



IRB Infrastructure Developers Limited

Q3 FY24 Earnings Conference Call

February 01, 2024; 4 PM IST

Moderator: Good evening, ladies and Gentlemen. Welcome to the IRB Infrastructure Developers Conference Call for discussing the financial result for the quarter ended December 31, 2023, along with recent developments. We have with us on the call today senior management team from IRB Infrastructure Developers Limited.

As a reminder, all participant lines will be in the listen-only mode and after the opening remarks by the management, there will be a question-and-answer session. Please note that the duration of the call will be 45 minutes and any queries left unanswered after the call can be subsequently mailed to the management for adequate response and resolution. Please note that this conference is being recorded.

I now request Mr. Anil Yadav to give you an overview of the significant developments during the quarter. Thank you and over to you, sir.

Anil Yadav: Thank you. Good evening, everyone. I welcome all the investors and analysts to our earnings call for Q3 of the Financial Year 2023-24. Hope you all have been able to go through our detailed numbers as well as the presentations which were released yesterday.

I will briefly cover the key highlights for the quarter:

During the quarter, the IRB Infrastructure Trust has bagged two projects i.e.

1. TOT 12 – Tolling, Operation, Maintenance and Transfer of four lane Lalitpur-Sagar-Lakhnadon section in the state of Uttar Pradesh and Madhya Pradesh for an upfront consideration of Rs.4,428 Crores to NHAI for revenue- linked Concession Period of 20 years &
2. TOT 13 - comprising Gwalior- Jhansi section on NH-44 and Kota Bypass on NH 76 for an upfront consideration of Rs.1,683 Crores to NHAI for revenue- linked Concession Period of 20 years.

We have signed concession agreement for TOT 12 and TOT 13 and expect to achieve financial closure by end of this financial year.

Yedeshi Aurangabad SPV has received arbitration favourable award and details of the same.



- Cash compensation of ~ Rs. 1,720 Crs including Interest payable as on date of award (Rs 1,680 crores will accrue to IRB) plus interest from the date of award till realisation of amount.
- To grant extension of 689 days to the Concession Period (651 days of extension will accrue to IRB)

Brief background of claim:

YATL commenced construction of the project from July 1, 2015 and it was scheduled to be completed within 910 days i.e. December 26, 2017. However, due to delay in handing over of land and for other reasons attributable to NHAI, the project completion on entire project length was delayed and the project was finally completed on September 24, 2020. As a result of above delay, YATL incurred time and cost overrun for which it claimed compensation from NHAI on March 12, 2021. The same was disputed by NHAI and led to arbitration. The Arbitration Tribunal has now granted the award in favour of YATL.

Samakhiyali Tollway Private Limited has received appointed date from the competent authority. Accordingly, the SPV has commenced toll collection and construction on the Project w.e.f. December 28, 2023. The project will be executed by IRB Infrastructure Trust.

The Private Invit has declared second Distribution of Rs. 288 Crs and the same will reflect in cashflow of IRB to the extent of 51% in coming quarter. IRB has also declared 10% as interim dividend, and this is 2nd interim dividend for the Financial Year 2023-34.

As communicated earlier, IRB Infrastructure Trust has received sanction for Rs 6,390 Crore towards refinancing SPV level debt for 5 of its Project SPVs, namely Kaithal Tollway Limited, IRB Westcoast Tollway Limited, Kishangarh Gulabpura Tollway Limited, AE Tollway Limited and IRB Hapur Moradabad Tollway Limited. Of the above, the Trust has drawn Rs 3,951 Crore to refinance SPV level debt for 3 of its SPVs, namely Kishangarh Gulabpura Tollway Limited, AE Tollway Limited and IRB Hapur Moradabad Tollway Limited. Upstreaming of project level debt to InvIT will significantly improve the cashflows for unitholders – given the back-ended amortization, optimized tax treatment (owing to InvIT structure) and lower interest rate due to pooling of cashflows from completed projects at Trust level.

The interest rate has reduced from 9.7% to 8.6% i.e. saving of 110 basis points which will result close to Rs.400 crores of savings over the period of 4 years and saving in the amortization during next five years, the earlier amortization was 23.6% revised amortization is 8.5% which leads to almost 15% saving in



the amortization of debt of Rs. 6390 crores. So that translates roughly Rs. 1000 crores for the next 5 years.

On the toll collection front, for Mumbai Pune and Ahmedabad Vadodara, per day toll collection has improved from 67.8 million for the quarter ended December 31, 2023 as compared to 58.7 million per day for the quarter ended December 2022, growth of 16%.

