

IRB Infrastructure Developers Limited
Q1 FY 2025 Earnings Conference call
August 9, 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 ended June 30, 2024, along with recent developments. We have with us on the call today, Mr. Virendra Mhaiskar, Mr. S S Rana, Mr. Anil Yadav, Mr. Tushar Kawedia and Mr. Mehul Patel.

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 would be 45 minutes and any queries left unanswered after the call can be subsequently mailed to the management after 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.

Anil Yadav:

Good evening, everyone. I welcome all investors and analysts to our earnings call for Q1 results of Financial Year 2024-25. I trust you have reviewed our detailed numbers and presentation. I will briefly highlight the key points for the quarter.

Starting with Project Update:

We have received the appointed date from NHAI for TOT-12 and TOT-13 and commenced tolling on April 1, 2024. We are pleased to inform you that the collection for both projects has been robust and encouraging, exceeding our initial estimates.

Meerut Budaun Expressway Limited ("MBEL"), the Ganga Expressway Project SPV, entire equity i.e. sponsors contribution has been infused. Following this infusion, MBEL has received the first tranche of Grant of Rs. 350 crores from Uttar Pradesh Expressways Industrial Development Authority (UPEIDA). The project has achieved a significant milestone, surpassing 50% of construction completion. This accomplishment makes the project eligible for transfer to Private InvIT.

During the quarter, Cintra, a subsidiary of Ferrovial, has successfully completed the acquisition of a 24% stake from GIC affiliates in IRB Infrastructure Trust ("Trust") and a 24% stake in MMK Toll Road Private Limited ("MMK"), the Investment Manager of the Trust.

Post-transaction, IRB Infrastructure Developers Limited will continue as the sponsor and project manager to the Trust, holding approximately 51% of the

units in the Trust and approximately 51% of the equity share capital of the Investment Manager. GIC and Cintra now hold 25% and 24% of the units, respectively. Cintra will also have representation on the board of Private InvIT.

We have received PCOD 3 for Hapur Moradabad Project, resulting in a tariff revision of approximately 4%.

Toll collection & other Updates:

Our toll collection has seen growth, with Mumbai Pune and Ahmedabad Vadodara per-day toll collection increasing to Rs. 6.84 crores for the quarter ended June 2024, compared to Rs. 6.55 crores per day for the quarter ended June 2023, registering a 4.4% growth.

For Private InvIT, per-day collection has risen to Rs. 10.25 crores for the quarter ended June 2024, compared to Rs. 6.45 crores per day for the quarter ended June 2023, recording a 59% growth. This increase is attributed to traffic growth, toll, tariff revision and addition of new projects.

The projects received a tariff revision of approximately 2.5% effective June 3, 2024.

Private InvIT has been generating positive cash flow since last financial year and has declared a distribution of Rs. 72 crores for Q1FY25, which will reflect in IRB's cash flow to the extent of its holding, i.e., 51%.

In line with our dividend policy, the company has declared an interim dividend of 10%, amounting to approximately Rs. 60 crores.

Order book and future outlook:

Our total order book now stands at approximately Rs. 33,600 crores, with an EPC order book of approximately Rs. 5,000 crores. The next two years' executable order book, including EPC and O&M, is close to Rs. 7,000 crores.

We are witnessing a shift in the mode of award from NHAI, with an expected increase in BOT awards. The identified opportunity on a BOT basis is over Rs. 2 trillion. We will bid for viable opportunities, apart from TOT Projects, and participate in BOT, TOT, and HAM in that order of preference. For projects executed through Private InvIT, the equity requirement will be reduced to 51%, approximately 15% of the project cost.

NHAI has listed 33 TOT projects on their website, with a total lane kilometer of over 2,600, which will be up for bidding in the near future. With our consolidated net debt to equity ratio at less than 1:1, we are well-capitalized to tap into the upcoming opportunities, which will consist of a significant portion of BOT/TOT along with our partners GIC affiliates and Cintra.

Now, I will request Tushar to cover the financial highlights for Q1 FY25. Over to you, Tushar.

Tushar Kawedia: Thank you, Sir. Now I will take you through the financial analysis of Q1 FY25 vs Q1 FY24.

