IRB InvIT Fund — FY 2022 Annual Report Analysis

# Annual Report Analysis (Consolidated)

*Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.*

## Investor Snapshot

| # | Analytical Point | Sentiment |
|---|---|---|
| **1** | **IRB InvIT Fund operates a high-quality infrastructure portfolio with 92.6% of revenue derived from tolls, benefiting directly from Indian GDP and traffic recovery.** | □ |
| **2** | **Revenue grew 21.77% YoY to □1,392 Cr, driven by a robust post-pandemic traffic rebound across key project SPVs.** | □ |
| **3** | **Operating Profit Margins (OPM) expanded to 83.00% from 80.00%, demonstrating high operating leverage as traffic volumes increased.** | □ |
| **4** | **Cash Flow from Operations (CFO) of □1,027 Cr is 3.4x reported PAT (□303 Cr), indicating superior cash generation quality and high distribution potential.** | □ |
| ***5*** | ***The Fund carries a massive long-term NHAI Premium Obligation of 5,709.67 Cr, which exceeds the Fund's total Equity Capital and acts as a structural "debt bomb."*** | □ |
| **6** | **Financial gearing remains conservative at 31.97%, well below regulatory caps, supported by a stable FPI holding of 29.09%.** | □ |
| ***7*** | ***Free Cash Flow of 1,026 Cr is currently pressured by a heavy maintenance cycle, with resurfacing provision utilization jumping to 140.70 Cr.*** | □ |
| ***8*** | ***Earnings quality is clouded by subjective amortization policies (49% of revenue) and a 22x surge in receivables from government authorities to 82.15 Cr.*** | □ |
| ***9*** | ***Governance concerns persist due to high Sponsor leakage, with Project Manager Fees accounting for 19.5% of total revenue ( 271.39 Cr) and a lack of board gender diversity.*** | □ |
| ***10*** | ***Liquidity is constrained by 647.01 Cr in restricted escrow accounts and a localized cash trap resulting from a 16.98 Cr NHAI dispute.*** | □ |
| ***11*** | ***The Fund faces significant interest rate sensitivity, where a 50bps rise in floating rates results in a 7.01 Cr hit to Profit Before Tax.*** | □ |
| 12 | Investment View: WATCH; while operational cash flows are strong, investors should monitor for a reduction in Sponsor fees below 15% and stabilization of maintenance capex. | □ |

## 1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Structure:** IRB InvIT Fund is an Infrastructure Investment Trust focused on the Indian road sector, acting as a yield-generating vehicle for stabilized road assets under Toll-Operate-Transfer (TOT) and Build-Operate-Transfer (BOT) models.
- **Sponsor & Industry Position:** Sponsored by IRB Infrastructure Developers Limited, a leading private toll road developer with a 20% share in the Golden Quadrilateral.

- **Revenue Drivers:** 100% of revenue is derived from toll collection across Project SPVs, driven by traffic volume (economic activity) and inflation-linked toll rate revisions.
- **Cost Drivers:** Primary cash outflows include Operation & Maintenance (O&M) and cyclical Major Maintenance (Resurfacing) costs.
- **Asset Portfolio:** The portfolio comprises stabilized assets with a "Right of First Offer" (ROFO) on the Sponsor's pipeline of 24 projects (19 BOT, 1 TOT, 4 HAM).
- **Operating Leverage:** High operating leverage allows incremental traffic growth to flow directly to Net Distributable Cash Flow (NDCF) once debt and O&M are serviced.
- **Geographical Presence:** Assets are strategically located across key national corridors, including projects like Jaipur-Deoli and Pathankot-Amritsar.
- **Yield Performance:** Yield based on average rate stood at 17% in FY22, down from 21% in FY21, reflecting increased maintenance outlays and a shifting interest rate environment.

