

## IRB InvIT Fund — 09 Jan 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	<b>CARE AAA; Stable</b> (Reaffirmed; Facility amount enhanced from ₹1,528.18 Cr to ₹2,728.18 Cr)
Outlook (Current vs Previous)	<b>Stable / Stable</b>
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Refinancing Strength:</b> Sanctioned ₹2,735 Cr (longer tenor) to replace existing debt; simplifies structure by moving SPV-level debt to InvIT level.</li> <li><b>Low Leverage:</b> Post-refinancing Debt/EV expected at ~34% (well below 49% cap), providing significant headroom.</li> <li><b>Stable DSCR:</b> Projected Debt Service Coverage Ratio (DSCR) remains strong at ~2x despite floating interest rates.</li> <li><b>Asset Maturation:</b> Diversified portfolio (5 Toll, 1 HAM) across 6 states with ~12-year average track record.</li> </ol>
Rated Instruments	<ul style="list-style-type: none"> <li><b>Long-term Bank Facilities:</b> ₹2,728.18 Cr</li> </ul>
Key Observations	<ul style="list-style-type: none"> <li><b>Revenue Slowdown:</b> H1FY25 toll growth slowed to 3.7% (vs 10% in FY24) due to elections, heavy rains, and delayed toll revisions.</li> <li><b>Portfolio Shrinkage:</b> Total Operating Income dropped from ₹1,442 Cr (FY23) to ₹1,062 Cr (FY24) as concessions for certain projects ended.</li> <li><b>Deferred Liability:</b> Outstanding NHAI premium deferment stands at ~₹656 Cr (as of March 2024).</li> <li><b>Execution Support:</b> 10-year fixed-price O&amp;M/MM contracts with IRB Infra Developers mitigate cost escalation risks.</li> <li><b>Refinancing Risk:</b> Debt repayment extends to FY38 with no "tail period" (concession end dates align closely with debt maturity).</li> <li><b>Concentration:</b> Heavy reliance on NHAI-rated assets (AAA) provides counterparty security.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li><b>Yield Sustainability:</b> Mandated 90% NDCF distribution; however, maturing assets (concessions ending) reduce the long-term income base unless new assets are acquired.</li> <li><b>Valuation Play:</b> Potential acquisition of 5 projects by IRB Infrastructure Trust (Private InvIT) via NBO could trigger a major revaluation or exit event.</li> <li><b>No Dilution Risk:</b> Current refinancing is debt-heavy, avoiding equity dilution for unit holders.</li> <li><b>Interest Sensitivity:</b> Floating rate debt remains a risk to distributable surplus if rates rise.</li> </ul>
Agency / Cross Analysis	<p><b>Same Agency (CARE):</b> Reaffirmed the highest rating (AAA) despite a drop in absolute operating income, focusing on "adjusted" growth and improved leverage (Debt/EV ~30-34%).</p> <p><b>What Changed:</b> Shift from SPV-level debt to consolidated InvIT-level debt and enhancement of facility size to refinance VKEL.</p> <p><b>Conclusion: Improvement in Credit Structure.</b> Refinancing into longer-tenor debt at the Trust level increases financial flexibility.</p>
Final Inference	<p><b>Real Improvement in Solvency:</b> The rating reflects a "fortress balance sheet" (34% leverage) despite operational headwinds (weather/elections). For equity investors, the key signal is the <b>transition from growth to cash-flow optimization</b>, with a potential asset-sale catalyst on the horizon.</p>