

May 27, 2026

To

National Stock Exchange of India Limited
Exchange Plaza, C-I, Block-G
Bandra Kurla Complex,
Bandra (E), Mumbai-400051
Symbol: CAPINVIT
ISIN: INE0Z8Z07016, INE0Z8Z07024

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers, Dalal Street,
Fort, Mumbai- 400001
Scrip Code: 544338

Subject: Transcript of Earning Conference Call held on Wednesday, May 20, 2026

Dear Sir/ Madam,

In continuation to our previous intimations dated May 15, 2026 and May 20, 2026, we hereby submit transcript of the Earning Conference Call of Capital Infra Trust (Trust) held on Wednesday, May 20, 2026, at 12:00 P.M. (IST) for Q4 & FY26 Financial Results.

The aforementioned transcript can also be accessed on our website at below path:

(**Path:** Investors >>> Financial Result >>> Quarterly Results >>> FY 2025-26 >>> Q4 >>> Call Transcript (Text))

Kindly take the above information on your records.

The above information is also available on the website of the Trust i.e. <https://capitalinfratrust.com/>.

For Capital Infra Trust

(acting through its Investment Manager, Gawar Investment Manager Private Limited)

Shubham Jain
Company Secretary and Compliance Officer

Enclosed: As Above

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**“Capital Infra Trust
Q4 & FY26 Earnings Conference Call”
May 20, 2026**



MANAGEMENT: MR. HARE KRISHNA – CHIEF EXECUTIVE OFFICER

MR. AMIT KUMAR – CHIEF FINANCIAL OFFICER

MODERATOR: MR. ADITYA SAHU – HDFC SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to Capital Infra Trust InvIT Q4 & FY26 Earnings Conference Call, hosted by HDFC Securities. 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 concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aditya Sahu from HDFC Securities. Thank you and over to you, sir.

Aditya Sahu: Thank you. On behalf of HDFC Securities, I welcome everybody to the Q4 & FY26 Earnings Conference Call of Capital Infra Trust. We have from the management Mr. Hare Krishna, Chief Executive Officer, and Mr. Amit Kumar, Chief Financial Officer. I now hand over the call to Mr. Hare and the management team for their opening remarks, followed by the Q&A session. Over to you, sir.

Hare Krishna: Thanks, Aditya. Good afternoon, everyone, and thank you for joining us today. I am pleased to share that the Trust has delivered a strong performance for the quarter, led by positive contributions of 3 recently acquired SPVs, timely receipt of eight annuities aggregating to INR 407 crores, additional inflow of INR 112 crores as change in law claim from NHAI, stable routine operations of 12 projects, lowered cost of debt by refinancing external borrowings of INR 2,000 crores at 6.85%, and receipt of around INR 66 crores from the sponsor towards indemnity payments.

As a result, the Trust closed the quarter with a net debt ratio of 40.9%, improved NAV to INR 74.7 per unit, and a quarterly DPU of INR 2.4 per unit. While Amit will discuss our financial performance in detail, I would like to briefly emphasize our business strategy, which is to operate operational infrastructure assets in a risk-averse manner, which generates predictable distributions for unitholders.

As such, we intend to continue to operate in annuity-based road assets, which have no external dependencies like traffic or toll rates, and have predictable revenue streams. Secondly, we intend to maintain a mix of fixed-rate debentures and floating-rate rupee term loans to diversify our debt capital. Our annuity profile is linked to bank rates, which provides a natural hedge in a rising rate scenario.

On the cost side, a significant portion of our expenses is structured through fixed-price or well-defined contracts, which limits inflationary impact and supports margins. Growth is driven in a standardized manner through a combination of ROFO assets from the sponsor and selective third-party acquisitions, while maintaining asset quality, valuation discipline, and conservative underwriting.

Consequently, even in the current market volatility, our operations continued uninterrupted as per the business plan, with no adverse financial impact on our inflows or outflows. Nor do we foresee any impact on our financials in FY27 due to our long-term contractual framework for revenues or expenses.

Moving on to FY26 financial highlights, our AUM grew by 42% year-on-year to INR 6,611 crores from INR 4,668 crores, driven by disciplined portfolio expansion. During FY26, acquisition of 3 HAM assets added INR 2,570 crores of enterprise value at a 9.3% discount to intrinsic value, and increased our portfolio to 12 operational HAM assets.

During the quarter, we optimized our external borrowing by refinancing and raising external debt of INR 2,000 crores at 6.85%. Rationalized additional fund raise, coupled with debt repayment of INR 108 crores from our internal accruals, has optimized our debt ratio to 40.9%. This has improved the cost and structure of our borrowing and enhances cash flow efficiency. Importantly, this provides headroom to fund acquisitions through debt, reducing reliance on equity issuance and limiting dilution.

As of March '26, our effective annualized interest rate was 7.33%, which has further reduced to 7.24% currently, and we will continue to optimize our blended cost of debt through active refinancing. As a consequence, our NAV increased from INR 72.3 per unit in the last quarter to INR 74.7 per unit. The improvement has been largely on account of a reduction in bank rates, lower cost of debt, receipt of outstanding claims from NHAI, and indemnity inflows from sponsors.

Going forward, our focus remains on stabilizing NAV through disciplined underwriting, attractive acquisitions, and continued refinancing. We also note potential upside not captured in the reported NAV, with the GST CIL indemnity value of INR 24 crores expected by Q2 FY28.

