Management Discussion

Anil Yadav - Chief Executive Officer, Business Development and Investments, IRB Infrastructure Developers Limited

Thank you. Good morning, and warm welcome to all the investors and analysts joining us for our earnings call to discuss the results for Q2 of financial year 2026-27. I trust you have had an opportunity to review our detailed financial results and the accompanying investor presentation. Let me briefly walk you through the key developments during the quarter. Strategic overview: IRB is fundamentally an asset-led infrastructure platform with an asset base of approximately 94,000 crores. Despite geopolitical uncertainty and macroeconomic headwinds, our performance has remained resilient, reflecting the return from the assets built steadily over the years.

This is clearly reflecting in our toll revenue across our 100% subsidiaries, private InvIT, and public InvIT. Toll revenue across the group has grown around 24% year-on-year basis this quarter. This was supported by a steady traffic growth and tariff revision linked with the inflation. India's domestic growth remains our strongest anchor, and the government's continued support for public-private partnerships gives the sector a strong runway. Business update: During the quarter, IRB InvIT Fund, our public InvIT, took another important step forward.

It acquired two operational highway assets from the private InvIT, that is IRB Infrastructure Trust, with an aggregate enterprise value of 4,605 crores. The transaction attracted strong interest from the leading global and domestic investors and brought an equity of 2,000 crores into the fund. IRB has also participated in preferential issue issued by the fund and invested 351 crores. For the IRB Group, this is a significant step to our asset monetization strategy. IRB Infrastructure Trust realizes equity consideration of around 2,744 crores.

This is non-dilutive capital that strengthens the group balance sheet and financial flexibility. The transaction also adds these assets to our O&M order book. Equally important, this capital recycling position us to pursue new opportunities worth about 8,000 to 10,000 crores without stretching our balance sheet. The response from the investors reflects the confidence we have earned through more than three decades of developing, operating, and managing the highway infrastructure. It also shows the growing acceptance of InvIT structures as an effective way to recycle capital and attract the long-term investment into infrastructure.

The transaction benefits both InvIT platforms. It helps them to scale their asset portfolio, strengthen the cash flow, and improve the potential for sustained distribution to the investors. At the same time, it lets the group focus on new growth opportunities using its established capability in project development and operations. On operational performance: Our 100% subsidiaries continue to deliver strong performance. Year-on-year, gross toll revenue collection on Mumbai-Pune Expressway and Ahmedabad-Vadodara Expressway grew 14% and 16% respectively.

Overall growth about 15% to our wholly owned portfolio. Out of the 15%, around 10% was traffic growth and 4% to 5% tariff growth. Our private InvIT revenue has also grown. Per-day revenue is around 13.1 crores for the quarter ended September 30, 2026, compared with 9.2 crores in the same quarter last year, that is about 42% year-on-year growth on like-to-like basis. This excludes three assets transferred to the public InvIT. The growth is also driven by healthy traffic momentum and a set of new asset addition, and the tariff revision.

Distribution: The strong growth in the toll collection on both InvIT platforms has translated into significant higher cash distribution, further strengthening IRB's recurring cash flow. The private InvIT

has declared a distribution around 231 crores in Q2 of FY27. IRB's 51% stake translates to 118 crores as compared to 26 crores in the same quarter last year. That is an increase of 354% on year-on-year basis. It was driven by three new revenue streams: newly acquired TOT projects, that is TOT 17 and TOT 18, and completion of the Ganga Expressway during the year.

IRB has made no additional funding commitment in any of these projects. This shows our model at work. The InvIT platform keeps adding to the company's cash flow while improving overall financial flexibility. The public InvIT distribution of about 269 crores in Q2 of FY27, IRB's effective holding is around 16%. Company expects to receive around 43 crores as compared to 32 crores in Q2 of FY26. This is about 35% growth on year-on-year basis. Overall, substantial increase in the distribution reflects the strong performance of the underlying assets, smooth integration of newly acquired assets, and effectiveness of InvIT-led monetization.

Dividend and order book: In line with the company's dividend policy, the company has declared an interim dividend of INR 60 crores for Q2 of FY27. Our total order book is around 43,400 crores, including an EPC order book of 1,200 crores. In terms of outlook: Looking ahead, we believe the capital-light approach will be an important driver for our next phase of growth. It further establishes IRB's leading infrastructure sponsor and O&M operator. Building on our 94,000 crores asset base, we remain firmly on track to reach around 1,40,000 crores asset base by FY2030, creating sustainable long-term value to all our stakeholders.

With this, I conclude my opening remarks. Now I will request Tushar to take through financial highlights for Q2 of FY27. Over to you, Tushar.