## 2. MANAGEMENT COMMENTARY & OUTLOOK

- Management strategy is centered on the "stabilized asset" model, shifting focus from aggressive acquisition to optimizing current portfolio yields and ensuring traffic recovery translates into distributions.
- The appointment of Mr. Rajinder Pal Singh (former Chairman of NHAI) as Chairman of the Investment Manager signals a strategic move to leverage regulatory expertise in navigating complex NHAI concession agreements.
- Structural safeguards within Concession Agreements, such as cash reimbursement for revenue loss and concession extensions to recover IRR, are highlighted as key downside protection mechanisms.
- Management acknowledges the shift to automated tolling (FASTag) and emphasizes the necessity of robust IT controls to prevent revenue leakage.
- The Trust maintains a conservative gearing ratio of 31.97%, providing significant headroom against regulatory caps for future debt-funded acquisitions.
- The "upbeat traffic" narrative is tempered by the reality of a heavy maintenance cycle, with significant utilization of resurfacing provisions (□140.70 Cr) impacting near-term cash flows.
- Management views the business as a regulatory arbitrage and cash-flow management exercise, prioritizing governance and risk mitigation over traditional construction-led growth.
- **Management Tone Verdict:** The management tone is pragmatic and regulatory-centric, focusing heavily on risk mitigation and compliance rather than aggressive growth projections. However, there is a notable lack of explicit reconciliation regarding the 400 bps drop in yield (21% to 17%) despite "upbeat traffic," suggesting that rising maintenance costs or debt servicing are weighing on distributions.

## 3. FINANCIAL ANALYSIS

### 3.1 Financial Statements

*Source: Screener.in — all monetary values in  Crores. Use these numbers directly.*

## P&L Statement (₹Crores)

| Line Item | Mar 2022 | Mar 2021 |
|---|---|---|
| Sales - | 1,392.00 | 1,143.00 |
| Sales Growth % | 21.77 | -7.88 |
| Expenses - | 242.00 | 226.00 |
| Manufacturing Cost % | 14.55 | 17.08 |
| Employee Cost % | 1.88 | 2.14 |
| Other Cost % | 0.94 | 0.58 |
| Operating Profit | 1,150.00 | 917.00 |
| OPM % | 83.00 | 80.00 |
| Other Income - | 9.00 | 18.00 |
| Exceptional items | 4.33 | 6.14 |
| Other income normal | 4.45 | 11.92 |
| Interest | 142.00 | 146.00 |
| Depreciation | 681.00 | 608.00 |
| **Profit before tax** | 336.00 | 181.00 |
| Tax % | 10.00 | 0.00 |
| **Net Profit -** | 303.00 | 181.00 |
| Exceptional items AT | 4.00 | 6.00 |
| Profit excl Excep | 299.00 | 175.00 |
| Profit for PE | 299.00 | 175.00 |
| Profit for EPS | 303.00 | 181.00 |
| Profit Growth % | 71.00 | 6.00 |
| EPS in Rs | 5.21 | 3.12 |
| Dividend Payout % | 1,517.00 | 250.00 |

## Balance Sheet (□Crores)

| Line Item | Mar 2022 | Mar 2021 |
|---|---|---|
| Equity Capital | 5,103.00 | 5,312.00 |
| Reserves | -963.00 | -959.00 |
| Borrowings - | 1,896.00 | 1,899.00 |
| Long term Borrowings | 1,842.00 | 1,844.00 |
| Short term Borrowings | 54.00 | 54.00 |
| Other Borrowings | 0.00 | 0.00 |
| Other Liabilities - | 5,923.00 | 5,989.00 |
| Trade Payables | 20.00 | 11.00 |
| Advance from Customers | 0.00 | 1.00 |
| Other liability items | 5,902.00 | 5,977.00 |
| **Total Liabilities** | 11,958.00 | 12,241.00 |
| Fixed Assets - | 10,951.00 | 11,629.00 |
| Land | 1.00 | 1.00 |
| Plant Machinery | 0.00 | 0.00 |
| Equipments | 0.00 | 0.00 |
| Computers | 0.00 | 0.00 |
| Furniture n fittings | 0.00 | 0.00 |
| Vehicles | 0.00 | 0.00 |
| Intangible Assets | 7,374.00 | 7,371.00 |
| Other fixed assets | 6,673.00 | 6,673.00 |
| Gross Block | 14,048.00 | 14,045.00 |
| Accumulated Depreciation | 3,097.00 | 2,416.00 |
| CWIP | 1.00 | 2.00 |
| Investments | 215.00 | 159.00 |
| Other Assets - | 790.00 | 450.00 |
| Trade receivables | 0.00 | 0.00 |
| Cash Equivalents | 690.00 | 396.00 |
| Loans n Advances | 7.00 | 8.00 |
| Other asset items | 93.00 | 46.00 |
| **Total Assets** | 11,958.00 | 12,241.00 |

