



## IRB InvIT FUND

### Q2 FY25 Earnings Conference Call – Edited Transcript – October 29, 2024

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**Moderator:** Good morning, ladies and gentlemen. Welcome to the IRB InvIT Fund call hosted by the Company for discussing the Financial Results for the quarter ended September 2024.

We have with us today on the call, 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 listen-only mode and after 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 answered 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.

**Management:** Thank you. Good morning and a Happy Dhanteras to all. I would like to welcome all the investors and analysts on the call. Hope you have reviewed our detailed numbers, as well as the presentation.

Toll collection for this quarter was significantly impacted due to heavy rains across India, with many states witnessing their highest rainfall this monsoon, leading to flooding. Despite the impact of heavy rains, toll collection has shown growth as compared to the corresponding quarter of the previous year, we have observed 4% growth in the toll revenue.

Generally, the second half of fiscal is better than the first half, and considering the historical trends, we believe that there will be better traffic growth in the coming quarters. We are distributing Rs. 2.00/- per unit for the quarter ended September 30, 2024. This quarter, we will be distributing Rs.1.20/- in form of interest, Re. 0.23/- per unit in the form of dividend, and Re. 0.57/- in the form of return of capital. Till date, since the trust IPO, way back in the year 2017, its cumulative distribution has reached Rs. 4,083 crores, i.e. Rs.70.35/- per unit, which is more than 69.00% of the aggregate fund raised.

During the current quarter ended September 2024, dividends have 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 tax exempt in the hands of the unit holders. 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 at 0.3:1 which provides sufficient debt capacity for acquiring new assets.

On the acquisition front, HAM assets from the sponsor group i.e. Vadodara Mumbai package-7 and Pathankot-Mandi projects are expected to be completed in FY25. Chittoor Thachur project is expected to be completed in FY26, once completed the said assets shall be available for offer to the Trust. As communicated earlier, we have completed the refinancing of the Trust debt, and we will complete the VK1 Expressway Limited – refinancing of SPV debt post receipt of approval from NHAI.

I will now request Mr. Rushabh Gandhi to take you through the “Financial Performance” for the quarter.

**Rushabh Gandhi:** Thank you, sir. I will now present the financial analysis for the quarter ended September 2024, as compared to the quarter ended September 2023.

The total consolidated income for the quarter ended September 2024 stood at Rs. 271 crore, as compared to Rs. 258 crore for the corresponding quarter of the previous year. Consolidated toll revenue for the quarter ended September 2024 stood at Rs. 228 crore as against Rs. 218 crore for the quarter ended September 2023. EBITDA for the quarter ended September 2024 stood at Rs. 224 crore as against Rs. 214 crores for the corresponding quarter of previous year. Interest cost, which include interest on premium deferment for the quarter ended September 2024 stood at Rs. 72 crores, as against Rs. 68 crores for the corresponding quarter of the previous year.

Depreciation, which includes amortization on toll collection tariff, for the current quarter stood at Rs. 64 crores, as against Rs. 56 crores for the corresponding quarter of the previous year. The profit after tax for the current quarter stood at Rs. 85 crores as against Rs. 88 crores for the corresponding quarter of 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. The first question is from the line of the Dayalal Bhut as Individual Investor. Please go ahead.

**Dayalal Bhut:** My questions pertain to the market price of IRB units, which is around Rs.62/- per unit at present, which includes the current distribution. You will understand that the investors are highly disappointed due to the poor performance of IRB InvIT after listing. I would like to know, have you ever taken up the issue of buyback with the Regulatory authority such as SEBI or discussed with the InvIT forum who presents the InvIT issues to SEBI. My grievance is, if the InvIT is allowed to raise the fund via QIP, then they should be allowed to buyback. It is also important to note that related party i.e. Sponsor are allowed

to buy, sell or transfer the units of InvIT in open market then why not the InvIT itself. Next, if you buy back the units, it will improve the unit price in the open market. As, if you buy the InvIT and stay invested, InvIT will be getting around 12.00% return whereas the interest cost of InvIT is around 8.5%. Kindly share your view, thank you sir.

**Management:** With respect to buyback, numerous InvITs, including ourselves, have approached SEBI. However, the regulator maintains that InvITs are established to distribute at least 90% of cash flows to unit holders. Allowing buyback would undermine this fundamental principle, as it would reduce distributions to all unitholders. Therefore, SEBI remains opposed to InvIT buybacks, despite representations from the Association and various InvITs.

