of the monsoon 2nd quarter is muted as far as mining activity is concerned.

**Dheeraj Dave:** And the last one if I make a squeeze, in fact this time we see a good amount of retention in the sense that the distribution, NDCF has been higher than the distribution amount. So, any kind of guidance which you would like to revise that you have indicated it to pay for FY24, but if you look at cushion last three, four quarter we had been distributing almost like 90% to 95%. So, we have built up reasonable cushion so any comment on that part?

**Management:** I think as I was explaining that typically if you look at the toll collection, historically also Q2 is the weakest quarter among all four quarters and the monsoon so far was very severe as far as July is concerned, we have seen a lot of flooding like situation across the country. There is no damage to our road project as such, but the flooding and other excessive monsoon did have impact on the traffic growth and even sometimes the overall volume as well. So, considering that Q2 will be a weak quarter. Our endeavor will be try to retain Rs. 2 to the extent possible.

**Moderator:** Thank you. The next question is from the line of Satinder Bedi from ION Infotech. Please go ahead.

**Satinder Bedi:** Thanks for the opportunity, I must acknowledge you're accepting our request that there be a time gap between the release of results and the call. So, thank you for that. Sir, any update on the arbitrations for Tumkur-Chitradurga and Pathankot-Amritsar any update that you would like to share on this?

**Management:** The matter is still going and yet to reach the finality. Once it reaches the finality level, we will update you and as of now, the arbitration is going on. For

Tumkur-Chitradurga project, interim award had allowed us to start the function of the escrow account. Once, we received the final outcome on Tumkur, we will definitely share and Amritsar-Pathankot with respect to the farmers agitation claim, that is also going on and once we see some clarity, we definitely would like to share with the unit holders.

**Satinder Bedi:** So, what is the cash in the Trust as of 30th of June?

**Management:** As on 30th June, the outstanding cash balance was close to Rs. 274 crore which included DSRA of Rs. 120 crore and even the current distribution also. If we exclude the current liabilities, the balance would be around Rs. 15 crores to 20 crores.

**Satinder Bedi:** And what is the average cost of debt at this point in time?

**Management:** 8.5% to 8.7%

**Satinder Bedi:** And is it building to repo rate or what is the external benchmark our borrowing is linked to?

**Management:** It is linked to MCLR Rate.

**Satinder Bedi:** And all the increases already have come into our current 8.5% to 8.7% rate or is there still some increase that has to happen because they typically happen with the rest which is with the lag?

**Management:** We believe all the rate hikes have been penciled in as on date.

**Satinder Bedi:** What is the deferred premium in Tumkur-Chitradurga?

**Management:** It would be close to Rs. 500 crores including the interest on premium deferment.

**Satinder Bedi:** What is the settled cost of the Vadodara Kim HAM Project excluding the NHAI grant. So, what is the final settle amount of the project cost.

**Management:** For VK1, the settled cost is Rs. 1,412 crores. Just to touch upon, Enterprise value at which we have acquired it was Rs. 1,297 crores and the settled cost with NHAI was Rs. 1,412 crores.

**Satinder Bedi:** As we start of the annuity schedule, so this was Rs. 1,412 crores and now obviously it will be getting written down.

**Management:** Yes, you are absolutely right.

**Moderator:** Thank you. Ladies and gentlemen, that was our last question for today. I would now like to hand the conference over to management for closing comments.

**Management:** Thank you. I would like to thank all the Investors and Analysts for joining this call. We expect to speak with you post the coming quarter result as well. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, this this concludes your conference for today. We thank you for your participation and for using Research Bytes Conferencing Services. You may please disconnect your lines now. Thank you and have and have a great day.