IRB InvIT Fund — Jul 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** Muted traffic growth due to election-related movement restrictions was offset by stable distribution, though the ticking clock on asset life makes acquisitions the primary thesis catalyst.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue □275.2 Cr vs □268.7 Cr YoY (+2%); Distribution maintained at □2/unit.	□
Earnings Quality	High (Core driven)	Performance driven entirely by toll collections and interest income from SPVs; no major one-offs.	□
Guidance Confidence	Neutral	Mgmt expects "similar level" of payout for 2-3 years, but growth depends on external NHAI/Sponsor timelines.	□
Management Credibility	Strong	Transparent on traffic headwinds (elections/monsoon) and technical on extension clauses.	□
Business Quality Signal	Stable	Operational assets are AAA-rated; leverage remains very low (0.3x Net Debt/AUM).	□
Key Q&A Exchange	Q7-8: Extension Logic	Management detailed the "Target Traffic Clause" which could extend the Tumkur-Chitradurga asset by up to 20%.	□
The Street's Primary Anxiety	Asset Life Depletion	Analysts pressed on the reducing weighted average life (<15 years) and acquisition timelines.	□
Capital Cycle Stage	Consolidation	Focusing on refinancing existing debt while evaluating a massive pipeline from the Sponsor's Private InvIT.	□
Margin Trajectory	Stable	EBITDA margins steady at 83% (Net of revenue share).	→
Pricing Power	Stable	Tariff revisions (WPI-linked) implemented on June 3, 2024, providing a ~2.5% effective hike.	→
FCF Conversion & Quality	Strong	NDCF of □122.8 Cr easily covers the □116.1 Cr distribution; 1.2x PAT-to-NDCF conversion.	□
Competitive Moat	Stable	Portfolio includes key Golden Quadrilateral stretches; significant barrier to entry for parallel roads.	□
Balance Sheet Strength	Strong	Net Debt/AUM at 0.3x; significant headroom for □2,000 Cr+ of debt-funded acquisitions.	□
Working Capital Efficiency	Stable	Toll assets are cash-and-carry; no significant receivables risk.	→
Mgmt Guidance Track Record	Reliable	Consistent distribution track record since 2017 (cumulative □68.35/ unit distributed).	□
Key Vulnerability	Concentration	Revenue concentration in few BOT assets; traffic sensitive to regional mining/border policies (e.g., Pathankot).	□
Management Tone	Confident/Patient	Posture suggests they are waiting for the interest rate peak to maximize acquisition IRR.	□

Key Takeaways: * **Positives:** Strong balance sheet with 0.3x Net Debt/AUM provides massive firepower for acquisitions; the "Target Traffic Clause" provides a structural safety net for concession extensions in low-growth scenarios; refinancing of VK1 and Trust debt is progressing, which should optimize interest costs. * **Negatives:**

Organic toll revenue growth was a tepid 3% YoY, severely impacted by the General Election's Model Code of Conduct and early monsoons; weighted average life of the portfolio is now under 15 years, creating a sense of urgency for new asset injections; Pathankot-Amritsar asset continues to face localized headwinds from mining restrictions and J&K law-and-order situations. * **Street Concern:** Analysts are focused on the "when" of acquisitions. Management's response indicates they are evaluating 14 matured assets from the Sponsor's Private InvIT but are being disciplined on pricing and interest rate cycles. * **Forward Watchpoint:** NHAI approval for VK1 refinancing and the potential offer of VM7/Pathankot-Mandi HAM assets in H2FY25.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT figures used as primary source. Note: PAT discrepancy identified between PPT (100.6 Cr) and Concall (86 Cr); PPT figure retained per Global Rules.*

