Management Discussion

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
Thank you. Good evening, and warm welcome to all the investors and analysts joining us for our earnings call to discuss the results for Q1 financial year 2027. I trust you have had the opportunity to review our detailed financial results and the accompanying investor presentation. Let me briefly walk you through the key developments in this quarter.Now starting with the business update. IRB Infrastructure Trust, that is our Private InvIT, has signed a binding term sheet to transfer 2 BOT assets with an enterprise value of INR 4,605 crores. This marks the fourth cycle of our base strategy that is bid, execute, stabilize and transfer after successfully completing less than 2 quarters back. And reflects the strength of our capital recycling model. By the periodically monetizing mature assets owned by the Private InvIT and redeployment of that capital into new opportunity, we are building a self-sustaining growth platform that compounds the shareholders' value without requiring additional equity from the sponsor.This transition also benefits the public InvIT. It strengthens the Public InvIT's portfolio with seasoned high-quality revenue generating and extend its weighted average life while the Private InvIT capital base is also for investing future opportunity and development. This model reinforces IRB's evolution into leading sponsor and O&M platform and keep us on the track towards our goal, building INR 140,000 crores kind of asset base over the period of 3 to 4 years.During the quarter, we have successfully completed refinancing of approximately INR 3,700 crores debt of our wholly owned subsidiary, that is IRB Mumbai-Pune Expressway Concession. The refinancing has reduced our borrowing cost by 65 basis points, resulting in annual interest saving approximately INR 25 crores. As highlighted earlier, we expect to become net debt free by 2030, supported by consistent debt repayment, which are already translating into lower interest cost.Interest cost for Q1 of FY '27 stood at INR 438 crores, including onetime expense of INR 37 crores. Excluding this one-off item, the underlying finance cost was around INR 401 crores, resulting in interest cost saving of approximately INR 61 crores compared to INR 462 crores in Q1 of FY '26. This reduction reflects the continued deleveraging of the balance sheet and validates our debt reduction strategy.Another key milestone during the quarter was successful completion of our INR 11,000 crores refinancing across the 6 project SPV in the Private InvIT. We have refinanced the debt at AAA-rated trust level, which has significantly strengthened our overall capital structure. As a result, we have reduced our borrowing cost by approximately 160 basis points, translating into annual interest saving of around INR 180 crores.In addition, the transaction has also optimized our debt amortization profile, improved tax efficiency and provided a greater financial flexibility and supported higher return through improved distribution of cash flow over the long term. Refinancing reinforces our focus on proactive balance sheet management and creating sustainable value for our unitholders.Now on operational front, our 100% subsidiary continued to deliver strong operational performance during the quarter. On a year-on-year basis, the gross toll collection on Mumbai-Pune has increased by 9%, Ahmedabad-Vadodara by 21%, resulting overall growth of 13% across Wholly Owned portfolio. Our Private InvIT has also reported a robust performance with an average daily toll collection of around INR 13.35 crores for the quarter ended June 2026 compared to INR 9.2 crores corresponding quarter of the last year, reflecting a growth of 45% on year-on-year basis. This is excluding the 3 assets we transferred second half of the last year.This was driven by the healthy traffic momentum, addition of the new assets and annual toll tariff revision of approximately 3%. Overall, the combined portfolio of 100% subsidiary, Private InvIT and Public InvIT, the average daily toll collection has improved to INR 27 crores compared to INR 21.4 crores in corresponding quarter of the previous year, representing a strong 26% year-on-year

