Management Discussion

Kishan Mundhra - Analyst, DAM Capital Advisors
Thank you, Darwin, good afternoon, everyone. So, from the investment manager side, we have with us Mr. Vinay C. Sekar, who is the CEO; Mr. Pankaj Vasani, Group CFO; Mr. Saurabh Bansal, Head, Capital Raising, Investments & Strategy; Ms. Richa Gupta Rohatgi, Company Secretary and Compliance Officer; Mr. Abhijit Sathe, the Joint Executive VP, Finance and Accounts; Mr. Saurabh Kumar, VP, Strategy and Investor Relations; and Mr. Deepan Shah, VP, Legal. From the Trust's project management team, we have Bovin Kumar, CEO; Mr. Mukul Shastry, Group General Counsel; and Mr. Anuj Maitrey, Head of Operations.

This conference call may include forward-looking statements, reflecting the company's current beliefs, views and expectations as of the date of this call. These statements are subject to risks and uncertainties and are not guarantees of future performance and may differ materially from the actual results. Please note that this conference is being recorded.

With that, I would now like to hand over the call to Mr. Vinay C. Sekar, the CEO, for his opening remarks. Thank you, and over to you, sir.

Vinay Chandramouli Sekar - Chief Executive Officer, Cube Highways Trust
Thank you. Thank you, Kishan. Good evening to everybody. Thank you for joining us. This has been a landmark quarter for Cube Invit with an important milestone in our journey as an infrastructure investment platform. On July 31, 2026, we successfully transitioned from a privately listed InvIT to a publicly listed InvIT through an offer for sale of INR5,000 crore. This is a significant achievement for Cube InvIT and, we believe, for InvITs in India. We are the first private InvIT to transition to a publicly listed InvIT successfully and have emerged as India's largest public InvIT.

The response from investors has been extremely encouraging. The issue was oversubscribed 9.42 times. More importantly, the transition has materially broadened our investor base. As of August 7, 2026, we have more than 17,000 unitholders, with broad-based institutional ownerships across mutual funds, insurers, banks, pension funds and trusts. For us, this milestone represents much more than a successful capital markets transaction. It is the culmination of several years of work to institutionalize the platform through stronger governance, internal controls, technology systems, valuation discipline and risk management frameworks. We believe the transition significantly strengthens our ability to access a broader pool of institutional and long-term capital, improves the platform's visibility and creates a stronger foundation for the next phase of growth.

Against this backdrop, our underlying portfolio continues to perform exceptionally. Cube InvIT's portfolio comprises of 27 road assets: 18 tolls, six hybrid annuities and three annuity assets, covering over 8,754 lane kilometers across 12 states and one Union Territory. The portfolio has an 86:14 toll-to-annuity mix, with an average residual concession life of 17.8 years. This provides us with a diversified portfolio of long-duration infrastructure assets, with cash flows naturally protected by contractual inflation and interest rate pass-through mechanisms.

On the acquisition of four assets, for two of the assets, CNTL and DTPL, all the key conditions precedents have been completed. The other two assets have one key CP to be completed. Considering this, we will initiate the unitholder approvals for preferential issuance for these assets by the end of August or the first week of September. We hope to initiate this for all four assets. However, in case, some -- one or two of these approvals get delayed, we will complete these acquisitions in tranches.

Additionally, the Trust continues to have a right of first Offer for three additional sponsor assets, subject to, of course, commercial alignment and regulatory approvals. This provides further visibility into our potential growth pipeline.

Coming to our operating performance, Q1 FY '27 was a very strong quarter for the portfolio with a 9.3% year-on-year traffic growth, resulting in 11.5% year-on-year growth in toll revenues. The reported toll revenue was despite the Western UP concession expiring on 23 June. On a comparable operating-day basis, portfolio toll revenue growth was 12% year-on-year. The growth was supported by strong vehicle sales in the country. Passenger traffic has also benefited from longer trip lengths, better roads and passenger convenience measures such as the annual pass. Toll revenue growth was led by our assets such as Ghaziabad-Aligarh, Delhi-Agra, NAM Expressways and the assets between Tamil Nadu and -- in Tamil Nadu between Madurai to Kanyakumari. The traffic growth remains broad-based across the portfolio. And most importantly, a majority of our toll assets posted double-digit traffic growth.

