



IRB Infrastructure Developers Limited
Q4 FY24 Earnings Conference Call
May 07, 2024; 5 PM IST

Moderator:

Good evening, ladies and gentlemen. Welcome to the IRB Infrastructure Developers Conference call for discussing the Financial Results for the Quarter and Year Ended March 31st, 2024, along with the recent development.

We have with us on the call today Mr. Virendra Mhaiskar, Mr. Sudhir Hoshing, Mr. S. S Rana, Mr. Anil Yadav, Mr. Mehul Patel, Ms. Poonam Nishal and Mr. Tushar Kawedia.

As a reminder, all participants line 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 would 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. Yadav to give you an overview of the significant developments during the quarter. Thank you and over to you sir.

Management:

Good Evening everyone.

I welcome all the investors and analysts to our earnings call for Q4 results of Financial Year 2023-24. Hope you all have gone through our detailed numbers as well as the presentation. I will briefly cover the key highlights for the quarter.

We have, as always, endeavored to ensure business stability by strengthening our liquidity position. IRB has successfully completed the issuance and allotment of US\$ 540 Mn 7.11% Senior Secured Notes having final maturity in FY2032. The issue was oversubscribed by ~4.25 times. Proceeds from issuance of notes utilized towards Refinance of existing indebtedness.



Being the issuer, IRB was rated as Ba2' and BB+ by reputed international rating firms – Moody's and Fitch respectively. We received an encouraging response with participation seen from marquee investors like PIMCO, Capital, Clifford, Wellington, Lombard Odier, Blackrock, Goldman Sacs, MFS and Alliance Bernstein etc. The Notes are listed on the India International Exchange (IFSC) Limited ("India INX").

IRB has recently received ISO 9001 for Quality Management System (QMS), ISO 14001 for Environment Management System (EMS), ISO 45001 for Operational Health & Safety Management System (OHS) & ISO 27001 for Information Security Management System (ITMS) Certification from the ISOQAR, UK. This is a significant achievement for any infrastructure company.

IRB Infrastructure Trust has raised Rs. 2,253 crores contributed by both the partners i.e. IRB and GIC in the ratio of 51 : 49 respectively. Further, Meerut Badaun Expressway Limited ("MBEL") i.e. Ganga Expressway Project SPV, associate of the Company has issued NCDs aggregating to Rs. 520 Crores and was subscribed by the Company and GIC affiliate in the ratio of 51:49 as part of sponsors contribution. The project has completed over 50% of construction and is now eligible to be transferred to Pvt InvIT, subject to necessary approvals.

IRB has made upfront payment aggregating Rs. 6,111 crores for TOT 12 Project SPV and TOT 13 project SPV to NHAI. Pursuant to upfront payment, the SPVs have received 'April 1, 2024' as Appointed Date, from the Competent Authority. Accordingly, the SPVs have commenced toll collection on the Project w.e.f. April 1, 2024. The collections are in line with our estimate.

Yedeshi Aurangabad tollway limited (YATL) had initiated claim to NHAI for delay in completion of the project which was disputed by NHAI and led to arbitration. The Hon'ble Arbitration Tribunal has announced the award in favour of YATL and upheld the claim of YATL by directing NHAI to pay cash compensation of Rs1,681 crores. Further, the commercial benefits of the extension to concession period by 651 days would also accrue to IRB. The Award also clarifies that further interest will be payable from the date of the

award till the date of final realisation of the claim amount by YATL. YATL is pursuing the enforcement of award by NHAI , once the claim is received the same will be appropriated towards the compensation of Rs. 1,681 crores payable to the EPC Contractor.

Further, we have also received the Arbitral Award for Ahmedabad Vadodara project on 9th April 2024. As you all are aware, IRB has raised the claim of loss of revenue due to the construction of a competing road by the State Government of Gujarat running parallel to the Project Highway. The Hon'ble Arbitral Tribunal, in its Award, declared that the Competing Road came into existence in January 2019 (when 75% of the length of Competing Road was completed) and not in the year 2015- 16 as contended by IRBAV. However, due to technical reasons, no compensation was awarded on account of Competing Road. IRBAV is in the process of taking legal opinion on the arbitral award and will thereafter move to the High Court to seek legal remedy against the order of the Hon'ble Tribunal. The Company does not expect to have any significant impact on its financial statements due to this outcome.

On the toll collection front, for Mumbai Pune and Ahmedabad Vadodara, per day toll collection has gone up to 6.89 crores for the quarter ended March 2024 as compared to 5.84 crores per day for the quarter ended March 2023, registering a growth of 18%.

For Private InvIT, per-day collection has gone up to Rs 8.61crores for the quarter ended March 2024 as compared to 6.21 crores per day for the quarter ended March 2023, recording a growth of 38%. The increase in toll collection is on account of traffic increase, toll tariff revision and the addition of new projects.