**Dayalal Bhut:** That's fine, but you can repurchase from the open market and stay invested. So, 90% is what we are distributing, 10% is the savings with InvIT. InvIT is not buying any new assets, so the funds are lying in the Trust.

**Management:** Sir, with respect to our InvIT, we are historically paying 95% to 98% of the funds generated by the InvIT. So, we are distributing almost whatever is generated by InvIT. In terms of retention, we don't have any significant amount available. One challenge is with respect to the amount, the other is with respect to the regulation. If the provision for buyback is not provided for in the regulation, it's difficult to buy back the unit.

**Dayalal Bhut:** But sir sponsors are allowed to buy, sell, do everything.

**Management:** Yes.

**Dayalal Bhut:** So, we have put up issue, the forum should have put up the issue with SEBI.

**Management:** Sir, we have submitted a representation to SEBI, jointly with other industry stakeholders through our federation. Additionally, as you pointed out, the sponsor is at liberty to purchase units of the InvIT, with no restrictions applicable in this regard.

**Dayalal Bhut:** Thank you, sir. My second question, how much yearly fees are paid to investment manager. Second, what are the number of third party assets evaluated, approximate value, and effort by InvIT with approximate value, number of sponsored asset values, and filed from the sponsor with approximate value and number of sponsored asset values, but loss due to private InvIT of the sponsor. Thank you, sir.

**Management:** Over the years, the investment manager has evaluated over 30 projects on behalf of the Trust. During this tenure, two projects were sourced from the sponsor: the Amritsar Pathankot project in September 2017 and the recently

acquired Vadodara Kim project (a HAM asset) in October 2022. Apart from that, the Private InvIT platform and the Public InvIT platform both are formed for a different purpose. So, Private InvIT is development platform works for under development projects and for Public InvIT only mature assets are acquired.

The objectives of the two InvITs are distinct. The private InvIT serves as a development platform, primarily acquiring under-construction assets on a BOT basis. In contrast, the public InvIT has restrictions on acquiring such assets.

Notably, the projects evaluated by the private InvIT are not considered by the public InvIT, and vice versa. For instance, the 30 mature assets evaluated, were exclusively assessed by the public InvIT, whereas Private InvIT focused on different projects.

This clarifies that there is no conflict or overlap between the two InvITs, with no instances of both contending to acquire the same asset.

**Moderator:** Thank you. The next question is from the line of Ramdas Khanna from Swadeshi Raiment Private Limited. Please go ahead.

**Ramdas Khanna:** My question is that what is the schedule of the return of the capital over the remaining life of the assets. How will the capital be returned; how will the capital be written off at the end of the expiry period of trust?

**Management:** So, if you look at the valuation report that provides the detailed cashflows for each project separately.

**Ramdas Khanna:** Kindly excuse, the valuation is alright, I am asking the return schedule, how will the capital be returned. How my capital invested in the InvIT, I am getting interest it's all right, I am getting divided alright, but how will I get my capital back or I will not get my capital?

**Management:** Sir, investing in InvIT offers not only returns but also capital repayment. Historically, we've made capital repayments, which will continue as projects near the end of their concession periods.

For e.g., when I invest Rs. 65 in InvIT today, it's an outflow. The subsequent distributions over time become inflows. Considering these outflows and inflows, InvIT's Internal Rate of Return (IRR) ranges from 12% to 15%. This IRR represents the return on investment after capital repayment, ensuring a 12% to 15% return post-capital recovery.

**Ramdas Khanna:** I do not want the return for IRR maybe give me more to me interest, I want my safety of capital also, at the end of the period my capital is not to be written

off. That is what my request is. You may distribute the best interest, but my capital should be protected. Otherwise, our market price will suffer heavily at the end of the term.

**Management:** Sir, our distributions come in three forms:

1. Interest: earned from debt provided to underlying SPVs.
2. Dividend: distributed from SPVs' book profits, specifically MVR in our case.
3. Return of Capital: from principal repayments.

These distributions are made to unit holders in three forms. The tax implications are:

- Interest: taxable in the hands of unitholders.
- Dividend: exempt, as underlying SPVs follow the old tax regime.
- Return of Capital: exempt up to the investment value, as per recent tax amendments.