Metric	Current Qtr (□Cr)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income	275.2	↑ 2.4%	First entry	→	Growth driven by 3% toll revenue increase; softened by election code of conduct.
EBITDA	228.5	↑ 0.7%	First entry	→	Margins remain high at 83% (Net of rev share). Includes □17.3 Cr major maintenance provision.
EBITDA Margin %	83%	↓ 1.4%	First entry	→	Slight compression due to higher maintenance provisions.
PAT	100.6	↓ 15.2%	First entry	↓	Impacted by 13% increase in Finance Expenses (□76 Cr vs □68 Cr).
NDCF	122.8	↑ 5.1%	First entry	↑	Net Distributable Cash Flow remains robust; supports □2/unit payout.
Distribution (DPU)	□2.00	→ 0%	First entry	→	Interest (□1.35), Div (□0.29), Capital Reduction (□0.36).
Traffic Growth (%)	~3.0%	↓	First entry	↓	Softened by elections and early monsoon in June.
Net Debt	2,146.4	↓ 6.1%	First entry	↑	Calculated as Gross Debt less cash/bank (PPT Slide 12).
Asset Value (AUM)	7,969.0	→	First entry	→	Based on latest valuation report.
Net Debt / AUM	0.3x	→	First entry	→	Significant leverage headroom for future acquisitions.

2B. SEGMENT BREAKDOWN (Project-wise EBITDA)

Project	EBITDA (□ Cr)	YoY Growth	Concession End	Trend	vs Avg	Key Development
Tumkur Chitradurga	343.5	N/A	Dec-2042*	→	Outperformer	Extension anticipated via Target Traffic Clause.
Jaipur Deoli	134.3	N/A	Oct-2040*	→	In-line	2.5% tariff revision effective June 3.
Omalur-Salem	126.8	N/A	Jan-2027	↓	Aging	Concession ending soon; high cash flow but low life.
Pathankot Amritsar	105.8	N/A	Jan-2038*	↓	Underperformer	Mining restrictions and J&K border issues hit traffic.
Vadodara Kim (HAM)	229.8	N/A	Apr-2037	→	Stable	High EBITDA margin asset; provides cash stability.

Note: End dates include anticipated extensions.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Distribution	Maintain ~□2/unit (potential 50 paisa upside in 2-3 years).	□116 Cr NDCF/ Qtr	Delivered □2/unit consistently in FY24.	Low
Guidance	Refinancing	Phase-wise refinancing of Trust and VK1 debt.	NHAI approval for VK1	Final sanction letters received.	Medium (NHAI delay)
Guidance	Acquisitions	FY25: VM7, Pathankot Mandi. FY26: Chittoor-Thachur.	100% completion	Historical track record of 2 Sponsor assets added.	Low
Strategy	Capital Allocation	Acquire when interest rates "peak" to maximize IRR.	Market timing	Discipline shown by evaluating 30+ assets.	Medium
Macro	Traffic	3% growth seen as temporary "softening"; expect recovery post-election.	~5-7% normalized	Historically correlated to WPI + GDP.	Low
Balance	Leverage	Maintain AAA rating while adding assets.	<0.49x Debt/ AUM	Currently at 0.3x; high discipline.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Dhiraj Dave	P&L Mapping	Financials	"Is there any revenue share on account of extension in Concession period due to traffic shortfall?"	Management clarified that the "revenue share" in Tumkur after FY39 is actually the premium payable to NHAI during the extension period, which couldn't be capitalized initially. This ensures that the cash flows in the valuation report correctly factor in NHAI obligations during the 5-year extension.	None	5.0	Specific and clarified
2	3.5	Dhiraj Dave	Maintenance	Financials	"Once the extensions start, we don't find any MMR [Major Maintenance] provision."	Mgmt explained that since the maximum extension is 5 years, the project will be handed back to NHAI before the next major maintenance cycle (typically every 5-6 years) is due. This results in a cash flow "tail" benefit during the final years of the concession.	None	4.0	Directional evidence
3	4.5	Dhiraj Dave	Dividends	Outlook	"When we should get to the original payout of □3, is there a possibility in say 3-4 years?"	Mgmt expects payouts to stay at current levels (~□2/unit) for 2-3 years, with a potential 50-paisa increase thereafter. This	None	3.0	Vague but consistent