IRB Infrastructure Trust has declared aggregate Maiden Distribution of Rs. 470 crores for FY24 and 51% of the same will accrue to IRB.

IRB has declared Interim dividend of 10% (FV: Re1) amounting to Rs. 60.3 crores for Q4FY24, thus taking cumulative dividend to Rs. 181.17 crores for the year.

The total order book of the company now stands at ~Rs. 35,000 crores. Within this, the EPC order book is at ~ Rs. 5,700 crores. The next two years executable order book including EPC and O&M is close to Rs.8,000 crores. Thus, providing good construction revenue visibility for the next 2 years.

We have cash on books close to Rs.2,700 crores and our future equity requirement is very minuscule for projects which we have on hand. This provides us enough scope to bid for new upcoming projects which according to NHAI estimates amounts to more than 2 trillion 53 BOT projects. Further, there is pipeline of 33 TOT projects.

RBI's revised proposed guidelines and its Impact:

1. The Reserve Bank of India (RBI) recently proposed to lenders that they set aside higher provisions for under-construction infrastructure projects. Banks are already charging 8% to 10% higher premium on under construction projects for construction risk. (Under construction ROI is 60 to 100 basis points higher) compared to fully operational projects.
2. RBI's proposed guidelines have mentioned only 5% provisioning for under construction projects. Therefore, we don't expect further additional impact that will accrue to us on this count.

Now, I will request Tushar to cover the financial highlights for Q4FY24. Over to you Tushar.

Tushar Kawedia:

Good evening all. I will just take you through the financial analysis for Q4 FY24 versus Q4 FY23.

The total consolidated income for Q4 FY24 has increased to Rs 2,504 crores from Rs 1,699 crores for Q4FY23, an increase of 47%. The consolidated toll revenues for Q4 FY24 have increased to Rs 640 crores from Rs 547 crores for Q4FY23, an increase of 17%. The consolidated construction revenue for Q4 FY24 have increased to Rs 1,864 crores from Rs 1,151 crores for Q4FY23, an increase of 62%. EBITDA Q4 FY24 increase to Rs 1,333 crores from Rs 838 crores for Q4FY23, an increase of 59%.

Interest cost has increased to Rs 615 crores in Q4 FY24 from Rs 373 crores for Q4FY23, an increase of 65%. The depreciation has increased to Rs 274 crores in Q4 FY24 from Rs 222 crores for Q4FY23, up by 23%. PBT has increased to Rs 444 crores in Q4 FY24 from Rs 242 crores for Q4FY23, an increase of 83%. PAT after share of JV of loss (Rs 135 crores) has increased to Rs 189 crores from profit of Rs 130 crores in Q4FY23, an increase of 45%. Cash profit has increased to Rs 598 crores from Rs 389 crores in Q4FY23, an increase of 54%.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press *1 on their touchdown telephone if you wish to withdraw yourself from the question queue you may press *2 participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assemble. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora:

So, just a couple of questions. So, first on the ordering pipeline, because now we have started the new financial year, so are there any indications of any bids being opened now or will practically we'll see it in from November, December onwards only?

Management:

As you know, the pipeline of BOT projects totaling almost 2,00,000 crores and almost 33 TOT projects are now already displayed on NHAI website which to my understanding are presently being on hold because of the model code of conduct. So, my sense is that somewhere by middle of June the bidding process should start in full earnest, and if we look at our market share that has been in the sector particularly pertaining to BOT and TOT, we have had a 30% plus market share in the past, and even if I moderate that given the larger size of bidding on this particular two platforms, even if I make it half of what it was earlier, we should have a considerable order win possibilities coming our way in the upcoming year which can easily go up to anywhere around 20,000-25000 crore. So, that's the visibility we are very excited and looking forward to start

in full earnest and I think we are well capitalized to undertake these projects as well given the financial positions and the ratios where we stand.

Alok Deora: Sure. And just some color on this, interest expenses or the finance expenses the component of a onetime expense also in that, so how do we see this expense moving now, the interest expense?

Management: I think Alok, this time the finance expenses on the construction side, include close to Rs 239 to Rs 240 crores of onetime expense. If you net out that, that should be the normal kind of run rate which we should look for future quarters.

Alok Deora: Got it. Similarly for this share of profit loss in JV and Associates, there again it's been a pretty volatile number quarter-by-quarter. So, if you could just elaborate how things have shaped up here and what could be expected going forward?

Management: During this quarter, we received the arbitration award on Yedeshi Aurangabad. Accordingly, the fair valuation amount needs to be adjusted based on that particular order. But going forward also the fair valuation gain or loss should remain in range of Rs 40 to Rs 45 crores per quarter. There will be fair valuation gain or loss, because as we are moving closer to receipt date of the claim, automatically there will be a fair valuation gain in IRB and fair valuation loss in the Private InvIT.

