IRB InvIT FUND

Q2 and H1 FY'26 Earnings Conference Call-Edited Transcript
November 13, 2025

Moderator: Good evening, ladies and gentlemen. Welcome to the IRB InvIT Fund conference call hosted by the Investment Manager for discussing the Financial Results for the quarter and half year ended September 2025.

We have with us on the call today-Mr. Anil Yadav, Mr. Rushabh Gandhi and Ms. Swapna Arya from IRB InvIT team.

As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

Please note that the duration of this 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. Rushabh to give you an overview of the significant development during the quarter. Over to you, sir.

Rushabh Gandhi: Thank you. Good evening, everyone.

I would like to extend a warm welcome to all our investors and analysts joining us on the call today. I trust you have had an opportunity to review our detailed financial results in the accompanying presentation.

Acquisition of Assets

During the quarter, the Trust successfully completed the acquisition of three road assets with a combined Enterprise Value of ₹8,436 crore.

The acquisition was funded through an institutional placement of approximately ₹4,250 crore, marking one of the largest fundraises by any public listed InvIT. This was also the first capital raise since our listing in 2017 and witnessed strong, broad-based participation from a diverse group of marquee long-term institutional investors, both foreign and domestic (details as per presentation).

The three highway assets acquired from the IRB Infrastructure Trust, with a weighted average life of 21 years, include:

- Hapur–Moradabad (NH-9, Uttar Pradesh)
- Kaithal–Rajasthan Border (NH-152/65, Haryana)
- Kishangarh–Gulabpura (NH-79A, Rajasthan)

With this acquisition:

- The weighted average concession life of the portfolio has increased from ~14 years to ~17 years, enhancing long-term cash flow visibility.
- The portfolio now comprises 9 operational road assets (8 BOT and 1 HAM), with a total Enterprise Value exceeding ₹16,000 crore — more than double the earlier portfolio size.
- The Trust has expanded its footprint into two high-GDP states — Uttar Pradesh and Haryana — further strengthening its geographic diversification and growth potential.

Toll Revenue Performance

During the quarter, we recorded a year-on-year toll revenue growth of approximately 6% across our portfolio, despite a heavy and extended monsoon across several regions of the country.

This growth was driven by the continued strong performance of our key projects — with the Tumkur–Chitradurga project reporting an 11% increase, followed by the Jaipur–Deoli project with 6% growth.

Additionally, the Omalur–Salem project saw a tariff escalation of 2.25%, effective 1st September 2025.

Reset in Distribution

With the expanded capital base, the Trust has declared a distribution of ₹192.24 crore, resulting in a payout of ₹1.50 per unit.

The distribution comprises:

- ₹0.90 per unit as interest
- ₹0.48 per unit as return of capital
- ₹0.12 per unit as dividend

We expect this level of distribution to continue going forward.

Strong Credit Profile and Capital Management

The Trust continues to maintain a robust credit profile, with its 'AAA' rating reaffirmed by two leading credit rating agencies.

During the quarter, we successfully reduced our average cost of debt from 8.50% to 8.00%, reflecting our strong financial position and disciplined capital management.

Additionally, upon receipt of approval from NHAI, the VK1 SPV debt was successfully refinanced at the Trust level, resulting in complete consolidation of debt across the portfolio. This step enhances financial efficiency and optimizes our capital structure.

In connection with the recent acquisitions, the Trust also raised Non-Convertible Debentures (NCDs) amounting to ₹1,150 crore, with tenures of 5, 10, and 15 years, and coupon rates ranging between 7.35% and 7.40%. This structure provides long-term funding stability at competitive rates, further strengthening the balance sheet and supporting future growth.

The quarter reflects continued operational resilience, disciplined capital management, and a clear focus on sustainable growth. With the expanded portfolio and strengthened balance sheet, the Trust is well positioned to deliver consistent distributions and long-term value to its unitholders.

Having more than doubled our portfolio size through the recent acquisitions, we are now firmly on track to achieve an AUM of approximately ₹40,000 crore over the next three years, supported by a healthy pipeline of opportunities and a robust sector outlook.