For Private InvIT, per-day collection has improved to over Rs 81.2 mn for the quarter ended December 31, 2023 as compared to 60.8 mn per day for the quarter ended December 2022, growth of 34%. The increase in toll collection is on account of tariff revision, increase in traffic and addition of IRB Golconda Expressway Private Limited.

The total order book of the company now stands at ~Rs. 36,000 Crs. Within this, the EPC order book is at ~ Rs. 7,000 crores. The next two years executable order book including EPC and O&M is close to Rs.10,000 crores. Thus, providing good construction revenue visibility for the next 2 years.

We are witnessing change in terms of Mode of award from NHAI. As against 5% to 7% BOT award in past several years, now significant portion of award will be on BOT basis. The identified opportunity on BOT basis is worth close to 2 trillion. We will be bidding for these opportunities apart from TOT Projects.

These projects will be executed through Private Invit, equity requirement will be reduced to 51% i.e. close to 15% of the Project cost.

Now, I will request Tushar to cover the financial highlights for Q3FY24. Over to you Tushar.

Tushar Kawedia:

Thank you sir. I'll take the "Financial Analysis" for Q3 FY24 versus Q3 FY23:

The total consolidated income for Q3 FY24 has increased to Rs. 2,077 crores from Rs. 1,570 crores an increase of 32%.

The consolidated toll revenues of Q3 FY24 have increased to Rs. 637 crores from Rs. 554 crores an increase by 15%.

The consolidated construction revenue for Q3 FY24 have increased to Rs. 1,441 crores from Rs. 1,017 crores an increase of 42%.

EBITDA for Q3 FY 24 increased to Rs. 978 crores from Rs. 801 crores in Q3 FY 23 an increase of 22%.

Interest cost for Q3 FY24 has increased to Rs. 433 crores as against Rs.367 crores in Q3 FY 23 up by 18%.

Depreciation for Q3 FY24 has increased to Rs.251 crores from Rs. 215 crores in Q3 FY 23 up by 17%.

PBT for Q3 FY24 has increased to Rs. 294 crores from Rs. 218 crores in Q3 FY 23 up by 35%.

PAT after share of loss from JV (i.e. 51 crores) has increased to Rs. 187 crores in Q3FY 24 from Rs. 141 crores in Q3 FY 23, an increase of 33%.

Cash profit has increased to Rs. 489 crores in Q3 FY 24 as against Rs. 369 crores in Q3 FY 23, an increase of 33%.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Sir, just wanted to understand firstly on the ordering front this year has been muted in terms of NHAI awarding we have seen almost like 1000 kilometers of projects being awarded as against the targets which would have been close to 5000 kilometers or so. So, what's your thoughts here because we just have kind of effectively this month where projects could be awarded and there are many contractors who have not really received any awards. So, just your input on that?

Management: You are very right. NHAI debt is significantly rising and a change of track was somewhere anticipated. As Anil mentioned in his opening statement that almost 2,00,000 crores worth of BOT projects have now been identified and announced by NHAI that clearly shows that the path going forward is going to be more tweaking towards private participation led growth and less of government funding. So, yes, this will be a significant departure from their earlier strategy that they have been following for last almost 7 to 8 years. This year in spite of the lower award we have backed award worth of 16,000 crores as against 6,000 crores to 7,000 crores kind of run rate in earlier years.

Alok Deora: You have been mentioning about this BOT toll coming in a big way, but do you see anything materializing it this year in the next couple of months?

Management: Certainly not in the next couple of months because as we all know the elections will play out over the next couple of months, but the toll BOT project identification is already done. They have put it out for bidding, bid documents are out. So, I think it will be a good fit that by the time the elections get done the interested bidders will be able to go through these documents and bid on this project, but as soon as the elections are done, I guess this will catch momentum very fast and from there on we believe there will be a significant activity in the sector for sure.

Alok Deora: Congratulation for arbitration award. So, what's the next step here and when can we see the money coming in and whether there could be further appeal and just some clarity on that?

Management: Going by the past track record we have seen that NHAI does go into litigating it further say up to Supreme Court. Even the Goa claim that we realized it took almost 1.5 years to get the money out right going up to the Supreme Court SLP, but we are hopeful that with the Vivad Se Vishwas Tak Scheme being in existence now for which the cutoff date the government has revised couple of times.

So, on a normalized basis I would say yes this award also is likely to be challenged and we might see a process of almost the same 1.5 years kind of timeline to get this money realized, but at the same time if there is any moderation or any review in the scheme or any more clarity on that then this actually can unfold faster as well, but at the moment we are assuming in our thought process that we will go through the court process and should be able to realize it another one and half year kind of a timeline.

