IRB INFRASTRUCTURE DEVELOPERS LTD
Transcript of Earnings Conference Call
August 8, 2022

Moderator: Ladies and gentlemen, good day and welcome to the IRB Infrastructure Developers Conference Call for discussing the unaudited financial results for the quarter ended June 30th, 2022 and recent developments. We have with us on the call today Mr. Virendra D. Mhaiskar, Mr. Dhananjay K Joshi, Mr. Anil Yadav, Mr. Mehul Patel, Ms. Poonam Nishal, Mr. Sudhir Hoshing and Tushar Kawedia. As a reminder, all participant lines will be in the listen-only mode and after the opening remarks by the management there will be a question and answer session. Please note that the duration of the call would be for 45 minutes and any query is left unanswered after the call can be subsequently mailed to the management for adequate response and the solution. Please note that this conference is being recorded. I now handover conference to Mr. Virendra D. Mhaiskar, Chairman and Managing Director of the company. Thank you and over to you, Sir.

Virendra D. Mhaiskar: Good morning everyone. I would like to welcome all the investors and analysts on this call. Hope you all have gone through the detailed results as well as the brand new presentation prepared in consultation with Cintra India. IRB as you know is a well-funded Integrated Developer with a strong balance sheet. Our focus for new project continues to be BOT, TOT and HAM, in that order. As an Integrated Developer our business model is focused on developing an asset and riding through its journey over next 20-25 years. As the associated project risk falls so does the discount rate for the computation of the NPV from the Free cash flows generated by the project.

We benefit from the expansion in cash flows of the assets as it reaches the stable and mature phase. We have tried to share this perspective in the presentation. Typically, even at a conservative revenue growth of 8% to 9% a BOT project can yield an equity return of over 11 time at a modest 70-30 debt equity ratio during its operational lifespan, apart from the initial construction returns. So the beauty of the process lies in the fact that with every new asset won, a strong visibility of returns for next 20-25 years is virtually guaranteed at a robust IRR of over 16%, over and above the return in construction margin.

Having run this model and established 2 InvITs to cater to investors with varied risk profile IRB business model today has reached a stable position.

Going forward, our endeavor is to execute BOT, TOT projects in a 51-49 equity ratio with GIC affiliates through the Private InvIT platform. Further, considering the redeployment of construction profit, net equity requirement from IRB falls below 10% of the BOT project cost. Post the recent preferential allotment, we have surplus funds available with us for meeting the equity requirement of projects on hand and more. Thus, our corporate debt will keep reducing and any additional debt will be self-liquidating taken at the SPV level for new projects in the Private InvIT which will not reflect in the consolidated debt of the parent company. With regard to HAM project, though, the debt will reflect in the consolidated balance sheet of the parent company, it will get liquidated when these projects complete construction and are monetized by sales to the Public InvIT. Listed company business will generate cash on an ongoing basis and will aid in regular dividend yield. With this in mind, the board has approved an interim dividend of rupees 1.25 per share for the quarter totaling to an outflow of approximately Rs. 75 crores.

Pandemic impact on traffic growth is fading away, and we are witnessing a strong traction coming back across our portfolio. Mumbai - Pune project reported a 52% growth for Q1 of FY23 year on year and Ahmedabad - Baroda project grew up at approximately 44% Year on year basis. Taking into account the private InvIT asset, we have seen a robust growth of approximately 112% year on year as some projects completed construction during the year.

Notably Mumbai - Pune has grown at approximately 8% quarter on quarter on account of traffic growth alone while for Ahmedabad – Vadodara, we have implemented a 10% tariff revision on 1st April 22 reflecting a similar growth in collections quarter on quarter. Effectively, even during the monsoon period we have seen a robust toll collection of about 57 million per day for these two projects, which are well positioned to meet our estimate of over 2100 crore in collections for the whole year.

We are pleased to share some interesting data point which we recently came across. Gross toll collection collected across India for FY22 was approximately 40,000 crores. The toll revenue that IRB group has collected across the listed company and the two InvIT was close to 5000 crores, which translate to a 12 and half percent market share of the total revenue collected across India.

We presently operate 43 toll plazas, service 572 lanes and cater to more than a million vehicles on a daily basis.

This number will strengthen as we complete construction for more projects. We are pleased to inform you that we have successfully achieved completion for all the nine projects which were transferred to the Private InvIT in the initial phase. Post completion of Kishangarh - Gulabpura projects and Hapur - Moradabad project the toll rates for these SPVs have seen an increase of 78% and 65% respectively.