Annual pass adoption amongst private cars averaged approximately 32% across our portfolio with INR108 crore of compensation recognized as received/receivable as of 30 June 2026. The average receivable days stood at 42 days in Q1 FY '27.

Our weighted average cost of debt improved further during the quarter, declining to 7.49%, supported by the issuance of a fixed-rate instrument during the quarter.

Our NAV has increased to INR149.6 per unit from INR145.8 per unit in the previous quarter, largely driven by compression in the weighted average cost of capital.

During the quarter, we have declared a distribution of INR3.95 per unit, bringing the cumulative distribution since listing to INR38.81 per unit. The total distribution declared during Q1 FY '27 was INR531 crores. The Board of the Investment Manager also approved an upward revision of the full year FY '27 DPU guidance to INR14.50 per unit from INR14.00 per unit previously. This is supported by the strong traffic performance during the quarter. There remains an upside in the distributions in case the traffic performance continues to remain robust for the rest of the year.

We believe the quarter demonstrates the strength and the resilience of the underlying portfolio. And at the same time. the successful transition to a public InvIT marks the beginning of a very new and important chapter for Cube InvIT.

Operationally, we continue to focus on improving efficiency, asset quality and lifecycle across the portfolio. Major maintenance work at two assets, NAM Expressway and Delhi-Agra, is progressing as planned and within budget. We have deployed micro-fine milling across 4.5 lakh square meters, saving approximately 2,250 metric tons of bitumen and 32,000 metric tons of aggregates, while also generating cost efficiencies. We've also introduced technology-led pothole identification and other in-house O&M initiatives to improve maintenance efficiency, turnaround times and overall asset management.

With a broader and more diversified investor base, a strong operating portfolio, a robust balance sheet and a visible growth pipeline, we remain focused on delivering sustainable distributions and long-term value creation for our unitholders.

With that overview, I would like to invite Pankaj to take you through the financial performance and updates. Thank you.

Pankaj Vasani - Group Chief Financial Officer, Cube Highways Trust

Thank you, Vinay. Good evening, everyone, and welcome to Cube InvIT's earnings call. Q1 '27 is the first quarter we report as a public listed InvIT, and we are delighted to welcome a considerably wider base of unitholders. The result for the quarter substantiates the continued strong showing across key performance metrics.

Let me take you through some of the key financial highlights for the quarter. We have continued our strong performance during the quarter, with sustained momentum across our toll assets and have received full payment of all annuities due for the quarter ended 30 June '26.

Revenue from operations stood at INR1,127 crores, up 19.3% YoY,, while total consolidated income was INR1,157 crores. Our daily average collection was INR10.1 crores in Q1, with ETC collection stable at 97.1%. Traffic trends remained stable to positive across most corridors. While toll revenue grew 11.5% YoY, traffic grew 9.3% YoY. EBITDA for the quarter rose to INR819 crores, an improvement of around 16.7% YoY. NAV stood at INR149.6 per unit as of June 30, 2026, compared with INR145.8 per unit of last quarter.

Debt, including deferred payments, stood at INR17,645 crore, with Net Debt/AUM at 45.17%. AUM remained stable at INR367 billion. During the quarter, we raised INR637 crores through a 7.3925% fixed-rate NCD with a 11.8-year tenor, further extending our debt maturity profile and supporting our overall cost of debt.

Our valuation framework continues to incorporate conservative assumptions regarding traffic growth, inflation, maintenance costs and discount rates, with independent valuation support and periodic reassessment of macroeconomic conditions. As you are aware, the Trust is required to distribute at least 90% of its NDCF to unitholders each financial year. We make quarterly distributions in accordance with our distribution policy.

To reiterate some of the key principles behind the calculation of NDCF, first, NDCF for BOT and TOT assets is generally stable on a quarter-on-quarter basis, supported by predictable traffic patterns and operating structure. That said, there can be some seasonality in toll revenues, driven by factors such as traffic trends and festival or monsoon period, as well as toll rate escalation that occur at different points during the year. Annuity-based asset will naturally have a variance aligned with timing of annuity receipt and are considered for NDCF only on actual receipt. Third, SPVs are allowed to create reserve for specific business and regulatory requirements such as towards MMR and operational expenses in annuity asset. Last but not the least, any restricted cash or free cash, including annuities received prior to acquisition, forms a part of opening cash, utilization of which is governed by the InvIT Regulations. The NDCF calculations for each SPV and for the Trust are part of the results and can be found on our website.