Alok Deora: Just last question so a little specific on the number. So, this interest cost has kind of been flat on a QoQ basis. So, I believe you mentioned it would be coming down, so anything on that?

Management: Alok if you see we have discussed in the last quarter about some corporate debt being drawn for the purpose of equity infusion for the Hyderabad-ORR project and accordingly the debt interest has gone high for Q3 FY 24 as against Q3 FY 23 and due to increase in interest rates considering MCLR rate are at the peak.

Now from here onwards once the interest rate goes down our interest cost will also reduce because our interest rates are linked to MCLR and as soon as these MCLR goes down we will see the interest cost coming down for us as well.

Alok Deora: So, for next couple of quarters this would be largely the run rate on a quarterly basis with marginal decline?

Management: Yeah, that's right.

Moderator: Thank you very much. The next question is from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: My question was to do with the upcoming maturity on the offshore USD bond. Is there any refinancing plan that the company has given that it's about basically 6 months left to maturity?

Management: Yes, your observation is right and we are working on it. In fact, we have taken a resolution in yesterday's board meeting which is also disclosed wherein we have an enabling resolution to deal with this refinancing.

Abhiram Iyer: And what is the management plan here I mean do you feel the need to come back to the offshore market to refinance this or are you seeing that onshore cost of funds is more efficient for you at the moment?

Management: Today's budget was encouraging from that aspect that the government is going to crowd the bond market less than what we had assumed it to be. So that possibility remains, but we are not averse to relooking at the FOREX market also for that purpose and clearly, I think the pricing will be something which will determine the state of it.

Abhiram Iyer: And what's in a similar way what is your current cost of funding onshore?

Management: Around 10%.

Moderator: Thank you very much. The next question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

Rohit Nagarajan: We have read some news article media article that there is some change in the BOT tolling projects model concession agreement probably the Road Secretary Anurag Jain who was referring to that there will be a revised BOT project policy that will be rolled out within a month or so. Is there any color to it as a stakeholder, I mean, as an industry participant that would have you got any picture about what that could be or what were their suggestions if you have made any as an industry representation?

Management: Rohit your observation is right there would have been interactions between NHAI Road Ministry and the stakeholders in the last couple of months and they had sought suggestions from the credibility that what are the pin points which need to be addressed. They even reached out to the lenders and what I gather is there are some 20-25 suggestions/amendments that have been considered by them very seriously and post that they will get their internal approvals and the CAPEX approvals. We might see significant positive coming out of this deliberation which will further enhance the BOT proposition more positive.

Rohit Nagarajan: My second comment came from the Road Secretary itself that he was alluding to the point that the time between the bid closing and the bid opening dates has now remarkably compressed and there will be a faster rollout of projects before the end of March.

Would that mean that if I see the tendering pipeline, we have some remarkably good BOT projects are almost like 200 billion whose bid closing dates are I believe in February first week itself.

Is there some possibility that there could be some surprises of BOT road projects before the end of March?

Management: See, I think it will depend. There are some low hanging fruits because this list has been in the making for a long time. So, projects where their DPRs are ready, their drawings and all of the material that we would be picking from them are ready. Few of those projects certainly can be tendered out and awarded even before March because now that they have announced the tenders there won't be any code of conduct applicable on it.

But the bidding itself can certainly go through and the bids can be received, and that process can be completed in couple of months for projects where they are ready in terms of their availability of the data that the stakeholders would ask. So yes, to answer your question simplistically, a few projects reaching the culmination is possible.

Rohit Nagarajan: Sir to allude to that point of 2 trillion project that we have identified. Is there any realistic timeframe in which that 2 trillion can be awarded?

Management: So, if I look at the 2 trillion pipeline you talk about 5,500 kilometers. Now, if we go by the run rate of NHAI in terms of award, they have been awarded between 4,000 kilometers to 5,000 kilometers a year. So, it would be safe to assume that the whole pipeline rollout can happen over 1.5 years to 2 years kind of a timeframe assuming that this is around 40% of their overall pie and the balance 60% might continue to be with EPC and HAM and things like that.

So, I would like to stick out my neck and say it would be around 2 year's timeline over which this pipeline can be completely used out.

Moderator: Thank you very much. The next question is from the line of Raunak Kapoor from Systematix Shares. Please go ahead.

Ronak Kapoor: I had a question regarding this Yedeshi-Aurangabad there was a fall in toll revenue of 13% and like Kishanganj-Gulabpura, so any particular reason for that?

Management: So, Yedeshi-Aurangabad has seen some restrictions on the corridor beyond our project lands because of which there have been some divergent and people have gone against those restrictions in court and we expect some resolution in a months' time post which we expect the collection to be normalized. In case of Kishanganj-Gulabpura also I think the adjacent corridor being under

construction is something which has caused some slight reduction in the traffic and even that should come back normalcy over a couple of months.