## Cash Flow Statement (□Crores)

| Line Item | Mar 2022 | Mar 2021 |
|---|---|---|
| Cash from Operating Activity - | 1,027.00 | 929.00 |
| Profit from operations | 1,183.00 | 982.00 |
| Receivables | 0.00 | 0.00 |
| Payables | 9.00 | -21.00 |
| Loans Advances | 0.00 | 0.00 |
| Other WC items | -165.00 | -33.00 |
| Working capital changes | -156.00 | -54.00 |
| Direct taxes | 0.00 | 1.00 |
| Cash from Investing Activity - | -378.00 | -494.00 |
| Fixed assets purchased | -1.00 | -99.00 |
| Fixed assets sold | 0.00 | 56.00 |
| Investments purchased | -52.00 | -101.00 |
| Investments sold | 0.00 | 0.00 |
| Interest received | 0.00 | 0.00 |
| Other investing items | -324.00 | -351.00 |
| Cash from Financing Activity - | -679.00 | -581.00 |
| Proceeds from shares | 0.00 | 0.00 |
| Proceeds from borrowings | 0.00 | 0.00 |
| Repayment of borrowings | -54.00 | -2.00 |
| Interest paid fin | -109.00 | -126.00 |
| Dividends paid | -308.00 | -337.00 |
| Other financing items | -209.00 | -116.00 |
| **Net Cash Flow** | -30.00 | -146.00 |
| Free Cash Flow | 1,026.00 | 887.00 |
| CFO/OP | 89.00 | 101.00 |

## Key Ratios (□Crores)

| Line Item | Mar 2022 | Mar 2021 |
|---|---|---|
| Debtor Days | 0.00 | 0.00 |
| Inventory Days | 0.00 | 0.00 |
| Days Payable | 0.00 | 0.00 |
| Cash Conversion Cycle | 0.00 | 0.00 |
| Working Capital Days | -206.00 | -219.00 |
| ROCE % | 8.00 | 5.00 |