Post construction completion of few of our other assets the ratings of the Private InvIT SPVs have also improved. This has led to lower interest costs for these SPVs. So even in this inflationary environment where the Central Bank has been hiking interest rates, we are seeing a decline in the interest costs for our project as they enter the stabilization phase with improved credit rating.

At the parent company level, repayment of debt to the tune of 3,250 crores has resulted in an interest saving of almost 90 crores this quarter.

In the construction segment, the total order book of the company now stands at ~ 15,700 crores, which provides good revenue visibility over next three years.

We had touched upon, likely arbitration award wins which can be expected, almost annually, over the next 4-5 years, basis the ongoing disputes with NHAI. In the last quarter of the previous financial year, we received an arbitration award for the Goa-Panji project and this quarter, in continuation of the favourable order, for the Amritsar Pathankot project from the Honorable Delhi High Court. An award of Rs. 308 Crore was received, for being the EPC Contractor for the SPV.

Further, we wish to inform you that the Board of directors of the company at the meeting held on August 5 has approved subject to necessary permissions from concerned authorities, the transfer of the VK One HAM project, which happens to be the first project to complete on the prestigious Delhi - Mumbai Expressway at an enterprise value of INR. 1,297 crores to the IRB InvIT Fund. Post the transfer of VK1, 955 crores worth of debt will further reduce from the consolidated debt and we will also receive 342 crores which will further strengthen the cash surplus.

The strong balance sheet has aided us in achieving financial closure for all our new projects at a faster pace. We today stand on all guns blazing for a timely execution of this project and have an intense focus on tapping new victories in collaboration with our global partners. This partnership has led to IRB adopting the best of global practices and policies. We have also initiated concerted efforts towards being ESG compliant and have committed to the UNGC principles as well.

I would now request our CFO, Tushar Kawedia to provide synopsis for the Q1 FY23 results, over to you Tushar.

Tushar Kawedia: Thank you Sir, now I will present the financial analysis for Q1 FY23 versus Q1 FY22.

The total consolidated income for Q1FY23 has increased to Rs. 1,995 crores from Rs. 1,670 crores for Q1FY22 registering a growth of 19%.

The consolidated construction revenues for Q1FY23 have increased to Rs. 1468 crores from Rs. 1,268 crores in Q1FY22 registering a growth of 16%.

The consolidated toll revenues for Q1FY23 have increased to Rs. 527 crores from Rs. 403 crores for Q1FY22 registering a growth of 31%.

EBITDA for Q1FY23 increased to Rs. 1131crores from Rs. 745 crores in Q1FY22 registering a growth of 52%.

Interest cost has decreased to Rs. 385crores in Q1FY23 from Rs. 468 crores in Q1FY22 decline by 18%.

Depreciation has increased to Rs. 203 crores in Q1FY23 from Rs. 136 crores in Q1FY22 up by 49%.

PBT has increased to Rs. 543 crores in Q1FY23 from Rs. 141 crores in Q1FY22, registering a growth of 286%.

PAT after share of loss from JV has increased to Rs. 363 crores in Q1FY23 from profit of Rs. 72 crores in Q1FY22, registering a growth of 405%.

Cash Profit has increased to Rs. 600 crores in Q1FY23 from Rs. 242 crores in Q1FY22, registering a growth of 148%.

Now I request moderator to open the session for question answers.

Moderator: Thank you. We will now. Begin the question and answer session. The first question comes from the line of Mohit Kumar from Dam Capital. Please go ahead.

Mohit Kumar: Sir, in the construction segment the number seems to be looking slightly on the higher side with EBITDA margin of 44 percent have you booked something of IRB Pathankot in this quarter. Is that a fair assumption?

Management: Yes, you are correct. We have booked roughly 419 crores of income for Amritsar - Pathankot (AP) and expense of close to 50 crores and on EBITDA, it has an impact of roughly 368 cores and roughly 100 crores of taxation. On account of AP income itself, we have close to 270 crores of impact on the PAT, if I remove the impact of this Amritsar Pathankot then the revenue will be a close to 1050 and EBITDA will be roughly 280 crores which translates roughly 25%-26%of EBITDA margin.

Mohit Kumar: They could have made it without expressly limited. Have we given the subcontract with the project, and has the work started? And is it a fair assumption that you will take around 30 months from here.

