



**IRB InvIT Fund**  
**Q4 FY-2023 Earnings Conference Call – Edited Transcript**  
**May 8, 2023**

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**Moderator:** Good afternoon Ladies and Gentlemen. Welcome to the IRB InvIT call hosted by the company for discussing the audited financial results for the quarter and year ended March 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 participant 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 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 K Menon:** Good afternoon to all. I would like to welcome all the investors and the analysts on the call. Hope you have reviewed our detailed numbers as well as the presentation. We are distributing Rs. 2 per unit for the quarter taking the overall distribution for the year ending March 31, 2023 to Rs. 8.05 per unit. During the quarter ended March 2023, we have observed robust traffic growth across all our projects. As compared to the corresponding quarter of the previous year, we have observed 16% growth in the toll revenue on a like-to-like basis that is excluding Bharuch-Surat, Surat-Dahisar, and Pathankot-Amritsar projects. On an annual basis, the toll collection has increased 26% reflecting the robust traffic growth across the portfolio. During the year, the trust has added one HAM asset, i.e., the Vadodara Kim HAM asset to the portfolio. The Vadodara Kim HAM asset has recently received the second annuity payment from NHAI along with the O&M payment. The net debt to value of assets of the trust is at 0.3:1 providing sufficient debt capacity for acquiring new assets and the trust continues to have 'AAA' credit rating from two of the rating agencies, i.e., CARE and the India ratings. I would now request Mr. Rushabh Gandhi to take you through the financial performance for the quarter and the year. Over to you, Rushabh.



**Rushabh Gandhi:** Thank you sir. The total consolidated income for the year ended March 2023 stood at Rs. 1,039 crore from Rs. 1,400 crore for the year ended March 2022. This is primarily due to handing over of two of the projects to NHAI on completion of the respective concessions and excluding the revenue from the arbitration award which has been appropriated to the EPC contractor. The consolidated toll revenue for the year ended March 2023 stood at Rs. 903 crore from Rs. 1,290 crore for the year ended March 2022. EBITDA for the year ended March 2023 stood at Rs. 828 crore from Rs. 1,159 crore for the year ended March 2022. Interest cost including the interest on premium deferment and interest on the recently acquired Vadodara Kim HAM asset for the year ended March 2023 stood at Rs. 193 crore from Rs. 142 crore for the year ended March 2022. Depreciation for the current year reduced to Rs. 261 crore from Rs. 681 crore for the previous year.

The profit after tax for the year ended March 2023 increased to Rs. 370 crore from Rs. 303 crore for the 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. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

**Mohit Kumar:** My first question is what is the guidance for dividend distribution for FY 2024 and can you broadly take us through the workings?

**Management:** For FY 2024, our endeavor will be to distribute at least Rs. 8 per unit for the full financial year.

**Mohit Kumar:** As far as the traffic growth in the month of April and what were the tariff hikes for all the roads you have taken?

- Management:** Tariff hike effective from 1<sup>st</sup> of April, 2023 was close to 5% for four of the projects. With respect to the traffic growth, we will be sharing the numbers shortly within a day or two and post that, we can discuss the same.
- Mohit Kumar:** Lastly, sir, can you please let us know the major maintenance expenses if you are likely to incur in FY 2024 and FY 2025 for the entire portfolio?
- Management:** Regarding the maintenance cost, the O&M cost for FY 2024 would be close to Rs. 100 crore and for FY 2025, it will be close to Rs. 180 crore. This is inclusive of the major maintenance costs. For FY 2024, there is hardly any major maintenance and for FY 2025, it is close to Rs. 80 crore.
- Moderator:** The next question is from the line of Satinder Singh from Eon Infotech Limited. Please go ahead.
- Satinder Singh Bedi:** Mr. Menon, the first question is regarding these 2 projects. One is Talegaon-Amravati project. It seems that in the last 2 months, i.e., February 2023 and March 2023, our traffic is below 90% compared to the same months of the previous year. Any compensation claim that we are filing due to the metro works going on in Nagpur. So, any compensation claim that we are filing and how long more is the challenge expected to continue?
- Management:** Sir, with respect to Talegaon-Amravati, as you rightly mentioned, if the revenue falls below 90%, then only we can file the compensation. We are exploring the possibility whether we can file some claim on the same. This is the concession agreement which talks about that if revenue falls below 90% for a continuous period of 7 days, then we can file the claim.
- Satinder Singh Bedi:** Sir, our understanding is based on the data already provided our March 2023 revenue was about 4% lower than previous year. Accounting for the 10.15% increase that we had in tariff, the traffic should actually be down 15% already in March 2023.
- Management:** Sir, they consider annual average revenue for the previous year. As I mentioned earlier, we are exploring all the possibilities if the claim can be filed. As and when it will be triggered, we will definitely file the claim for the same.

