Management Discussion

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Good evening, everyone, and welcome to all the investors and analysts joining us today on the call. I trust you have had a chance to review our financial results and the investor presentation. During the quarter, we acquired two operational BOT road assets from IRB Infrastructure Trust: Solapur-Yedeshi, which is located in the state of Maharashtra, and Chittorgarh-Gulabpura project which is situated in the state of Rajasthan. Together, they have been acquired at an enterprise value of around INR4,600 crores, and the acquisition was effective from 30th of September 2026.

With this addition, the trust portfolio now has 11 operational road assets, which includes nine BOT and two HAM assets covering 5,314 lane kilometers. The portfolio of the trust has an enterprise value of around INR23,000 crores. The weighted average residual concession life is around 17 years, which gives a strong long-term visibility of cash flows. These acquisitions were funded through a mix of equity and debt. On the equity side, the trust raised INR2,351 crores of unit capital during the quarter. Which included an institutional placement of around INR21,000 crores at a price of INR63 per unit and preferential issue of INR351 crores at a price of INR65 per unit to our sponsor IRB Infrastructure Developers Limited.

This has allowed the sponsor to maintain its holding at around 16%. The institutional placement drew a strong broad-based response from domestic as well as global investors, including pension funds, insurance, mutual funds, and family office. We thank all our investors for their continued confidence in the trust. The balance was funded through debt at an interest rate of 7.5% per annum. Coming to the toll revenue performance for the quarter ended 30th September 2026, the gross toll revenue was INR417 crore as compared to INR394 crores in the corresponding quarter of previous year.

That is a growth of 5.8%. For a like-for-like comparison, we have excluded MBR project since the project was handed over to the authority on 1st of September 2026. At the asset level, Y-o-Y growth for the quarter was Pathankot-Amritsar project 13.2%, Talegaon-Amravati project 9.8%, Tumkur-Chitradurga project 9.2%, Jaipur-Deoli project 8.6% and Kaithal-Rajasthan project 6.8%. The growth was moderated by two factors. The first was on the softer traffic on few of our projects, which was linked to the ongoing geopolitical situation.

And second is the seasonality, since the second quarter is a monsoon quarter and typically is weaker for traffic. We expect the traffic on this project to normalize over the coming quarters. Coming to the RBI rate hike and the inflation outlook, our toll rates are revised annually and linked to WPI inflation. WPI was relatively subdued over the last couple of years. With the current geopolitical pressures, WPI is now tracking at around 9%. That should feed into future toll rate revision and gives the portfolio a natural hedge against the rising cost.

On the interest rate, more than 30% of our debt is fixed in nature and balance is floating. So taking these factors together, we do not currently expect the rate environment to have a material impact on the financial position of the trust. On the distribution side, with the expanded capital base, the trust has declared a distribution of INR268 crore, translating to INR1.625 per unit. The distribution comprises of INR1.475 per unit in the form of interest and INR0.15 per unit in the form of return of capital.

Since Solapur-Yedeshi and Chittorgarh-Gulabpura project were acquired on 30th of September 2026, they are expected to contribute to NDCF from third quarter. On the credit profile, the trust continues to maintain a strong credit profile with its AAA rating maintained by India Ratings and Care

Ratings. The return- the recent debt was raised at 7.5% per annum reflecting the trust's strong access to the capital market. Coming to the financial performance, I will walk you through the financial performance for the current quarter as compared with the corresponding quarter of previous year.

During the third quarter of previous year, three BOT and in the fourth quarter one HAM asset was added to the portfolio. Accordingly, the Y-o-Y numbers are not strictly comparable. The total consolidated income for the current quarter stood at INR514 crore as compared to INR278 crore for the corresponding quarter of previous year. The consolidated toll revenue for the current quarter stood at INR377 crore as against INR242 crore in the corresponding quarter of previous year. EBITDA stood at INR359 crore in the current quarter as against INR233 crore in the corresponding quarter of previous year.

Interest cost, which includes the interest on deferred premium, for the current quarter stood at INR208 crore as against INR73 crores in the corresponding quarter of previous year. Depreciation, which includes amortization, for the current quarter stood at INR116 crores as against INR72 crores in the corresponding quarter of previous year. Profit after tax stood at INR26 crores as against INR83 crores in the corresponding quarter of previous year. With that, I will now open the floor for question-and-answer. Over to you, moderator.

Questions & Answers

Operator
Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. [Operator Instructions] First question comes from the line of Sarvesh Gupta with Maximal Capital Private Limited. Please go ahead.