Management: Which projects are we discussing?

Mohit Kumar: Meerut Budaun

Management: So Meerut Budaun project we have achieved financial closure, the environment clearance for the project has also been just received couple days back by UPEIDA and we are in the process of completing the balance formality post, which we should be able to start the construction before end of this quarter.

Mohit Kumar: Lastly sir, can you touch upon the BOT opportunity for they have seen any BOT tender being floated by NHAI. If not, we expect some tenders to floater with this financial year.

Management: There are three four opportunities which we have been able to sight. And increasingly, our view is that more opportunities will come over. There was a statement by the government where they talked about 30,000 crores of projects to be awarded on PPP. So we do look forward to bid for these projects along with HAM opportunity.

Moderator: Thank you. Next question comes from the line off the Vibhor Singhal from. Phillip Capital, please go ahead.

Vibhor Singhal: My question was basically on as you mentioned in your opening remarks about the state that we are in the material state in which we can turn assets and transfer them to the different InvIT, so just wanted to understand for the strategy going forward will be that any of the HAM projects that we do, we will offer them to the Public InvIT and see if they like it and of course that would be subject to their board approval and try to monetize it that way and the BOT projects we will try to basically either bid along with them or transferred into the Private InvIT. Is that the correct understanding of our strategy going forward?

Management: I think you're right. The BOT&TOT projects, which are Capex heavy projects will certainly have built in the development platform that is a private InvIT that we have with GIC Associates. And as far as HAM are concerned, that will continue to bid in IRB and whole equity contribution from IRB itself. And in terms of monetization IRB upon completion of the HAM assets will monetize them by offering them to the public InvIT and the development platform will continue to churn assets as they complete as well.

Vibhor Singhal: So in case of like BOT&TOT projects. I mean we are at this point of time building because it's the private InvIT platform along with the Cintra and I mean, along with the ICM. So let's say there is. I mean, hypothetically speaking, let's say there is a BOT project that IRB finds attractive. What, let's say, GIC, doesn't want to go along with it will be open to bid for them or an independent. This is take them in the IRB platform and then later think about monetizing it to some other platform or will be offering it to GIC InvIT later on maybe then they would have more everything the traffic itself.

Management: No, I think the consensus would be to go along with GIC being there as a partner, because we would like to grow this book cautiously with having all our partners together with us, rather than venturing alone. And I think that is a very clear thought process, on which we are working at this point.

Vibhor Singhal: So the Ganga Expressway is also going to be GIC InvIT

Management: Yes, it will be funded in 51:49 ratio by IRB and GIC associates.

Vibhor Singhal: OK, so Mumbai - Pune is still not there right? Mumbai - Pune is still with the listed company.

Management: Yes, Mumbai - Pune it will continue to be a part of the listed company for the entire life of its concession.

Vibhor Singhal: So that is not going to get covered at any point of time to the GIC side.

Management: Yes.

Vibhor Singhal: So just few bookkeeping questions. If I may get an answer to so Sir, in terms of the order book that we mentioned, it's around Rs. 15,700 crores. Would it be possible to give a broad breakup? In fact, I would want to request that now that we have a marked up on this very detailed presentation in which we are giving so much information, it would be really helpful. I mean we don't have like start; we are not working on like 20%-25%. It would be really great if we could quarterly or monthly basis differently based on the order book as to project wise if it is possible.

Management: So you want the order book break up right.

Vibhor Singhal: Yes

Management: So if we divide the current order book which is Rs. 15,700 crore, the EPC is Rs. 9,500 crores and O&M is Rs. 6,200 crores. The EPC further, if we divide in BOT and HAM, then BOT is Rs. 7,100 crores and HAM is Rs. 2,400 crores.

Vibhor Singhal: OK, Ganga Expressway would be around Rs. 6,500 crores.

Management: No

Vibhor Singhal: Also Sir, if I could just get the breakup of other income for this quarter.

Management: Rs. 6,500 what you have mentioned, that is the total cost for the Ganga out of that as you may remember that last quarter we have removed GST out of order book. Ganga Expressway close to 5500 crore and balance will be the Palsit Dhankuni.

Vibhor Singhal: OK got it so ~ Rs. 5,5,00 crores are the EPC order value of the Ganga Expressway in the automotive excluding GST.

