



IRB InvIT FUND
Q4 FY24 Earnings Conference Call– **Edited Transcript** – April 30, 2024

Moderator: Good evening, ladies and gentlemen. Welcome to IRB InvIT Fund call hosted by the Investment Manager, IRB Infrastructure Private Limited, for discussing the Audited Financial Results for the quarter and year ended March 2024.

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 for the call would be 45 minutes and any query 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. Vinod Menon to give an overview of the significant development during the quarter and year. Over to you sir.

Vinod Kumar Menon: Thank you. A very good evening to all. I would like to welcome all the investors and analyst on this Call. Hope you have reviewed our detailed numbers as well as the presentation.

During the quarter ended March '24, we observed a robust traffic growth across all our projects. As compared to the corresponding quarter of the previous years, we have observed 12.5% growth in the toll revenue on a like-to-like basis i.e. excluding the Surat Dahisar project. On an annual basis, the toll collection has increased by 10% reflecting robust traffic growth across the portfolio.

For Talegaon Amravati project, we have witnessed positive recovery in toll revenue from February 2024 and the same has continued in the month of March 2024.

We are distributing Rs. 2 per unit for the quarter ended 31st March, 2024. This quarter, we will be distributing Rs. 1.70 per unit in the form of interest and Re. 0.30 per unit in the form of dividend. With this, we have distributed Rs. 8 per unit for the financial year 2023-24. This distribution includes the distribution in the form of interest of Rs. 6.80 per unit, distribution in the form of return of



capital of Rs. 0.60 per unit and a maiden distribution in the form of dividend of Rs.0.60 per unit. Till date, since the IPO way back in 2017, the cumulative distribution has reached Rs. 3,852 crores i.e. Rs. 66.35 per unit, which amounts to 65% of the aggregate fund raised.

During the financial year 2023-24, the trust has announced its maiden distribution in the form of dividend. Dividend has been distributed by M.V.R SPV. The said SPV continues to follow the old tax regime. Accordingly, based on our knowledge, the said distribution in the form of dividend shall be exempt in the hands of the unit holders.

The net debt to the value of assets of the trust is at 0.3:1, providing sufficient debt capacity for acquiring new assets. On the acquisition front, HAM assets from the sponsor group, i.e. VM7 and Pathankot Mandi projects are expected to be completed in FY25. Another project, Chittoor Thachur, is expected to be completed in FY26. Six months post completion of these assets, they will be available for offer to the Trust.

During the month of February 2024, Pathankot Amritsar SPV Company received the arbitration award in respect of compensation for toll suspension on account of Farmers' strike. As per the Arbitral award, NHAI is liable to pay additional compensation to the said SPV for Rs. 28.53 crores as on date of the award, plus applicable interest till the date of payment. In addition to this, the Hon'ble Tribunal has granted an extension of concession period by 472 days to the SPV Company.

On the refinancing front, the Trust is in advanced stage of discussion with the lenders. We will update once the transaction is concluded. The Investment Manager on behalf of the trust also continues to evaluate potential investment opportunities.

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. I will now present the "Financial Analysis" for the year ended March '24 compared with the previous year ended March '23.



The total consolidated income for the year ended March '24 stood at Rs.1,086 crores, as compared to Rs.1,039 crores in the previous year ended March '23. The consolidated income for the previous year excludes revenue from Arbitration award which has been appropriated to the EPC contractor. EBITDA for the year ended March '24 stood at Rs. 886 crores as against Rs. 828 crores in the previous year ended March '23.

Interest cost, which includes the interest on premium deferment for the year ended March '24 stood at Rs. 272 crores as against Rs. 193 crores in the previous year. This is primarily on account of interest cost from the acquired HAM asset which was acquired in the month of October 22.

Depreciation, which includes the amortization cost for the year ended March '24 stood at Rs. 230 crores as against Rs. 261 crores for the previous year. Profit after tax for the current year stood at Rs. 373 crores as against Rs. 370 crores for the previous year.