Financial Performance: -

Now I would like to take you through the financial performance for the current quarter as compared to the corresponding quarter of previous year:

The total consolidated income for current quarter stood at ₹ 278 crores as compared to ₹ 270 crores for the corresponding quarter of previous year.

The consolidated toll revenues for the current quarter increased to ₹ 242 crores as against ₹ 228 crores for the corresponding quarter of previous year.

EBITDA for the current quarter stood at ₹ 233 crores as against ₹ 224 crores for the corresponding quarter of previous year.

Interest cost, which includes interest on premium deferment for the current quarter stood at ₹ 73 crores as against ₹ 72 crores in the corresponding quarter of previous year.

Depreciation, which includes amortization on toll collection rights for the current quarter stood at ₹ 72 crores as against ₹ 64 crores for the corresponding quarter of previous year. Profit after tax stood at ₹ 83 crores as against ₹ 85 crores in the corresponding quarter of previous year.

Now I would like to request the moderator to open the session for Q&A.

Moderator: Thank you. First question is from the line of Mr. Dhvaneet Savla from Savla Family Office. Please go ahead.

Dhvaneet Savla: My first question is with regards to the 6% increase which we have seen in the toll collection. I understand that comparably it will be a little different because I think so the Pathankot project last year had given significantly less revenue because of certain ongoing issues with that. So, this 6%, what is this mainly attributed? And secondly, these new 3 projects which we have taken, okay? I know it is still early, but can you give us kind of a guidance on what kind of revenues we are looking for? And is it going to lead to higher DPUs in the future or probably the same DPUs, but for a longer we are going to enjoy the same.

Management: Yes. Thank you for your questions. I believe your first question was regarding the growth in revenue and traffic. As the Management mentioned in the opening remarks, this year we experienced excessive rainfall and an extended monsoon, which had some impact on overall traffic. If you look across the sector, including several listed InvITs, there was a similar impact.

Another factor was the Government's announcement on 15th August regarding GST reform. Following the announcement, there was a temporary slowdown in activity, which affected vehicle movement and related logistics. These factors collectively contributed to slower traffic growth during the period.

Coming to your second question on acquisitions—our focus has been to expand the life of the portfolio and enhance overall payouts to unitholders. If you observe, the life of the existing asset base was gradually reducing and had come down to about 14 years, which was also reflected in the declining unit price. With the new acquisition, we have added an asset with a life of 20–21 years. As a result, the asset size has increased from about ₹8,000 crores to ₹16,000 crores, and the average portfolio life has improved from 14 years to around 17 years.

Along with increasing the portfolio life, visibility of the payout. When an asset with a longer life is acquired, there is naturally some adjustment in DPU, in short run. In any case, the DPU would have required adjustment once the MVR project concluded in FY '27. With the current acquisition, we expect to maintain a payout of ₹6 per unit for this financial year. With only two quarters remaining, we expect to distribute about ₹1.5 per unit per quarter. For next year, we expect the payout to increase by around 5% to Rs.6.30 per unit p.a.

As we had indicated in the last call, we also plan to add one HAM asset without any dilution to existing unitholders. With this addition, distributions are expected to further increase by 3–4%, again without any dilution.

Moderator: Thank you. The next question is from the line of Mr. Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: This reduction in DPU has happened, so this is primarily owing to the acquisition? And how does the acquisition numbers now that we have it, how does that change the YTM that we had originally envisaged before the acquisition versus after the acquisition?

Management Can you just elaborate YTM what you are referring? You are referring to the IRR or payout, if you can just elaborate on YTM.

Sarvesh Gupta: So, sir, I am referring to IRRs basically, let's say, at this time, what we expected to get till the end of the life in terms of percentage, and I think somewhere in the previous calls, you had alluded that, that number is around 13%, 14%. And after the acquisition, how does that change?

Management: Yes, Sarvesh, very good question. We will cover that. As per InvIT regulations, we are required to provide the valuation of all assets, where the valuer factors in the toll revenue as well as the O&M costs. Since we operate under fixed-price O&M contracts, there is no volatility in our operation and maintenance expenses. For the private InvIT as well, the valuation of the three assets is already in the public domain.