Ronak Kapoor: The total pending claims were Rs.3,600 crores overall. So, I think you received Rs.1720 crores which can you just give a belief on which project the claims are pending?

Management: I think in the books for the claim are accounted on the basis of the fair valuation and this is the absolute amount which we have received, and this also includes the interest to the date of arbitral award. So then definitely the amount which we have talked about around Rs.3,600 crores is not comparable with Rs.1,700 crores including the interest if the same part will continue, the amount will be much larger.

Ronak Kapoor: So, any project which is pending any other project apart from Yedeshi-Aurangabad?

Management: Yeah, there are several projects where there was delay. For example, there was Westcoast and then Solapur-Yedeshi those projects were also awarded at similar time and those also have faced the similar issue, and the claim is also on the same line. We expect resolution for those projects also in the coming future.

Moderator: Thank you very much. The next question is from the line of Faisal Hawa from H. G. Hawa and Co. Please go ahead.

Faisal Hawa: How do you feel the kind of BOT orders will it limit down the space to very few players like from last almost 5 years to 6 years we have been seeing that apart from IRB, only three or four players were able to take BOT projects, but now that most road companies are also very debt free do you feel that we will be now much more wider and there will be much more competition even in BOT and will government to kind of take any risks on the toll or people will have to get in sovereign funds to copartner with them?

Management: I think BOT is certainly I would say heavy lift, it's not as easy as doing an EPC job where working capital can sort out everything. The idea of significant equity inclusion of 30% to 35% of the project cost is the limiting factor to my mind and as you rightly said the sector has seen significant consolidation over last two years and it has clearly separated the players with sound balance sheets and ability to fund the equity against the ones who are keener on doing the EPC part of the project.

So, my sense is that there will be a slight increase in the number of bidders, but we don't foresee too much of a rush into the BOT space. This will remain

limited basis the ability to put in the required equity into the project and I think that will largely govern the criteria of how many bidders can come into this.

Faisal Hawa: When you say limited it would be like 3 to 4 players max?

Management: I wouldn't say 3 to 4, maybe 6 players, 7 players, but I don't see a rush of 20 to 30 players what we see in EPC repeating in the BOT space.

Faisal Hawa: So only 3 to 4 players will graduate from EPC to BOT?

Management: May not only the EPC graduating to BOT, what I feel is that it might be a combination of few funds who might want to come up and bid for BOTs who have already developed some capabilities on the O&M side.

Faisal Hawa: How far is the NHAI debt problem, do you feel that the changes in the Road Ministry are now more structural and cannot be reversed even if one minister is replaced or is it still driven by that one personality?

Management: I wouldn't comment on any personality. I would just say that NHAI debt which we could figure out from the reported numbers is close to 400,000 crores. So, if you look at the budget numbers of 2.7 lakh crore significant part of that is going towards land acquisition, servicing the annuities of the earlier project and paying the interest on the debt and the balance would then be also required to upkeep and maintain the existing portfolio the NHAI has and only a limited portion of that would then be available for deployment into new asset creation and that is what has the associated NHAI to relook at BOT and invite more private capital to come into it.

Faisal Hawa: And sir government had announced many green highways and green expressways, so have they followed upon that, and which will be the nodal agency which will do it?

Management: I mean, I can only comment on projects which have been announced. Beyond that, it is better put across to road ministry.

Faisal Hawa: So, we have not followed up much from this announcement?

Management: When the bid is announced.

Faisal Hawa: Any large bids have come out for expressways?

Management: There is a detailed presentation of road ministry which is available which they have insisted the entire list of projects that they are contemplating to bring up on BOT basis. If you dip into that you will find all the names, all the individual highways that are coming up on BOT.

Faisal Hawa: And then there is talk about this FASTag and as well as the toll BOTs that will now go out of operation in two years from today. So, will it further enhance our capabilities or revenues, or it will not have much of an effect?

Management: See any automation will always lead to more efficiencies and that is bound to happen because the stoppage time goes down, your manpower requirement goes down, your turnaround time goes up and it goes down and yes, the journey becomes more comfortable. So, certainly people wanting to travel by road will certainly go up because of this.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to Mr. Virendra Mhaiskar for closing comments. Please go ahead.

Virendra Mhaiskar: Thank you everyone for being with us on this call for the third quarter. Look forward to having you all for the next con call post audited results and we wish you a good budget outcome today and look forward for more interesting sector updates. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using research by its conference service. You may please disconnect your lines now. Thank you and have a great day.