Management: Yes

Vibhor Singhal: If I could get the breakup, other income in EPC and BOT.

Management: So in this quarter construction income includes Rs. 56 crores of other income and in toll business, we have around 15 to 16 crores of other income.

Vibhor Singhal: Got it, Sir, and up over and hope that they would also be get 412 crores. And just one last question in terms of the outlook that we're looking at, will it be comfortable to do almost 5000? I mean, if I'm looking at let's say, the revenue for the city segment, do you think we can kind of see the 3000-5000 for the kind of revenue this service here?

Management: I think we are definitely comfortable working for more, but yes, depending on the opportunities as they come, we will certainly keep feeding on them.

Vibhor Singhal: Last question if I could get just the details for the financial closure details of Ganga Expressway, the debt and the equity component.

Management: So Rs. 1,750 crores is the UPEIDA grant around Rs. 2,650 crores is the debt and approximately Rs. 2,200 crores are the equity which will be between GIC associates and IRB on a 51-49 days.

Vibhor Singhal: What is the interest rate that we have closely data at this point of time?

Management: I will share that at an appropriate time, but it is a very competitive rate. That's what I can confirm.

Moderator: Thank you. Next question comes from the line of Abhineet Anand from Emkay Global please go ahead.

Abhineet Anand: In terms of Mumbai - Pune and Ahmedabad - Baroda, you said that the growth has been 52% and 44% respectively. What is the volume growth for these?

Management: So for Mumbai – Pune, it's purely on the volume growth. Volume growth was 8% as I mentioned in my narration for Mumbai – Pune. Quarter on quarter. There was no tariff revision in Mumbai - Pune. And even on YOY the 52% is purely on the volume.

Abhineet Anand: Ok, because that is for every three years.

Management: Yes

Abhineet Anand: And for Ahmedabad, Baroda, what is the volume growth?

Management: So if you see the tariff hike is around 10% on YOY basis and the revenue is around ~44%, the breakup of tariff is around 10% and balance toward the volume growth. Almost 34%.

Abhineet Anand: Ok, and the other thing that I have is you did mention that there are a few opportunities in the BOT side and I think the government is looking for TOT as well. In case there is a lower bound of opportunities in the TOT and BOT and that presently our Balance sheet is quite strong. How do we go about looking into the construction business because let's assume your order book today on the EPC side is around 10,000 crores 9500 to be exact that could probably get consumed over next 2-2 1/2 years? So I mean, in case the BOT does not work, do we look for more aggressively into HAM, which is a space actually works very crowded part. So if you can, just, you know, share your thoughts on your strategy.

Management: Sure, so I think the strategy thought is very clear. As I mentioned earlier. Also that the waterfall mechanism in terms of our preference would continue to be BOT, TOT and HAM, but we are not averse to taking HAM projects either. So while we will scout for good quality BOT project or even TOT projects which are CAPEX heavy. If there are large sized HAMs that come up with the revised format, where in the pre-qualification criteria has been made stringent and the certain areas where people used to have some advantage of tweaking the bids have been taken away now. So we expect the HAM bids also to rationalize going forward, and we will continue to scout for those opportunities as well. So the idea would be that the construction business that we have on hand and the kind of resources and manpower that we have continues to grow at a steady pace. It's the kind of order flow that we will continue to chase.

Abhineet Anand: So if you could just elaborate on your current order book of the EPC for 23-24-25 what could be broad break up with 10,000 crores of EPC? How can that span out without any incremental orders I'm talking about.

Management: The current order EPC order book is Rs. 9,500 crores and O&M is Rs. 6,200 crores, Out of Rs 9500 EPC orderbook, Rs. 7,100 crores is towards BOT which includes Rs. 5,500 crores for Ganga and Rs. 1,600 crores towards Palsit and Rs. 2,400 crores towards the HAM project.

Management: As far as EPC is concerned, year wise breakup roughly four and half thousand will get executed in this year and around similar in the next year and in the last year there will be a close to 1000 crores of execution. O&M around 600 to 700 crores on per annum basis and that will be on the increasing trend year on year.

Moderator: Thank you next question comes from the line of Nikhil from HDFC Securities Limited. Please go ahead.

Nikhil: Sir, my first question is what is the amount of loss funding in case of our private InvIT and also the bifurcation into cash and non-cash component.

