IRB InvIT Fund — Apr 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** Robust traffic growth (+10% YoY) and a significant arbitration win are currently offset by a 41% surge in finance costs, keeping the distribution yield stagnant but the long-term compounding thesis intact.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	FY24 DPU of □8.00 vs □8.05 in FY23; revenue growth of 5% (□1,085.9 Cr).	□
Earnings Quality	High (Core driven)	Growth driven by organic traffic (+10% annual toll collection) and a confirmed arbitration award for Pathankot Amritsar.	□
Guidance Confidence	Neutral	Management guides for 6-7% DPU growth in FY25 based on 3.5% toll hikes and 10% revenue momentum.	□
Management Credibility	Strong	Successfully secured arbitration award (□28.53 Cr + extension) and clearly explained the impact of rising interest benchmarks.	□
Business Quality Signal	Stable	Operational assets performing well; VK1 HAM asset now contributing ~□0.50 to annual DPU.	□
Key Q&A Exchange	Q# 3 + 8: Refinancing & DPU	Management targeting 20-30 bps saving via refinancing to offset benchmark rate hikes.	□
The Street's Primary Anxiety	DPU Stagnation	Analysts questioned why DPU isn't rising despite traffic growth; Mgmt cited a □79.6 Cr increase in finance costs.	□
Capital Cycle Stage	Harvesting / Investment	Cash flows being harvested from BOT assets while preparing for debt-funded acquisition of 3 HAM assets.	□
Margin Trajectory	Stable	EBITDA margin remained robust at 81.6% (Full year) despite higher O&M and maintenance provisions.	□
Pricing Power	Stable	Tariff revisions are formula-linked (WPI); 3.5% hike deferred to June 1 due to elections.	□
FCF Conversion & Quality	Strong	Cash Profit (□602.6 Cr) significantly exceeds PAT (□373.1 Cr) due to high non-cash amortization.	□
Competitive Moat Signals	Stable	Long-term concessions (~15 years remaining life) on high-traffic corridors like the Golden Quadrilateral.	□
Balance Sheet Strength	Strong	Net Debt to Value of Assets is low at 0.3x, providing significant headroom for acquisitions.	□
Working Capital Efficiency	Stable	Toll collections are cash-based; annuity payments from NHAI are consistent.	□
Mgmt Guidance Track Record	Reliable	Consistent distribution history (□66.35/unit since IPO) and transparent reporting on SPV-level performance.	□
Key Vulnerability	Interest Rate Risk	100% of debt is variable-rate; every 100bps hike in benchmarks directly eats into unit-holder distributions.	□
Management Tone	Transparent	Management was upfront about the pain of interest costs while highlighting the "payout floor" and future growth.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** Organic toll collection grew 10% YoY, proving asset quality. The trust won an arbitration award for Pathankot Amritsar (□28.53 Cr plus 472-day extension), providing a significant tail-value boost. Leverage remains very low (0.3x), allowing for future acquisitions (3 HAM assets in FY25-26) without diluting existing unit holders. * **Negatives:** Finance costs jumped 41% YoY (from □192.6 Cr to □272.2 Cr), primarily due to benchmark rate resets and the addition of HAM asset debt. This spike essentially neutralized the organic growth in EBITDA, leading to a flat DPU. * **Street Concern:** Analysts are focused on the "yield trap" where traffic growth is absorbed by floating-rate debt. Management responded that refinancing is in advanced stages and that FY25 DPU should grow 6-7% as rates stabilize. * **Watchpoint:** Execution of the refinancing deal and the actual traffic recovery in Talegaon Amravati post-road-closure issues in Q4.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

PPT used as primary source. All monetary values in   Crore.

Metric	Current Qtr (Q4FY24)	YoY Change (vs Q4FY23)	QoQ Change	Trend	Mgmt Commentary
Total Income	□278.3 Cr	10% (Like-to-like)	4.8%	↑	Driven by 12.5% toll revenue growth (excluding Surat Dahisar).
EBITDA	□238.3 Cr	14.5%	12.2%	↑	Margin expansion due to operational efficiencies and traffic mix.
EBITDA Margin %	85.6%	+340 bps	+560 bps	↑	Realized higher margins in Tumkur and Jaipur SPVs.
PAT	Not in doc (Qtr)	N/A	N/A	→	Full year PAT was □373.1 Cr (up 1% YoY).
NDCF	Not in doc (Qtr)	N/A	N/A	→	Full year NDCF was □496.1 Cr vs □493.7 Cr in FY23.
Distribution (DPU)	□2.00	0%	0%	→	Total FY24 DPU: □8.00 (Interests: □6.80, Div/Cap: □1.20).
Traffic Growth (%)	~6-8%	N/A	N/A	↑	Strong growth in Tumkur (+5.8%) and Jaipur Deoli (+16%).
Net Debt	□2,146.4 Cr	(6.3)%	(2.7)%	↑	Reduction from □2,289.8 Cr in FY23; Net Debt/Asset at 0.3x.
Interest Coverage	3.25x	↓	↓	↓	Full year finance cost up 41% to □272.2 Cr.
Pathankot Amritsar	1,196k units	9.9%	1.1%	↑	Recovery post farmer protests; Arbitration award secured.