Additionally, we remain optimistic on our acquisition-led growth strategy. During the quarter, our sponsor's ROFO pipeline pool has increased by three assets to 17 assets. Looking ahead to FY27, we have strong visibility through our sponsor-backed ROFO pipeline with eight assets at advanced stages, and we are targeting acquisition completion around Q3 FY27, subject to approvals and closing conditions.

At our current AUM base, this pipeline, along with our discussions for third-party assets, provides clear growth potential and supports our trajectory towards the INR 10,000 crores AUM target in FY27. Beyond FY27, additional ROFO assets provide multi-year growth visibility, supplemented by selective third-party acquisitions where valuations are compelling.

Finally, on distributions, FY26 delivered a cash yield of 13.1% based on the unit price as of 31 March, 2025, with total distribution of INR 11.6 per unit. For FY27, we are providing DPU guidance of INR 9 to INR 9.25 per unit, translating to an expected cash yield of 13% to 13.5% based on the March 26 price. This guidance is supported by asset-level annuity cash flows, disciplined cost and reserve management, and continued optimization of our cost of debt. Overall distributions remain predictable, sustainable, and are backed by recurring cash generation rather than one-offs.

Thank you. I will now hand over to Amit to take you through the financials in detail.

Amit Kumar:

Thank you, Hare. Good afternoon, everyone. I will take you through the key financial updates for Q4 FY26 and FY26. Coming to Q4 FY26 performance on a standalone basis, total income for Q4 FY26 was INR 259 crores, vis-à-vis INR 129 crores in Q3 FY26, driven primarily by

higher dividend inflows from the SPVs contributed by newly acquired assets and a certain portion of treasury income.

Interest income on loans extended by the Trust to SPVs stood at INR 146 crores during the quarter, compared to INR 102 crores in the preceding quarter. The increase was primarily driven by incremental debt on-lent to SPVs acquired during the December quarter, totalling INR 1,780 crores. On a standalone basis, standalone EBITDA was INR 257 crores, and net profit was approximately INR 253 crores for the same quarter.

During Q4, the Trust raised fresh term debt of INR 1,750 crores at a pricing of 6.85% per annum, which was utilized primarily towards refinancing of existing debt of INR 1,100 crores in newly acquired SPVs and redemption of dissenting NCD holders to the extent of INR 650 crores. Further, pursuant to the annual reset due in March 26, the coupon rate on one of the series of NCDs was revised downward from 7.6% per annum to 6.85% per annum, effective March 5, 2026.

For FY26, the Trust reported total income of INR 790 crores, EBITDA, which is exclusive of impairment loss booked, is of INR 784 crores, and closed at a PAT of INR 285 crores, which also included interest from these freshly acquired SPVs in December 2025. The impairment is on account of the difference in fair value and the book value of the investments.

On a consolidated basis, total income for Q4 FY26 was INR 345 crores, compared to INR 182 crores in Q3 FY26, reflecting stronger contribution from the expanded portfolio. EBITDA improved to INR 282 crores, and net profit stood at INR 195 crores, reflecting normalized performance compared to Q3 which was impacted by modification-related adjustments.

During Q4, the sponsor indemnified the Trust for an amount of INR 66 crores pertaining to expected short receipt from NHAI towards the agreed GST CIL amount at the time of SPA executed during the IPO and certain amount was due to a change in expected inflows at the SPV level.

Moving to distributions, as Hare already mentioned, the board has approved a distribution of INR 2.40 per unit for Q4 FY26, translating into a payout of approximately INR 118 crores. The form of distribution is INR 0.99 per unit as interest, INR0.63 per unit as dividend, INR 0.77 per unit as capital repayment, and INR 0.01 per unit as other income. The record date for the said distribution is May 22, 2026.

At the standalone level, tax outflows remain efficient as distributions from SPVs continue to be largely tax-free, with taxes primarily attributable to taxable treasury income only. From FY27, we are shifting the payment of investment manager fees from the project SPVs directly to the Trust versus the project SPVs earlier in line with industry practice. Further details are available in our investor presentation.

We can now open the floor for questions.

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Sarvesh Gupta from Maximal Capital PMS. Please go ahead.

Sarvesh Gupta: Hi, thank you for the opportunity. Sir, one broad question I wanted to understand on your DPU. So, we have seen a very checkered past in terms of how we have gone about distributing every quarter, unlike all the other InvITs in the industry. Now, this time also we see this cash yield sort of a figure which is a new spin on the numbers.

So subject to SEBI NDCF guidelines, but because you are repaying some debt etc also to optimize your balance sheet, what is the framework that you have right now to sort of do the DPU for every year from here on? Because honestly speaking, we have seen too much volatility in the way you guys have handled this.

Hare Krishna: Yes, so on the DPU part, just to explain a little bit further, as we have discussed in previous calls as well, post-IPO of Capital Infra Trust, the initial distributions were large, they were largely on account of the fact that there was cash with the Trust, along with the IPO, which we had distributed initially. Thereafter, our operations are pretty much stabilized right now, and now we have quite predictable cash flows ahead of us.

In terms of our operations, we receive our annuities twice a year. However, we need to incur operational costs on a monthly basis for the project manager, and we need to fund our interest outflows for the principal repayment and interest costs as well. Therefore, we need to create reserves on a quarterly basis to meet the expenses at the project SPV level and to meet the debt obligations. Beyond that, we are not creating any other different type of reserves.

