Management Discussion

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Thank you. Good morning everyone, and thank you for joining us for the earnings call to discuss the performance of the trust for the quarter ended June 30, 2023. We appreciate your continued interest in IRB InvIT Fund and hope you have had the opportunity to review our financial results and the investor presentation circulated earlier. The first quarter of FY27 marks the first full quarter reflecting our enlarged 10-asset portfolio following last year's acquisitions, providing an early indication of how the increased scale is translating into operating performance.

Coming to our operating performance, the gross toll revenue for the current quarter grew by 8% year-on-year to INR490 crores as compared to the corresponding quarter of previous year. This growth was achieved despite a relatively modest tariff revision of only 2.5% and also the impact of global fuel price volatility, demonstrating the resilience of the underlying traffic across our portfolio. With the WPI now trending higher, we expect a stronger toll tariff revision from the beginning of next financial year.

Providing an additional catalyst for the revenue growth. The growth for the current quarter was broad-based across the portfolio, led by Jaipur Dioli Project, Amritsar Pathankot Project, and the recent acquired Hapur Muradabad Project. On the balance sheet side, we are pleased that our AAA credit ratings were reaffirmed during the quarter, reflecting the trust's strong financial profile and stable cash flow generation. Looking ahead, our robust DOFO pipeline of approx. INR65,000 crore from the private trust, together with the additional HAM assets under development, provides strong visibility for sustained long-term growth.

The current quarter also marked an important milestone in our growth journey. The trust has announced the acquisition of two highway assets with an enterprise value of around INR4,600 crore and equity value of INR2,744 crores. These acquisitions are expected to further diversify and strengthen our portfolio, extend the weighted average concession life, and also enhance the trust's ability to deliver sustainable and growing distributions to our unit holders. Our growth trajectory remains compelling. At the beginning of last year, the trust's asset base stood at approximately INR7,800 crores.

With the acquisitions completed last year and the two new assets announced during the current quarter, the asset base is expected to increase to nearly INR23,000 to INR24,000 crores by the end of the current fiscal. Looking ahead, we remain firmly on track to build a INR40,000 crore asset platform over the next three years through disciplined acquisition from our identified pipeline. This growth is expected to translate into higher returns for our unit holders. Based on the current portfolio, we expect distributions of around 6.5 [Phonetic] per unit for the current fiscal. Following the completion of the proposed acquisition, annual distributions are expected to increase to approximately 6.9 to 7 [Phonetic] per unit while maintaining our prudent capital structure and distribution policy.

Coming to the financial analysis, I would like to highlight that the year-on-year comparison is not for like-to-like given the acquisition of multiple assets during the previous financial year. Accordingly, the current period financials reflect the impact of expanded portfolio along with the associated financing, depreciation, and transaction-related effects.

For the current quarter, the trust reported a consolidated total income of INR492 crores -- INR292 crore for the corresponding quarter of previous year. Consolidated toll revenue increased to INR490

crore from INR254 crore, and EBITDA rose to INR396 crore from INR246 crore, reflecting a steady growth across the portfolio. Finance cost, which includes interest on premium deferment, increased to INR188 crore from INR72 crore, whereas the Depreciation and amortization increased to INR128 crore from INR77 crore, which is aligned with the enlarged asset base.

Profit after tax for the current quarter stood at INR80 crore as compared to INR100 crore for the corresponding quarter of previous year. With regard to the distribution, the board has declared a distribution of INR208.29 crore for the current quarter, translating to 1.625 [Phonetic] per unit, comprising of 1 [Phonetic] as interest and 0.625 [Phonetic] as return of capital.

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

Questions & Answers

Operator
Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question comes from the line of Ashwini Agarwal with Demeter Advisors LLP. Please go

Ashwini Agarwal - Analyst, Demeter Advisors LLP
Ahead. Hi, good morning. Thank you for, you know, giving me this opportunity. So one of the things, you know, I was going through the IRB Group's toll roads revenues, and one of the things I couldn't help noticing, and maybe you can help me understand it better, is that if I look at the revenue growth for the roads in the private InvIT Fund, that is much healthier than the aggregate of the toll growth on a like-to-like basis other roads that are in the public investment. Why is that? I mean, is it anything that you can help me understand? Why am I seeing this data in the way I am?