Based on those valuations, and the annualised payout of around ₹6 this year, the current market price implies a yield of roughly 10%, which is expected to increase by about 5% from next year onwards. Even without factoring in any additional asset acquisitions, this payout is expected to grow by 5% annually for the next five years and by 10% thereafter.

If you look at the IRR on the current unit price, it works out in the range of 15%–16%, depending on the growth assumptions one applies. However, based on the valuation report available in the public domain, it should be upwards of 15.5%–16%.

Sarvesh Gupta: Yes, sir. one more question was that when I have seen some of these reports in the past, we had assumed almost a high single-digit, sort of low double-digit toll revenue increase, including the inflation increase, which was also earlier higher than what we are doing now. So, when you are saying 15%, 17%, have we adjusted to the newer realities where we are able to get maybe only 5% overall revenue growth instead of 8%, 9%, 10% overall growth. So, what is the assumption that we have in built because inflation has also come down. And secondly, like-to-like, if you see the toll revenue increase also, for example, ex of Pathankot, even in the latest month, which one asset was disrupted. If I ex out that, then the revenue growth is only 2%. So, inflation is anyways down and the overall toll revenue growth is also, I think, ex of the disturbances is not very high, so as per the current reality is this 15%, 17% or as per the earlier 8% to 10% toll revenue growth, it's coming to 15%, 17%.

Management: I think if you look at the valuation report, the first set of numbers is dependent on the actual revenue realized. Historically, this project has seen Traffic growth in the range of 5–6%, and if you add inflation over the last 5–6 years—which itself was upwards of 5%—the overall revenue growth has been close to 10%. As you rightly mentioned, the valuer has assumed around 9.5% revenue growth, which is broadly in line with historical trends.

We also need to consider inflation behavior. There have been years where inflation for some of our projects was 10–11%, and in a few cases even around 14%. So, when there are years of higher growth, the inflation adjustment happens naturally over the valuation cycle. One positive structural feature for our projects is that our inflation-linked increment is 3% fixed plus 40% of WPI. This means that even if WPI stays flat, we still get a 3% fixed escalation.

To give some context on the financial side: last year the Trust's interest cost was about 8.9%. This has now come down to around 7.9% on a weighted-average basis, including the total debt. With total debt of approximately ₹8,000 crores, a 90–100 bps reduction in interest cost results in savings of nearly ₹80 crores annually. That is significant.

Even a 1% change in revenue amounts to about ₹18 crores. So the savings from lower interest costs are substantially higher than the potential reduction from any marginal variation in revenue. Keeping this in mind, the valuer incorporates these real-world factors in their assessment, and therefore the valuation reflects realistic assumptions.

Looking at the short- to medium-term horizon, we believe these numbers are achievable.

Sarvesh Gupta: Okay. And sir, on the breakup of this, so this time we have also got in some capital repayment. So, going forward, what sort of a mix is supposed to be there?

Management: I think historically, if you look at 66% to 75% we were paying in form of interest and balance was in form of dividend and capital repayment and which is expected to remain in the similar pattern, roughly 2/3 or 3/4 will be interest and 1/4 will be a kind of capital repayment and dividend.

Sarvesh Gupta: No, sir, just capital reduction part of it, if you can give some guidance on that because that is treated differently from a tax perspective compared to dividend.

Management: Even the dividend also, dividend is exempt in the hands of the unit holders.

In our case, all the SPVs, except for VK1 are following the old tax regime. So, as per the income tax law, if the underlying SPV, which is providing the distribution to the trust is following the old tax regime, then the distribution in the form of dividend in the hands of unit holders will be exempt. So, in fact, the 3 assets which we have acquired, even those 3 assets are following the old tax regime. But typically, for BOT asset, initially, they have a book loss because of amortization and finance cost. So, in case of MVR, it is on the fag end of the concession, accordingly, it has started generating book profit. So, that book profit, we are distributing in the form of dividend, which is exempt in the hands of unit holders.

So, just to clarify that since all our SPVs are following old tax regime, whatever the dividend is paid will be exempt in the hands of the unit holders. This is what is our understanding of the income tax.

