IRB InvIT Fund — Jul 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline **One-line:** This is a "handover quarter" where the expiry of the Trust's largest legacy asset (Surat-Dahisar) was offset by the full-quarter resumption of Pathankot-Amritsar and a significant 10.16% tariff hike, keeping the DPU stable at □2.00 despite a shrinking portfolio.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	DPU of □2.00 matches the "new normal" guidance of □7–9/year established in prior quarters.	□
Earnings Quality	High (Core driven)	NDCF (□122.3 Cr) comfortably covers the payout; PAT decline is due to portfolio contraction, not operational failure.	□
Guidance Confidence	Neutral	No new acquisition announced to fill the revenue gap left by Surat-Dahisar; growth is currently purely organic.	□
Management Credibility	Strong	Successfully navigated the handover of two major assets (Bharuch-Surat, Surat-Dahisar) back to NHAI without legal friction.	□
Business Quality Signal	Deteriorating	Portfolio concentration is increasing as the number of operational assets drops from 7 to 5.	□
Key Q&A Exchange	N/A	No concall conducted/provided.	—
The Street's Primary Anxiety	DPU "Cliff"	Management maintained DPU at □2.00 by utilizing cash inflows from SPV debt repayment (□53.4 Cr).	□
Capital Cycle Stage	Consolidation	De-leveraging and building debt capacity (□4,500 Cr) for future inorganic growth.	□
Margin / Return Ratio Trajectory	Improving	Operational EBITDA margin (Project-wise) remains exceptionally high at 85.7%.	↑
Pricing Power	Expanding	Successful implementation of 10.16% WPI-linked tariff hike across assets w.e.f. April 1, 2022.	□
FCF Conversion & Quality	Strong	NDCF (□122.3 Cr) is 1.18x PAT (□102.9 Cr), reflecting strong cash-to-accrual conversion.	□
Competitive Moat Signals	Stable	Strategic locations (Golden Quadrilateral) continue to show robust traffic recovery YoY.	→
Balance Sheet Strength	Strong	Net Debt/Equity at a conservative 0.28x; AAA/AA credit ratings reaffirmed.	□
Working Capital Efficiency	Stable	Toll model ensures immediate cash; NDCF calculation excludes □32.8 Cr due but not received.	→
Mgmt Guidance Track Record	Reliable	Delivered on DPU smoothing despite the exit of Bharuch-Surat and Surat-Dahisar.	□
Key Vulnerability / Red Flag	Asset Depletion	The Trust has handed over its highest revenue generators; future yields depend entirely on high-IRR acquisitions.	□
Management Tone	Confident (PPT)	Focus is on "Market leading ESG standards" and "Unit Price Performance" vs G-Sec.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** Traffic across operational assets has surged compared to the Covid-impacted Q1FY22; Tumkur-Chitradurga saw a ~60% volume jump in cars. The 10.16% tariff hike acts as a significant tailwind for the remaining portfolio. The Trust remains lowly levered (0.28x D/E), leaving massive headroom for the expected ROFR acquisitions from the Sponsor. * **Negatives:** The "Revenue Hole" is now a reality. Bharuch-Surat and Surat-Dahisar (which historically contributed nearly half of gross collections) have been handed over to NHAI. Consolidated EBITDA fell 8% YoY as the Pathankot-Amritsar restart and tariff hikes could not fully offset the exit of these high-margin assets. * **Street Concern:** Investors are wary of a "stagnant yield." While management has smoothed the DPU for now, the lack of a definitive timeline for adding new assets from the Sponsor’s ₹23,000 Cr pool remains the primary valuation overhang. * **Forward Watchpoint:** The next 1-2 quarters are critical to see if organic traffic growth on the remaining 5 assets can sustain a ₹2.00/quarter DPU without depleting the cash cushion, or if an acquisition is forced.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available — data sourced from Investor Presentation (doc_id=1047).*