### 3.2 Financial Analysis Summary

- **Revenue** grew by **21.77%** to **₹1,392.00 Cr**, primarily driven by **Toll Revenue** of **₹1,288.57 Cr** (92.6% of total) as traffic recovered post-pandemic, though this was offset by a **30%** increase in revenue share paid to NHAI amounting to **₹453.99 Cr**.
- **Operating Profit** margins (**OPM %**) expanded to **83.00%** from **80.00%**, reflecting high operating leverage where **Revenue** growth outpaced relatively fixed **Operation and Maintenance Expenses**, which decreased by **18.2%** to **₹45.31 Cr**.
- **Net Profit** surged **71%** to **₹303.00 Cr**, but earnings quality is impacted by a massive non-cash **Depreciation** (Amortization) charge of **₹681.00 Cr** (**48.9%** of **Revenue**), which is sensitive to long-term traffic forecasts.
- **CFO** of **₹1,027.00 Cr** significantly exceeds **PAT** of **₹303.00 Cr** due to the add-back of non-cash amortization, resulting in a strong **Free Cash Flow** of **₹1,026.00 Cr**, which supported **Dividends paid** of **₹308.00 Cr**.
- **Working Capital Days** remained negative at **-206.00**, as the business model collects cash upfront (zero **Trade Receivables**) while maintaining **Trade Payables** of **₹19.94 Cr**, which increased **84%** YoY.
- **Cash Equivalents** increased to **₹690.00 Cr**, but liquidity is constrained as **₹647.01 Cr** is held in restricted escrow accounts for debt servicing and O&M, further complicated by a localized liquidity trap in one SPV due to a **₹16.98 Cr** dispute with NHAI.
- **Total Debt** (**Borrowings**) remained stable at **₹1,896.00 Cr**, but the **Balance Sheet** is heavily burdened by **Other Liabilities** of **₹5,923.00 Cr**, dominated by a **₹5,709.67 Cr Premium Obligation to NHAI**.
- **Finance Cost** of **₹142.00 Cr** includes **₹27.67 Cr** of non-cash interest on premium deferment, which is being capitalized and increasing the long-term liability to NHAI rather than being paid out of current **CFO**.
- **ROCE %** improved to **8.00%** from **5.00%** due to higher **Operating Profit**, while **ROE %** reached **7.32%**, reflecting improved capital efficiency as the asset base (**Fixed Assets**) depreciates while **Revenue** scales.
- **Related Party Transactions** remain a significant area of value leakage, with **Project Manager Fees** paid to the Sponsor (IRBIDL) totaling **₹271.39 Cr**, representing **19.5%** of total **Revenue**.
- **Other Assets** saw a sharp increase as **Receivable from Government Authorities** jumped **22x** to **₹82.15 Cr**, representing pending toll compensation claims that have not yet converted to **CFO**.
- **Other Liabilities** are dominated by the **Premium Obligation to NHAI** of **₹5,709.67 Cr**, a staggering liability compared to **Equity Capital** of **₹5,103.00 Cr**, representing a "hidden" cost of concession rights.
- **Other Expenses** were impacted by **Legal and Professional Fees** surging to **₹7.34 Cr** from **₹2.33 Cr**, likely linked to ongoing premium calculation disputes with NHAI.
- **Net Worth** is impacted by negative **Reserves** of **-₹963.00 Cr**, a result of high historical amortization and dividend payouts exceeding accounting **PAT**, even as **Free Cash Flow** remains robust.
- The dominant financial theme of the year is a strong operational recovery in **CFO** and **Revenue** driven by traffic, which is being utilized to fund a heavy maintenance cycle and service a massive, growing long-term **Premium Obligation to NHAI**.

### 3.3 Contingent Liabilities & Commitments

- **NHAI Premium Dispute:** A critical dispute exists regarding deferred premium calculations where NHAI has demanded **₹16.98 Cr** plus interest. The High Court has restricted withdrawals from the Escrow Account for the concerned SPV until resolution via arbitration.
- **Capital Commitments:** Outstanding commitments for toll equipment amounted to **₹0.01 Cr** (down from **₹1.56 Cr** in FY21).
- **Litigation:** Management has not quantified claims from commuters and regulators, classifying them as "remote" or "adequately provided for," which may mask potential litigation risks.

- **Guarantees:** Secured Term Loans of □**1,422.05 Cr** are secured by a pledge of 51% of the shares in key project SPVs.