Management: So for private InvIT all the projects are now operational and for this quarter there was no loss funding because all projects are now self-sustainable. Further, we have also shared in our presentation one slide where the cash EBITDA is somewhere around 250 crores and the net debt is somewhere around 9000 crores, so roughly if you see the EBITDA and net debt, there is a surplus rather than any shortfall.

Nikhil: Ok so my next question is, in case of all the completed projects, what is the quantum of change of scope work?

Management: For this quarter, it's hardly 25 to 30 crores.

Nikhil: OK, 25 to 30 crores.

Management: Additional input on the earlier question as regards Private InvIT is concerned, given the low debt of almost 9000 odd crores in the Private InvIT, it has never been a situation even in the past where any Cash flows funding was ever made by IRB towards the Private InvIT. It has been self-sustaining all across in the past as well.

Nikhil: Ok Sir, Understood and what is the amount of order inflow for the quarter?

Management: We don't give any order inflows in the quarter. I think there was no new order during the quarter because post March hardly any projects have actually been awarded.

Nikhil: Ok, and Sir, I believe that you have given the bifurcation of the arbitration award into the impact of it on Pathankot - Amritsar level. I miss out on that point. Do you mind repeating the endpoint?

Management: Pathankot - Amritsar as I explained earlier the construction revenue included Rs. 419 crores of revenue. On expense side Rs. 50 crores was the expenditure and on EBITDA side it was close to 368 crores of EBITDA and 100 crores was tax on the same and net impact on PAT was roughly Rs. 270 crores.

Moderator: Thank you next question comes from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: So I think Mr. Mhaiskar spoke about some three to four or opportunities that we've identified on BOT tolls, so possible to have put a number to this, I mean in terms of value rupees that you expect. I mean if we get to have success with these little three? So what will be the total value that we would be able to add in? What's the inflow targeted we have for FY23?

Management: I'm not able to hear you clear at all, but I could sense that you're asking about the new BOT opportunities that is coming up, and I think the bids are still some distance away, but certainly my sense is that in terms of order book addition, as I mentioned earlier. I think it should be Rs. 5,000 to Rs. 7,000 crores of order additions, and one can expect during the entire financial year is what might happen.

Prem Khurana: I was asking for the three to four opportunities that. We have already identified. What will be the total value of these 3-4 in terms of rupees crores? That we all you have identified and there will be. Obviously, I understand that they'll be subsequently, we'll get to have more opportunities and you will go and then we're targeting 5000-7000 rupees, but what will be the number for these 3 for that you've already identified?

Management: It will be around 240 kilometers for six laning and four laning projects which has been identified. So the cost and all is not yet come we are still waiting.

Prem Khurana: OK, sure and on this VK1 that we've decided transferred to public InvIT. So I mean, if I understand, we used to give us a sense. I mean, we're targeting around 11%-12% equity IRR, so just want to understand. I may be selling it at a premium to our equity infused right? I'm into public InvIT which essentially would have meant that the IRR number could be even lower than what we spoke about our comments. So I mean adjusted for PIM part is it still comparable to that 11%-12% that we were targeting initially, or how the math works for public InvIT? I mean why I want to understand it or eventually I mean this would be taken up by the board in the unit holders of the public InvIT, and if the return is not, I mean to generally the target that we tend to hire I mean, there could be a situation that could take some time for them to confirm us the asset acquisition. So what will be the total PIM that we would have received then, which is where I mean the annuities would not be on 2000 crore with a big project, was that we used to give for this project. So what will be the total PIM part in this? How is the big project cost change? I mean over the years for this.

Management: As you are aware that this cost project would have changed in the line with the inflation. But first I would like to take - What kind of equity return to the public unitholders? So roughly we are transferring this project at 12% cost of equity i.e. 12% IRR for the public InvIT. But the public InvIT predominantly will be funding 50% through retained internal approvals and 50% through debt. On Levered equity IRR it's a close to 16% to 17% if I take 50% as the equity and 50% as debt, then that translates 16% to 17% kind of return to the public InvIT on equity (internal accrual used by public invit). And this is based on the actual annuity, which can be realized to the public InvIT.

Prem Khurana: So any possible to share your thoughts on this 200 odd crores rupees of money that we're supposed to receive over and above the equity consideration towards the project management? Because when I was looking at my old sheet, I mean the O&M, the number that we've kind of built with is around 2.7 crore rupees which would get adjusted to the inflation number. So how did we arrive on this 200 odd crore rupees of number I mean for project management?