**Ramdas Khanna:** But, I am not clear how will my capital will be protected, I will get maximum return, I am getting a very good return. I have no doubt about it, but whether at the cost of my capital. Where it is at the cost of my capital, will my capital be at the end of the year, will it be completely paid back, or I will suffer capital loss?

**Management:** Sir, your capital will be returned overtime, as previously discussed.

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

**Dhiraj Dave:** Sir, one thing I want to figure out, basically on this Pathankot Amritsar highway, we see drop in particularly traffic, so any specific reason at least if we compare first half and second half, first half this year and first half data which has been shared in presentation, so besides the agitation of farmer and you have given a disclosure. So that is there, but this is becoming, now a consistent problem for us, that every time there is agitation, how exactly management to view that?

**Management:** Sir, regarding the agitation period, historically we've received:

1. Equivalent extension of concession period;
2. 50% reimbursement of interest and O&M expenses, calculated as per NHAI guidelines

This compensation ensures minimal disruption to our project timelines and financials.

**Dhiraj Dave:** Just one more small question. So, is NAV accretive for us when the tenure gets extended?

**Management:** Sir, I was coming to that. In fact, our IRR is fully protected. Typically, the cost of debt ranges from 8.5% to 9%, and the cost of equity ranges from 12% to 13%. The weighted average cost of capital is around 10%, and yearly growth expected 9% to 10%. Additionally, you receive compensation. This means, IRR will be protected.

Regarding growth, severe monsoons impacted projects overall. Projects with higher mining traffic are typically more severely affected by monsoons than those with lower mining traffic.

**Dhiraj Dave:** So basically, Jaipur Deoli as well as Pathankot Amritsar that two, are broadly having more share of mining related traffic, right?

**Management:** Yes. But Jaipur, as falls in Rajasthan, there the number of rain days are pretty low as compared to the rains in the Punjab.

**Management:** In case of Rajasthan state, the Hon'ble Supreme Court has already allowed mining extraction.

**Management:** Yes.

**Dhiraj Dave:** And the second part is, in the past we faced some issues when there were tensions on the border areas, particularly on Pathankot Amritsar. So can we take some insurance, or some kind of revenue which we can explore for some kind of contingency, because I don't know whether that gets covered into agreement with NHAI. In past, the management did give some indication that the traffic was restricted due to movement or army taking some kind of control on that part. So, is that a risk and how management see that happening again and again?

**Management:** Sir, with respect to loss of revenue, typically insurance companies does not provide that kind of cover. And anyway, if you are eligible for compensation, NHAI will pay only the difference if you have Rs.100 loss, if you get a Rs.10 from the insurance, then only Rs.90 will be paid by the NHAI.

**Dhiraj Dave:** Point well taken, my only limited question is basically, in case military decides that there is no civilian traffic movement on that road for whatever condition which may arrive in border area. In such a situation, what is the recourse InvIT here. They say that okay, for one month, for whatever reason border area and

one month they restrict it, just the military control kind of that road, because that's very strategic for as a country. So in that scenario, what happens to us?

**Management:** Sir, the concession agreement includes a force majeure clause. If such events exceed seven days, we are eligible for compensation.

**Dhiraj Dave:** Fair enough that answers. Now, one more submission from my side, basically we always get six monthly, particularly September and March quarter we get six monthly numbers, audited account. If you look at other InvIT, they do provide quarterly like listed companies provide quarterly, half yearly, or nine monthly, or whatever kind of format. At least do provide us with quarterly number, because otherwise we have to take June quarter, and then we did a September cumulative minus June and get September quarter number. And this would be simple. And all other InvIT do disclose that, at least India Grid, I know for sure I have invested and even Power Grid and other InvIT also. So my submission, you have accepted many suggestions which investor had made. This would be simpler, at least provide us with quarterly data, because last quarter otherwise we get a half yearly data. So NCDFs, your results, everything comes September six month. So why not to make September three months and September six month is regulatory required. Please put that also, no issue on that. But add September 2024 and September 2023, three months data also. We request henceforth at least give us quarterly data, because otherwise we have to do a calculation.

**Management:** Sir, we will definitely provide that. Our statutory auditor typically only confirms compliance with statutory requirements. However, considering this is an investor suggestion, we will take it into consideration.