2B. SEGMENT BREAKDOWN (Project-wise EBITDA FY24)

Segment (Project)	Revenue (□ Cr)	EBITDA (□ Cr)	Margin	Trend	vs Avg	Key Development
Tumkur Chitradurga	□367.7 Cr	□343.5 Cr	93.4%	↑	High	Core high-margin asset; 15-year life.
Jaipur Deoli	□179.5 Cr	□134.3 Cr	74.8%	↑	Avg	Mining traffic returned (80-90% back).
Amritsar Pathankot	□148.6 Cr	□105.8 Cr	71.2%	↑	Low	Arbitration award + 472 days extension.
Vadodara Kim (HAM)	□147.2 Cr	□134.7 Cr	91.5%	→	High	Contributed □0.50/unit to DPU in FY24.
Omalur-Salem	□141.9 Cr	□126.8 Cr	89.4%	→	High	Stable performance; Concession till 2027.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue Growth	~10% for FY25.	**Feasible:** Requires 3.5% tariff hike + 6.5% traffic growth.	Delivered 10% toll growth in FY24.	Low
Guidance	DPU Growth	6-7% increase in FY25.	**High:** Dependent on successful refinancing of □2,400 Cr debt.	FY24 DPU (□8.0) was flat vs FY23 (□8.05).	Medium
Guidance	Toll Revision	3.35% - 3.5% WPI hike.	**Locked:** Formula-driven; deferred to June 1, 2024.	Consistently applied per concession.	Low
Strategy	Acquisitions	Offer of 3 HAM assets (VM7, Mandi, Chittoor) in FY25-26.	**Feasible:** Headroom exists to go from 0.3x to 0.7x leverage.	Added VK1 HAM asset in 2022.	Low
Balance	Refinancing	20-30 bps reduction in interest cost.	**Feasible:** Based on 'AAA' rating and current MCLR spreads.	Ongoing; advanced stages.	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Dhiraj Dave (Samvad)	Toll Revision	Business Overview	"2024 onwards what is the toll rate revision?"	Mgmt confirmed WPI-linked revision of 3.35-3.5% will be effective from June 1st after election deferral. This provides visibility on organic revenue growth for the remaining 10 months of FY25.	None	5.0	Clear and quantified
2	4.0	Dhiraj Dave (Samvad)	Distribution	Financials	"Are we keeping anything in reserve... what is the distribution percentage?"	Management stated they distribute >95% of NDCF and the □8.00 DPU was impacted by the □80 Cr increase in finance costs. This confirms that traffic growth is currently being "taxed" by floating interest rates.	None	4.5	Quantified impact
3	5.0	Dhiraj Dave (Samvad)	DPU Guidance	Financials	"Any scope where we can see some improvement... HAM asset not moved distribution?"	Management guided that FY25 distribution is expected to be higher than FY24, with specific guidance coming in Q1. This sets a floor for the yield and places the burden of proof on the Q1 results.	None	4.0	Directional guidance

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
4	3.5	Tanveer Suree (Individual)	HAM Disclosure	Financials	"Any reason why we don't show collection for HAM asset in the same group?"	Mgmt clarified HAM income is annuity-based (received Oct/ April) and agreed to improve slide disclosures. This shows management's willingness to improve reporting transparency for complex assets.	None	5.0	Specific timeline
5	3.0	Saurabh (Individual)	Cash Levels	Financials	"How much cash do we have at Trust level currently?"	Post-distribution surplus is ~□15-20 Cr excluding DSRA. This highlights the lean management of the Trust, distributing almost all available free cash.	None	5.0	Specific figure
6	4.5	Saurabh (Individual)	Interest Rates	Financials	"Is it a floating rate... what is the rate of interest?"	Weighted average cost of debt rose 80-100 bps YoY to ~8.7%. The InvIT is highly sensitive to benchmark rate cycles, which is the primary headwind to DPU growth.	None	5.0	High transparency
7	4.5	Saurabh (Individual)	Refinancing	Financials	"With refinancing what are we trying to achieve?"	Targeting a 20-30 bps immediate reduction plus better alignment with	None	4.0	Clear target