Tushar Kawedia - Group Chief Finance Officer, IRB Infrastructure Developers Limited
Thank you, sir. I take you through the financial analysis of Q2 FY27 versus Q2 FY26. Total consolidated income for Q2 FY27 has increased to INR 1,945 crores from INR 1,800 crores, registering a growth of 8%. The income from InvIT and related assets segment has increased to INR 356 crores from INR 303 crores, registering a growth of 17%. The income from BOT segments has increased to INR 721 crores from INR 627 crores, registering a growth of 15%. The income from construction segment has increased to INR 821 crores from INR 820 crores.

Other income for Q2 FY27 decreased to INR 47 crores from INR 49 crores, down by 4%. EBITDA has increased to INR 1,102 crores from INR 974 crores, registering a growth of 13%. Interest cost decreased to INR 388 crores from INR 451 crores, a decrease of 14%. Depreciation has increased to INR 329 crores from INR 262 crores, an increase of 26%. PBT has increased to INR 385 crores from INR 261 crores, an increase of 48%. PAT has increased to INR 260 crores from INR 141 crores, increase of 85% on year-on-year basis.

Now I request the moderator to open the session for questions and answers.

Questions & Answers

Operator
Thank you. [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 Financial Services Limited
Hi, good morning, sir. Just wanted to understand that what is the situation now in terms of project awarding, the TOT projects, and which we had been targeting, but some of those are still in the

pipeline? If you can just update on how things are shaping up on that front, and has there been any change in terms of bidding intensity, because some of the companies are talking about that the criteria has been tightened and there have been the smallest players might not be able to participate like the way they were. So just wanted your initial thoughts on that.

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
Good morning, Alok. Let me wish all of you a very happy Diwali in advance. To come to your question, you are right that the TOT bids had been delayed a bit, and that was primarily because of the ongoing discussions on the compensation mechanism for the MLFF, the multi-lane free flow that we intend to bring into India. That has been now sorted. A backstop compensation mechanism has been formed up and communicated by NHAI. In view of that, now the TOT bidding has commenced, and the three TOT bids which were under bidding for quite some time have already gone under the hammer.

The next set of TOT bids should be out soon and likely to be concluded before March 2027, as per our discussions with the authority. So there is a promising progress on the TOT side. As regards the HAM or EPC or BOT side is concerned, there have been some changes in the concession agreement, but on the HAM EPC, I am not very sure that it can prevent frivolous players from coming in. There has been an effort, but we are yet to see if that actually works out to be as envisaged.

Alok Deora - Analyst, Motilal Oswal Financial Services Limited
Sure. Any bid pipeline which we have been seeing or we have participated in the BOT toll or the HAM side, and where we see some positive outcome coming up in the next say two to three months, because we are now in the active project awarding months? Any bid pipeline which we have actually participated in?

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
At the moment, there is no BOT or HAM bid where we have submitted a bid as such. But we continue to evaluate, and as I said, whenever we have a result, as a corporate practice, we only talk about it if and when we win the project.

Alok Deora - Analyst, Motilal Oswal Financial Services Limited
Sure. Also, one more of a bookkeeping. Interest cost has actually -- interest outgo had actually come down quite drastically in second quarter.

Tushar Kawedia - Group Chief Finance Officer, IRB Infrastructure Developers Limited
Yeah.

Alok Deora - Analyst, Motilal Oswal Financial Services Limited
So just wanted to understand, is this the new normal quarterly number, or?

Tushar Kawedia - Group Chief Finance Officer, IRB Infrastructure Developers Limited
Yeah. So, Alok, yes, this is a new normal quarterly number. As you see, in the last year we have transferred one of the HAM projects, that was VM7, which was transferred to public InvIT. So corresponding interest cost has been reduced for this quarter. And second, we have also got a repayment done in most of the SPVs like MP and EV. That also led to the reduction in interest cost. So yes, you are right, this quarter number should be new normal going forward, depending on whatever repayments we are making, corresponding interest reduction will happen.

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
I think I would like to add to what Tushar said. This will be a new normal of a declining interest payment regime going forward, because as you know, there are two wholly owned subsidiaries which form part of our IRB's listed balance sheet. As those SPVs now significantly start deleveraging, the interest outgo as well as the outstanding loan book will start coming off very aggressively, and you will see the further reduction coming in on the interest expense side of it.

Alok Deora - Analyst, Motilal Oswal Financial Services Limited
Sure. Just last question, if I can. A few quarters back, you were highlighting how big the BOT toll opportunity could be. But now again in recent quarters, nothing really has actually moved in that front due to different external reasons. And so now even we are also not really too much talking about the BOT toll opportunity. Is there really some opportunity here? Are we looking at some projects coming materializing in fourth quarter, or would our business model be more driven by the TOT side of the business and existing order backlog?