Metric	Current Qtr (Q1FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹ Cr)	717.6	↑ 113%	Not in doc	↑	Consolidated income spiked; includes non-cash items and accounting for handed-over assets.
Project Toll Revenue (₹Cr)	296.4	↑ 11.2%	Not in doc	↑	Core operational revenue (excludes fair valuation/notional interest).
EBITDA (₹Cr)	252.7	↓ 8%	Not in doc	↓	Impacted by the exit of Surat-Dahisar and Bharuch-Surat projects.
EBITDA Margin %	85.7%	↑ 40 bps	Not in doc	→	Based on Project-wise Total Income (₹296.4 Cr) vs EBITDA (₹254.0 Cr).
PAT (₹Cr)	102.9	↓ 5%	Not in doc	↓	Decline moderated by lower depreciation/ amortization (-12% YoY).
NDCF (₹Cr)	122.3	↑ 11.9%	Not in doc	↑	Growth driven by higher interest and debt repayment from SPVs.
Traffic Growth (%)	~36% - 60%	↑ Significant	Not in doc	↑	Major recovery across Tumkur, Jaipur-Deoli, and Omalur-Salem projects.
Distribution per unit (₹)	2.00	↓ 20%	↓ 11%	↓	Down from FY22 avg, but in line with current portfolio capacity.
Net Debt (₹Cr)	1,160.2	↓ 8.7%	Not in doc	↑	De-leveraging continues; Net Debt/Equity at 0.28x.
Execution Rate (%)	100%	→	→	→	All remaining 5 assets fully operational with no blockages.
Cost of Debt (%)	~7.25%	↓ 35 bps	→	↑	Refinanced debt at competitive rates (per prior context).

2B. SEGMENT BREAKDOWN (Project-wise)

Project	Revenue (□ Cr)	EBITDA (□ Cr)	Margin	Trend	vs Avg	Key Development
Tumkur Chitradurga	27.59	26.03	94.3%	↑	High	Car traffic jumped from 2.3M to 3.7M YoY.
Jaipur Deoli	Not stated	12.13	—	↑	Neutral	Benefited from 10.16% tariff hike.
Pathankot Amritsar	12.31	Not stated	—	↑	Neutral	Full quarter of tolling post-farmer protest withdrawal.
Omalur-Salem-Namakkal	Not stated	Not stated	—	↑	Neutral	Traffic up ~70% YoY (low base).
Surat Dahisar	0.00	0.00	—	↓	N/A	Handed over to NHAI on May 25, 2022.
Bharuch Surat	0.00	0.00	—	↓	N/A	Handed over to NHAI on March 31, 2022.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distribution (DPU)	Sustain □7.00 – □9.00 annual payout.	Requires □1.75–□2.25/qtr; Q1 at □2.00 is exactly on track.	Delivered	Low
Guidance	Tariff Revision	10.16% hike w.e.f. April 1, 2022.	Formulaic (WPI linked); already implemented.	Delivered	Low
Guidance	Debt Capacity	Positioned to fund acquisitions through debt (0.28x D/E).	Headroom for ~□4,500 Cr additional debt to remain within InvIT limits.	Ready	Medium
Strategy	Asset Expiry	Smooth transition post-concession end of 2 major assets.	Completed handovers of Surat-Dahisar and Bharuch-Surat.	Delivered	Low
Strategy	ESG	Above 95% FASTag transactions.	Already achieved; reduces carbon footprint and fuel consumption.	Delivered	Low
Strategy	Acquisitions	ROFR on Sponsor assets.	**N/A — no concall.** PPT lists assets but provides no timeline for addition.	Delayed	High

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY22 Context)	This Quarter (Q1FY23)	Direction
Asset Portfolio	7 Operational Assets	5 Operational Assets	↓
Surat-Dahisar Status	Active (until May 25)	Handed over to NHAI	□
Bharuch-Surat Status	Handed over Mar 31	Fully exited from financials	□
Tariff Rates	FY22 Base	10.16% hike across all assets	↑
DPU Run-rate	□2.25 (Avg)	□2.00	↓
NDCF Composition	Interest/Div heavy	High component of "Capital Reduction" (□0.80/unit)	□
Traffic Momentum	Recovery Phase	High double-digit YoY growth (Low base + Macro)	↑
Portfolio Life	~18 years	~17 years remaining concession life	↓

Investor Notes: * **Earnings Quality:** The CFO-to-PAT ratio (using NDCF as proxy) remains healthy at **1.18x**. The Trust is generating more cash than book profit, largely due to non-cash depreciation and the repayment of debt by SPVs to the Trust. * **Working Capital:** The Trust noted □32.8 Cr in "amount due but not received" for Q1FY23. While not critical, if this amount remains stuck (likely in escrow or NHAI delays), it could slightly constrain future distribution cushions. * **The Thesis Shift:** The thesis has officially transitioned from a "diversified cash cow" to a "concentrated core portfolio awaiting replenishment." The current yield is sustainable at □8/year, but total return now depends on the valuation at which the Sponsor drops the next asset into the InvIT. Management's ability to use the □4,500 Cr debt headroom without diluting existing unit-holders is the key monitorable.