**Satinder Singh Bedi:** The second is, how long is it expected to continue the works there in Nagpur?

**Management:** I think it will take another 6 to 9 months period.

**Satinder Singh Bedi:** Regarding the Jaipur Deoli, it had a great full year. It does seem that in the month of February and March, it has been softened, especially on the MAV side, as a result of which the net of the tariff increase annual, there seems to be a fall in the normalized dis-inflated tariff collection, primarily because of MAV traffic reduction. Any views on that, sir?

**Management:** It is observed that LCV count has increased from 37,000 to 74,000 counts and we have seen a reduction in the MAV count. Probably, the goods which were moving on the MAV have shifted to LCV. This is what it appears from the data, and the LCV tariff are lower as compared to MAV. That is one of the prominent reasons for the lower MAV count.

**Satinder Singh Bedi:** Latest update on the Tumkur-Chitradurga settlement and the Pathankot-Amritsar arbitration for both the farmers' protests, what is the latest on that, sir?

**Management:** In Tumkur-Chitradurga, the interim award is out as you know. The escrow account is operating as per the waterfall mechanism and the transactions are being carried out as per the escrow waterfall mechanism. There is no hassle in the escrow mechanism as far as Tumkur-Chitradurga is concerned. However, the arbitration is continuing and the witness examination will be initiated in a couple of weeks from now. In Amritsar-Pathankot project, Rs. 36 crore out of the total compensation income has been paid by NHAI to us and the matter for balance amount is under arbitration along with the one month of further farmers' protest in the month of December to January, 2023. Both of these have been clubbed together and the arbitration tribunal has been formed and our statement of claim has been submitted. So, the pleading are going on. We are expecting NHAI to submit their response within a month.

**Moderator:** The next question is from the line of Rajan Kapadia, an individual investor. Please go ahead.

**Rajan Kapadia:** What is our current interest rate effectively and what was last year?

- Management:** The current average cost of debt is 8.50%. And in case of the HAM asset, we are receiving the interest from NHAI at 9.75% which is current bank rate plus 3%.
- Rajan Kapadia:** And as far as my understanding is clear, in some years, where we have major maintenance, we are actually providing some buffers in another year, so we don't have that issue later on. Am I correct?
- Management:** From an accounting perspective, we have created provision for major maintenance in books of accounts with respect of the actual major maintenance to be incurred in the subsequent years.
- Moderator:** We will take the next question from the line of Saurabh Chhetri, an individual investor. Please go ahead.
- Saurabh Chhetri:** One question and then 2 small questions. For Pathankot-Amritsar, also we are seeing a flat growth if we consider the month of March even after tariff rate revision. Even though the toll prices were revised, it is flat. That means that the traffic has lowered definitely by 10%. Any view on it or similar to Talegaon-Amravati?
- Management:** On Amritsar-Pathankot project, we had discussed in the last quarter also. The mining traffic is a bit softer because security has increased in those particular areas by the army and that has led to closure of some of the mines which are close to the border. And that has led to some lower traffic. There is no other specific reason but this is having an impact on mining traffic.
- Saurabh Chhetri:** My second question and I think I missed it because the first person also might have asked this. What is the guidance for dividend for this financial year?
- Management:** Our endeavor is to pay a minimum of Rs. 8 for the next financial year.
- Saurabh Chhetri:** Including even though we will have additional of HAM asset DPO coming in, it will be Rs. 8?



**Management:** As of now, we are only guiding for Rs. 8 per unit. As the toll collection will progress, if the collection is higher, then definitely we can increase. But as of now, we are guiding on a conservative side.

**Saurabh Chhetri:** Any sort of visibility on additional assets being added? Because, I understand in last call, there were discussions around a couple of additional HAM projects being added. Anything on that?

**Management:** We are continuously evaluating HAM assets or even BOT assets where the asset is quite matured which can provide a kind of at least breakeven from the date of acquisition. For HAM assets, we have given some non-binding offers in a few assets, but because we are competing with the funds and funds are having lower cost of capital as compared to ours. Due to this, we were not the preferred bidder for those projects. Going forward, our endeavor is that we will be continuously bidding for the projects wherever third-party assets are available and I think we will have the opportunity to bag a few projects in the coming years.

**Moderator:** The next question is from the line of Padmavathi Dhondale, an individual investor. Please go ahead.

**Padmavathi Dhondale:** My question was very similar to the previous one. My family has invested quite some amount and I would like to congratulate you on the cash flows that you have been giving out. I think I speak for the retail investors and we think that the cash flows that we are getting when we invest in such a project like quarterly payout. But can we get an idea as to when we can see something like what you paid out in the first, second, and third years maybe. Is there any timeline you have kept to acquire these assets and increase the cash flows?

