



IRB InvIT Fund
Q2 FY24 Earnings Conference Call – Edited Transcript – October 26, 2023

Moderator:

Ladies and gentlemen, good day and welcome to the Q2 FY24 Conference Call of IRB InvIT Fund September 2023 result discussion.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation conclude. Should you need assistance during the conference call, please signal and operator by pressing star, then zero on your touch tone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Vinod Kumar Menon CEO of IRB InvIT Fund. Thank you and over to you.

Vinod Kumar Menon:

Thank you. Good evening and belated happy Dussehra to all. I would like to welcome all the investors and guests on this call. Hope you have reviewed our detailed numbers as well as the presentation. We are distributing Rs. 2 per unit for the quarter ended September 30, 2023. During the quarter ended September 2023, we received the tariff rate revision of approximately 1.2% for our Omalur Salem project. We would also like to reiterate that with effect from 1st April 2023, tariff rate was revised by ~ 5% across the other 4 projects i.e. Tumkur Chitradurga, Jaipur Deoli, Pathankot Amritsar and Talegaon Amravati projects.

As compared to the corresponding quarter of the previous year, we have observed a growth of around 10% in the toll revenue. The key contributors to the toll revenue growth are Tumkur Chitradurga, Omalur Salem and Jaipur Deoli projects. We have observed some softening of traffic in Talegaon Amravati and Pathankot Amritsar projects.

Considering the upcoming festivities and historical seasonal trend, we believe that the second half of the fiscal year will perform better as compared to the first half. The Investment Manager, on behalf of the Trust, continues to evaluate potential investment opportunities. The net debt to value of assets of the trust is 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. Over to you, Rushabh.

Rushabh Gandhi:

Thank you, Sir. I will now present financial for the quarter ended September 23 compared with the corresponding quarter of previous year i.e. September 22.



The total consolidated revenue for the quarter ended September 23 has improved to Rs. 258 crores as compared to Rs. 203 crores in the corresponding quarter of previous year. The consolidated toll revenues for the quarter ended September 23 have improved to Rs. 218 crores as compared to Rs. 199 crores in the corresponding quarter of the previous year registering a growth of 10%.

EBITDA for the quarter ended September 23, stood at Rs. 214 crore is against Rs. 163 crores in the corresponding quarter of the previous year. Interest cost, which includes interest on premium deferment for the quarter ended September 23, stood at Rs. 68 crores as against Rs. 36 crores in the corresponding quarter of the previous year.

This is on account of the interest cost from the newly acquired Vadodara Kim HAM project, which was acquired in October 22. Depreciation, which includes amortization of the assets for the current quarter, stood at Rs. 56 crores as against Rs. 53 crores in the corresponding quarter of previous year.

Profit After Tax for the quarter ended September 23 stood at Rs. 88 crores as against Rs. 73 crores in the corresponding quarter of the previous year.

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

Moderator:

Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Dhvaneet Savla from Savla Family Office. Please go ahead.

Dhvaneet Savla:

Hello, Sir. Congratulations on a good set of numbers and especially considering the increase in our toll revenues for some of the projects. My question is mainly on the Talegaon Amravati project. Any particular reason why we have seen a decline in revenue, in fact, a decline in traffic movement on this road and I also have a second question. This is with regards to the Pathankot Amritsar project, is there anything, any compensation still receivable from the Government authority pertaining to the closure due to the farmers' protest happened last year or all dues have been cleared from the Government side? Thank you.

Management:

With respect to Talegaon Amravati, as we have updated the investors in the past also, on account of the entry ban of heavy vehicles during daytime in the city, the vehicles are taking a different route and because of that, there is a lower traffic on our corridor. And with respect to Amritsar Pathankot project, we have received part of the claim and part is still pending, roughly Rs. 40 to 45 crores is still pending to be received from the Authority.

Moderator:

Thank you. The next question is from the line of Shrish Vaze from Moneylife Advisory Services. Please go ahead.