Management: With respect to, this is the O&M of project for 15 years. Rs. 2.7 crores O&M is the bid number. As you are aware that HAM bidders' takes lower O&M but there after the one has to consider the actual O&M on the project. So if you remember at the time when we have bagged this project that time also we have shared that 12 to 13 crores will be per annum O&M and there is no change in O&M cost at the time of bid and now at the time of transfer. The public InvIT has taken a third party evaluation for the O&M and which is almost 7% to 8% higher than what O&M price IRB is offering. Further public InvIT has a right that at any time if they find better pricing they can change the O&M contractor.

Management: One more point to add here. As Anil rightly pointed out, the earlier HAM model was always tweaked with the lower O&M. If that people used to pay, but when we used to take the project for financing to the lenders, we have always factored the realistic O&M that we would be spending on the project and even there. Whatever cash flow we had factored as a O&M the same was also weighted by public InvIT as a part of this process and as a Anil said, after taking a third party confirmation they have gone ahead with the O&M number.

Prem Khurana: In this one last for my time, and if you could help me with the appointed date for Chittoor Thachur and on this Amritsar Pathankot we realize 75% now when do we expect to have the balance 25% come to us.

Management: Appointed date for Chittoor Thachur is expected in 30-35 days

Prem Khurana: OK, and how about the balance 25% from Amritsar Pathankot claims?

Management: I think it should come through in this financial year itself. I don't want to give a date on that, but we have best of our abilities and certainly before end of this financial year is what we expect.

Moderator: Thank you next question comes from the line. Of Abhiram Iyer from Deutsche Bank, please go ahead.

Abhiram Iyer: My quick question was with respects to the construction revenue and EBITDA, splitting out the Pathankot revenue and EBITDA, as you mentioned, the 419 crores and the 50 crores expenses the other part of the construction revenue is actually sort of been flat, and has actually gone down by YOY, and especially compared to, say, six months ago or 12 months ago. So is there any particular reason for this or and what's the sort of you going forward?

Management: If you are comparing with the trailing quarter, there was also Goa arbitration award which was accounted in the trailing quarter. Secondly, as we are about to get appointed date for various projects. So now this revenue is going to increase. A third aspect, which is very important in the last quarter, we have aligned order book without GST. Earlier revenues were booked along with the GST. Now those revenues are booked, excluding the GST and to that extent last quarter we have reduced our order book also. If one wants to compare one has to divided by 88% to arrive the real number on the construction revenue. So I think if we do that then the construction revenues are comparable with the trailing quarters or trailing year, and in fact it will be a 5%-7% higher than compared with the trailing quarter or previous year quarters.

Moderator: Thank you. Next question comes from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: So just wanted to understand on the order inflow side, so in HAM also the energy is considering reducing the equity as in their contribution from 40% to 20%. So how do you see that space and also in BOT toll you mentioned about certain projects coming up. So just if you would elaborate a little more on that, I mean how many projects we can look to win in this here.

Management: So I think, as you rightly pointed as these fiscal tightening is setting in, we certainly see an endeavor from NHAI to entice more private participation. And they have already talked about. Even I have read the article which were mentioning where they talk about reducing the annuity to 20% during the construction phase. So if one looks at the way HAM projects have been built in the past, what the lenders used to do is they would they used to say that out of the 100%, 40 is getting funded by NHAI, so the balance 60 used to be funded at a debt equity ratio of 80-20 or 75-25 and the effective equity in the project that the developer was required to put in was 12% to 15%. Now if the NHAI contribution during construction goes down to 20% automatically, the upfront equity that the developer will have to put in will certainly significantly go up to anywhere between 25% to 30% and I think that is one weak defining moment to my mind because the moment that happen it will bring in a big amount of discipline in HAM bidding because the irrational exuberance that is being seen presently because there is no equity getting into the HAM project because it is a churn of mobilization advance that keeps happening and there is hardly any skin in the game that will certainly change big time. And serious players with good balance sheets will be able to come and pick up projects at a same pricing which will bring in more discipline in execution and all the fraud will start going away. So my sense this is a big change that we are looking forward to apart from BOT where I said that the government had talked about a total of 30,000 crore projects to come up on BOT in this fiscal. That was an article which I'm quoting which appeared a few days back in PTI so going by that we expect close to 30,000 crore worth of projects to be tendered on BOT.