### 3.9 Earnings Quality & Forensic Checks

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| 1 | PAT vs CFO trend | Profit ↑ — high non-cash amortization of □681 Cr creates significant cash-to-accrual buffer. | □ | PAT □303 Cr vs CFO □1,027 Cr. | Amortization (□680.72 Cr) is 2.25x PAT, typical for infrastructure assets (Note 25). |
| 2 | Receivables & channel-stuffing signal | Neutral — cash-and-carry toll model eliminates credit risk and inventory-based revenue manipulation. | □ | Receivables □0, Inventory □0, Sales □1,392 Cr. | Toll revenue recognized on actual collection basis with minimal credit risk (Note 3.8). |
| 3 | Revenue timing | Neutral — toll revenue recognized on actual collection basis ensures high-quality, immediate realization. | □ | Advance from customers decreased from □1 Cr to □0 Cr. | Revenue is primarily cash/ FASTag based at point of service (Note 3.8). |
| 4 | Revenue from related parties % | Neutral — revenue is externally sourced from toll users, minimizing circular revenue risk. | □ | Toll revenue (92.6% of total) is from public commuters. | Revenue is reported net of NHAI share; RPT revenue is negligible (Note 21, 43). |
| 5 | Inventory vs revenue growth | Neutral — service-based infrastructure model carries no inventory, removing valuation or obsolescence risks. | □ | Inventory remains at □0 Cr for both FY21 and FY22. | The Group operates in a single segment (Toll Collection) with no physical goods (Note 31). |
| 6 | Inventory valuation method change | Neutral — absence of inventory precludes earnings management through valuation method shifts. | □ | No inventory reported on Balance Sheet. | Accounting policies confirm no inventory-related valuation risks (Note 3). |
| 7 | Exceptional items in operating profit | Profit ↑ — non-recurring gains of □4.33 Cr boost reported PBT without operational improvement. | □ | Exceptional items of □4.33 Cr reported in P&L. | Exceptional items represent non-core adjustments to profit before tax. |
| 8 | Depreciation rate vs useful life policy | Profit ↑↓ — revenue-based amortization sensitive to management's long-term traffic and revenue projections. | □ | Amortization □681 Cr on Intangible Assets of □7,374 Cr. | Revenue-based method relies on "Total Projected Revenue" estimates over concession periods (Note 3.11). |
| 9 | Provision reversals boosting PAT | Profit ↓ — heavy maintenance cycle utilization of □140.7 Cr reflects real cash outflow needs. | □ | Resurfacing provision utilization of □140.70 Cr in FY22. | Provisions are based on PV of future outflows; high utilization indicates heavy maintenance (Note 17). |
| 10 | Tax rate consistency + cash tax vs P&L tax | Profit ↓ — MAT credit reversal of □32.58 Cr signals expiration of historical tax shields. | □ | Tax rate at 10% vs 0% in FY21; Cash tax □0. | Reversal of MAT credit entitlement suggests SPVs are moving out of tax-shielded phases (Note 46). |
| 11 | CWIP age and stalling projects | Neutral — negligible CWIP indicates projects are fully operational and generating toll revenue. | □ | CWIP decreased from □2 Cr to □1 Cr. | Low CWIP relative to □10,951 Cr fixed assets suggests no major construction delays. |
| 12 | Deferred tax asset recognition adequacy | Profit ↓ — write-down of tax assets suggests reduced confidence in future taxable profit availability. | □ | Reversal of □32.58 Cr in MAT credit entitlement. | Management reversed MAT credit as tax-shielding benefits at SPV level are being utilized (Note 3.12). |
| 13 | RPT quantum and trend | | □ | | High churn in "Secured Advances" to Sponsor |

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| | | Profit ↓ — significant value leakage via □271 Cr fees and high-volume sponsor advances. | | Project Manager fees □271.39 Cr (19.5% of revenue). | (□257.30 Cr) requires close monitoring (Note 43). |
| 14 | Dividend paid vs FCF adequacy | Neutral — dividends are well-covered by free cash flow of □1,026 Cr despite accounting losses. | □ | Dividends paid □308 Cr vs FCF □1,026 Cr. | Payout is sustainable from cash flows; high % relative to PAT is due to non-cash charges. |
| 15 | Premium Deferment Capitalization | Profit ↑ — Capitalizing interest on NHAI premium avoids immediate P&L hit but increases long-term debt. | □ | □27.67 Cr interest on premium deferment capitalized. | This builds a "debt bomb" that must be settled before the concession ends (Note 26). |
| 16 | Auditor KAM: Asset Impairment | Profit ↑↓ — High sensitivity of □10,950 Cr carrying value to WACC and traffic growth assumptions. | □ | Carrying value of toll rights □10,950.40 Cr. | Any downward revision in traffic growth post-COVID could lead to significant non-cash impairments. |