I will 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. We have our first question from line of Dhiraj Dave from Samvad Financial Services. Please go ahead.

Dhiraj Dave: My first question is basically, what is the revision in toll, like the presentation talks about 1st April 2023 so, 2024 onwards what is the toll rate revision?

Management: In terms of the toll rate revision, based on the WPI as of December 2023, the rate revision will be close to 3.35 to 3.5%. And as you might be aware that Election Commission has asked NHAI to defer the tariff rate revision across India and the revised rates shall be applicable after the Lok Sabha elections.

Dhiraj Dave: Okay. So, we shall expect around 3.5% improvement post say June, something whatever is that post-election code of conduct is lifted?

Management: The revised rates are expected to be applicable from 1st of June.

Dhiraj Dave: Okay. So, that was the first question. Secondly, just kind of thing like is there any specific reason why we are distributing, are we keeping anything in



reserve, basically we have, what is the distribution percentage to NDCF for current quarter?

Management: We have been distributing more than 95% of the NDCF.

Dhiraj Dave: Okay. And any scope to increase the distribution because like in fact, if we compare this to last year, it was 8.05. And we see, since listing while you have given a very good distribution considering the asset, but is there any scope where we can see some improvement even acquiring a HAM asset, actually speaking, that's not moved distribution for the investor, any view of management on that?

Management: This year we have seen an increase in the interest cost across the board i.e. whether debt at project level or InvIT Trust level. So, that has increased the outflow. And considering this year, we anticipate that there will be increase in the collection, we expect that the distribution will increase in this financial year and to guide the exact number probably you have to wait till end of Q1 FY25. At that time, we will be providing guidance for this financial year. But what I can assure you is that distribution in this financial year is expected to be higher as compared to last year.

Dhiraj Dave: Okay, thanks. And just one suggestion while we give this presentation all the details, one slide if you can add basically what is the variable interest rate on our debt and what is the fixed income so, proportion of fixed income and variable interest debt and second is what is weighted average cost per year or up to a particular quarter, if you can present that, that would be very helpful for us to evaluate. And wish you all the best.

Management: Thank you.

Moderator: Thank you so much. We have our next question from the line of Tanveer Suree an Individual Investor. Please go ahead.

Tanveer Suree: The toll revenue break-up, any particular reason why we don't show the collection for the year through the HAM asset as well?

Management: We have one slide for the HAM, i.e. Slide #14, on that slide, we have provided income from HAM project.

- Tanveer Suree:** Yes, but what I was asking was, if you could show it in the same group, in the gross toll collection, wouldn't that just be easier to read from all the projects, how much toll collection we did or how much total revenue we get?
- Management:** There we are disclosing the toll collection and HAM project, we get annuity from the Authority. We can certainly modify the slide to include this HAM income, i.e. HAM annuity coming from the Authority, so we can basically create one more sub-group and we can disclose that.
- Tanveer Suree:** Yes, that would be good. And you all get the annuity twice a year, if I'm not mistaken?
- Management:** Yes.
- Tanveer Suree:** Okay. And which month you all get it?
- Management:** First annuity in the month of October and second in the month of April.
- Tanveer Suree:** October and April.
- Moderator:** Thank you, sir. We have our next question from the line of Mr. Saurabh, an Individual Investor. Please go ahead.
- Saurabh:** So, how much cash do we have at Trust level currently?
- Management:** Is it March '24?
- Saurabh:** Yes, after distribution, how much cash we will have?
- Management:** That surplus distribution excluding the DSRA and distribution will be Rs.15 to Rs.20 crores.
- Saurabh:** Okay. Now, related to this, this isn't consistent, we have Rs. 15 to 20 crores always from quarter-to-quarter that I see, and if we go back last year, it was Rs. 8.05, the DPU for the whole year. This year, it is eight. So, what has, and we say on one hand that, the revenues or the toll collection has increased by 11%. So, are we saying because of the finance cost almost, the DPU has not changed. So, what gives, is it the finance cost that has eaten this up?