Alok Deora: So this HAM reduction of NHAI contribution, is it just limited to the article or have we had any sort of discussion or any further updates on that? If you could share? If you have been in discussion on this part.

Management: I think that there's serious thought process. What we have been able to understand so far, there was even a discussion where they were thinking of giving some kind of a revenue guarantee on the BOT projects, and remove the traffic risk on the BOT aspect as well. So a lot of thought process is happening between us as stakeholders and the regulators and the client that is NHAI and I think there is a definite positive mindset with which everyone is working as to see how these models are made palatable and generate good returns at the same time deliver a strong asset to the government which has less problems going forward.

Moderator: Thank you next question comes from the line of Karan Kapadia from systematics. Please go ahead.

Karan Kapadia: I have a question on private InvIT. Can you please share more insights about the traffic growth, projections and tariff provision expected for the private InvIT projects in the coming quarter?

Management: So private InvIT projects as I said earlier, that all the projects are now operational and with the tariff hike somewhere around 10% for most of these projects the revenue growth what we have tariff side for this year with a decent traffic growth of 5.5% to 6% can be expected for the coming quarter,

Karan Kapadia: OK, and any more guidance that you can give for tariff revision means in future more than 10% or we can assume the exact time around.

Management: I think the tariff revision is clearly linked to inflation and going by the present numbers, certainly they appear to be going more locked in terms of more than at least 5% even for the upcoming year, depending on inflation right now. But I think even Bombay Pune would have tariff revision in the upcoming year that would be a significant revenue driver for next year because 18% tariff revision will become due on 1st April 2023.

Moderator: Thank you. Next question comes from the line of Nikhil from HDFC Securities Limited. Please go ahead.

Nikhil: I had one question. When is the consideration for VK One is expected?

Management: This will take another two to three months to complete the transaction. We expect that consideration to be received by October this year.

Moderator: Thank you next question comes from the line of Vibhor Singhal from Phillip Capital, please go ahead.

Vibhor Singhal: Just one quick follow up to what you mentioned about the changes in the HAM model now definitely as you mentioned that if the government decides to decrease the HAM shared during construction period from 40% to 20%, this will bring in more discipline into the building and not everybody will be able to update for that so, but I just wanted to ask that in your opinion do you think that's all I mean, given the kind of industry that we are in right now and the state of players that it is that most of the players were right now waiting for the HAM Projects might actually maybe stop bidding or will be reduced their basically, and it might reduce the appetite. So internally HAM might actually give out on avoiding a lot of projects on BOT. Do you understand that happening that right now? Like they walked around 40%-50% of projects on after they might not be able to do that? And then that might actually spillover. Maybe two more EPC and HAM over EPC and BOT.

Management: I beg to differ with you. See, I don't think that all the players will stop bidding on HAM. I don't think that is going to happen because ultimately if the nation building has to happen, there will be many more HAMs required to undertake this. So what will happen is today ultimately, whatever equity one is putting into the project. He is recovering the equity by some means or the other. Whether you are taking part of the equity back as some element of the construction margin, or you're keeping that everything has a back end did return on the annuity itself. But if your equity amount goes up naturally, all these players will have to bit little more plainly, where they will have to factor higher equity into their working, which will automatically bring the bidding to a rational level. Because today what is happening is there being no real equity into the project. People are bidding with extremely low margins and trying to outbid others and destroy value and creating problems for themselves in the future. But the moment the lender would say we want more money to be seen up front when you start the project automatically, a project discipline will set it. And exuberant pricing will automatically get corrected is my view so yes, now there will be. Certain autonomy that the client as the government will have to look at to whether they want to then on the improved with parameters, want to give more on HAM or to do away or not, do away but give more on the BOT by paying the same amount of say grant during construction and save the balance 80% from being funded from their corpus over 15 years and to invite more of private money into the asset building. So I think. This is a call that government will have to take, but. If we look at the fiscal discipline that the government is putting in place, I think it will balance out somewhere in between.

Moderator: Thank you as there are no further questions. We have reached the end of question and answer session. I would now like to handover the conference over to Mr. Virendra D. Mhaiskar for closing comments.

Virendra D. Mhaiskar: Thank you everyone for this interesting discussion, and we look forward to have all of you again when we declare the next quarter result and wish you a great week ahead, thank you so much.

Moderator: Thank you on behalf of chorus call that concludes this conference. Thank you for joining us. You may now. Disconnect your lines.