- Shrish Vaze :** My question primarily concerns the acquisition that we have discussed in the past quarter, that from the Sponsor, we are looking at 3 HAM assets to be acquired. Just wanted to know if there is any update or progress on this scheme and the timeline in which we probably expect these acquisitions to be completed.
- Management:** There are three assets from the Sponsor and those can be acquired over the period of three years. The first asset will get completed in six to eight months from now. Probably within the next one year, we can expect to acquire at least one HAM asset from the Sponsor. Apart from the assets from the sponsor, we are also evaluating the third-party assets. Once we reach to some conclusion so that we can put forth to the unitholders for their approval, then definitely we will reach to our unitholders.
- Shrish Vaze:** Got it. And so, these third-party assets that we're looking at, so do we have a preference towards Toll BOT assets or HAM assets, going forward, would we have a preference to the any of these two?
- Management:** Both types of assets have different risk metrics. If one is looking for HAM assets, the cost of equity is typically lower, but if one is looking for the BOT assets then typically the cost of equity will be higher. So, depending upon the kind of projects that are available in the market, we are not averse for the BOT assets as well. The only pre-requisite which we have while looking at such assets is that it should not disturb the current payout to the unitholders, either it should be at break even or it should add value to the current distribution.
- Shrish Vaze :** Got it, I just have one last question. So, in the past like we have made some secured advances to the Sponsor. So I think we had made an advance to the tune of Rs. 257 crores in FY22 and in the prior years also, we had made some advances. So I just wanted to understand the nature of these advances i.e. like were this in the ongoing line of business or were this, something else. And would we do you sort of expect similar sort of advances to be made in the future also? Thank you.
- Management:** The year which you have mentioned had a major maintenance for some of the projects and typically major maintenance invoice gets raised on quarterly basis or on monthly basis, as the case may be. The Project Manager is required to mobilize the resources before the start of the major maintenance. As provided in the Project Management agreement, they can avail advance, but those advances are secured and carries an interest. Typically, our cost of debt would have been in range of around 7.5% to 8.5%, but we are charging almost 10% rate of interest to whatever the advance we have been extending to the Project Manager.
- Moderator:** Thank you. The next question is from the line of Satinder Singh Bedi from EON Infotech Limited. Please go ahead.



- Satinder Singh Bedi:** Good evening and thanks for the opportunity, Mr. Menon if you could give any update on the Tumkur Chitradurga arbitration, is there any progress on that, light could be thrown on that please?
- Management:** Yeah, Tumkur Chitradurga arbitration matter is in the advanced stage now. We expect by the end of June, this matter should conclude.
- Satinder Singh Bedi:** And what is the deferred premium at Tumkur Chitradurga as of September 30 and the total cash at Trust level?
- Management:** So, the outstanding deferred premium obligation, including the interest thereon, is close to Rs. 600 crores as of 30th September and the outstanding cash and bank balance is close to Rs. 240 crores, which includes DSRA of close to Rs. 115 to 120 crores.
- We would like to inform that the contention of the NHAI was not with regard to the total deferred premium. Their contention was for an amount of Rs. 16 or Rs. 17 crores only based on their calculation. Apart of this, as of now whatever the current deferred premium is there that is as per the revised concession agreement signed with NHAI.
- Satinder Singh Bedi:** And this cash also includes the current distribution of Rs. 116 crores. So effectively about Rs. 9-10 crores will be balanced cash.
- Management:** Correct.
- Satinder Singh Bedi:** What is the existing rate of interest as of 30th of September as of now? So for the trust level debt?
- Management:** It would be close to 8.7%.
- Satinder Singh Bedi:** And all the highs in the MCLR rate are already baked in now. So, in case the repo and MCLR doesn't change then this should be peak off here, is that a correct understanding?
- Management:** Yes, that's correct understanding.
- Moderator:** The next question is from the line of Dhiraj Dave from Samvad Financial Services LLP. Please go ahead.
- Dhiraj Dave:** My first question is on Tumkur Chitradurga project. We are expected to pay approximately Rs. 340 crores for deferred premium as per September last year valuation report. So, if we pay Rs. 340 crores as a deferred premium kind of thing, then what is the kind of expectation would we be able to distribute Rs. 8 for FY25 and what is your expectation for the next six months? If you can give some guidance that would be a help.



Management:

Yes. So, the deferred premium, as I explained earlier, is based on the revised concession agreement and deferred premium also needs to be unwounded over the period of concession. So based on the concession agreement, we will be paying close to Rs. 250 crores in FY25 and this year it's close to Rs. 200 crores.

It includes both premium and deferred premium and typically the major portion of the deferred premium, we will start paying by FY 28 or FY 29. So based on that cash flow, that deferred premium will be paid. And based on the current collections, I think we should be able to continue similar payout to the unitholders. And whatever the growth will come, we will try to improve the pay out to the unit holder, but our endeavor is to pay minimum Rs. 8 in the coming years as well.