Alok Deora: Got it. So, this number would look like how much in FY25?

Management: I think close to Rs 150 to Rs 160 crore.

Alok Deora: Just one last question. So, now what is the pipeline as far as this TOT projects are concerned?

Management: I think almost 33 TOT projects are in pipeline. I think that is also close to 1 trillion worth of opportunity, and in fact in our presentation, slide number 27, we have already updated the list of pipeline which is available on the website of the NHAI.

Alok Deora: Got it. That's it from my side. All the best.

Moderator: The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: So, just to begin with, somewhat book keeping sort of question, so I think you said this quarter there is almost on ₹ 240 crore of additional finance cost and our numbers, I'm not sure if I heard the nature of this additional number, is it because we made repayment of that earlier debenture? The entire amount is because of that or is there any other component as well?

Management: Yes, you are a correct Prem. It's relating to the redemption of earlier debenture. Further, I would just like to highlight the one-time impact because you have asked in your first question, what is the one-time impact. So, the fair valuation gain is close to Rs 326 crores that part of the other income of IRB and finance expense is around Rs 239 crores. The net impact of one time on the P&L side that is the income side net impact is around Rs 87 crores, out of that Rs 22 crores is tax, so then net impact comes to Rs 65 crores and because of the fair valuation gain IRB, that fair valuation gain is in the loss is in the Private InvIT also, post that, that impact is close to Rs 120 crore. So, I think if you take the Rs 65 crores was the income and Rs 120 crores is the expense. So, because of the fair valuation loss with losses increasing in the private InvIT, that is 51%. So, then the profit is lower by Rs 55 crore. If the onetime income or expenditure would not have been there, the profit would have been increased by Rs 55 crores from Rs 188 crores to Rs 244 odd crores would have been the profit.

Prem Khurana: Okay. And even with this sort of Rs 240 crore of additional number, the new money that you've raised, I mean you would still be somewhat better off, right? The kind of coupon rate that you've been able to manage, right or is it only because you want to improve your maturity profile that you've done this?

Management: I think both on the coupon side also and the maturity profile also. Now the average maturity is close to 7.25 years.

Prem Khurana: Okay. And sir on this Ahmedabad, the arbitration ruling that have had, we were supposed to make some premium payments there earlier, but then these were put on hold because we were waiting for this outcome. So, now with this outcome in place, does that mean, we're the people would have to start making

those payments or you would still be able to kind of defer it till the time there is final, because I'm sure you would want to challenge this in the Court of Law again. So, how does it work and would you be require them start making those payments now or you would still be able to pay for it.

Management:

Prem, our understanding of reading the arbitration award made very clear that the same is to be paid as per the Premium Deferment Scheme. The premium deferment scheme practically talks about balancing the cash flow mismatches. So, it will clearly be dependent on the availability of the cash from the project resources itself. So, we were looking forward for reversal of the express provision that we had that probably would not happen at this juncture because of the Arbitration Tribunal not quantifying the claim amount that should accrue to us assuming that the competing road came into existence in 2019 as against our view of it being in place since 2015. But other than that, we don't see any other negative outcome from this.

Prem Khurana:

Sir this opportunity pipeline that you spoke about 2 trillion worth of BOT toll and then TOTs worth around 1 trillion odd. What sort of competition do you envisage for these sort of project, because why I asked this is essentially I mean especially on the BOT side, for the last couple of years now, we've not had much from NHAI so does it mean some of these people who initially were interested in hybrid annuity will also come and look at this opportunity and you could have more than 5-6-7 players come and compete for these projects and especially on BOT tolls, TOT I understand since the EPC part is on a lower side except O&M, you could still manage it well, but then how about the BOT tolls.

Management:

You're right. We definitely want more players to come into this, but while I'm hoping for that, I'm not sure how many of them would have the kind of balance sheet where we will get into this particular aspect. But yes, at least 3 to 4 domestic players and 2 to 3 international players is what we expect, and given the size of the opportunity I think this is the bare minimum number of players that one would want to be there so that even the government feels that private sector is there to do the heavy lifting this time around. So, I certainly feel that the number is just enough adequate to do the heavy lifting that the government is looking forward to. I don't see any aggressive competition or any difficult

competition coming our way in this particular area because like what we see in EPC or HAM, I think all sensible players who understand the risks involved with such long-term projects will only be in line for this project. I think that is very good from the sectoral perspective because you would not have any adventurous players messing up the space and creating problems for the government in future.