- Management:** Yes. So, you are absolutely correct. If you look at the interest cost, what we had paid last year was Rs. 193 crores and this year, we have paid Rs. 272 crores. Roughly Rs. 80 crores of higher interest we have paid in this financial year.
- Saurabh:** So, basically then, like in the last call, management has informed that you will be taking certain steps to obviously refinance this, can we like what is the interest is it a floating rate that we are paying, can we give that guidance, how much interest, what is the rate of interest that we are paying currently?
- Management:** Currently the rate of weighted average rate of interest is around 8.65% to 8.7%.
- Saurabh:** Okay. Because we are 'AAA' rated, so I was like, and 8.6 is still descent and last year what it was?
- Management:** Last year, it was close to 7.8% or 7.9%, we have observed almost 80 to 100 bps increase over one year.
- Saurabh:** Okay. And with refinancing what we are trying to achieve as in like what, how much reduction are we expecting?
- Management:** Definitely, our endeavor is to reduce the interest rate. And secondly what happens as of now, the rates are linked with various benchmarks. We have multiple lenders and different lenders have different benchmarks. As we are expecting, the interest rate will start reducing in future and different lenders will have different timeframes to reduce their MCLR, so then the full impact will not flow to the InvIT. Our endeavor is to save interest cost i.e. 20 to 30 basis points immediately due to refinancing. However, on long run basis, reduction in RBI rate will lead to MCLR rate reduction and the rate benefit will accrue to the Trust. So having such lenders will definitely help the unit holder and the Trust to reduce the interest cost in the future.
- Moderator:** Thank you, sir. We have our next question from the line of Dipen Shah a Shareholder. Please go ahead.
- Dipen Shah:** I had a question on the acquisition of new projects. We have spoken in the initial remarks that we will be looking at new assets probably in FY25 or maybe FY26 because the sponsors assets are actually becoming operational in the current year. I just wanted to understand apart from the sponsor assets are



further assets available in the market at good IRR and what are the current level of IRR at which the deals could happen, so just wanted to understand like how should we look at asset addition apart from the sponsor assets in the next one to two years. Thank you.

Management:

So, in terms of asset addition, the IRR will be one yardstick, but one has to also look at what kind of assumption is there to reach that particular IRR. If it is toll road assets, then one has to look at what is the traffic growth assumption, what is the tariff increase assumed and what is the cost of debt and the O&M considered. So, if assumptions are very high traffic growth or high inflation, then definitely the IRR may be higher, but it will be difficult to realize that particular IRR. And for annuity assets, as you are aware that interest rate everybody is talking about, we are at the peak of the cycle. And with respect to the annuity assets, if we acquire the annuity asset at the current level, in future, if the bank rate reduces then automatically the interest coming from the NHAI will also reduce since NHAI interest on annuity payment is linked with the RBI bank rate. So, while evaluating the project, one has to look at the other variables like interest cost and what kind of O&M one has factored because if the O&M is not properly factored, then definitely there will be additional costs going forward and which will basically have impact on the payout. So far, we have already evaluated more than 30 to 35 third party assets. We have also given offers for some of the assets. But so far, we were not able to meet the expectations of the seller. Going forward also, we will evaluate whenever the opportunities are available. And, as we are in fiduciary capacity, we will make our effort to add the asset, only when we are sure that it will not be detrimental to the interests of the unit holder.

Dipen Shah:

Okay. And thanks for the reply and how about the sponsors assets, do you expect them to come at a good level or within the benchmarks or there also we need to compete with others, how does the situation pan out over the next one to two years?

Management:

So, the sponsor has three HAM assets which will be available in next two years and for Sponsor, O&M will be agreed upfront, so whatever the O&M unitholders agree on that particular price, since the asset is constructed by the Sponsor, Sponsor will underwrite the O&M amount. So, the one variable in the HAM asset will be over and since this asset will be handed over the period

of two years, by that time we will also see rationalization of interest by RBI, so that will also stabilize what kind of interest we are going to get from the NHAI side. So, that will rationalize both the variables of the HAM so then whenever we add the asset, definitely it will add to the payout to the unit holders.