Therefore, from an NDCF perspective for this quarter, we have arrived at an NDCF of INR 118 crores, which translates into a DPU of 2.4. For the last financial year, for the moment, if I don't go into the cash yield if I were to talk about the DPU only, we distributed INR 11.6 crores in FY26, including the 2.4 which we will be doing in a week's time. And for the next financial year, we are looking at a guidance of 9 to 9.25 which are largely based on the revenues which we will be receiving from our 12 SPVs, taking aside the operating expenses and the budgeted debt outflows.

Sarvesh Gupta: Yes.

Hare Krishna: Does that answer your question or you have further.

Sarvesh Gupta: I had one clarification. So even if we are now saying that, okay, Q4 was a stable quarter, but next year's guidance is below what we are distributing for Q4 also, right. FY27 run rate is lower than Q4. So, when are we achieving that stable sort of a DPU? Will you say from Q1 onwards we will achieve that, and from there on it would be stable to increasing sort of a DPU only or will there be further volatility in that?

Hare Krishna: Even if you look at, right now for the next financial year, we are having 9.2, which translates 9 to 9.25 guidance which we have given which translates, quarterly basis to 2.3. This quarter we have given 2.4. So therefore, I would suggest it's a similar range. I would not say there is too much variation in this aspect. That's what I would like to summarize.

Sarvesh Gupta: So now everything is settled in terms of the optimization, capital reflows being high, and now it should be a stable and increasing trend as far as your DPU is concerned?

Hare Krishna:

Yes. So right now, the forecast which we are providing, that takes into account the cash flows from the 12 assets. Additional thing which I would like to put forward is, very shortly after the June quarter, once we make the six distributions, we would be eligible to enhance our leverage up to 70%. Right now for us, the debt leverage is limited to 49%.

Post the June distribution, we would be eligible to enhance it to 70%, which will permit us to undertake acquisitions of one or two assets through external debt itself. For instance, we can easily acquire assets of INR 900 crores to INR 1,000 crores just by raising external debt and remaining compliant with the SEBI norms altogether. This will not require any further equity dilution.

Our equity base will continue to remain the same, and this will be further accretive to the current unitholders. So therefore, the guidance which we are giving right now for FY27, is in the range of 9 to 9.25, this is again going to increase by at least 10% in FY28, based on the factors which I mentioned with you right now.

The second positive factor in our portfolio would be that we have annuity-based inflows. Essentially, this is linked to the interest rates set by the RBI and the RBI bank rate. Therefore, in FY28, if interest rates are to go up, this will further increase our inflows and will help us in improving the guidance for FY28.

Sarvesh Gupta:

So, in FY27 also, there could be some partial positive impact of asset acquisition, right? Is that a possibility that you will have that in the FY27 DPU as well?

Hare Krishna:

Yes. The current forecast, which we have given, is based on the 12 assets. So, our objective is to complete acquisitions or undertake acquisitions by Q2 or Q3. Therefore, in FY27, there could be a positive impact of new acquisitions.

Sarvesh Gupta:

Okay. Within the DPU, sir, the other thing which is very volatile is the way the DPU has been given, so from Q1, where 100% was capital repayment to Q2 where it was 0%. These heads have also undergone a complete reversal over the quarters. So, how do we look at this, because this determines the taxability of the various distribution heads? Will it be stable going forward?

Hare Krishna:

Yes. In the current DPU, of 2.4, around 0.78 is non-taxable, primarily because it's a return of capital. Even if collectively, I was to look at FY26 then around 40% of the distribution was non-taxable. For FY27, this would be somewhere in the range of 25% to 30%, primarily driven by the return of capital. It may be staggered over the quarters because of accounting treatment and things like that. But overall, in the financial year basis, it would be around 25% to 30% which would be non-taxable.

Sarvesh Gupta:

And that should be stable quarter-on-quarter or will it be as volatile as what we have seen in FY26?

Hare Krishna:

It would be stable only, but what I'm coming at is that there may be the configuration between payment of interest, dividend or return of capital may vary from quarter-to-quarter. Over the financial year, it will remain as per the targets we are talking about.

Sarvesh Gupta:

Okay. Secondly, on your NAV, now we have already reached 40% debt limit, and as you said that we are close to the limit. But again, after some time, we will get further limit of debt. And

now your sponsor has a large pipeline. So how do we plan because here now, what has also happened that you are trading at a discount to NAV. So, every time you raise money, you are diluting the NAV also.

So, what will be your guidance on how you would want to treat your NAV itself? Will you be raising money, because you will have to raise money eventually, and if that is dilutive for NAV like how do we look into that?

Hare Krishna:

I take your question. So, there are two parts to it. The first part is the NAV has improved from the acquisitions which we took in December, because they were at almost a 10% discount to the fair market value. It helps us in strengthening the NAV per se. But having said that the equity capital raise does increase the base of the unitholders, and that does have a dilution impact.

Going forward, at least for FY27, we are cognizant of this aspect. When we are funding the future acquisitions through debt, therefore there is no additional unit being issued, and therefore, it is accretive to both the unitholder, existing unitholders and the NAV growth as well, which we will try to achieve by December 2027.

With regards to the equity capital raise, we will try to minimize so that for existing unitholders, overall return is accretive and they are benefit from the acquisition rather than any dilution over debt. So that's our plan. If there is any dilutive impact then we will not go for equity raise at all. That's our plan.

Sarvesh Gupta:

So, sir, where I was coming from was basically, I think we were able to increase the NAV despite fundraising at a lower valuation, because the sponsor was able to sort of give the assets to us at a discount to fair value, which you alluded to. Now, going forward, is the sponsor in line with that thought process that there should not be any NAV dilution, and hence we have to sort of compensate on the transaction value of the future assets from the ROFO pipeline to encapsulate that, because we might have to raise money at a discount to NAV?