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						sets a realistic ceiling for yield-seeking investors in the medium term.			
5	5.0	Runit Kapoor	Growth	Capex	"What's the current status of the refinancing and are you looking to add any new assets?"	Mgmt confirmed 50% of debt refinancing is done, with the balance (VK1) awaiting NHAI approval, while simultaneously evaluating 14 matured assets from the Sponsor's Private InvIT. Adding these assets is critical to transforming the Trust into a perpetual vehicle as current asset lives dwindle below 15 years.	None	4.5	Specific timeline
6	4.0	Shirish Vaze	Operations	Business Overview	"Did we see a decline in traffic in June or what was the reason for the tepid increase?"	The 3% growth was muted because the tariff hike only applied for 27 days in June and early monsoons hit heavy vehicle movement. Investors should expect a stronger Q2/Q3 as the full ~2.5% tariff hike and post-election activity kick in.	None	4.0	Directional evidence
8	5.0	Dhiraj Dave	Concession	Business Overview	"How exactly does the target traffic clause	Mgmt explained the "floor and cap" model: if traffic falls 1%, the	None	5.0	Technical clarity

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					extension work?"	extension is 1.5% (max 20% extension), while outperformance can reduce the period by max 10%. This reveals a significant hidden "option value" in the portfolio to protect against downside traffic scenarios.			
9	3.5	Dhiraj Dave	Pathankot	Business Overview	"Pathankot traffic toll collection, we find the decline... was it because of some mine related issues?"	Mgmt attributed the decline to election softness, mining restrictions, and law-and-order issues in J&K during April/May. Recovery in this asset is a key monitoring point for the Amritsar-Pathankot project’s EBITDA contribution.	None	3.0	Qualitative
14	3.0	Shirish Vaze	Regulation	Financials	"Is there any way that the concessionaire will be compensated for this delay [in toll hike]?"	The Industry Federation has represented the matter to NHAI, but compensation is not yet certain. Any recovery would be a one-time windfall gain for the NDCF.	NHAI response	2.5	Vague/ Policy dependent
15	4.0	Dhiraj Dave	Technology	Macro	"What is management views on	Mgmt views the shift as revenue-	None	4.0	Logical defense

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					satellite-based tolling?"	neutral, as through-traffic (80-90%) remains captured and short-distance leakage may actually be reduced. This mitigates the "technology obsolescence" risk for traditional toll plazas.			
16	4.5	Tanveer Sure	Strategy	Capex	"What is stopping us from purchasing [Private InvIT] projects as of now?"	Mgmt indicated they are waiting for the interest rate peak because sellers' price expectations often adjust downwards when rates are high, improving the acquisition IRR. This demonstrates a patient, fundamental approach to capital allocation rather than growth-at-any-price.	None	4.5	Strategic rationale

PATTERN FLAGS & SENTIMENT * **Acquisition Anxiety:** Analysts are clearly worried about the "melting ice cube" nature of the InvIT. Mgmt's posture was defensive but disciplined, refusing to overpay for assets despite the shrinking portfolio life. * **Extension Mechanics:** A significant portion of the call focused on the technicalities of concession extensions. This suggests the market is beginning to price in the "Target Traffic Clause" as a valuation buffer. * **Analyst Sentiment Verdict:** Analysts were **skeptical** about organic growth (3%) but **satisfied** with the technical explanations regarding extensions and capital discipline. Credibility remains high due to the steady distribution. The single greatest risk remains a delay in NHAI approvals for refinancing/acquisitions, which could stall the yield-expansion thesis.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare. Performance tracking initiated with Q1FY25 as baseline.

What Changed	Prior Quarter	This Quarter	Direction
New Entry	N/A	Q1FY25 Baseline	N/A

INVESTOR NOTES: * **Yield Check:** Current distribution of □2/unit translates to an annualized yield of ~11.4% (at □70 unit price). * **Earnings Quality:** CFO-to-PAT ratio is healthy (NDCF covers distribution 1.05x). * **Red Flag:** Pathankot-Amritsar traffic decline needs to be watched; prolonged mining/border issues could drag on consolidated EBITDA. * **Catalyst:** Watch for NHAI approval on VK1 refinancing in Q2/Q3, which is the prerequisite for the next leg of acquisition-led growth.