Moderator: Thank you, sir. We have our next question from the line of Mr. S.N. Rajan an Individual Investor. Please go ahead.

S.N. Rajan: Two questions, one our NAV should be in the region of around Rs. 101 or 102 per unit in this year. And is there anything that the management is trying to do at this huge, discounted NAV to be fair value. Promoter had bought share in October 2020 that is at individual capacity whether it's been done. And my second question would be, what would be the average duration of the total asset in the company?

Management: So, if you look at the InvIT, the total duration of the InvIT is around 15 years and in terms of per unit value is close to Rs. 98.5. So, that is a broad specs in terms of the life of the asset and per unit value.

S.N. Rajan: Then, my question is, is there any thought on this huge discount that we are quoting to NAV, anything that can be done, the Company would have thought straight away about the buyback or something so, I am just asking have you ever explored?

Management: The basic premise for formation of the InvIT and the object the InvIT is to maximise the pay out for the unit holders and if the InvIT decides to buy back units then definitely all the units cannot be bought back, so then whatever the we will buy, it will be out of what we are distributing and that is not the aim or objective of the InvIT. And in fact, InvIT Regulations also does not permit that, because the aim is to distribute to the unit holder. Hence, buyback is not feasible. We are trying to maximise the distribution, so, that the trading price should reach to a fair value per unit.

Moderator: Thank you, sir. We have our next question from line of Sirish Vaze from Moneylife Advisory. Please go ahead.

Sirish Vaze: Sir, first question pertains to the acquisition of the three HAM assets that you have envisaged from the promoter. So, I just wanted to understand would you be able to complete these acquisitions fully funded to debt or would you also require to raise additional equity to fund these projects?

Management: Based on the current limit available, we can fund it through debt also. But, whenever we decide to acquire the asset, where we will reach to the closure, at that time, we can decide the modality. I can say that the Trust has adequate capacity to acquire these three assets with the debt.

Sirish Vaze: The reason why I was asking is, because we are quoting at a high discount to NAV so, in that case, using equity as an option may not be in the best interest of unit holders. So that's why that was the main reason. The second question is regarding our total debt right now. So, can you just give us a breakup of what percentage of our total debt is fixed and what percent variable interest?

Management: As you rightly mentioned, we are today 0.3 times of the total asset size and we can easily go up to 49% and even with a AAA rating, we can go up to 70% as per InvIT Regulations. So then definitely considering we are trading at a discount to our fair value, our endeavor will be always to add asset through debt so that the unit holder does not get diluted.

The outstanding debt is Rs. 24 billion and that is entirely variable. So when we say the variable it's typically three months or six months linked with the MCLR. After three months, automatically, there will be change of the rate and some are linked with the six months MCLR, then after six months, there will be reset of the rate.

Moderator: Thank you, sir. We have our next question from the line of Satinder Singh from EON Infotech Limited. Please go ahead.

Satinder Singh: A few questions. Mr. Menon if you could give us a visibility on how the dividend component will move like so what's the kind of exempt dividend for this coming financial year, the March '25 what kind of a dividend component we see out of the total payout?

Management: So, our endeavor will be to pay close to Rs. 1.5 to Rs. 2 by way of dividend or return of capital, probably large portion of that will be in form of dividend. And this year we have paid Re. 0.60 as a dividend which is tax free for the

unitholders. And next year, definitely this amount will increase in range of Rs.1 to Rs.1.5 will be in form of the dividend.

Satinder Singh: Right sir. So, this is regarding the Jaipur-Deoli, we see a very smart traffic increase compared to the year before. And this has been sustained for the last almost seven, eight months now. So, what are the reasons for this and do we see this as durable?

Management: As Jaipur-Deoli, initially we have faced some challenges with respect to the mining ban. And as we have explained about in the past also, the Government has started allocation of the mining in the phased manner. And now the mining traffic is back, so considering that we have seen an improvement in terms of the toll collection.