**Management:** Sir, as I have explained that our endeavor is to add the assets. We have roughly Rs. 3,600 crores kind of debt capacity available. It means that we can acquire the additional assets with the debt only, but because of the competition in the acquisition market, so far we are not able to get any third-party assets. Further, our 5 projects are toll assets which have around 5% kind of traffic and around 5% kind of tariff growth. With 10% kind of revenue growth, the existing project itself will grow and the payout for year after year should increase. Even if we



continue with the existing portfolio, the payout is going to increase, though our endeavor is to add more and more assets.

**Moderator:** The next question is from the line of Tanveer Sure, an individual investor. Please go ahead.

**Tanveer Sure:** Last year, you had given a proper calculation as to how we are getting this Rs. 8 per unit, and this time around also, I think from one of your documents, it said likely projected revenue for the year was around Rs. 987 crore. If you divide that by say 12, that is around Rs. 82 crore every month. Are these numbers something that would work for us the way it is going right now?

**Management:** We are sharing the toll collection on a monthly basis and the numbers are more or less in line with what we have projected. Going forward, these numbers will improve as I mentioned in the earlier reply, that with respect to the traffic growth and the tariff revision which happens every year.

**Tanveer Sure:** On a quarterly basis, last year, it was Rs. 200 crore. Can we say we would be doing around Rs. 250 crore on a quarterly basis?

**Management:** I can share whatever the toll numbers we have reported. Last quarter, we had reported around Rs. 228 crore of revenue and last quarter was of 92 days. This quarter also, we had a similar revenue in spite the number of days being 90. In fact, with a trailing quarter if you will compare, there is an improvement of almost 2% and further 5% improvement we can have in the tariff from 1st of April.

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

**Sunil Rangaiah:** My question is regarding recently I think your private InvIT also got listed on the NSE. Given that you are already saying there is a hectic competition for the assets and given now that the sponsors has 2 InvITs – one is public and one is private – and probably there are other road InvITs and I think there are 3-4 more road InvITs and there is Bharat Highway InvIT that is planning one more IPO in the coming days. Given this scenario, how.... My first question is, is there any.... I am pretty sure both the trusts are managed professionally and

pretty good, but is there any conflict of interest for the sponsor here having 2 InvITs? The other thing is that given that new InvITs are coming up, especially in road assets, do you think it is going to be even tougher to add more assets? Because, in the last 1 year, even though the market has stabilized and the COVID impact is almost over, we are still in the situation where we could only add a small stretch of HAM asset. That's the only question.

**Management:**

I will go point-wise. First one - with regard to the conflict of interest where there is any conflict of interest between 2 InvITs. Basically, both the InvITs have different objective. Private InvIT was formed with an object to take under-development assets. And based on the SEBI criteria, Public InvIT cannot acquire the under-development asset. In fact, if you look at whatever the assets private InvIT has added, those were the under-development assets. And public InvIT will take only matured assets and it will try to ensure that the payout of the unitholder is not reduced on addition of the assets and that is even the intent of the unitholders also. So, both the InvITs have different credentials and different appetites. So, there is no competition between the two InvITs.

Coming to the various InvITs which are in pipeline and under formation, typically, if you look at the various InvITs which are under formation, those will take the project from the sponsor to begin with. Those are not posing a kind of threat or challenge as of now. Third, with respect to if you look at the opportunity available for the InvITs, as you mentioned that 2 or 3 InvITs are already there and a couple of them in pipeline, even if we assume 5 or 7 InvITs to get listed within a year or so, but still there are around 30 to 40 HAM assets getting constructed every year in the country and those HAM assets, there the player has clearly stated that upon completion of the HAM assets, they will be looking to sell those assets. And InvIT will be the best-suited platform for those assets because of the benefits available under the InvIT platform. Considering that there will be enough opportunity for all the InvITs, though the space looks little crowded as of now, but going forward as more and more HAM assets will get completed, I think there will be enough opportunity for everyone.

**Moderator:**

The next question is from the line of Bharat Jain from ICICI Securities. Please go ahead.