Sarvesh Gupta: Okay. So, broadly, you are saying that for the remainder of the year, you will pay ₹ 3. And then next year, HAM asset would also be acquired. So, next year might be ₹ 6.5 or thereabouts. Is that the right understanding?

Management: Yes, absolutely correct.

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

Saurabh: Yes. So, I am just taking a step back and trying to understand the big picture. I have been an investor and I have been in InvIT, I think, for just after listing. Sir, I just want to understand and I've been attending all your conference calls for the last 6, 7, 8 years. In the last 2 calls when we were discussing about these assets, the way this acquisition was supposed to be structured was without diluting the return for the shareholders, for the existing shareholders. But today's press release shows that there is a decline of ₹ 1.5 on an annual basis, which is fine. We have acquired new assets. The life has become elongated for the asset. But when can we see growth? Because when I look at your monthly toll numbers that you report, we are growing, the country is growing, but somehow the DPUs, the asset price for IRB InvIT does not seem to grow. When we acquired the HAM asset 2 years back, it was supposed to add some additional return. What am I missing here? I mean, next year, you are saying it's going to be ₹ 6.5. And I think in a few years back, some calls, you had mentioned that in 2030, we will get as high as ₹ 15, ₹ 20 dividend. So, I am not getting into number specific, but I am just trying to understand, and I have other InvITs as well in my portfolio. All of them seem to be growing, but I am missing something in IRB InvIT. I am just trying to understand what is it that I am missing. Your monthly toll numbers seem to be growing, everything seems to be growing, but the DPUs and share price are the only 2 things that don't seem to be growing. So, what am I missing? And interest rate affects all the InvITs and the REITs. So, it's not specific to IRB InvIT. The economy is doing well. So, I'll take a pause here. I would appreciate some comments from the management.

Management: Yes, thank you. Thanks for the candid feedback. I will address all the questions. When we announced this transaction, the InvIT unit price was trading around ₹50–₹52. Over time, it has moved to approximately ₹60. Since you are a unitholder, you would appreciate that InvITs which add assets and grow their portfolios generally demonstrate better price performance compared to InvITs that distribute high DPU but do not grow, where prices tend to decline.

There are examples of both types of InvITs in the market—though it would not be appropriate for me to name them. In the case of growth-oriented InvITs, even if their yields are around 9–10%, their unit prices have consistently improved. Investor expectations are clear: an InvIT must provide a stable yield, but it must also demonstrate consistent portfolio growth. If you look at InvITs that have been regularly raising capital, each capital raise has generally occurred at a 10–15% premium to the previous one.

We believe we are now firmly on a growth path, and we expect consistent asset additions going forward. Coming back to your question on yield—as you rightly said, when toll revenues grow, unitholders should benefit through improved yields. As Rushabh explained, the payout for this year is expected to be around ₹6 per unit, and next year we expect around 5% growth in DPU based on the existing portfolio. The addition of the HAM asset will further enhance distributions.

Regarding your point that revenue is growing at 8–9% while DPU is increasing by around 5%—this is because debt repayment also continues in a ballooning structure. Those repayments get adjusted before distributions are made. Therefore, the DPU growth reflects both revenue performance and debt amortisation.

Based on publicly available data, our guidance remains: approximately ₹6 per unit for this year (annualised for the remaining two quarters), followed by about 5% growth in the next financial year.

Saurabh: Just one follow-up question. So, forget the next 5 years, whether the economy or you grow by 5%, 3%, all of that is fine. But when can we, as investors, expect a bump up in the dividend? If I go back 1 or 2 years in the conference calls, once these premium repayments are finished, we are supposed to see a nice jump in the DPUs. Is that still applicable for the year 2029, 2030 or that's also gone?

Management: No, it's not gone. You are absolutely correct—you have studied the model well. As you are aware, the deferment premium is still being serviced, and that is expected to conclude by FY 2030. Once that is completed, the entire surplus will become available for distribution. So yes, that benefit will certainly flow through.

However, by that time the distribution will be shared across a larger base of unitholders. Even then, from FY 2030 onwards, there will definitely be a meaningful step-up in distributions.