The total consolidated income for Q1 FY25 has increased to Rs. 1,972 crores from Rs. 1,746 crores, registering a growth of 13%. The total consolidated toll revenues for Q1 FY25 have increased to Rs. 637 crores from Rs. 613 crores, registering a growth of 4%. The total consolidated construction revenue for Q1 FY25 have increased to Rs. 1,335 crores from Rs. 1,133 crores registering a growth of 18%. EBITDA for Q1 FY25 increased to Rs. 976 crores from Rs. 889 crores, registering a growth of 10%. Interest cost has increased to Rs. 439 crores for Q1 FY25 from Rs. 381 crores, up by 15%. The depreciation has increased to Rs. 255 crores in Q1 FY25 from Rs. 237 crores in Q1 FY24, up by 8%. PBT has increased to Rs. 282 crores in Q1 FY25 from Rs. 271 crores in Q1 FY24 increased by 4%. PAT after share of loss from JV of Rs. 53 crores has increased to Rs. 140 crores in Q1 FY25 from profit of Rs. 134 crores in Q1 FY24, an increase by 5%. Cash profit has increased to Rs. 448 crores in Q1 FY25 from Rs. 424 crores in Q1 FY24, an increase of 6%.

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

Moderator: The first question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: Hi Sir, I just wanted to sort of understand we've been hoping for this BOT, TOT bids to come through and they were about INR 45,000 crores worth of projects initially expected to be bid out on BOT basis. Are we close to getting bid finalizations for L1 on any projects and what do you think is the timeline for sort of BOT wins to come through for IRB?

Management: Yeah. Good evening. You're right. The number in terms of biddable amount of projects on BOT and TOT remains unchanged and there has been a slight delay because of some clarifications that have been sought by the prospective bidders. But otherwise, everything looks as it were, as robust as it was, and we are very much looking forward for the upcoming bids.

Deepak Krishnan: So maybe in Q2, is it a possibility or would it be you know Q3 and Q4 when actual awards would come through.

Management: No no. Q2 for sure should see some activities and some awards coming through.

Deepak Krishnan: Sure. And similarly on the TOT, because you've indicated that you're not.

Management: Both BOT as well as TOT should see some projects definitely getting awarded if I go by the existing timeline that we can see on the NHAI website, some project about certainly looks doable in Q2.

Deepak Krishnan: Sure. And maybe just a follow up. So obviously we've added a lot of assets to the private InvIT. The revenue growth has been pretty strong in terms of toll collections. When does that sort of positivity start reflecting in terms of lower losses, you know adjusting for the accounting adjustments you have to do for the legacy assets. Now for the full year, like what kind of loss number do we think we will end up with?

Management: Krishnan, I think the losses have two parts. One is the fair valuation loss, which is the book entry, there is no cash loss as such and that will be close to 40 crores for the quarter i.e. 20 crores share of IRB. Apart from that, if you look at current quarter, it's a 34 crores kind of loss and as typically, we see Q3 and Q4 toll numbers are better from there we should start seeing these losses coming down. And probably from next financial year we will have a positive number from the share of minority. Further, there is net distributable surplus in Private Invit and has started regular quarterly distribution from last year.

Deepak Krishnan: Sure Sir, those were my questions. Thank you.

Moderator: Thank you very much. The next question is from the line of Alok Deora from Motilal Oswal Financial Services. Please go ahead.

Alok Deora: Hi, Sir. Good evening. So just a couple of questions. One is similar to the previous question. So, you know if you look in on overall basis also there has been hardly any awarding by NHAI till date in this financial year and typically we don't see many projects coming in during the monsoon period as well. So is it fair to assume that anything material will only come by from November, December onwards and also many people are struggling, many contractors are struggling for orders so will there be decent competition?

Management: No. Look, I think you're very right. We have been saying this for a long time now that the EPC and the HAM part of the bidding is likely to see a considerable slowdown and that is now reflected from what you just said. But as regards to TOT and BOT pipeline is concerned, there is an active dialogue happening between the prospective bidders and NHAI and as I said, whatever deferments or delays in the bid dates has happened is primarily due to clarification that the prospective bidders have sought. And I think a better prepared bid will be a good thing for the industry as a whole and the delays that we are seeing are not anything to do with lack of push from the government, but a part of the procedural aspects regarding getting the full information in the right manner before committing a bid, given the long-term investment that it involves. So, as I said, the BOT and TOT side of the bidding remains very, very robust and we are very much going to be a part of that bidding process.