Hare Krishna:

To answer your question, say, right now for future acquisitions, we are yet to undertake dilutions, and yet to go through our board consent and even unitholders' consent. But as a practice, even for third-party acquisition, we are going to negotiate and have some discount to the market value.

We would avoid acquiring assets just at market value itself. We will always go and negotiate and have some discount on the fair market value. The quantum of discount may vary from deal-to-deal that's something we won't be to confirm today, but we will ensure that there is some discount to the fair market value.

Sarvesh Gupta:

And how do you see that market, sir, for third-party acquisitions because you might be looking into various opportunities. Because, the other thing which is happening is, there is a lot of fundraise across private and public InvITs. A lot of IPOs are coming on. So, there is a lot of capital that is there, and everybody has to acquire to grow and all that. So, given that, apart from your sponsor assets, are you able to find third-party assets at reasonable valuations in this sort of a market?

Hare Krishna: See, I think a third-party asset is always challenging, not only you need to look at the financials; you need to look at the quality as well, because you would be undertaking a long-term contract, and operational maintenance is your responsibility.

Having said that, there are multiple players even today more than, I would say, 15 to 20, who have been allotted HAM project over the last two to three years which are ready, and they are going to transit. The competition in terms of capital providers is there. There are multiple players looking to seek or acquire such assets.

However, we also have a strong ecosystem among road players and we have identified a few players. We are in discussions with them. And that is something we will update the group on once we reached the stage and once, we have concluded some binding discussions with them.

Sarvesh Gupta: Okay. Sir, your cost of...

Moderator: Sorry to interrupt Mr. Gupta. May we please request you to rejoin the queue, sir, for the follow-up?

Sarvesh Gupta: Sure.

Moderator: Thank you. Next question is from the line of Dishant Garg from Edelweiss AMC. Please go ahead.

Dishant Garg: Hi sir. Thank you for the presentation. Sir, my question is on the

Moderator: Dishant, your voice is very low. Please use your handset.

Dishant Garg: Am I audible now?

Moderator: Yes. Please go ahead.

Dishant Garg: So, my question is on the rigid construction, where you stand at 35%. Any plan to increase the rigidness on the construction quality, because of increased O&M expenses given the cusp of inflation? Do you have any plans because as I can see in the presentation as well and I have discussed with multiple analysts, it does not have a major impact given your O&M has been contracted as and when it gets converted into an asset into the InvIT. But will that also have an impact on the O&M contract pricing going forward?

Hare Krishna: To answer your question, we do have around, as of now, 35% of our portfolio having rigid pavements. Your assessment is correct that in rigid the annual operating expenses are less. However, during the course of the project, you can't change this. These are something which are designed and approved by NHAI at the beginning of the project.

Even in a project, on a selective basis for a certain portion, NHAI keeps on coming with design upgrades more from safety and other parameters and does issue a change of scope and does undertake such work. But we cannot unilaterally go ahead and ask NHAI to make that change. This is at NHAI's discretion, and we have to abide by the concession agreement.

Having said that, our framework is beneficial for the InvIT. For operations and maintenance, we have given a fixed-price contract to our project manager. Therefore, despite the volatility in bitumen prices or commodities or vehicular movement, which is going on right now, our cost does not get impacted at all. Our cost remains the same, which is fixed as of today.

So therefore, I understand your point of rigid versus flexible, but this does not impact our business plan or future operations negatively at all because we are operating on a fixed price contract.

Dishant Garg: And what about the cost going forward on the O&M contracts?

Hare Krishna: So even the O&M contracts, the value has been finalized for the entire tenure of the concession agreement. So therefore, whatever is the fixed amount and we are not foreseeing any deviation whatsoever from the amount we have budgeted.

Dishant Garg: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Ankit Tripathi from Kotak. Please go ahead.

Ankit Tripathi: Hello. Am I audible? Hello?

Moderator: Yes. Please go ahead.

Ankit Tripathi: Yes, Hi. The good set of numbers. I have a few questions. On the growth aspect, if I look at your ROFO pipeline, Hare can you please explain how much amount or on a ballpark basis, if you have to acquire ROFO assets from your sponsor, what value would that be since we have a decent amount of ROFO pipeline?

Hare Krishna: So Ankit, there are around 17 ROFO assets right now. And around 8 of them will acquire completion status in FY27 itself. We have not gone in very entire detail of the valuation of these assets.

As of now, the collective BPC of the projects, which are there. See the 8 assets which would be ready in this financial year, their BPC is around INR 7,100 crores. Depending upon the diligence and unitholders approval, we would be targeting to acquire at least 4 to 5 of them, depending upon the diligence outcome and how we progress.

So we haven't gone into the exact enterprise value of that amount right now, but to answer your question, the gross BPC for these 8 projects adds up to INR 7,100 crores. And in BPC essentially what happens is that at least 40% of the amount has already been received by the developer from NHAI, so only 60% of the value remains and this further increases based on the inflation index.

Ankit Tripathi: Okay. When we were speaking about the third-party asset acquisition, so just from an acquisition standpoint, if we look at, the IRR of the project which you will be acquiring, will that be value-accretive versus a sponsor asset, or will it be in line with your sponsor assets?

Hare Krishna: I would say, from a trust perspective, the IRRs which we would be acquiring, even for third-party assets which we are targeting, a lot depends upon what kind of indemnity we are getting from them and how we are fixing the risk associated with that.