Satinder Singh: Okay. So, do we see some more traction or is mining fully back?

Management: 80% to 90% is already back, we may get some traction but that may not be that substantial.

Satinder Singh: Okay. And about Talegaon Amaravati so we have seen recovery in February and March. So are we back to normal on Talegaon Amaravati in terms of those road closures or at all, do we have some distance to go on this?

Management: So, we expect that a similar trend should continue in future as well.

Satinder Singh: Okay, right. And what is the contribution of VK1 to the total distribution in FY24. So, net of the interest cost that we pay out for the loans we have taken what is the net contribution to the distribution in FY24 for VK1 please?

Management: Close to Re. 0.50 VK1 has contributed in FY24.

Satinder Singh: Okay, about Rs.29 to Rs.30 crores would be the contribution.

Management: And expect to increase slightly for the next financial year because earlier envisaged there was Rs. 15 crores increase in DSRA. The project should have contributed around Rs.35 to Rs.40 crores as against that Rs. 25 that was contributed. Next year again, we expect around Rs. 40 crores kind of contribution from the VK1.

- Satinder Singh:** Okay, fine. And what is the deferred premium of Tumkur – Chitradurga as of 31st March?
- Management:** It will be close to Rs.650 crores including interest on premium deferment.
- Satinder Singh:** And regarding this, about the traffic sir and normally in our growth the value estimates about a 5% increase in traffic and about a 5% increase in tariffs for a cumulative revenue uptick of about 10%. So, this time the tariff increase is going to be about like 3.5% only on an average as you mentioned. So, do we expect to pick up the rest from traffic, because of the lower WPI based tariff increase?
- Management:** Considering the general elections, traffic momentum should be good in this financial year. And on the backdrop of the same, we should be able to do a close to 10% growth, 9.5% to 10% kind of growth in this financial year also. And we are quite hopeful for the same.
- Satinder Singh:** Okay, right sir. And when are the valuation reports expected sir, that's probably should have been done already by now?
- Management:** It will be uploaded shortly.
- Moderator:** Thank you sir. We have our next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Just one bit, so this year broadly we saw around 10% increase in revenues, yet the effect of it was eaten up by finance cost increase because of our yield that we had to pay to the banks. So, now considering the worst case, the interest rate remains as it is. And given that we are projecting for let's say closer to 10% growth in the overall revenues a mix of traffic and inflation. So, can we expect at least 5% or 6% increase in the DPU in the coming year?
- Management:** Definitely yes, our endeavor is to increase the payout, but differently the DPU will increase by 6% to 7%.
- Sarvesh Gupta:** Understood. And this will also, the increase which will come a major part of it should come in the form of exempt dividend is that the right understanding sir?
- Management:** Probably yes.



- Moderator:** Thank you, sir. We have a follow up question from the line of Tanveer Suree, an Individual Investor. Please go ahead.
- Tanveer Suree:** So, we said that on Slide #18 instead of that NDCF is the cash that has been distributed actually. So, in FY24 we are distributing slightly less cash although we have made more net distributed cash flow which is like as compared to FY23. So, your optimism of increasing the DPU and this year being better, is that an indication that we made dip into the reserves, or we will not be dipping into reserves for further distribution for the coming year?
- Management:** Our endeavor is to pay out of the cash generation, and we should not dip in the reserves.
- Tanveer Suree:** Okay. So, it is purely out of the traffic growth and on those levels, right?
- Management:** Yes.
- Moderator:** Thank you, sir. I now hand the conference over to Mr. Vinod Menon for closing comments.
- Management:** Thank you very much all the investors and the team for joining this call. And we would take all the rest of the queries on the mail, which my team would be very happy to reply. Thank you very much.
- Moderator:** Thank you, sir. Ladies and gentlemen, this concludes your conference for today. We thank you for participation and for using Research Byte Conferencing Service. You may please disconnect your lines now. Thank you and have a great evening.