## 4. MANAGEMENT & GOVERNANCE

### A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** Unqualified.
- **Key Audit Matters (KAMs):**
  1. ***Assessing Impairment of Intangible Assets***: The Group holds toll collection rights valued at **□10,950.40 Cr**. The auditor's concern centered on the high sensitivity of "Value in Use" to traffic projections and discount rates (WACC).
  2. ***Toll Revenue Recognition***: Focus on the integrity of IT systems and automated controls for cash and FASTag collection. Auditor verified reconciliations between system-generated reports and bank deposits.
  3. ***Provisioning for Resurfacing Expense***: Significant judgment is required to estimate future major maintenance obligations. Auditor tested assumptions against concession agreement requirements.
  4. ***Fair Valuation of Assets***: InvIT regulations mandate half-yearly fair valuation. Auditor's concern involved the subjectivity of inputs like WACC and inflation rates.
  5. ***Impairment of Investments/Loans***: Carrying value of **□2,200.18 Cr** in subsidiaries. Risk of overvaluation if traffic/cash flows fail.

- **Auditor Fees:** Not explicitly disaggregated. Legal and professional fees surged to **□7.34 Cr** from **□2.33 Cr**, but specific audit vs. non-audit fee split is not disclosed.

## B. Related Party Transactions

| Party | Relationship | Nature | Amount (□ Cr) | Concern |
|---|---|---|---|---|
| ***IRB Infrastructure Developers Ltd*** | Sponsor / Project Manager | Project Manager Fees | 271.39 Cr | ***High dependency; 19.5% of Revenue*** |
| ***IRB Infrastructure Developers Ltd*** | Sponsor / Project Manager | Secured Advance (Given/Recov.) | 257.30 Cr | ***High volume churn with Sponsor*** |
| IRB Infrastructure Private Ltd | Investment Manager | Management Fees | 12.78 Cr | Aligned with regulatory caps |
| ***Related Parties (Total)*** | Various | Trade Payables | 10.38 Cr | ***752% increase YoY*** |

- **% of Revenue:** 20.41% (Total Fees □284.17 Cr / Revenue □1,392.00 Cr) → **FLAG: >15%**
- **% of CFO:** 27.67% (Total Fees □284.17 Cr / CFO □1,027.00 Cr) → **FLAG: Potential cash leakage to Sponsor**
- **RPT Verdict:** Monitor □ While the InvIT structure involves the Sponsor, the 20% revenue leakage and high-value churn of advances (□257.30 Cr) necessitate close monitoring of arm's-length pricing.

## C. Shareholding

| Line Item | Mar 2022 | Mar 2021 |
|---|---|---|
| **Sponsor / Group** | 18.54% | 18.54% |
| **Foreign Institutions (FPI)** | 29.09% | 29.09% |
| **Mutual Funds** | 6.56% | 6.56% |
| **Insurance Companies** | 2.27% | 2.27% |
| **Public / Others** | 43.54% | 43.54% |
| * **Pledged Shares:** 51% of shares in key project SPVs are pledged to lenders to secure term loans. | | |

## D. Board Composition + KMP Compensation

- **Total Directors:** 4 (Investment Manager Board).
- **Independent %:** 50.00% (2 out of 4).
- **Women Directors:** 0.00% (All 4 directors are male).
- **KMP Compensation:** Individual KMP compensation (CEO Vinod Kumar Menon, CFO Rushabh Gandhi) is not disclosed at the Trust level; remuneration is borne by the Investment Manager out of the **□12.78 Cr** management fee. This reduces transparency regarding performance-linked incentives.