growth. This performance reflects the resilience of our portfolio, continued traffic growth and the successful execution of asset expansion strategy.Moving to the distribution with a strong growth in the toll collection across both InvITs platform has translated in significantly higher cash distribution, further strengthening IRB's recurring cash flow. Private InvIT has declared a distribution of approximately INR 200 crores for Q1 FY '27. IRB's 51% stake translates to a distribution of INR 102 crores compared to INR 27 crores received in Q1 of FY '26, representing a robust growth of 278% year-on-year increase backed by additions of 3 revenue streams that is newly acquired TOT-17,-18 along with the completion of Ganga Expressway during the year without any additional funding undertaken by the IRB for the same.This reflects the strength of machine at work now for IRB, continuously increasing the distribution to the company's cash flow while enhancing the overall financial flexibility. Similarly, Public InvIT declared a distribution of INR 208 crores for Q1 of FY '27. Based on the IRB's effective holding of approximately 17%, the company is expected to receive nearly INR 35 crores compared to INR 19 crores received in Q1 of FY '26, representing a growth of healthy 84% growth year-on-year basis.Overall, substantial increase in distribution reflects strong operating performance of the underlying asset, successful integration of the newly acquired assets and effectiveness of our InvIT-led asset monetization strategy. The recurring cash flow continues to strengthen IRB's financial flexibility and support the long-term shareholders' value. In line with our dividend policy, the company has also declared interim dividend of INR 60 crores. Our total order book now stands around INR 44,000 crores, out of which around INR 17,000 crores is the EPC order book -- INR 1,700 crores is the EPC order book. With that, I conclude my opening remarks. I will now request Sri Tushar to cover the financial highlights of Q1 of FY '27. Over to you, Tushar.

Tushar Kawedia - Group Chief Finance Officer, IRB Infrastructure Developers Limited
Thank you, sir. Now I'll take you to the financial analysis of Q1 FY '27 versus Q1 FY '26. The total consolidated income for Q1 FY '26 Q1 FY'27has increased to INR 2,173 crores from INR 2,165 crores, up by 0.5%. The income from InvIT and related segment for Q1 FY '27 has increased to INR 437 crores from INR 233 crores, registering a growth of 87% . The income from BOT segment for Q1 FY '27 have increased to INR 733 crores from INR 646 crores, registering a growth of 14%.The income from Construction segment for FY '27 has decreased to INR 957 crores from INR 1,220 crores, down by 21%. EBITDA for Q1 FY '27 has increased to INR 1,188 crores from INR 1,018 crores, registering a growth of 17%. Interest cost decreased to INR 438 crores in Q1 FY '27 from INR 462 crores, a decrease of 5%. Depreciation has increased to INR 333 crores from INR 269 crores, an increase of 24%. PBT has increased to INR 417 crores from INR 286 crores, an increase of 45%. PAT has increased to INR 110 crores from INR 84 crores and PAT has increased to INR 306 crores in Q1 FY '27 from INR 202 crores, registering a growth of 50%.Now I request moderator to open the session for questions and answers. I request moderator to open the session for Q&A.

Questions & Answers

Operator
[Operator Instructions] The first question comes from the line of Alok Deora with Motilal Oswal Financial Services Limited. Please go ahead.

Alok Deora - Analyst, Motilal Oswal
Hi, good evening. Just had a couple of questions.

Operator
Mr. Deora, sorry for interrupting. Can you speak a little louder?

Alok Deora - Analyst, Motilal Oswal
Yes. Can you hear me?

Operator
Yes,

Alok Deora - Analyst, Motilal Oswal
So just had a couple of questions. First is on the order inflow. Have we won any orders in the current quarter, any material order?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
Alok, during the quarter we have not bagged any order because there was no award activity during the quarter. And I think probably as we have witnessed historically also, we have -- what we have seen, the second half is typically robust in terms of the order inflow. And secondly, apart from the order, we have bagged a few CoS work. I think that is ranging close to INR 800 crores to INR 900 crores kind of CoS work for our various assets which are under execution.

Alok Deora - Analyst, Motilal Oswal
Got it. And any update on the TOT projects, which were kind of active in the bidding pipeline, specifically TOT-2021. So any update there? Where are they in the bidding? And when can we expect some awarding on that part?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
Yes. So TOT-2021 and -22, I think their NHAI has increased the initial CapEx to be carried out on the project. And the bidding has postponed latter part of the August. So I think as and when we are evaluating that. And on the basis of our evaluation, whenever the project will come for bidding, we'll bid for the same.

Alok Deora - Analyst, Motilal Oswal
So can you just throw some light? I mean, what exactly is the change? I mean the CapEx has increased upfront, meaning...

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
I think there are certain...

Alok Deora - Analyst, Motilal Oswal
Yes, please.