Sarvesh Gupta - Analyst, Maximal Capital Private Limited
Good evening, sir, and congratulations on a good set. So, sir, first question is on the interest rate hike side. So you will be getting, I think, 40% of this WPI hike on the- on your revenue line item, but at the same time you have 70% of your debt as floating. So what is the net impact that you will get on the P&L and what would be the impact on your NAV calculations, if you can throw some light on that?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Sure, sure. So on the, revenue side, so as you explained that in the WPI of the December month will be critical for us, which will be considered for the revenue growth for next year, the tariff revision. And considering the current, situation, we believe that should be on the higher side. And correspondingly, the interest cost, 30% is fixed and balance 70%, major part is linked to MCLR. So if currently we have not seen any increase on that part, but typically what we see that MCLR increases on lag by a couple of quarters.

So the impact ideally would be seen after March, but looking at the net impact, we do not foresee any material impact on the distribution side.

Anil Yadav - Cheif Executive Officer, Business Development & Investments, IRB InvIT Fund
Yeah, so as you heard in the commentary itself that we are expecting at least the inflation number is 9% today. So 40% of the same comes around, say 3.6% or 4%, and then 3% is fixed. So around 7% to 8% is the expected inflation growth. And assuming that is there for the next year and the interest

cost hike what we are talking on the floating which will also be very slowly and gradually increased linked to MCLR. So we don't foresee any impact of any interest hike in the coming quarters due to this inflation hike, what we will be getting in the coming quarters from the next year.

Swapna Vengurlekar - Company Secretary and Compliance Officer, IRB InvIT Fund
Plus our revenue is far higher than the debt that we have, so the revenue would increase almost 8% odd because of the tariff increase, whereas the impact on the debt, the cost of debt increase would be on a relatively smaller base. So net-net, it's not going to be negative to us.

Sarvesh Gupta - Analyst, Maximal Capital Private Limited
Understood. And, in- on the NAV side, so what would be your sensitivity broadly on your NAV calculations for every, 50 basis point, let's say, increase in the interest rate?

Anil Yadav - Cheif Executive Officer, Business Development & Investments, IRB InvIT Fund
So present NAV, say when you see today it's at 75 odd, and what we have already- what we have observed in last couple of years, due to higher inflationary situation which was there 3-4 years back, was close to 10% tariff hike. We have not seen much difference or impact on NAV also because correspondingly- so today what is the hedge we are having available is the fixed rate of interest which is there for 30%, and the 70% is also floating, again linked to T-bill, which is also growing slowly and gradually.

So definitely when we go one quarter, two quarter onwards, we will not have much impact on NAV, but NAV will definitely improve due to the growing revenue and rollover impact. It will be how much, that we will not be able to answer right now, but yes, there would be a positive because of the revenue growing with 8% due to inflation and the interest is growing slowly and gradually. So net impact will be positive, but we- that we will not be able to give you for next couple of quarters what will be there.

Sarvesh Gupta - Analyst, Maximal Capital Private Limited
Okay. And sir, on the DPU side, so you have given a projection, of 3.45 for the second half, and, you know, I mean, given that we have acquired a lot of assets recently, so beyond the second half of this financial year, how should we pencil in what kind of growth we can assume because of, these assets which have come into the system? If you can throw some light on that, like going forward FY28 onwards, how should it look?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
So in past, we have given a guidance of around 3% to 5% for future years, but the exact guidance will be able to provide in the fourth quarter. So once we see the actual, traffic numbers and the- how interest rate is going.

Anil Yadav - Cheif Executive Officer, Business Development & Investments, IRB InvIT Fund
And just to give you for this year, yes, 3.45 is something after factoring any impact what is there today also due to interest rate hike. So 1.625 is something which we are expecting for the fourth quarter. Next year, what we have been factoring was around 5% year-on-year growth for at least next three to four years. We don't foresee any impact right now because today the interest rate hike is getting compensated with the inflation what we are going to get. So, yes, with 5% every year growth which was being guided last time, we continue with the same guidance going forward as well.

Sarvesh Gupta - Analyst, Maximal Capital Private Limited
Okay. And after making this acquisition, so now, what kind of pipeline exists for us to acquire more assets and how are we planning to do that? Like, I mean Do we want to sort of digest these assets first and then take a, 6-9 months pause before we acquire more assets? Or is there a pipeline that we need to also look at? How are we, looking at the acquisition front now?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
So on the sponsor side, if you have two HAM assets, so, uh, upon completion, they will be offered to the public in mid Those are small in size, not much. And we have a ROFO with private trust also. So as and when private trust, uh, offers any asset, we will evaluate those assets in future.

Anil Yadav - Cheif Executive Officer, Business Development & Investments, IRB InvIT Fund
Yeah, but also if you see, uh, from, uh, as you rightly said, that the asset acquired presently will also see some, uh, life in next six to eight months, and post that we will definitely have an opportunity. So what we have been discussing with sponsor was Every or private in which that every year couple of assets will be available for transfer to public in which. So this year we have added two assets, definitely of similar size we can expect in the next year as well.

Sarvesh Gupta - Analyst, Maximal Capital Private Limited
Understood, sir. Thank you and all the best.