**Dhiraj Dave:** And you can tell your statutory auditors at all company, you look at InvIT, India Grid InvIT, you look at other Bharat InvIT. Most of them provide quarterly data, so it should not be an issue with auditor. You can give multiple kind of example. So if those auditors are signing, why should our auditor have an objection to that. And we are looking at quarterly so if he will be coming at half yearly data, he has done three months plus three months, right?

**Management:** Yes.

**Dhiraj Dave:** He hasn't done six months audit now. So, I can't understand if the auditor can have an issue on that.

**Management:** Ideally there should not.

**Dhiraj Dave:** If there is an issue then you have to replace auditor, rather than to tell investors that you need to do that, because all across, you can go, you can download, your finance person can download all results of all InvIT and if you want I will

send across. So, there should not be issue and in fact, I remember two years back, I requested that give us quarterly number. So that is where, appreciate your all efforts, basically you are now giving us sufficient time to ask question. So all that part we appreciate, and we do look forward to this positive step as well. Wish you all the best for the future.

**Moderator:** Thank you. The next question is from the line of Vaibhav Shah from JM Financial. Please go ahead.

**Vaibhav Shah:** Sir, firstly in the standalone numbers, what is the impairment related to in one of the subsidiaries and which is the subsidiary?

**Management:** The impairment relates to the investment in Pathankot Amritsar project.

**Vaibhav Shah:** And why have the impairment, what was the main reason behind that?

**Management:** Sir, to clarify, there's no asset-level impairment. The impairment relates to the trust's investment in Pathankot Amritsar.

Here's the context:

- The trust charges 13% interest to the SPV.
- During farmer protests, we received a concession period extension.
- At the IRR level, this is neutral.
- However, during protests, interest was serviced from Trust debt.
- This necessitated an impairment provision.

**Vaibhav Shah:** So, incrementally maybe in the back end of the project it would be reversed back?

**Management:** Yes.

**Vaibhav Shah:** Okay. And sir secondly, if you could spend some time on the incremental, how do we see the growth in toll collection across the assets because H1 has been quite weak?

**Management:** There are three key factors contributing to the weak numbers:

1. Severe monsoon impacts
2. Delayed tariff revision due to code of conduct
3. Geopolitical tension

As outlined in our presentation, category-wise vehicle data shows:

- MAV vehicles decline primarily due to geopolitical tensions, affecting container traffic
- This decline is consistent across projects



We consider these factors temporary. With the festive season approaching, we anticipate robust growth in Q3 and Q4.

**Vaibhav Shah:** Sir particularly for Talegaon Amravati, the collection was around Rs. 21 crores in the second quarter. So how is the ramp up for this project in Q3 and Q4?

**Management:** Basically, because of the monsoon the second quarter is generally on softer side. Typically, the second half is comparatively better than compared to the first half. From Q3 onwards, we should see some traction in Talegaon Amravati project.

**Vaibhav Shah:** So, can I go back to the Q1 levels of around Rs. 23 / Rs. 24 odd crores in Q3?

**Management:** We expect it should go up to that level.

**Vaibhav Shah:** Okay. And similarly for Pathankot Amritsar, can we expect something similar, around Rs. 30 and Rs. 40 odd crores which was there in Q1?

**Management:** For Pathankot Amritsar project, currently because of the farmers protest, the total collection has been temporary suspended. So once the collection resumed, we believe it should gradually move towards that level.

**Vaibhav Shah:** So similar level can be expected, what we saw in Q2 around 36 odd crores?

**Management:** We can expect that level.

**Vaibhav Shah:** In Q3, Q4?

**Management:** Yes.

**Vaibhav Shah:** And lastly, what was the hike that we got for M.V.R.?

**Management:** In case of Omalur-Salem project, the WPI is effective from 1<sup>st</sup> of September, which is linked directly to the March WPI. So, the WPI for the month of March was 0.26% and because of that, we have received less than 0.5% of tariff revision.

**Moderator:** Thank you. The next question is from the line of Saurabh Chitra an Individual Investor. Please go ahead.

**Saurabh Chitra:** So, I have got couple of questions. One is regarding the refinancing exercise that we did. So, I understand that this year we did the refinancing exercise, and couple of quarters back in the call we mentioned that, this will have an impact on DPU. So my first question is whether, by when we can see increase in DPU, that should be the ideal case. But we are stagnant, right now it's like Rs. 2 per

quarter, so by when you are thinking that this refinancing exercise can actually flow to DPU, that's the first question.