If we are able to box them completely and eliminate the entire indemnity risk altogether, then it would be similar to sponsors. But if there is a certain risk which we have to assume going forward, then we would be seeking some premium over there. To summarize, we would be targeting IRRs of around 12% for future acquisitions.

Ankit Tripathi: Understood. And if I look at poster QIP, the distribution seems to have stabilized and you have given a guidance of 9 to 9.2 for FY27. But if I have to look at your current portfolio, let's say, for another maybe the next two to three years of cash flows, the distribution should be ballpark at least would be in this range?

Hare Krishna: Yes, definitely. Even this year we are foreseeing distribution of 9 to 9.25. Thereafter, we will be able to have at least 10% growth in it, backed by the acquisitions which we are foreseeing

Ankit Tripathi: Sorry to interrupt. So I'm saying excluding growth, so growth is there, that lever will come, you can acquire from debt, because now you are at 40%. So what I'm saying is, if I look at our current portfolio of 12 assets and the cash flows from these assets. So this INR 9 to INR 9.2 the guidance which you have given, that is based on the cash flow of these 12 assets, right? You have not included any, let's say, acquisitions of assets.

Hare Krishna: That is correct. This guidance is solely based on the 12 assets.

Ankit Tripathi: Growth aspect is separate. I understand that. So that is separate. I just wanted to understand, because obviously the past cash flows have been volatile, and incrementally, we are looking at stabilization of cash flows for the last two quarters, and you have done some debt repayment which seems to be in line. If at all from the current assets which we have right now, the trajectory of cash flows for the next two to three years maybe, will this number hold for the next two to three years?

Hare Krishna: Yes, absolutely. If you look at slide 24 of the investor presentation, in the guidance we have also categorized the annual inflows which we are looking at. Even in the current guidance, we are assuming some reserve as well, which is essentially, if we are to repay any debt, any major maintenance, which we have to budget for. Therefore, we are quite confident of achieving this guidance for FY27 based on the cash flows of the projects.

Ankit Tripathi: Great. And since you mentioned about the maintenance reserve, just want to understand, how many of our assets we would have started commencing major maintenance work?

Hare Krishna: For one asset, a major asset we would be doing this year. The other assets, they would start in over the next two-three-year cycle.

Ankit Tripathi: So right now, only one asset we have done MM?

Hare Krishna: One asset, we would be doing this financial year, FY27. So altogether, for FY27, we have major maintenance target of INR 170 crores.

Ankit Tripathi: Okay. Understood. Just to be clear on the guidance which you have given right now, you do not have factored in higher bank rates, because there are news around that the bank rate might increase. So this is based on the current bank rate, right?

- Hare Krishna:** Yes. This forecast is based on the current bank rate of 5.5%.
- Ankit Tripathi:** Upside, okay.
- Hare Krishna:** Yes. So that's an additional upside as and when cycle moves on.
- Ankit Tripathi:** Great. Sir, thank you. That's it from my side. Hopefully, the trajectory continues, and all the best. Thank you.
- Hare Krishna:** Thank you, Ankit.
- Moderator:** Thank you. Next question is from the line of Priyam Poddar from Value Equity. Please go ahead.
- Priyam Poddar:** Sir, good afternoon, and thanks for the opportunity. I hope my voice is audible?
- Moderator:** Yes, you are audible. Please go ahead.
- Priyam Poddar:** Yes. Thank you so much. Sir, just one question. As we are targeting an AUM of close to around INR 10,000 crores by the end of FY27, could you provide some insights into the key drivers that will help you achieve this milestone? And additionally, how strong is your growth pipeline for FY28 and FY29?
- Hare Krishna:** Yes. So, we are looking to expand the AUM to around INR 10,000 crores by FY27. As of today, our AUM is around INR 6,600 crores as of 31st March. So, we are looking to acquire at least INR 3,500 crores of assets over the next 12 months, which is largely backed by, we have a pool of around 8 assets from sponsors, which would be ready for FY27. Of that, around 5 to 6, we are looking to transact in FY27. So that's one pool which is available, which, as I explained earlier, we have not got into the enterprise value of those assets right now because we are yet to undertake diligence.
- The second pool is the third-party assets. So before moving to third-party assets, the sponsor assets itself would help us in achieving the target of INR 10,000 crores. So INR 10,000 crore guidance does not include third-party acquisitions. If we are to acquire third-party assets, it would further increase the base further additional to that.
- The way I mentioned earlier, we have around 17 ROFO assets. They could be maturing over the next two to three years from today. Around two assets, they have been allocated recently, which are yet to be the concession agreements are yet to be finalized, which should eventually happen. And even for that, there will be a development cycle of around two years per se.
- So therefore, every year, we would have some assets from the ROFO, from the sponsors, which are ready. And third-party acquisitions is equally important for us that also we are going to pursue, and we are pursuing right now as well.
- Priyam Poddar:** Got it, sir.
- Hare Krishna:** Thank you.
- Moderator:** Thank you. Next question is from the line of Manoj Bagadia from Equicorp. Please go ahead.