## F. Capital Allocation & Capex

| Action | FY Current (₹Cr) | FY Prior (₹Cr) | % of CFO | Signal |
|---|---|---|---|---|
| **Dividends Paid** | 308.00 Cr | 337.00 Cr | 29.99% | ** |
| ***Interest Payments*** | 109.00 Cr | 126.00 Cr | 10.61% | *** |
| ***Repayment of Borrowings*** | 54.00 Cr | 2.00 Cr | 5.26% | *** |
| **Capex (Fixed Assets)** | 1.00 Cr | 99.00 Cr | 0.10% | ** |
| ***Investments (Financial)*** | 52.00 Cr | 101.00 Cr | 5.06% | *** |
| ***Major Maintenance (Utilized)*** | 140.70 Cr | 85.22 Cr | 13.70% | *** |

- **CFO Coverage of Capex:** CFO/Capex ratio is **1,027x**, indicating a mature phase with minimal new asset creation requirements.
- **Nature of Capex:** Capex is almost entirely maintenance-related. **The massive utilization of ₹140.70 Cr for resurfacing indicates the assets are in a heavy maintenance cycle, which will impact near-term distributable cash.**
- **Deployment Efficiency: Revenue** grew **21.77%** while capex fell, signaling growth is driven by traffic recovery rather than new asset deployment.
- **Key Takeaway:** The Fund is generating strong **Free Cash Flow** (**₹1,026.00 Cr**) and distributing a significant portion while maintaining a conservative gearing ratio of **31.97%**.

## H. Risks

- **Traffic Diversion (High):** Slowdown in traffic or diversion to alternate routes could directly impact **92.6% of income**.
- **NHAI Premium Dispute (Medium):** Dispute over deferred premium calculations (**₹16.98 Cr principal**) has led to a **liquidity trap in Escrow** for one SPV.
- **Interest Rate Sensitivity (Medium):** Floating rate loans (**7.25%-8.15%**). A **50 bps rise results in a ₹7.01 Cr hit to PBT**.
- **Amortization Estimates (Medium):** Revenue-based amortization is sensitive to management's "Total Projected Revenue"; downward revisions would accelerate the **₹680.72 Cr annual cost**.
- **Sponsor Dependence (Medium):** O&M and Project Management handled by Sponsor with a **₹271.39 Cr annual outflow** (19.5% of revenue).
- **NHAI Premium Obligation (High):** The **₹5,709.67 Cr** liability exceeds equity capital, representing significant structural leverage.

## 5. SCORECARD & VERDICT

### Part A: Scorecard

| Dimension | Rating (1–5) | Delta | Key Evidence | One-line Rationale |
|---|---|---|---|---|
| Business Quality | 4 | → | 92.6% Toll Revenue; 21.8% Growth | Strong asset quality and traffic recovery, though highly sensitive to economic cycles. |
| Financial Health | 4 | ↑ | D/E 0.46x; CFO □1,027 Cr > PAT | Strong cash generation and manageable gearing, offset by massive NHAI premium liability. |
| Earnings Quality | 3 | → | CFO > PAT; 19.5% RPT leakage | Robust cash flows but high dependence on Sponsor and subjective amortization policies. |
| Management & Governance | 3 | → | 50% Independent; 0% Women; High RPT | Regulatory expertise is strong, but RPT churn and lack of board diversity are concerns. |
| Capital Allocation & Earnings Visibility | 4 | → | ROCE 8%; FCF □1,026 Cr | Disciplined distributions and debt servicing, though maintenance cycle is currently heavy. |

**BUSINESS POSITIVES (for this company this year)** * □**Strong Cash Flow Generation: CFO** of **□1,027 Cr** significantly exceeds **PAT** of **□303 Cr**, ensuring high distribution potential. * □**Robust Revenue Recovery: Revenue** grew by **21.77%** to **□1,392 Cr** driven by post-pandemic traffic recovery. * □**Operational Efficiency: OPM %** expanded to **83.00%** from **80.00%** due to high operating leverage. * □**Conservative Gearing:** Maintained a **Gearing Ratio** of **31.97%**, well below the regulatory cap. * □**High Institutional Confidence: FPI** holding remains stable and high at **29.09%**.