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						future MCLR cuts. A 30 bps cut on ₹2,400 Cr debt would add ~₹0.12 to the annual DPU.			
8	4.0	Dipen Shah (Shareholder)	Acquisitions	Capex	"What are current level of IRR... how should we look at asset addition?"	Mgmt has evaluated 35 third-party assets but finds valuations high; will focus on sponsor's 3 HAM assets. This confirms a disciplined capital allocation approach, avoiding overpayment for growth.	None	4.5	Disciplined posture
9	4.0	S.N. Rajan (Individual)	NAV Discount	Governance	"Is there anything management is trying to do at this huge discounted NAV... buyback?"	Management clarified buybacks are not feasible under InvIT regs/ objectives; focus is on maximizing DPU to drive price to NAV (~₹98.5). Management acknowledges the valuation gap but is limited by the structure to solve it via distribution only.	None	4.0	Logical constraint
10	4.0	Sirish Vaze (Moneylife)	Funding Mix	Capex	"Would you be able to complete acquisitions fully funded to debt?"	Trust has capacity to acquire the 3 HAM assets via debt alone, avoiding	None	4.5	Protective stance

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						equity dilution at current discounted prices. This is a critical protection for current unit holders against NAV-dilutive equity raises.			
11	4.5	Satinder Singh (EON)	Dividend Tax	Financials	"What kind of a dividend component we see... exempt dividend?"	Guided for □1.0-1.5 DPU to be in the form of tax-exempt dividends in FY25 (up from □0.60). This improves the post-tax yield for investors, effectively a net income boost.	None	4.0	Specific range
12	4.0	Satinder Singh (EON)	Asset Specifics	Business Overview	"Jaipur-Deoli... reasons for traffic increase... Talegaon Amaravati recovery?"	Jaipur growth is due to mining bans being lifted (80-90% back); Talegaon saw recovery in Feb/March post local road issues. These two assets are the swing factors for organic revenue growth in FY25.	None	5.0	Verified by data
13	4.5	Sarvesh Gupta (Maximal)	DPU Outlook	Financials	"Can we expect at least 5% or 6% increase in the DPU in the coming year?"	Management confirmed an endeavor to increase DPU by 6-7%. This provides a concrete target for the	None	4.0	Quantified target

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						Street to track against traffic and interest rate movements.			

PATTERN FLAGS & SENTIMENT

- **The Interest Rate Anxiety:** A recurring theme across almost every analyst was the impact of rising finance costs on DPU. Analysts were clearly frustrated that a 10% jump in revenue didn't trickle down to the unit holder. Management remained composed, shifting the narrative toward "peak interest rates" and the benefits of upcoming refinancing. The concern remains live and will only be resolved when the first DPU of FY25 is announced.
- **The Valuation Gap:** Multiple questions touched on the price-to-NAV discount. Management's posture was one of disciplined operational focus—stating they cannot buy back units and must instead "earn" a higher valuation through better DPU. This remains a significant overhang but management's refusal to do a "forced" equity raise for acquisitions is a major credibility booster.
- **Asset-Level Turnarounds:** Analysts were keen on Jaipur-Deoli and Pathankot-Amritsar. Management successfully navigated these, citing specific macro improvements (mining) and legal wins (arbitration). This shifted the sentiment from "struggling assets" to "recovering value."

Analyst Sentiment Verdict: Analysts were **skeptical but appreciative** of the operational transparency. The friction point was entirely on the lack of DPU growth despite traffic buoyancy. Management's credibility remained stable as they provided quantified targets for FY25 (6-7% DPU growth, 3.5% toll hike). The single unresolved issue is the **timing of the interest rate pivot**; until rates fall, the InvIT's growth is effectively capped.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior context available for baseline comparison.

What Changed	Prior Quarter	This Quarter	Direction
Dividend Policy	First entry	Maiden tax-exempt dividend declared (₹0.60/unit).	↑
Pathankot Amritsar Status	First entry	Arbitration award won: ₹28.53 Cr + extension.	↑
Interest Cost Basis	First entry	Weighted average cost of debt up to 8.7%.	↓
HAM Contribution	First entry	Vadodara Kim (VK1) contributing ~₹0.50/unit annually.	↑
Leverage Capacity	First entry	Net Debt/Asset Value reduced to 0.3x.	↑

STOP HERE.