- Manoj Bagadia:** Hello. Sir, can you hear me?
- Moderator:** Yes, please go ahead.
- Manoj Bagadia:** Yes. Sir, my first question is you mentioned about the IRR of 12% for the acquisition, either from a sponsor or from the third-party assets. So, is this at a project level? Or is this at the trust level that we are talking about?
- Hare Krishna:** So, 12%, what I was referring to, that's at the project level and not at the trust level. So to answer your question, the 12% IRR refers to when we are acquiring projects from the sponsor or third party, keeping aside the diligence findings, this is the base IRR we expect.
- Moderator:** Line for the current question got disconnected. We'll move to the next question from the line of Anant Mundra from My Temple Capital. Please go ahead.
- Anant Mundra:** Hello, am I audible?
- Moderator:** Yes, please go ahead.
- Anant Mundra:** Yes, hello. Thank you for the opportunity. Sir, I just wanted to get some understanding more about the NAV. So, while you've mentioned that INR 9 kind of payout every year can be taken as a base. But on the NAV side also, can we assume INR 75 to be the base and in future, this number would only go up?
- Hare Krishna:** Yes. See, NAV for 31st March was INR 74.7. Our asset base is annuity linked, which essentially what happens is as and when we receive the annuity, then the future cash flow reduces because the future stream of pools, which is there, that's fixed and that reduces. And therefore, as and when we move up, there is a benefit of the time lag, but the annuity receipt reduces the NAV.
- However, say, going forward, we are looking for the acquisitions as well without diluting the equity base partially by increasing the debt that will support it in maintaining it at similar level without diluting the returns or the NAV altogether. So to answer your question, if we are not to acquire any asset altogether in future, then the INR 74.7 will gradually drop because of the nature of the asset profile which we have.
- Anant Mundra:** So that would gradually drop. That's understandable. But in that case, the payout should also go above INR 9, right, because then you will be returning capital as well. If I have to sustain it at a INR 9 over INR 75, I mean, is that understanding correct? INR 9 by INR 75 is about 12% IRR, like you mentioned, is the kind of return that you expect to deliver to shareholders?
- Hare Krishna:** Yes, absolutely correct what you are summarizing. So therefore, what I am coming at is that if we are to discard any acquisition that we will do in future, if that was not a possibility, then the NAV will drop and we can't stop it, then we will have to look at it differently. But we are going to acquire assets in FY27 itself.
- So therefore, on a combined basis, as of now, what can convey based on our pipelines, which we have and our current debt ratio, which we have, that the NAV will remain at a similar level. And in addition, we would be able to make distributions INR 9 distribution.

- Anant Mundra:** Understood. Thank you.
- Moderator:** Sorry to interrupt, Mr. Mundra, your voice is not clear. It is very low.
- Anant Mundra:** Am I audible now?
- Moderator:** Yes, please proceed.
- Anant Mundra:** Sir, sir, the rupee term loan that we have is linked to T-bills, whereas the interest on annuity that we receive is into repo. So there's a bit of a mismatch here. So just wanted to understand why have we chosen a T-bill linked loan?
- Hare Krishna:** Okay. So we were cognizant of that. Now every bank has their own external benchmarks, and that is not negotiable. Having said that, we have picked it. See that specific zone has turned favourable for us. We took it at 6.85%. Right now, it is at 6.63% as of today. There is a benefit of around 22 basis points on that zone. So I understand that 3-month T-Bill is not 100% aligned with repo, but it's similar. Therefore, we have picked this. And we don't foresee too much of volatility in future. I mean, so that's the one aspect.
- And second part is that right now, we have approximately INR 2,900 crores of debt. Our intention would be to ensure that around 30% to 40% is through debentures of varying tenor and the residual is floating rate. And even in the floating, we didn't want to go for G-Sec linked because there is a higher volatility. We wanted to have a mix of repo and 3-month T-bill. That's what our plan was.
- Anant Mundra:** Okay. Got it. So sir, this interest rate is reset quarterly or it's biannual or annual on the T-bill linked loans?
- Hare Krishna:** For T-bill, it's quarterly. For the other facility, it's linked to movement in the repo rate but even that's quarterly.
- Anant Mundra:** Got it. And sir, one final question. There was some change in law claim that resulted in some receipt from NHAI this quarter and also some sponsor indemnity receipts. Now are these kinds of one-off gains that we've received or these were already a part of the cash flow projections that the value had accounted for earlier?
- Hare Krishna:** See, for the GST CIL claim, the two SPVs, which we had acquired in December, our initial budget was that this cash flow would come by September 2027, but we have already received the amount from NHAI prior to our initial budget. These are onetime items. This inflow is not recurring in nature. This is onetime, and that has improved the balance sheet of the trust, and it was expected as well in the valuations even earlier as well.
- With regards to the sponsor indemnity, there were, again, two types of indemnities which were raised in the last quarter, one pertaining to a change in law claim in the four SPVs, which were acquired at the time of IPO itself. And the second claim was pursuant to in Nainital project, which was pursuant to NHAI descope certain part of the project from the project and categorizing it as a change of scope. Therefore, whatever was the variation in our future cash flows that we have adjusted and took indemnity from the sponsor.