Anil Yadav - Unidentified Speaker, IRB InvIT Fund
I think, Ashwini ji, thanks for asking the question. I think there are a couple of aspects in that. If you are looking at basically broad level of investment, IRB InvIT Fund, since there is a consistent, addition of the asset. And because of the addition of the asset, there is a significant increase in the toll revenue. And if you are looking like to like, asset by asset, there are some assets which got completed during the last financial year. So once the asset gets completed, then there will be an increase in the tariff.

As you may be aware that once asset is under construction, typically the tariff is charged only 75%, and annual increase also is not provided till the construction is not completed. Once asset gets completed, there is almost 45% to 55% kind of tariff revision which happens. There is an element of the capex also, because if you are constructing a flyover or bridges, for those also the toll tariff gets included upon the completion. So considering that, there will be increase. Apart from that, there may be a certain asset-specific things which may be associated, but largely I think what we -- one should compare is that now all the toll data is already in public domain, and 98% to 99% is the FASTag.

And IHMCL also publishes the data on monthly basis. And the recently, if I go by the report in the public domain last quarter, that is the quarter of June, the growth in the volume was around 4%. And if you look at our growth, revenue growth is around 8%, and since we have got a tariff revision from 1st of April 2026, and the tariff revision is 3% linked plus 40% of the WPI, and WPI being a benign, and the rate gets rounded off to nearest 5%. This time the rounding off was on the lower side, so effective total tariff revision was 2.5% -- 2.25% to 2.5%, and because of that the -- if I will remove the 2.25% or 2.5%, that traffic growth for public InvIT corridor is around between 5.5% to 5.75%. If

you look at, compare with the IHMCL data, public InvITs are performing much better as compared to if you put out all the assets across the country. And there may be a certain reason and rationale why the asset -- this time the growth was lower, because this time the rain has started towards the end, and there was a very severe rain in some part of country towards end of June. And secondly, geopolitical tension has also led -- which Rushabh has already explained in his opening remarks -- has led some kind of softness of of the traffic. But the moment this geopolitical tensions and other things will go away, I think we can again see a robust growth. Still, the growth is around 5.5% to 5.75% growth.

Now coming to the WPI. If you look at last two or three years, the WPI has been always lower. And typically, if I look at the historical numbers also, once you have two-three years of lower WPI, automatically third or fourth year will have a significantly higher WPI. Anyway, this year was -- we are expecting that whatever the tariff revision will happen from 1st April 26th, there WPI will be higher. I think now the WPI is tracking close to 9%, so we expect a better tariff revision going forward, considering last two years it was very low, and now the WPI has also increased.

Ashwini Agarwal - Analyst, Demeter Advisors LLP
Okay, thanks. And your guidance -- so the public InvIT doesn't take any under-construction assets, but the private InvIT will take under-construction assets. Is that understanding correct?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Yes. So I think your understanding is correct. Public InvIT is also guided by the SEBI InvIT regulation only. They can have a 10% asset where the construction is just starting, and maximum 20% of asset can be under construction where at least 50% is complete. But just to share with you, private InvIT Fund was formed in 2020, and the Private InvIT Fund till 2024, that because of the under construction -- few assets were under construction -- has not distributed any amount to the unit holder. So, taking the under-construction asset or unstabilized asset will not be suitable for the public investor, where we can't -- basically, the investors of the public InvIT Fund are yield-seeking, and accordingly, taking the under-construction project in the public InvIT Fund may not be feasible.

Ashwini Agarwal - Analyst, Demeter Advisors LLP
Perfect, I understand that. No, thanks, thanks for the clarification. Second question I had was that you are thinking, or rather you're guiding to 6.5 and distribution for the current financial year, and 6.9 or thereabouts for the next financial year. Did I get these figures right?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Yes, that's correct.

Ashwini Agarwal - Analyst, Demeter Advisors LLP
Okay. And this will include the fundraising that you're proposing to do via a QIP to fund the two new assets that you propose to acquire?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Can you repeat your last question, sir?