- Bharat Jain:** Just one question from my side. What would be the premium payment for the Tumkur project for FY 2024 and FY 2025?
- Management:** Bharat, for FY24, the contracted obligation for premium of Tumkur is Rs. 184 crore. And for 2025, it will be close to Rs. 250 crore to Rs. 260 crore.
- Moderator:** The next question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.
- Nikhil Abhyankar:** Sorry because I did not hear this question earlier, but what is the total premium outstanding payable to the NHAI?
- Management:** We have talked about the premium for FY 2024 close to Rs. 185 crore. In FY 2025, around Rs. 250 crore to Rs. 260 crore. And total premium till the end of concession, I think Tumkur has still a concession of more than 20 years, that entire premium payable including the deferred premium will be Rs. 5,500 crore.
- Nikhil Abhyankar:** Just for conceptual clarity, I wanted to understand for the MVR project, our concession period will end in January 2027 and the loan repayment will end in FY 2026 itself. On a ballpark, we will get the toll collection for the 10 months completely. Will you distribute all this cash flow or will you be utilizing it for asset purchases?
- Management:** As of now, plan is to basically distribute to the unitholders, but at that time if an opportunity is available, then definitely we can try to add the asset with this amount subject to that if IRR of that particular asset is higher than the IRR which currently the trust is providing. On the current price, the trust IRR will be around 16% to 18% and if we are acquiring project which has an equity IRR more than 18%, then definitely we can use that money or else, we will distribute to the unitholders.
- Moderator:** The next question is from the line of Satinder Singh from Eon Infotech Limited. Please go ahead.
- Satinder Singh Bedi:** What is the amount of cash retained at the trust as of 31st March 2023?



- Management:** The total cash will be around Rs. 225 crore. Out of that, Rs. 55 crore is DSRA amount and Rs. 30 crore is retained to create DSRA for VK1 project. Out of the balance, roughly Rs. 116 crore will be used for payment to the unitholders. Then, the trust will have a net balance of around Rs. 20 crore.
- Satinder Singh Bedi:** Rs. 55 crore is for what, sir?
- Management:** The trust has a debt of Rs. 1,550 crore at the trust level. So, there is a DSRA requirement for that particular loan.
- Satinder Singh Bedi:** And Rs. 30 crore payout is for?
- Management:** Rs. 30 crore is retained for DSRA of VK1 HAM asset.
- Satinder Singh Bedi:** And what is the amount of deferred premium for TC as of March 31, 2023? What is the deferred premium that we have availed so far as of March 31?
- Management:** Total outstanding deferred premium is close to Rs. 540 crore including interest.
- Satinder Singh Bedi:** We said that the loan average cost is about Rs. 8.5%. This 8.5% is on the total Rs. 2,290 crore – both the VK1 loan and the loan before VK1?
- Management:** Yes.
- Satinder Singh Bedi:** When can we expect some payouts from VK1 to start contributing? Because, the distribution is retained at Rs. 2. We were expecting maybe Rs. 0.08 to Rs. 0.10 paisa more from the VK1.
- Management:** VK1 will start contributing from FY 2024. Once the DSRA is created, the surplus amount would be available for distribution. This year, VK1 has contributed 10 to 15 paise per unit and next year it will contribute roughly 40 to 50 paise per unit.
- Satinder Singh Bedi:** Sir, are we fully covered on the O&M cost vis-a-vis the sponsor? Because, the grapevine is that generally bidders have bid very aggressively on O&M for HAM projects. So, is the InvIT covered for the entire tenor on the O&M cost vis-a-vis the sponsor?



- Management:** Yes, when we acquired the HAM asset, we have got fixed price contract for the entire 15 years.
- Satinder Singh Bedi:** Just one final small suggestion. Sir, it is great to listen in to the calls. Normally IRB InvIT declares results on one day, typically a Friday, and you have a call on Monday. That greatly helps us to go through your presentation and other data. It will be great if that initiative can be carried out because I think that's very helpful.
- Management:** Definitely, sir. We will try to keep results on Friday and call on Monday so that you get sufficient time to basically read and understand the results. And sir, even if you have any further query, we can arrange a call with you. While going through the result, if you have any additional query, we can arrange a call.
- Satinder Singh Bedi:** Sir. I personally tried to contact you in the past and your team has been very responsive. Thank you for that.
- Moderator:** The next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.
- Mohit Kumar:** My question is on the debt repayment. How much is the debt repayment scheduled for FY 2024 and FY 2025? And the second question is, is there any proposal to refinance and reschedule the entire debt which we have?
- Management:** Mohit, as of now, payment is close to Rs. 110 crore to Rs. 120 crore for FY 2024 and similar for FY 2025 also. As of now, we are not looking for refinancing. We feel that this is the peak of the interest cycle. Once the interest starts reducing, at that time, I think that will be the appropriate time to refinance the debt.
- Moderator:** The next question is from the line of Rajiv Malhotra, an individual investor. Please go ahead.
- Rajiv Malhotra:** I think the questions were answered so well that nothing else is left for me to ask as of now.



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

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

**Moderator:** Ladies and gentlemen, this concludes the conference for today. We thank you for your participation and for using Researchbytes' conferencing services. You may please disconnect your lines now.

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