- Anant Mundra:** That's it from my end. Thank you.
- Moderator:** Thank you. Next question is from the line of Manoj Bagadia from Equicorp. Please go ahead.
- Manoj Bagadia:** Thank you for the opportunity, sir. I'm sorry earlier it got disconnected. Sir, my first question is you mentioned about IRR of 12% as a hurdle rate for new acquisitions. Is this at a project level? Or is this at a trust level? Because at trust level, 12% IRR means project level IRR would be much lower because of the debt financing?
- Hare Krishna:** So I think you got disconnected earlier. What I was referring to is that this is 12% is a project level IRR, which we are talking about. Trust level IRR impacts are different because it's linked to any equity dilution or no and at what price the new equity comes in. So what I was referring to is the project SPV IRR of around 12%.
- Manoj Bagadia:** Yes. Thank you, sir. My next question is, sir, you mentioned about FY27 major maintenance cost, 1 project, INR 170 crores. Can you also tell us about next three to five years annually, how much would be the major maintenance cost and which year it will hit in total for all projects?
- Hare Krishna:** See, that part we will have to collate and we will get back to you separately because in each project, every six to seventh year, we have budgeted the major maintenance. And we can share it with you separately. But right now, I don't have off hand.
- Manoj Bagadia:** The thing why I asked that question is, sir, because if it bunches up together in, say, two, three years' time in a single year for multiple projects, then it could affect our cash flow and maybe the potential payout. So that is why I was just trying to understand, if I look at payout for next three to five years, do you see any significant impact on a particular year from the major maintenance?
- Hare Krishna:** So recently, even SEBI has revised the rules, and they have now permitted InvITs to avail debt to fund major maintenance. This was a pain point earlier that if four, five projects major maintenance are to be undertaken in a year, then this could impact the cash flows. So therefore, we are cognizant of this aspect. For our portfolio, the bunch is happening three or four years from today, not in the near term.
- And we are planning it out, and we are accordingly looking at the debt repayment schedule and other things as well so that the distributable cash flows remain consistent, and they do not vary too much. Just to answer your question, for example, for FY27, our major maintenance is INR 170 crores.
- In FY28, it's around INR 90 crores, FY'29, it's INR 100 crores and FY30 around INR 140 crores. So even in our portfolio because a few of the assets are of different age profile per se, therefore, it's getting segregated across the year.
- Manoj Bagadia:** All right. And sir, when I look at the guidance we have given for next year, INR 9 to INR 9.25, will it be similar across four quarters? Or there could be variation within the quarter actually in terms of the payout?
- Hare Krishna:** So there could be minor variation across the quarter, but not too much because our annuities comes one in six months. Therefore, there can be minor variation, but not too much.

Manoj Bagadia:

Right. And sir, like some of the InvITs who have given medium-term guidance also. So is it possible for us to give guidance for next three to five years, saying that whatever is the minimum, like whatever INR 9.25 will maintain and maybe some increase per year?

Hare Krishna:

See, we can target that, but we would have a better accuracy in talking about one year. So therefore, we are limiting it to a one year guidance right now. We note your inputs. We will work towards it, and we will look into if we can provide a little bit medium-term guidance going forward.

Manoj Bagadia:

Because that will add a lot of confidence actually to the investor. Right now, we are not very clear as to how it will behave actually in the medium term. Although the cash flow is pretty stable for us. And even asset addition plans are quite stable. So, if there is a confidence, the question is, you will have to dilute significantly going forward in the next three to five years, if you have to add assets, especially just even sponsor assets, forget about third-party assets.

So, if you dilute at a higher level, like one of your peers have done it, came out with INR 100 IPO and today, they are at about INR 165-170. So, there has been capital appreciation and they have done dilution at higher levels also.

So, if that happens, then it will add significantly to the investor confidence. As of today, we are not sure the dilution that will happen. Will it happen at the same level what we did last time, higher level or even at a discount to the current level?

Because a lot of players are eying for the same capital, InvITs and REITs. So, if you have to compete in that, I think there would be a strategy in our mind, I mean, if you can talk about it.

Hare Krishna:

I noted your feedback. We understand what you are highlighting at. Just to come over here, even we are quite cognizant of we don't want to dilute our existing unitholders. We will always provide preference to them. And our endeavor would be to have some more value creation right now.

Then only go for substantial fundraising or anything. That's our plan going forward and that's what we are working on at this point of time. So, we take your feedback and we will try to look into some medium-term guidance from subsequent discussions.

Manoj Bagadia:

Next question is about the addition of about INR 3,500 crore in current year. When you do it in Q2 or Q3, at that time you would have finished six quarters of quarterly payments. So, then you are eligible for up to 70% and right now we are at 40. And if I do backward calculation, then out of INR 3,500 crore, I mean, you can fund literally most of it through debt or maybe at least you need basic capital of between INR 500 to INR 1,000 crores on the equity at best. If I go by the calculation.

So, is it the strategy that you will try and fund it mainly through debt and try to improve the value first and pay out for next year also? And then you go for the dilution next year when you need more capital?

Hare Krishna:

So, that's what I was trying to hint earlier as well. See, post-June, we would be able to raise our debt level beyond 49% mark. We don't intend to go straight away to 70. We would target somewhere around 57.5 to 60 because it would be a range given the nature of the asset class.

And definitely our objective would be to minimize the equity dilution so that the existing shareholders are benefiting more instead of going for a larger equity raise in FY27. That's our objective and that's what we are working towards.

Manoj Bagadia:

And my last question, sir, is about the NAV value as well as the annual cash flow. What is the interest rate sensitivity if it goes up by, say, 25 basis point? What will be the impact on NAV because it will affect our valuation and weighted cost of capital also. So, what is the impact on NAV as well as on the cash flow? Because you mentioned that cash flow, it is positive, right? But at the same time, our cost will also go up, interest cost will go up. So, net impact on the annual cash flow as well as on the NAV.

Hare Krishna:

See, the NAV is largely based on the valuation undertaken by the valuer and they have summarized the valuation sensitivities in their valuation report as well. So, I would suggest if you could refer it on the website. So, that would give you a range of sensitivity outputs based on the WACC rate, which they have done over there.

Manoj Bagadia:

But do you see any significant impact....

Moderator:

Sorry to interrupt, Mr. Bagadia, may we please request you to rejoin the queue, sir? Thank you.

Manoj Bagadia:

Okay, sure.