**Management:** Assuming Q3 numbers improve, we anticipate a corresponding increase in payouts.

**Saurabh Chitra:** Okay. So from Q3 this year, right?

**Management:** Yes.

**Saurabh Chitra:** Okay, got it. Secondly, for Amritsar Pathankot, this farmers protest, one of the previous callers also alluded to this. It's becoming an, it's a politically sensitive risk kind of thing and I understood that one of the HAM projects is also in same geography. So, when we are going to, sort of acquire an asset in future. I hope this political uncertainty or risk will also be part of the calculation, I am hoping, because if you look at it, since the day that we acquired that project whenever there are elections or whatever comes, there is one thing that happens is that a farmer protest is going on. So, I understand that it is accretive and everything, but it is sort of having an impact on our monthly collection. So, there must be something in the equation for acquiring that asset. So, is there something that we can do or like we just have to right now bear it?

**Management:** With respect to the HAM assets, they are annuity-based, and we have no involvement in toll collection. If we acquire a HAM project, we receive the annuity directly from NHAI, i.e., the Authority. We have no other projects with the Sponsor or Private InvIT in Punjab; this is the only one. As you mentioned, this creates some noise. However, so far, we have received compensation in the form of extensions and 50% reimbursement of expenditure. There has been some positive discussion between the farmers and the Government, so we can expect this to end and the collections to resume shortly.

**Saurabh Chitra:** Okay, thanks. Sorry, can I squeeze in one last question?

**Management:** Sure.

**Saurabh Chitra:** In three to five years roadmap, how many assets are we planning to acquire. Is there, because if you see we have been stagnant like I keep on repeating, for last two years, we are stagnant. So, for next to three to five years, is there a roadmap to increase DPU, and the ideal way would be to acquire an asset and to move forward. So, what is the roadmap at the Trust level that we are working towards for three to five years, like is there a roadmap, what exactly are we working towards?

**Management:** Our roadmap involves acquiring additional projects. Based on our current portfolio, we expect payouts to reach Rs. 8.5 to 9 over the next four to five years.

**Saurabh Chitra:** Okay. Based on current asset and one asset is actually going in January 2026 taking into consideration, it will still reach the stage of DPU Rs. 9 per unit, that's what you are saying?

**Management:** Yes.

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

**Sarvesh Gupta:** So just wanted to understand this, if you look at the WPI data it was much higher than the 2% that we have seen in this last quarter. But, somehow the increase in WPI in general that we see is not getting reflected in our toll collections. So wanted to understand how are the toll revisions working out for us, exactly how are they correlated with WPI and if you can give me asset by asset of, what has happened in the last, for example you are saying that March one asset is that only 1%, 2% but then June quarter it was, WPI was 3%, 4%. So how is that working out?

**Management:** So, out of a total five BOT projects, four of our projects are linked to 3% of fixed plus 40% is linked to the WPI for the month of December of previous year. So basically, in the previous financial year, the WPI for the month of December growth was 0.73% so considering 3% of fixed portion plus 40% of this WPI. So, when that tariff revision is rounded up to nearest Rs. 5, the effective tariff revision we got for four of our projects, was close to 2.5% and for M.V.R., it is directly linked to WPI for the month of March.

**Sarvesh Gupta:** Sorry, I didn't get it, 3% you said is fixed that will anyway happen every year?

**Management:** 3% increase is linked to the base year WPI of 2007.

**Sarvesh Gupta:** No, so 3% plus 40% of WPI is what we are saying?

**Management:** Yes.

**Management:** Toll rates are rounded off to the nearest multiple of Rs. 5. The car tariff was Rs. 50. With a 3% increase, it would become Rs. 51.5, but this will be rounded down to Rs. 50. Therefore, there will be no revision in the car fare.

**Sarvesh Gupta:** Sir, but my concern here is now you are saying this calculation of 3% and 40% of WPI. Even in your valuation you use 4%, 5% WPI increase. But if you look at this quarter for example you should have got 4%, 5% increase in through

WPI at 3% only. And your total revenue increase itself is 4% that is mostly volume linked on anyways. So basically, you are not able to get anything from the WPI because of this sort of structure?

**Management:** Considering the long-term trend, WPI fluctuations are normal.  
For instance:  
- FY2023 saw 10.5% WPI growth.  
- FY2024 had around 5% tariff revision.  
- This year's revision was approximately 2.5%.