Diraj Dave:

Just a second question to that, basically the valuation report is showing something like Rs. 341 crore or Rs. 341.7 crore for FY25 as the premium to NHAI relation report happened 1.5 table. So basically Rs. 341 crore and now we are talking something about 250 crores. So it's almost like 100 crore because if you look at valuation report, the present value of cash flow becomes Rs. 29 crore negative. So that's why I'm asking this question. If you can just give some more clarity because this is the main asset now for among all the assets, in fact there is significantly to flow. So that's why that question.

Management:

So, I think if the valuer would have factored in higher toll collection then definitely based on the surplus coming from that particular total collection, they would have some higher premium outgo.

Dhiraj Dave:

The revenue share of that is slowing separately from effect with 38 onwards. So I'm assuming that he has taken that kind of it anyway so, but basically the revised thing is that we should expect Rs. 250 crore of total outflows on Tumkur Chitradurga. And with that, we should be able to subsequently give it to distribution, other things remaining constant. Second question, which I have is basically WPI is now almost near 0 or probably may go in negative. So, what is our cutoff date because April we will be having revision again for 4 of our projects. So, what is the cutoff date and what is your expectation of next year?

Management:

Yes, with respect to the tariff revision at 3% fixed plus 40% of WPI and the tariff revision happens from 1st of April for most of the project except the MVR project and the WPI which they considered is of December month for four of our projects and MVR is based on the March WPI. We expect around 1.5 to 2% kind of WPI in December, which will lead close to 4% kind of improvement in tariff revision for 4 project which is due from 1st April 2024.

Dhiraj Dave:

And the last one is basically when is this divergent in Talegaon Amravati is going to get over because we understand that the metro works was



getting enough and it's probably supposed to be completed by June or something. So whether there has been delay or like, what is the any update on that?

Management:

I think that divergent what was imposed is continuing. We will come with the more detailed update by next quarter once we will be discussing the numbers with the investor.

Moderator:

Thank you. The next question is from the line of Raghav Arora from retail investor. Please go ahead.

Raghav Arora:

Good evening and congratulations on reporting a stable set of numbers, which is staying true to the stability that it brings with offer. I'm a retail investor and I had a couple of questions from academic standpoint. One is based on your analysis, would adding new assets be a strong way to get the unit price closer to the book value. And question #2 is I couldn't find this on the web, but if a retail investor wants to invest in the Private InvIT, which was listed back in April, what would be the right way to go about it? Thank you so much.

Management:

So, I think with respect to your question number one, definitely, if you are adding new assets which can improve yield of the InvIT, then definitely one can see the improvement in the price of the InvIT that is the general phenomena.

With respect to the second question about the private InvIT. Private InvIT is the development platform and there IRB owns 51% and GIC (Government of Singapore) owns 49% and that was formed in February 2020. And from the last 3 years, the Private InvIT has not distributed a single amount. Probably, this will be their maiden distribution i.e. in yesterday's board meeting, they announced the close to Rs. 155 crores of distribution.

So, GIC initially had invested roughly close to Rs. 4,000 crores for 49% stake and thereafter over the period of 3 years as and when the assets got added, they have increased their investment value along with IRB. So, Private InvIT based on our assessment is not suited for the retail investor. But as of now, there is no avenue also for the retail investor to buy the units of the Private InvIT. Once Private InvIT decides to go public, then that will be appropriate time for the retail investor to buy the units of the Private InvIT.

Moderator:

Thank you. The next question is from the line of Rajan Kapadia and individual investor. Please go ahead.

Rajan Kapadia:

So I don't know exactly, but there is some provision that if we are getting less than 90% of total revenue than previous years, there is some type of extension in concession period. So, can this be applied in?



- Management:** I think you are referring to Force Majeure Provisions of the concession agreement. There are force major provisions in the concession agreement. There is a political event i.e. direct and indirect political event. Under that provision, if their collection drops below 90%, then you are eligible for compensation from the Authority under the provisions of concession agreement. There are different kinds of compensation available in the concession agreement - just to share with you during the farmer agitation, Pathankot Amritsar project was eligible for the compensation. That included cash compensation along with the extension in the concession agreement.
- Rajan Kapadia:** No, I am talking for the Talegaon Amravati project. Will there be any kind of compensation or not?
- Management:** Talegaon Amaravati is not a Force Majeure kind of a thing. This 90% toll collection compensation is only when there is a force majeure event. If it is not a force majeure event, we cannot claim for that situation.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Vinod Kumar Menon for closing comments.
- Vinod Kumar Menon:** Thank you very much all the investors and analysts for having participated in today's call and I hope that we would again have similar participation in the future calls. Thank you.
- Moderator:** On behalf of IRB InvIT Fund that conclude this conference, thank you for joining us and you may now disconnect your line.