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
Yes. Certain works to be executed on the project highway, which is included to be done by the TOT operator. So that automatically will increase your initial CapEx requirement on the project. And you have to do that CapEx along with the tolling right from day 1, and you have to commit the upfront payment to the NHAI.

Alok Deora - Analyst, Motilal Oswal
Okay. So it does not change our bidding or we are evaluating whether we will bid or not for these

projects or it's kind of -- I mean, the returns will be accordingly captured?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
I think the change is for everyone, and we have execution capability. So I don't think so the CapEx will put any kind of hindrance in terms of our bidding. I think with respect to MLFF, there are a certain clarification is required. So that is also in process. And depending upon the viability of the project and other thing, we will bid for the project.

Alok Deora - Analyst, Motilal Oswal
Got it. And sir, have we seen any -- I mean, I know it's the first quarter is any -- in which we are pretty dull for awarding. But have we seen any change in the awarding pattern of NHAI in terms of whether we'll see some awards coming in terms of construction across HAM and EPC or and even BOT toll for that matter? Or it will be very muted like it has been over the last maybe almost 2 years plus. So anything you are witnessing in discussion with them? Or how are they looking about it going ahead? Or it just kind of continues the way it is?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
I think Alok, primarily, we are focusing on TOT and followed by some viable BOT. We are not tracking -- not on day-to-day basis, tracking HAM or EPC. And what you have -- your observation is correct that in Q1, the award was pretty slow.

Alok Deora - Analyst, Motilal Oswal
Got it. Any movement in BOT toll project also on that side, which you are tracking?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
So I think in terms of the pipeline for TOT and BOT. TOT, the total number, basically the overall pipeline identified by the Government of India is around INR 4.4 lakh crores for 4 to 5 years. Out of that roughly INR 40,000 crores to INR 50,000 crores kind of order book is -- TOT award is expected every year. And they have already identified certain projects, which we have put on our website. Apart from that TOT list, there are BOT list also identified by the NHAI. That list is also available in our presentation.

Alok Deora - Analyst, Motilal Oswal
Got it. Got it. Just one last question. So this toll collections have been pretty healthy. If we look at your -- across Private InvIT, Public InvIT, and toll as an actor, as a collection has been pretty good across the industry. So do you see this kind of momentum continuing? And how do we see the toll collection on a stable state basis? Should it be a 15%, 20% kind of a compounding, which could kind of continue over the next few years, if I just were to take a slightly longer view?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
I think, Alok, you might have observed that last 2 years, the inflation was pretty low. And last year, we got roughly 3%, 3.5% kind of tariff revision. This financial year from 1st of April, we got roughly 2.5% because of the rounding of nearest to INR 5. And anyway, after every -- if there are a couple of years of low inflation, we typically see high inflation.So I think considering the inflation numbers are tracking around close to 6% to 7% and probably we will have a higher tariff growth for the next financial year and traffic remains robust. So considering those things, I think the traffic momentum has been continued, and we are not seeing any kind of impact of geopolitical tension. It's largely driven by the India's consumption and the traffic remains robust.

Operator
[Operator Instructions] Next question comes from the line of Bhavin Modi with Anand Rathi Financial Services. Please go ahead.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
My first question is with respect to the long-term revenue composition, how we should see it? Like, for example, this time, the construction revenue is almost like fallen down to 42% from the 57% last year, right? And the share of the InvIT revenue is increasing. So how should we see this composition going forward? Because I believe that also has the impact on the margin. So this time, the margins have improved, seeing that the margins for the InvIT has improved and because the composition of InvIT as income has improved, that's why margins overall has improved. So just wanted to understand how we should see this going forward?

Tushar Kawedia - Group Chief Finance Officer, IRB Infrastructure Developers Limited
Yes. So Bhavin, you are right. This quarter, we have seen a dip in the construction revenue. That was mainly on account of completion of the under construction projects, which we had in the last year. Looking to the numbers, if you see O&M contribution is increasing quarter-on-quarter for us. This O&M is coming from both private and public. From a going forward perspective, for the next 2 years, with the existing order book, we will be doing it somewhere around INR 4,200 crores to INR 4,300 crores. And majorly, it will be contributed from our O&M order book. So if you see the contribution going forward from the existing order book, it should reach to 50-50 in next 2 to 3 years' time, where O&M will contribute roughly 40% to 50% from our construction revenue or segment revenue.