**BUSINESS NEGATIVES / CONCERNS (for this company this year)** * □**High Sponsor Leakage: Project Manager Fees** to the Sponsor represent **19.5% of total Revenue** (**□271.39 Cr**). * □**Massive Long-term Liability: Premium Obligation to NHAI** stands at **□5,709.67 Cr**, exceeding the Fund's **Equity Capital**. * □**Liquidity Constraints: □647.01 Cr** of cash is restricted in **Escrow**, with a localized trap due to a **□16.98 Cr** NHAI dispute. * □**Heavy Maintenance Cycle: Resurfacing provision utilization** jumped to **□140.70 Cr**, signaling a period of high cash outflow. * □**Interest Rate Risk: □1,422.05 Cr** in floating rate loans makes the Fund vulnerable to the rising rate cycle (**□7.01 Cr hit per 50bps**).

**OVERALL SCORECARD SUMMARY** IRB InvIT Fund exhibits strong financial strength characterized by robust **Free Cash Flow** and a healthy **CFO-to-PAT** ratio, driven by a 21.77% recovery in toll revenues. However, the governance posture is moderate due to high related-party dependence (19.5% revenue leakage) and a lack of board diversity. Capital allocation remains disciplined with sustainable dividends, but the massive **□5.7k Cr NHAI premium liability** and the current heavy maintenance cycle act as significant overhangs. Overall, the business is on a **stable** trajectory, where operational gains are currently being balanced against structural liabilities and maintenance requirements.

## Part B: Governance Check Matrix

| # | Check | Status | Evidence |
|---|---|---|---|
| 1 | Audit opinion clean? | □ | Unqualified opinion (p.41) |
| 2 | Promoter pledge = 0? | □ | 51% of SPV shares pledged to lenders (Note 15) |
| 3 | KMP pay < 5% of PAT? | □ | Borne by IM; total IM fee is ~4.2% of PAT |
| 4 | RPT quantum < 5% of revenue? | □ | RPT fees are 20.41% of revenue |
| 5 | Board > 50% independent? | □ | 50% (2 out of 4 directors) |
| 6 | At least 1 woman director? | □ | 0 women directors |
| 7 | No statutory dues outstanding? | □ | No reports of defaults |
| 8 | No fraud reported? | □ | No fraud reported by auditors |
| 9 | Audit trail enabled? | □ | Auditor noted strong internal controls |
| 10 | Frequent Auditor change | □ | No change reported |
| Final line: "Total: 7/10 □— Governance Rating: 3" | | | |

## Part C: Investor Verdict

**THESIS:** A high-yield infrastructure play on Indian GDP and traffic recovery, protected by regulatory floors but burdened by high sponsor dependency and long-term NHAI liabilities. **OVERALL STANCE:** WATCH **RATIONALE:** Strong operational cash flows are currently offset by a heavy maintenance cycle and a localized liquidity trap due to NHAI disputes. **RE-EVALUATE WHEN: Project Manager Fees** as a % of **Revenue** drop below 15% OR the **NHAI Premium Dispute** is resolved in the Fund's favor. **BULL CASE:** Traffic growth exceeds 10% YoY leading to a 20%+ jump in NDCF and a return to 20%+ yields. **BEAR CASE:** A 100 bps rise in interest rates combined with a downward revision in traffic forecasts triggers a significant impairment of the **□10,951 Cr** intangible assets. **KEY MONITORABLE: Resurfacing Provision Utilization**: Current **□140.70 Cr** → Watch for stabilization below **□100 Cr**.

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