Anil Yadav - Cheif Executive Officer, Business Development & Investments, IRB InvIT Fund
Thank you.

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

Operator
Thank you. [Operator Instructions] Our next question comes from the line of Saurabh Lakhotia, an individual investor. Please go ahead.

Saurabh Lakhotia - Analyst, Individual Investor
Yeah, good evening. Actually, my first question is- am I audible?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Yes, yes. Saurabh, you are audible,

Saurabh Lakhotia - Analyst, Individual Investor
So my first question is that, uh, given the uncertainties and high interest rate, high inflation, and the traffic, uh, volume What is the effect you are seeing across the board, the traffic volumes? And in the traffic volume also, uh, whether private vehicles are getting more affected or the commercial vehicles are getting more affected?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
If you look at the current traffic mix or the current traffic growth for the current quarter, so we have seen a very good growth in terms of the car traffic. On the commercial side, we are seeing some softening. So there are a couple of reasons. One is geopolitical issues. And as of the second quarter being a monsoon quarter, typically the commercial traffic is on a softer side. So maybe third quarter and fourth quarter would be better to judge the traffic for the projects. But in spite of that, few of the

projects have performed quite well, having high single-digit growth.

Saurabh Lakhotia - Analyst, Individual Investor
And for future, uh, I mean, given that the inflation is on the higher side. So future acquisitions, will we be looking towards BOT or, uh, HAM assets?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
So from sponsor side, we have a ROFO, and sponsor has currently two HAM assets which are on the verge of completion. And apart from that, the private trust currently has a portfolio of BOT and TOT both. So as and when the private trust offers the asset, they would be evaluated by us. And the HAM assets, as and when they get completed, we understand that sponsor will offer those assets to the public.

Saurabh Lakhotia - Analyst, Individual Investor
Yeah, actually, uh, no, the reason was that because of this higher inflation and the, uh, traffic, uh, the number of vehicles, uh, uh, the BOT would be, acquiring BOT assets. So will we be getting any benefits as compared to acquiring the HAM assets?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
So, uh, as a policy, would be having- we would be having a mix of BOT and HAM both. So currently also we have two HAM and nine BOT, and in future also we'll keep an optimal mix between BOT and HAM assets. So we'll get the benefit of both, and from, uh, higher inflation per se, the BOT asset also, considering the WPI part, will get the benefit of the revenue side also.

Saurabh Lakhotia - Analyst, Individual Investor
Okay, and, uh, my last question would be, uh, the DPU, uh, because of this, uh, price hike which, uh, is dependent on WPI, so, uh, are you, uh, can we expect, uh, some kind of increment in the DPU going forward?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
So for the next second half, we already guided, uh, 6.7% annualized. So 3.45 for the second half. And on the cost side, the best part is our O&M is a fixed price contract. So on the cost side, uh, we are quite insulated.

Anil Yadav - Cheif Executive Officer, Business Development & Investments, IRB InvIT Fund
And for next year also, as we discussed earlier, that we are expecting a 5% growth on the DPU. Any further increase due to the inflation or better inflation or rate hike, that will also help us in, uh, [Foreign Speech] stand next year, [Foreign Speech] next year, when we get inflation benefit

Saurabh Lakhotia - Analyst, Individual Investor
In V price. Okay, okay, thank you so much, that's all from my side.

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

Operator
Thank you. Thank you. [Operator Instructions] Next question comes from the line of Tarun Bhatnagar with Tribeca Investment Partners, please go ahead.

Tarun Bhatnagar - Analyst, Tribeca Investment Partners
Yeah, hi, thank you for your time today. My only question I have is on the consolidated statement. Your operating costs seem to be very high for this quarter. So could you explain what- why they are that high? It's around 980 million versus usually around 300-400 million. Thank you.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
So during the quarter, current quarter, we have received some change of scope and utility shifting work. From authority. So that is typically on cost-to-cost basis. So that is getting captured in the revenue side and corresponding on the cost side also. So that amount itself was around INR60 crore. So that's why the operational cost is on the higher side in the current quarter. It will come close to INR38 crore.

Tarun Bhatnagar - Analyst, Tribeca Investment Partners
So this is like a cost from which you have recovered. So could you explain it again? I didn't really quite get it.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Sure, sure. It's sort of a reimbursement from authority. So apart from the normal works, NHAI gives some initial additional works, and this is towards that.

Tarun Bhatnagar - Analyst, Tribeca Investment Partners
Okay, so that is around INR60 crore extra, right?

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Yes, yes.

Tarun Bhatnagar - Analyst, Tribeca Investment Partners
Okay, got it. Thank you so much.

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

Operator
Thank you. [Operator Instructions] As there are no further questions from the participants, I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Rushabh Gandhi - Chief Financial Officer, IRB InvIT Fund
Thank you very much to all the investors and analysts for joining the call. Thank you.

Operator
[Operator Closing Remarks]