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
I think on InvIT related segment, that is consistently if you track on quarter-on-quarter basis. I think it's largely tracking on the similar level. And as you rightly mentioned that if the EPC is gradually reducing, then automatically, the BOT segment and InvIT segment EBITDA margin is higher. Automatically, you have seen the improved EBITDA margin in terms of current quarter as compared to the previous quarter of the last year.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
So your BOT segment this time gave like almost 91% margin and the InvIT almost gave 94% margin. So should we see this continuing the same in the same manner or that will be a bit of.....

Tushar Kawedia - Group Chief Finance Officer, IRB Infrastructure Developers Limited
So Bhavin, yes, you are right. For BOT, this is dependent on any major maintenance activity falling in the particular year. But this 90%, 91%, what you are seeing from a BOT segment will be continuing going forward. And also the InvIT segment, which is generally in the range of 90% to 94%. Presently, it is 94% will continue to remain in the similar trajectory going forward as well.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
And sir, one more question was with respect to the order book. So we already have around INR 41,000 crores worth order book. How should we see O&M book going like this year? I assume that the 2 assets that you are going to transfer, you're going to get somewhere around INR 2,500 crores worth additional O&M contract. So how should we see going forward? Should we assume around INR 5,000 crores worth of orders coming in this year?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
Yes. Bhavin, as we will bag the more TOT, the order accretion will be always to the O&M. If you track the last year, apart from the whatever O&M order book we are getting from the 2 assets which is getting transferred. Last year also we bagged TOT-17 and TOT-18, almost INR 8,000 crores kind of order book added considering the initial CapEx and the O&M order book. So depending upon the TOT win, I think order accretion of INR 4,000 crores to INR 5,000 crores every year should happen as far as O&M order book increase is concerned.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
Got it. And in the month of May, the government came up with a list of monetization of assets through TOT and InvIT. So does that also -- does that list also include the TOT-2021, -22 or is it distinct from the existing live tenders?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
Yes. If you look at the first 3 TOT published on Slide 34 of our corporate presentation that also goes in the state of Bihar. So that is TOT-2021, -22. So that is already included in that particular list. And there are other host of projects which will be coming on the TOT.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
Got it. And with respect to the BOT projects, the government came out with the net worth criteria has changed to 25% and for the private equity player, it has changed to 50%. So do you see the competition going down? Obviously, the tenders right now for the BOT are also bigger -- big projects somewhere between INR 5,000 crores to INR 9,000 crores. But do you see the competition going down especially in the BOT space?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
I think Bhavin, we expect a healthy competition to continue in BOT for the viable project. And in fact, a few of the projects, there was no bidders because on the basis of the toll collection projects were not viable. So I think depending upon the kind of projects which are up for the bidding, there is expected to be a moderate kind of competition for the BOT project. Typically, in the past, we have seen 5 to 7 players bidding for BOT and we don't expect that there may be increase in those number of players.

Bhavin Modi - Analyst, Anand Rathi Share and Stock Brokers Ltd
Got it. And any talks with respect to the state level coming out with the TOT project. Last year, I believe Tamil Nadu came out with the TOT project. So any state coming out with the TOT project apart from NHAI?

Anil Yadav - CEO, Business Development & Investments, IRB Infrastructure Developers Limited
I think as of now, right now, there is nothing on the radar. But whenever any state will announce because all the states are doing the development sooner or later, there may be a project. But as of now, there is no project on TOT basis up for bidding.

Operator
[Operator Instructions] Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I now hand the conference over to Mr. Virendra Mhaiskar for closing comments.

Virendra D. Mhaiskar - Chairman & Managing Director, IRB Infrastructure Developers Limited
Thank you, everyone, for taking time out and joining this call to understand how the business has progressed and look forward to connect with you again soon with the next quarterly results. Thank you.

Operator
[Operator Closing Remarks]