Now, let me very quickly take you through the summary of NDCF generated during the quarter. At the consol level, the Trust generated INR532 crores, up 57% YoY from INR339 crores of Q1 financial year '26. At the Trust level, total cash inflow for the quarter were INR1,397 crores, comprising INR920 crores in toll receipts from 18 operational assets, INR449 crores of annuity receipts and INR28 crores in other income.

The total expenses for the quarter were INR360 crores; comprising O&M expense of INR235 crores; periodic maintenance and capex of INR59 crores; tax, working capital and other adjustments of INR66 crores. This gave us a net balance of INR1,037 crores. Debt servicing for the quarter was INR487 crores, comprising principal of INR139 crores, interest of INR341 crores, processing and another fee of IN7 crores. The net amount available for distribution came to INR550 crores. Western

UP cash not distributable was 19 crores, and a cap reduction scheme was filed for this. The NCLT approved the scheme of arrangement on 29th of July '26, implementation of which is subject to requisite filing with the ROC. After all these adjustments, the net amount available for distribution in Q1 was INR532 crores. We declared a distribution of INR531 crores. So effectively 99.8% of the NDCF generated during the quarter was distributed.

A quick recap of our distribution history. In financial year '24, with 18 SPVs, our DPU was INR10.09, amounting to INR1,302 crores. The distribution mix was interested at 70%, return of capital at 19%, dividend at 10%, and treasury income at 1%. Moving to '25, the portfolio expanded to 25 SPVs: 18 for the whole year, six HAM projects for 10 months and NAMEPL for 1.5 months. DPU rose to INR11, with a total distribution of INR1,468 crores. The distribution mix was interested at 52%, return of capital at 43%, dividends at 5% and treasury income making up the balance. The financial year '26, with 27 SPVs, including two NIIF highway assets acquired and full year contribution from NAM and HAM, we redistributed INR13.77 per unit, totaling to INR1,851 crores. The distribution mix was interested at 57%, return of capital at 32%, dividend at 11% and treasury income making up the balance. Now we have entered financial year '27 with full contribution from all 27 SPVs for the first quarter. And we have made a distribution of INR531 crores, which is INR3.95 per unit. The distribution mix for the quarter is interested at 53%, dividend at 27%, return of capital at 19% and treasury income making up the balance.

I would also like to discuss a recently proposed tax amendment. As you may be aware, the Tax and Other Law Amendment Bill financial year '26, passed by the Parliament earlier this month, proposes tax-exempt treatment for dividends distributed by SPVs to InvIT unitholders, regardless of the tax regime that the SPV opts for. To maintain revenue neutrality, the surcharge applicable to SPVs of InvITs opting in the new tax regime has increased from 10% to 25%, raising the effective SPV tax rate from 25.2% to 28.6%. For the current year, 17 SPVs are under the new regime, and we expect the increase in surcharge to have a minimal impact on their current tax for the financial year, which is estimated to be around INR5 crores to INR6 crores. The remaining SPVs continue under the old regime, primarily because they are eligible to claim deductions under Section 80-IA of the erstwhile Income Tax Act 1961.

As our portfolio matures, the dividend component of distribution is expected to increase significantly. Over time, with the return of capital, which is exempt up to the cost of acquisition, around 60% to 70% of the distribution is expected to be tax-exempt, compared with a similar proportion that is currently taxable. So, while there is some increase in tax at the SPV level, the elimination of investor-level taxation on dividend component is expected to improve post-tax returns, particularly for taxable investors, who at present constitute a large share of our investor base.

Overall, we believe that this quarter's performance, yet again, reflects our portfolio's resilience, disciplined capital management and the team's consistent execution. We remain grateful to our investors, partners and stakeholders for their continued trust and support in us.

With that, I hand the call back over to the moderator for the Q&A session. Thank you.

Questions & Answers

Operator
Thank you very much. [Operator Instructions] As we have no questions at this time, we will now

conclude the call. [Operator Closing Remarks]