Ashwini Agarwal - Analyst, Demeter Advisors LLP
You're also looking at a QIP, right, to fund the new asset purchases that you defined?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Yes, so we are looking for QIP, part acquisition will be funded through our debt, acquisition debt, and part will be through...

Ashwini Agarwal - Analyst, Demeter Advisors LLP
Okay, and what would be the size of the QIP approximately?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
We are still evaluating that, but it will be somewhere between close to INR2,500 crores near about.

Ashwini Agarwal - Analyst, Demeter Advisors LLP
And in your journey to getting to INR24,000 crores of total assets, by when do you expect to get there?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
I think last year we started with the asset base of INR7,800 crores. And at the end of the year, we have already reached INR18,000 crores. With this, INR6,000 crores kind of asset in acquisition, we will reach around INR24,000 crores kind of asset base. And we have aimed to reach at least INR40,000 crores, but in next three years, we are envisaging around the INR6,000 crores to INR8,000 crores kind of asset addition every year.

Ashwini Agarwal - Analyst, Demeter Advisors LLP
Okay. And would that also mean that further equity infusion? Because each one of these would require some equity, some debt, or do you think the further can be funded by a debt, the INR24,000 crores to INR40,000 crores journey?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Yeah, so I think some will be definitely funded through debt, and if we are acquiring high-end asset, those will be funded through debt. And we have aim that our InvIT Fund should be a mix of 80% to 85% BOT assets and 15% to 20% HAM assets. So HAM will be funded through a debt. And in terms of equity raise also, just would like to clarify to our unit holders, whatever equity raise we will be doing, we will try -- we will ensure that there is no dilution in the payout. In fact, our aim will be that for every asset addition there should be some additional distribution, 3% to 5% minimum additional distribution to our unit holder.

The number which you have -- we have discussed in terms of payout, that is the pre-distribution, 6.5% and 6.9%. 6.5% for this year and 6.9% for the next financial year. The moment we do the -- the moment we complete the asset addition 3% to 5% additional payout will my existing unit holder will get even if they don't subscribe any unit.

Ashwini Agarwal - Analyst, Demeter Advisors LLP
No, I understand that. Okay. And your last question from my side. The 6.9% guidance is on the basis of you getting to INR24,000 crores of assets under management this year. Would that be accurate?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
No, sir. This is based on the INR18,000 crores kind of asset base, 6.9% for the next financial year. If we keep the asset what is under discussion, if those get added, 3% to 5% more distribution you can expect in the next year. And even in this financial year as well, depend upon when we are able to add the asset. If we are for, for sake of hypothetical example, if we are able to add the asset from 1st

of October, so the December payout will be 6th December, and March payout will be 6.5% divided by 2, around 3.25%, and that will be escalated by at least 5%.

Ashwini Agarwal - Analyst, Demeter Advisors LLP
Got it, perfect. Okay, no, thank you. I got all my answers, and you know, look forward to more updates as we go along. Thank you so much.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Thank you.

Operator
[Operator Instructions] Next question comes from the line of Janvi Shah with Share India. Please go

Janvi Shah - Analyst, Share India
Ahead. Hello, sir. Thank you so much for letting me ask a question. Can you hear me?

Anil Yadav - Unidentified Speaker, IRB InvIT Fund
Yes, yes, we can hear you. Please go ahead.

Janvi Shah - Analyst, Share India
Hi. So just a very dumb question I have is that why was this degrowth on a quarter-on-quarter basis? Like, I have not seen that historically with you, but this quarter, like, compared to the March one. Why was there a degrowth on the NDCF level as well as the revenue level? You can just throw some light on that.

Anil Yadav - Unidentified Speaker, IRB InvIT Fund
I think, being in toll business, definitely there is some seasonality. In fact, if you look at the second quarter, which will be even affected by the monsoon. And the first quarter also, June month gets affected by, to a certain extent, by the monsoon. So that will be the case. And if you compare with the corresponding quarter, we have seen a growth, and we are seeing a consistent growth in terms of the traffic across the portfolio. And if you look at the payout also, payout is also in the line what we have distributed in March.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Typically, the second half Historically also is comparatively better as compared to the first half.