Prem Khurana: Sir on EPC revenue side, our existing order backlog would be able to give us Rs 4,000 crore on an annual basis Rs 8,000 for the next two years. But then this would mean, there's hardly any, so I'm assuming you would get to have some numbers come to you from the new projects that you win over the next two years given the fact that these would again come to contribute, given this situation, what sort of growth should we work with in our estimates on EPC side?

Management: I will quickly reiterate what I said in the beginning and then on the future growth prospects, if you look at our past track record on somewhat lower off-take of BOT project that was the trend earlier we had a market share of almost 35% odd now with the increased pipeline we don't foresee, or we don't want to say that we'll be able to retain that same kind of share but even if one goes by even 50% of that, I think 20-25 thousand crores worth of projects coming up IRB way I don't think it is a very difficult target to achieve in the coming year. And as you yourself said, there will be more of these projects that HAM and EPC, certainly the bidding is likely to commence in right earnest by say somewhere by middle of June or end of June and I think that will provide more than good enough visibility for the order book that will get built up by the end of 2nd Quarter.

Prem Khurana: Any revenue growth target in mind on the EPC side, this year we did almost Rs 5000 crore odd plus. What sort of number would you be happy with? Let's say in FY25 and FY26 in terms of growth?

Management: I think probably 15% kind of growth for FY25 and similar kind of growth one can assume for FY26. But as sir has explained that we are eyeing for approximately 20,000 worth projects, so probably depending upon when we

bag the project probably FY26 growth will be much higher. But as of now on a conservative side, we are guiding close to 15% growth on the EPC side.

Prem Khurana: Just one last question from my side. Would you be able to share the gross debts number please?

Management: And your question on gross debts, So gross debts on a console basis is close to Rs 14,700 crores out of which, for the asset side SPV side, it is close to Rs 8,600 crores.

Moderator: The next question is from the line of Parikshit K from HDFC Securities. Please go ahead.

Parikshit : My first question is on the bid pipeline for this year and how much of this do you get awarded in FY25?

Management: I think Parikshit what NHAI is talking about, whatever the list they have already come out, they're talking about to be awarded in over the period of 12 to 15 months. Even if we assume that this get awarded over the period of 18 months, there is enough pipeline what they have already come out and which is there on their website. So, that is 2 trillion worth of BOT project and 33 TOT project. Even if you assume Rs 3,000 crores for a TOT, that will also translate almost 1 trillion of TOT opportunity.

Parikshit : In this we are looking for a 15% share pointed out around Rs 20 to Rs 25 thousand crores of shares for us, right?

Management: For BOT yes.

Parikshit : And beyond this, are we going to bid for any HAM project, because the HAM pipeline, what would be the HAM pipeline here in this?

Management: We will clearly like to stay away from the HAM story given the abundant number of BOT and TOT are coming up in near future.

Parikshit : So, I was saying there is a talk of that the Ministry moving to Producer Price Index methodology of calculating inflation versus WPI. So, I was just referring

to you, what kind of reforms are you hearing can happen in NHAI program in the coming years? Any sense on that would be helpful.

Management:

So, I think if you refer our presentation, we have given a slide on whatever new changes the Model Concession Agreement (MCA) likely to see which are in public domain. We have listed them in slide number 25. Other than that on this particular WPI think, we have not heard from them anything. So, as far as the existing projects are concerned, they will continue to be governed by the existing tariff policy, which is 3% + 40% of the WPI and in case there are any changes we will definitely let you know, but whatever new modifications they are discussing about the new concession agreement we have enlisted them on the slide number 25 for your ready reference.

Parikshit :

But we have seen you have the largest portfolio of BOT toll asset so do you think these changes, what one or two top things that you would like to highlight these changes would have done to make these projects more bankable from both financing side and from the developer side. What according to you are the major changes in these, the material changes.

Management:

So, from a bankability perspective, one of the key changes they have been discussing is in case of a concessionaire event of default, still 90% of the debt due will be guaranteed by NHAI. I think this was one of the contentious issue between the lenders and NHAI because NHAI has been holding a position that if the concessionaire fails during construction, why should they compensate, whereas the lenders were saying that because you guys pre-qualified the guy and gave him the work if he fails you should compensate the debt that is outstanding at that point in time and probably NHAI is keen to accommodate the lender request here, that is one of the key thing to my mind and in terms of selling down the project post completion now they have reduced the period to one year, so asset rotation becomes faster from a developer's perspective. And I think these are one of the two key things and paying for the unexpired concession period related clarity also they have got it. So, I think if you look at Slide number 25, you will see a host of things what they have talked of which we have enlisted in that particular slide.



Moderator: As there are no further questions, I now hand the conference over to Mr. Anil Yadav for closing comment.

Anil Yadav: I would like to thank all investors for participating on this call. We look forward you to participating for the next conference call as well. 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 Bytes Conferencing Service. You may disconnect your line. Thank you and have a great evening ahead.