Alok Deora: Sure. So, the consultations or you know to and fro has that been completed now or it could it's still in like a dialogue state?

Management: So Alok as I said we expect a few weeks to see the light of the day in the Q2. And for Q3, I think definitely there will be a lot more of it. But Q2 also, we feel

that there will be some good number of outcomes on BOT plus TOT put together.

Alok Deora: Sure. And on the toll projects, so have you taken any toll price increase in Q1? Typically, there are lot of projects where toll price gets change effective April. So just some color on that?

Management: Yes, the tariff revision which was delayed due to model code of conduct, was finally given a go ahead and from the first week of June itself, the same has been implemented and that that's in place now for all the NHAI projects.

Alok Deora: Sure. Just one last thing, what kind of order flows we are looking at for this financial year considering the certain delays in bidding and you know what's the order inflow target for this year?

Management: Order inflow target from NHAI is a very big number of 2 lakh crores. Now significant part of that will be BOT and TOT is what they have talked about and if you look at our market share presently on the BOT which is close to 10% and TOT which is at 38%, we will definitely strive hard to maintain our lead in both the verticals.

Alok Deora: Got it. Got it, Sir. That's all from my side. Thank You and all the best, Sir.

Management: Thank you.

Moderator: The next question is from the line of Ketan Jain from Avendus Spark. Please go ahead.

Ketan Jain: Thank you. Good evening, Sir. my question is on the same BOT pipeline. So, can you quantify the value of projects in the near term in BOT mode from NHAI?

Management: The list is already out. I think we have given it as a part of the presentation that you see, the presentation is on the website. Slide 26 if you see, we have given an exhaustive list.

Ketan Jain: Understood. OK, Sir, I'll refer to that. So, my next question is on what are the key changes in the concession agreement which NHAI has proposed and will it benefit the contractors?

Management: It will benefit. There is a whole host of reforms that they have carried out.

Ketan Jain: Any major ones which will help us?

Management: It's actually a small presentation. We can send out to you a small presentation on that. Slide 24 has few of those already listed on our presentation.

Ketan Jain: OK, fine, Sir.

Moderator: Thank you very much. The next question is from the line of Tushar Pendharkar from Ventura Securities Limited. Please go ahead.

- Tushar Pendharkar:** Yeah. Thank you, Sir. there are some shares owned by the promoter, which is shown as pledge. Can you throw some light on the same?
- Management:** Yeah, there is a non-disposal undertaking given by us as promoters of the Company. I want to clarify here that there is no promoter loan, or any credit availed against any of the NDU that has been given. Primarily when GIC and Cintra made the large equity investment of five odd thousand crores in December 21, they wanted this NDU to be placed to give them the comfort that the existing sponsor interest remains aligned with them and it is a NDU given for next few years that the promoters will continue to remain aligned and continue to lead the Company in terms of project wins and take the business forward. So, this is more of a non-disposal undertaking. It is not a pledge, nor is there any credit availed against any of these shares.
- Tushar Pendharkar:** OK, so there won't be any major impact on the shareholding pattern of the company from that?
- Management:** No, no, no, not at all.
- Tushar Pendharkar:** OK. Thanks.
- Moderator:** The next question is from the line of Vaibhav Shah from JM Financial Limited. Please go ahead.
- Vaibhav Shah:** Hi Sir. So, what would be the breakup of other income within EPC and BOT?
- Management:** 22 crores in BOT and balance in construction side.
- Vaibhav Shah:** And this should be similar over the next 2/3 quarters as well. Will the trend remain similar?
- Management:** We can expect similar trend.
- Vaibhav Shah:** Ok. Thank you sir.
- Management:** Thank you.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Virendra Mhaiskar for closing comments.
- Virendra Mhaiskar:** I would like to thank all of you for taking time out and attending this analyst call. Look forward to catch up with you on the next quarterly results call. I wish you a very happy and good weekend. See you and connect with you soon. Thank you.
- Moderator:** Thank you, Sir. Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using Researchbytes conferencing services. You may please disconnect your lines now. Thank you and have a great evening ahead.