Janvi Shah - Analyst, Share India
Okay, thank you so much. And also, since you mentioned that we'll be raising equity and debt both, what kind of levels are you comfortable at?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
I think those will be the market determinant, and we will -- since our intent will be always maximize the issuance price so that it is beneficial for my existing unit holders.

Janvi Shah - Analyst, Share India
And thank you so much. That's it.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Thank you.

Operator
Thank you. Next question comes from the line of Nilesh Doshi with Prospero Tree AMC. Please go ahead.

Nilesh Doshi - Analyst, Prospero Tree
Thank you. Thank you. Thank you, sir. Am I audible, sir?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Yes, please go ahead.

Nilesh Doshi - Analyst, Prospero Tree
Thank you, thank you, sir. You have partly replied on the toll revenue for the quarter, just the previous participant and I asked. But my question is that there was some reduction in the toll revenue in spite of the there was a 2.5% increase in the toll operative tariff revision. So is it the seasonal because the rain might have been in the last fortnight of the June month. But otherwise there was no rain. So why was it the signal? Was there anything -- any road was under maintenance, or what was the exact reason for the toll reduction?

Anil Yadav - Unidentified Speaker, IRB InvIT Fund
I think, sir, there is no reduction as such. There is basically, if you look at the -- there is still growth. The growth had reduced to certain -- by a certain percentage. Still, as compared typically we factor around 5%, 5.5% growth in our projection, and we have delivered around 5.5% kind of 5.5% to 5.7% growth in the current quarter. But if you compare the growth with the trailing quarters, the growth is slightly lower. There are various reasons. I think Rushabh has, in opening remarks, has explained that because of the geopolitical consumption.

That has increased the fuel prices and other things. And initially, you might have also heard, sir, in Gujarat there were certain factories were closed down in the month of May because of the non-availability of the gas and other things. If there are those kind of disturbance in the country, because our largely growth is driven by the internal consumption. And if those kind of disturbance are there, then automatically that may affect the growth. But still, in terms of the comparatives, what the growth across India was around 4%, and we have delivered around 5.5% to 5.75% growth.

So I think as compared to the other -- across India growth, our growth is better, and we expect that the things as the things will stabilize, there will be a further improvement in the toll collection.

Nilesh Doshi - Analyst, Prospero Tree
Thank you, sir. One clarification question that you have just mentioned about the WPI, and it is on a higher side, something around 9.9%, but I think the effect of the WPI will be seen from the 1st April 2027 because this year the revision has been done. Is it correct?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Yes, sir, absolutely correct. So, as I have mentioned, it will be affected from 1st April 2027.

Nilesh Doshi - Analyst, Prospero Tree
Okay, okay. And sir, last question. There was a sharp jump in the project management fees. It is from INR18 crore to INR46 crore. The operational expense was very high in the quarter four. It was INR88 crore, and compared to current quarter, it is INR38 crore. So if the project management fees go on, goes up like this, will it be the INR46 crore per quarter, or how the project management fees

will be charged, sir?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Sir, project management fee is charged on the basis of a fixed-price contract which is already entered. And if you look at, sir, the we have provided the data for the end entire life of the around weighted average life of around 18 years. What kind of project management fees will be charged on a year-on-year basis? So if you are looking at my P&L, there will be a provision also for the major maintenance because as per India, since I am going to incur the major maintenance after five years, so I am required to make the provision for the major maintenance which I am going incur in future.

For example, sir, I have added three assets. So for last year, there was no provision for major maintenance for those three assets. So those provision for major maintenance has also got added, and there would have been increase in the routine maintenance of the three projects which we, we have added. So if you compare with the revenue, there may not be a kind of any kind of significant jump. But sir, typically the InvITs are looked at on the basis of the NDCF. Whatever the cash payout happening, we have to factor the cash payout, not the accounting entry provision, which is required as per India,

Nilesh Doshi - Analyst, Prospero Tree
Sir. I understand, but NDC, and sometimes it may be incurred, the one currently you are making the provision, but once the actual operational expense will incur, then there will be less cash available for the unit holder. So PFCF will be reduced -- will not be like that, sir.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Now we are having eight assets. Every year there will be some or other asset will be under major maintenance. And secondly, sir, if you look at the numbers we have already provided in which year the major maintenance for which asset will be undertaken. So I think even if it is, sir, 140 kilometer kind of road is asset, the major maintenance for that particular asset will not be completed within one year because the existing traffic has to flow. So there the major maintenance will be carried out maybe in two years.