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
You are right that the low-hanging fruit of BOT is definitely behind us. As more challenging, more complex BOT projects come up, we definitely are going to be more selective in looking at them. But the asset monetization side looks promising, and we certainly will be more focused on that. And one more thing which comes to my mind, which I think I should make this point, is we are looking at an asset base of 94,000 crores with an average concession life of around 20 years. So this is a company now which has a formidable 20 years future business visibility. Quarter after quarter, you are going to see the growth hitting the numbers.

And the business visibility, unlike an EPC or a HAM player, is not the case in point as far as IRB is concerned. It is on a very solid bedrock of growth. New projects certainly will add more momentum to it, but in absence of those as well, you will continue to see a formidable growth unlocking for the stakeholders.

Alok Deora - Analyst, Motilal Oswal Financial Services Limited
Sure. Just last question, if I can. We saw other players eventually moving to the non-road business, and in hindsight it looks to be a good thing that we did not move, because they have actually gone through tough times in those businesses with low margin or projects not being able to complete or giving out to third-party subcontractors and stuff. So now do we have any change in the thought process there, or we continue to maintain the road and highway side of the projects?

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
Since listing in 2008, we have always stayed away from all these glamorous ideas and always pursued the most non-glamorous, do more of the same kind of a concept all along. And I think that sane idea has kept us going stronger by the day. Going forward also, we do not have any extravaganza ideas of venturing into something unrelated and test the waters, because we see we have a good portfolio on hand, and we will be picky on the further projects that we do along the time.

We are confident that with the capital at hand, we can scale to a 1,40,000 kind of an opportunity size, what Anil mentioned in his opening remarks. So we are in absolutely no hurry. We want to pick the right projects which will give good yields and good returns, and will add to the portfolio value. That will be the endeavor going forward.

Alok Deora - Analyst, Motilal Oswal Financial Services Limited
And any projects in the private InvIT which can be looked to be transferred to the public InvIT maybe in early next year?

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
Look, we had originally nine projects which formed part of the private InvIT, and as you have seen, five of those have now been transferred to the public InvIT. So we still have four left from the original set of projects as far as private InvIT is concerned. Also, we have two HAM projects in IRB's balance sheet as well which are nearing completion, so maybe in another six months' time those also should get over. And once the eligibility criteria is hit, those HAM projects also will be available for transfer into the public InvIT from IRB's balance sheet.

Alok Deora - Analyst, Motilal Oswal Financial Services Limited
Got it. Got it. Sure, sir. That is all from my side. Thank you, and all the best.

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
Thank you.

Operator
Thank you. The next question comes from the line of Aditya Sahu with HDFC Securities Limited. Please go ahead.

Aditya Sahu - Analyst, HDFC Securities Limited
Hi, sir. Thank you a lot for the opportunity. I just wanted to confirm a couple of data points. We had earlier guided the O&M margins at 20-odd percent. So do we still maintain that? And the net debt-free status that we were looking by FY30?

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
Net debt status, yes, we stand by that. We have continued that articulation in our presentation as well, that that is a strong resolve that the company has, and we are definitely working on it. The reduced interest outgo number demonstrates that resolve, and you will see that interest number keeps coming down quarter after quarter.

Aditya Sahu - Analyst, HDFC Securities Limited
Okay. And on the O&M margin guidance front, we are still maintaining the 20% margin guidance?

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
Yes, very much so.

Aditya Sahu - Analyst, HDFC Securities Limited
Understood, sir. We were also looking at the ROEs to 8% to 14% by '32. So is that percentage number continues to be in place?

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
Yes, very much so, because as the operating leverage improves -- because I will just try to put forth a very simplistic form of explanation on this regard. If I plot a graph for a BOT or a TOT project where the capex is already done, the revenue tends to grow at a CAGR of 10% to 12%, whereas the debt keeps coming down over a period of time, thus increasing the operating leverage. If that operating leverage is to increase, it is bound to increase the cash ROEs for the project and the entity

as a whole. So yes, we remain completely focused on improving the cash ROEs from 8% to 14% by next four to five years.

Aditya Sahu - Analyst, HDFC Securities Limited
Understood. Thanks a lot.

Operator
Thank you. 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 the management for closing comments.

Virendra D. Mhaiskar - Chairman and Managing Director, IRB Infrastructure Developers Limited
Thank you, everyone, for taking time out on this call. We seem to be already in the festive mode, so we have not many questions today. So let me again wish all of you a very happy Diwali and prosperous New Year and good markets. Let us meet again for the next quarterly earnings. Till then, if there are any interesting events, we will touch back to you, get back to you even at that point in time. With that, let me close this call. Thank you.

Operator
[Operator Closing Remarks]