Tariff revisions are linked to WPI and occur annually. The relevant WPI figure is the one prevailing in December, which determines next year's revision. Quarterly fluctuations are not relevant.

**Sarvesh Gupta:** So, sir let's say in FY 2024 also when the WPI revision was for 10% as per you, I don't think we got any revenues in-line with +10% maybe 4%, 5% volume growth. So our revenues did not grow in FY 2024 also by 14%, 15%?

**Management:** Sir, I am referring FY 2023, for financial year 2023 we got 10.46% and for FY 2024 we got close to 5%.

**Sarvesh Gupta:** Okay. And this year, basically you got nothing because of this rule?

**Management:** We got close to ~ 2.5%.

**Sarvesh Gupta:** So, your volume growth has only been 1.5%?

**Management:** Please refer to our corporate presentation for detailed volume growth metrics, which are broken down by category.

**Sarvesh Gupta:** Yes, but the rates differ a lot. So, unless I know the category wise toll collection, it is difficult to understand what is the mix change and all that. How much do you get from MAV typically?

**Management:** Toll rates differ by project, with cars around Rs. 50 and MAVs around Rs. 500.

**Sarvesh Gupta:** No, for typical project how much contribution comes from MAV and truck, bus for example?

**Management:** All the project, 70% to 80% will be from commercial vehicle and around 20% to 30% will be the passenger vehicle.

**Sarvesh Gupta:** Okay, understood. And secondly on the cost of debt, now that has also gone up for us, and that is also reflecting in our interest cost. So most of that is because

of the repo rate increase. So as the repo rate decrease maybe sometime in the future, you should get immediate benefit or how is that?

**Management:** Absolutely, once the repo rate begins to decline, we can expect to benefit from lower interest rates.

**Sarvesh Gupta:** So, your cost of funds will come down?

**Management:** Yes.

**Sarvesh Gupta:** And is that most of your debt is MCLR or repo rate linked?

**Management:** MCLR linked.

**Sarvesh Gupta:** So that will take some time for the transmission for you guys also?

**Management:** Yes.

**Sarvesh Gupta:** Okay. And finally, just to confirm so, you are saying that let's say this Pathankot Amritsar project. Now this keeps getting stalled because of the farmer's agitation from time-to-time. So now what you are saying is that it is ultimately an NPV accretive event whenever this gets installed. So can you throw some, what are the calculations behind saying that because ideally, if the concession period is only increased, then your volumes are anyways at risk. Because, you don't know, one year, two years down the line, how the traffic movement will be on this, you get equivalent number of days which are moved forward, but then those cash flows will happen in the future, so that has to be discounted. So, how exactly is it NPV positive?

**Management:** Typically, traffic growth aligns with GDP, while tariffs track inflation. Historically, these rates range from 9% to 10%. Assuming 9-10% revenue growth and a discount rate of 9-10% (considering 8.5-9% cost of debt and 13-13.5% equity cost), the Weighted Average Cost of Capital (WACC) falls within 9-9.5%.

Since revenue growth and discount rates are comparable, the project's Internal Rate of Return (IRR) remains neutral. However, NHAI provides compensation:

1. 50% reimbursement of interest and O&M costs (cash compensation)
2. Concession period extension

These benefits render the project IRR neutral.

**Sarvesh Gupta:** And all these cashflows when do they occur, so for example now the road is shut, you are not able to collect. So, when is NHAI going to give you this, after agitation, suppose the agitation goes on for two years. Two years you don't collect toll, so for two years will you get any cash flows, or only after everything has been done with an indefinite period attached to it that you will get the compensation?

**Management:** We file claims quarterly, with reimbursements historically taking 3-6 months. For a two-year disruption, quarterly reimbursements would follow with a one-quarter delay.

**Sarvesh Gupta:** Okay. And when you say NPV positive, this also takes into account almost six to nine months, or maybe even more that government authorities typically to take to pay out the actual cash flows?

**Management:** Yes, but if there is a delay, then definitely there is interest attached to that.

**Sarvesh Gupta:** Okay. So if they delay from their part to release the funds then they pay another interest on that?

**Management:** Yes.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Menon. Over to you, sir.

**Vinod K. Menon:** Thanks to all the investors and participants on this call and wishing you a Happy Diwali. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, 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 a great day ahead.

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