So typically, sir, we have not seen any kind of major change in the cash payout. There may be some changes, but since we are aware, we factor those, and the guidance which we provide to our unit holders, considering all those aspects in mind, and all everything is factored while providing the guidance that we are going to pay 6.5% this year. And considering the new asset addition, that will grow by 4% to 5% every year for next five years, and around 10% kind of growth after five years.

Nilesh Doshi - Analyst, Prospero Tree
Okay, answer my last question. You have mentioned that you are going to do the QIP for acquiring the new asset. Sir, will it be the QIP price at par or premium to the NAV? Because last time our NAV is far higher than the current market price. So at what price are you looking to do the QIP?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Sir, I think the SEBI has already prescribed the formula for the QIP price where the InvITs are traded frequently. IRB InvIT Fund. And our intention is also to do a closer to the NAV. But I think the market mainly you can reach to whatever the market determines value for your asset. On that basis, one can do the QIP. But as of now, the guiding any number will be difficult because at least we are two or three months away from the QIP date. And if you look at whatever the prevailing price at that point in time, whatever the market condition prevailing at that point in time will be appropriate time to

decide the pricing. Today we can't determine or basically tell you any particular price, but our intention will be to try to maximize the price so that it is beneficial to my existing unit.

Nilesh Doshi - Analyst, Prospero Tree
I think the SEBI has guided the current market price to calculate the market price to determine the QIP price. But my question was regarding the respect to the NAV. And one InvIT Fund, the name is Cube Highway, is closing today, and they are issuing units at NAV price. The NAV is around or NAV to or NAV to premium to NAV. So I'm asking whether are we looking to issue the fresh units at the NAV price or something near to NAV price?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
So I think, sir, that will be based on the SEBI-prescribed formula, I think, which is linked with the market price prevailing at that point in time. NAV is only applicable for the InvIT Fund, which is not listed and where tradings are not happening.

Nilesh Doshi - Analyst, Prospero Tree
Okay, okay. Thank you, sir. I wish the issue will be at Thank you, sir.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Thank you.

Operator
Thank you. Next question comes from the line of Sourabh Lohariwala, [Phonetic] an individual investor. Please go ahead.

Sourabh Lohariwala - Analyst
Yes, hi. Am I audible?

Anil Yadav - Unidentified Speaker, IRB InvIT Fund
Yes, yes, you are audible. Please go ahead.

Sourabh Lohariwala - Analyst
Okay, see, first is a clarification. So, as per your page number 28 of the slide that you have uploaded, in FY26 the DPU was 6.6%, and in that slide you have mentioned that the distribution is projected to improve by 3% to 5%. So we are in current year FY27, so this 3% to 5% increase will happen on top of INR6.6. Distribution that happened last year. Is that correct?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Uh, no, I think you have -- first, you have to bifurcate between asset addition. And earlier, the distribution for first two quarters was close to 2% per quarter. And upon the asset addition, that since the MBR was about to go in this financial year, the -- there was a reset. And what we are about -- I think the earlier investor has also asked -- FY25, without any asset addition, we are expecting to distribute around INR6.5 per unit, and next financial year around 6.9% per unit. And with the asset addition, it will further improve by 3% to 5%.

Sourabh Lohariwala - Analyst
So just on this follow-up, when you say that this will improve further by 3% to 5%, this is on per unit basis, right, not on total payout?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
No, no, no, per unit. We are talking about per unit so that my existing unit holder does not get a lower yield, or in fact their yield will improve.

Sourabh Lohariwala - Analyst
Okay, fine. Thank you.

Anil Yadav - Unidentified Speaker, IRB InvIT Fund
Thank you. Thanks.

Operator
Thank you, ladies and gentlemen. We have reached the end of question-and-answer session. I now hand the conference over to Mr. Rushabh Gandhi for closing comments.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Thank you very much for attending the call and see you for the next quarter. Thank you.

Operator
[Operator Closing Remarks]