Moderator:

Next question is from the line of Sarvesh Gupta from Maximal Capital PMS. Please go ahead.

Sarvesh Gupta:

Yes, sir. Thank you. So, sir, one question was on your cost of debt. So, this time, our incremental cost of debt has been sub 7%. And that has reduced our overall cost of debt. But given all these geopolitical headwinds and the yield going up across the world and in India, how are you looking into your incremental and weighted average cost of debt in the coming year?

Hare Krishna:

Yes. This is what I was trying to explain earlier as well. Because all our assets are annuity based. Therefore, in all of the 12 assets, we leave interest along with the annuity receipts, which is linked to the bank rate.

If the interest rates are to go up, my revenue for all the 12 projects will increase substantially, will increase, linked to the changes in the bank rate in future. And my cost of debt is, because my average is only, say, 41% right now. Therefore, my cost of debt is less compared to the revenue which I would be receiving in a financial year.

Therefore, in any financial year with movement in the interest rate, we are always going to benefit than losing it out. Right now, about INR 300,000 crores of debt, INR 1,000 crores are in terms of debenture, approximately, of which, the substantial portion we will reset in another two years from now, the debenture itself. And the floating rate will continue to be a variable interest rate.

Going forward, when we are doing acquisitions and when we are acquiring the new assets through debt itself. In that scenario, we would be optimizing the debt profile in such a manner that we are balancing out fixed floating and we are optimizing our net inflow given our revenues are linked to interest rates and our interest rate environment.

- Sarvesh Gupta:** Okay. And the way I understand your acquisition strategy broadly is that in FY27, you would want to reach 60%-65% debt to AUM and acquire asset primarily by debt and then for FY28 acquisitions, you would want to do fundraise to the extent of 30-40% of the incremental assets that you will be taking up from a sponsor. Is that a broadly right understanding, sir?
- Hare Krishna:** Yes. A slight correction over there. What we are coming at is that post-June, we would be touching 57.5%-60% debt level not 65%. That's not optimum. Our intention would be somewhere close to 57.5%. And thereafter, we would maintain that at the same level. Although 70% mark is permitted by SEBI, but we do not intend to go and have a very high leverage in the trust.
- Sarvesh Gupta:** Okay. And given the valuations where they are, have you also explored rights issue as one of the ways to raise equity debt, equity capital in the company?
- Hare Krishna:** Definitely, we will consider that as well as a source of capital. Once we reach this stage of equity dilution or equity fundraise, for sure, we are going to consider rights issues this time.
- Sarvesh Gupta:** Okay, sir. Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Anant Mundra from My Temple Capital. Please go ahead.
- Anant Mundra:** Hello. Thank you for the follow-up. Sir, in terms of organization building, just wanted to understand, are you trying to build a team that could evaluate different asset classes from the one that we are currently in? Like, say, BOT or maybe some kind of power transmission assets? Because currently, I mean, we have a strong ROFO my pipeline, but beyond that, in order to elongate the life of the InvIT, we will have to explore certain kind of assets as well. Some color on this.
- Hare Krishna:** See, right now, we have a team which is specialized more into the road sector. So, we do not intend to move out of the road sector and step in power sector right now, as of now, we want to continue to focus on the road sector itself. And even in toll versus annuity assets, in the near term, our objective is to continue with the annuity assets. We don't just want to onboard one toll assets, one or two.
- If we come across a decent pool of assets, which are accretive in nature from value as well, then we may look into it. But primarily, we are targeting even the third-party assets more in the annuity mode right now. So, for next 12 months, our focus will be more on the annuity-based road assets, because this is what our strength is. This is what we have good hold on. And that's what we want to continue with in the near term.
- Anant Mundra:** So, does the promoter have any BOT assets?
- Hare Krishna:** As of now, sponsors don't have BOT assets. Even NHAI had made changes in the bidding process for the road assets last year. What I understand, they are evaluating BOT assets as well. So they are in the bidding stage right now for new allocations from NHAI.
- Anant Mundra:** Would those automatically, in case the sponsor wins some BOT assets, would they automatically form part of the ROFO?

- Hare Krishna:** Yes, any assets which are structural assets in nature, which is operational, once they develop and it's stabilized, then we will benefit from ROFO on that.
- Anant Mundra:** Alright. And, sir, just one final question. On the reserve side, are we maintaining both a maintenance reserve and a DSRA reserve?
- Hare Krishna:** As of now, no maintenance kind of reserve we are keeping. As of now, for the last quarter, DSRA reserve we have to maintain, because that's anyway a debt requirement. So that we have maintained. In addition, for Q4 FY26, what we have maintained is only the regular reserve to meet the operating expenses and the debt obligations which are over the next two, three months. So, we have maintained reserves of these two types.
- Anant Mundra:** All right. This is not a requirement of the authority or the banks to keep a maintenance reserve?
- Hare Krishna:** No, so our loans are not at the SPV level. Our loans are at the trust level. Therefore, there is no specific requirement of bank loans that we need to maintain and reserve, DSRA. See when you are taking borrowing at the SPV level, then that requirement comes into play. In our portfolio, all the borrowings are at the trust level.
- Anant Mundra:** Perfect. That's it from my end. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we will take this as a last question for the day. I now hand the conference over to the management for the closing comments. Over to you, management.
- Hare Krishna:** Thank you all for joining and sharing your feedback and comments. And I look forward to look forward to connecting again in the next quarter. Thank you very much.
- Moderator:** Thank you, sir. On behalf of HDFC Securities, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.