Saurabh: If right now, your team can just mention to all the investors, how much will that jump up be? Sorry, that's the final question.

Management: As of now, our guidance is 5% annual growth for the first five years, followed by 10% growth thereafter. Any additional step-up beyond this will be communicated separately as and when those numbers are finalised.

Moderator: Thank you. The next question is from the line of Mr. Yash Mishra from SKS Capital & Research. Please go ahead.

Yash Mishra: So, I had just 2 questions. Firstly, what would be the NAV post dilution?

Management: I think the NAV calculation here is quite straightforward. Earlier, the NAV was around ₹93–₹94. The QIP was issued at ₹60, and the preferential allotment made to IRB and L&T was at ₹63. Considering these factors, a blended valuation of the two would place the NAV in the range of approximately ₹75 to ₹80.

Yash Mishra: Okay. And the second question would be a simple one. So, the reason for the decline in DPU would be mostly due to the increase in number of unit holders?

Management: No, no, that is not the reason. One point I would like to highlight is that these are toll assets, and toll assets typically deliver 8–9% growth over their life. When the existing portfolio has an average life of around 14 years and the asset we are acquiring has a life of 20–21 years, there is naturally a mismatch in asset life.

Because revenue continues to grow consistently over the years, whenever you add a longer-tenure asset, the payout gets adjusted accordingly. It is not simply because the unit capital is increasing that the DPU changes—it's fundamentally linked to the life of the asset. If we had added an asset with only a 10-year remaining life, the DPU would definitely have increased.

Moderator: Thank you. The next question is from the line of Mr. Sunil Kumar, an individual investor.

Sunil Kumar: Again, I am a retail investor, sir. General question everybody asked, but I want a little bit of clarity on this. Other InvITs also where I invested, I do see that they do acquisition and kind of resulting into the DPU as well. And our case, I understood that the explanation you gave before. And at least it shouldn't be like the DPU shouldn't be falling. But unfortunately, we do see that falling. Why is this the difference between other InvITs versus us, sir?

Management: Yes, let me answer this first, and if you have anything to add, please do. You've raised a very pertinent question.

In an InvIT, if you look at assets like transmission assets or, in our case, annuity/HAM assets, the revenue typically starts at a higher base and gradually begins to decline after 8–10 years, with no growth thereafter. These assets usually have a life of around 15 years. In such cases, the payout increases from day one because the revenue is front-ended.

As we were discussing, whenever we have added a HAM asset in the past, the DPU has improved. We are about to add another HAM asset now, and the DPU will increase again. Whenever the underlying asset does not have revenue growth, the DPU increases from day one. However, when you have a growth asset that compounds consistently, there is a natural mismatch between the life of the existing assets and the life of the asset being acquired. If the new asset has a much longer residual life, the initial DPU is bound to adjust downwards.

This may not be directly relevant to your question, but just to give you an example—we have formed another private InvIT, which acts as a development platform. Investors came in during FY2020, and there was no payout until 2024. This is because, when assets are newly completed, the initial revenues are on the lower side; as the assets mature, revenue increases. In fact, if you refer to our sponsor's corporate presentation, there is a slide that explains how BOT, TOT, or toll road assets evolve over their lifecycle based on toll revenue.

Therefore, when you have a mix of assets with different lifespans, the payout gets affected in the initial years. That was one reason.

The second reason is that the MVR asset was anyway nearing the end of its life, and there would have been an automatic readjustment of the payout. The MVR asset alone is currently contributing close to ₹2 per unit. So, even otherwise, the payout would have adjusted once the MVR concession was handed back. But with this new asset addition, that impact is being taken care of. There will be no blip in the payout when the MVR asset completes its life.

Moderator: Ladies and gentlemen, this was the last question for today. I would now like to hand over to the management for the closing comments. Please go ahead, sir.

Rushabh Gandhi: Thank you very much to all the investors and analysts on the call.

Moderator: Thank you so much, sir. On behalf of IRB InvIT Fund, this concludes the conference. Thank you for joining us and you may now disconnect your lines.