IRB InvIT Fund — Jun 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The long-term thesis has pivoted from "Defensive Yield-Harvesting" to "Aggressive Capital Cycle & Consolidation." The "melting ice cube" risk (asset depletion) is being structurally addressed via an 8,436 Cr acquisition, but the focus for investors must now shift from operational traffic to dilution pricing.

Result: Beat (on PAT and core traffic) **One-line:** Management has secured unitholder approval to nearly double the Trust's Enterprise Value, successfully trading immediate dilution for a 3-year extension in portfolio life and significant interest-rate tailwinds.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	PAT of ₹100 Cr (+16% YoY) beat the ₹91 Cr run-rate; core traffic (TC +14%, JD +8%) significantly outperformed the 5-6% guidance.	□
Earnings Quality	High	Driven by 8% YoY toll revenue growth and 20 bps MCLR reduction.	□
Guidance Confidence	Strong	Unitholders approved the 3-asset acquisition with a 96% majority; mgmt provided clear Aug/Sept closing timelines.	□
Management Credibility	Strong	Transparent about the 5-6 month rights issue timeline vs. the speed of QIP/Preferential routes.	□
Business Quality Signal	Improving	Weighted Average Life (WAL) set to jump from 14 to 17 years; de-risks the FY27 expiry of the MVR asset.	□
Key Q&A Exchange	Q21 (Rights Issue)	Mgmt effectively defended the decision to prioritize issue price over a discounted rights issue to minimize dilution for long-term holders.	□
The Street's Primary Anxiety	Dilution Pricing	Analysts pressed on why a Rights Issue isn't being used; mgmt cited the 6-month SEBI timeline and the need for speed.	□
Capital Cycle Stage	Investment/ Expansion	Moving from debt optimization to a massive equity-funded AUM expansion phase.	□
Margin Trajectory	Stable	EBITDA margins maintained at a healthy 82% pre-premium.	→
Pricing Power	Stable	3.5% WPI-linked tariff hike implemented across 4 major projects for FY26.	→
FCF Conversion & Quality	Strong	Consistent ₹2.00 DPU; NDCF now reported at SPV level to improve transparency.	□
Competitive Moat Signals	Widening	Acquisition adds 3 strategic BOT assets (Golden Quadrilateral/East-West corridor) in high-GSDP states (UP, Haryana, Rajasthan).	□
Balance Sheet Strength	Adequate	Leverage at 32% provides headroom; post-acquisition net debt/EV to remain capped at 49%.	□
Working Capital Efficiency	Improving	Pathankot project tolling remained uninterrupted this quarter, a major reversal from prior protest-led disruptions.	□
Mgmt Guidance Track Record	Reliable	Delivered on the promise to move assets from Private to Public InvIT within the guided timeframe.	□
Key Vulnerability / Red Flag	Funding Pricing	The ₹4,905 Cr equity value of new assets represents ~60% of current EV; if units are issued at a discount to NAV, it perma-dilutes long-term yield.	□
Management Tone	Confident	Posture was execution-focused, specifically regarding debt refinancing and acquisition closure.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** Core traffic growth is accelerating, led by the Tumkur-Chitradurga (+14%) and Jaipur-Deoli (+8%) stretches, comfortably exceeding the historical 5-6% run-rate. The 20 bps MCLR cut is the first of many expected tailwinds as the Trust's ₹2,500 Cr debt begins its downward reset cycle. * **Negatives:** The impending MVR asset expiry (Jan 2027) currently contributes 16% (₹110 Cr) of annual NDCF; the new acquisitions are mandatory, not optional, to prevent a DPU cliff in 18 months. * **Street Concern:** Analysts are hyper-focused on the fundraising method. Management's refusal to commit to a Rights Issue (citing 6-month regulatory delays) suggests a QIP or Preferential allotment is imminent. The primary risk is the "issue price" vs. "NAV"; any issuance below NAV to accommodate new institutional investors would be a net negative for existing

retail holders. * **Forward Watchpoint:** Closing of the □8,436 Cr acquisition by September 30 and the finalized unit issuance price will determine the DPU trajectory for FY26-27.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□ Cr)	292.00	↑ 6.18%	↑ 3.55%	↑	Driven by 8% YoY toll growth; offset slightly by June monsoon onset.
Toll Revenue (□ Cr)	254.00	↑ 7.63%	↑ 6.72%	↑	Volume-driven growth; Tariff hikes of 3.5% only kicked in late Q1.
EBITDA (□Cr)	246.00	↑ 7.89%	↑ 6.49%	↑	Stable O&M expenses; margin expansion on higher throughput.
EBITDA Margin %	84.24%	↑ 134 bps	↑ 233 bps	↑	Calculated as 246/292. Consistent with high-margin BOT profile.
PAT (□Cr)	100.00	↑ 16.28%	↑ 9.89%	↑	Aided by lower interest costs (reset) and higher toll realizations.
NDCF (□Cr)	116.00	→ 0%	→ 0%	→	Matched to □2.00 DPU payout for 58.05 Cr units.
Traffic Growth (%)	8.0%	↑	↑	□	TC (+14%) and JD (+8%) significantly outperformed portfolio average.
Distribution (□)	2.00	→ 0%	→ 0%	→	□1.57 Interest, □0.28 Dividend, □0.15 Capital Reduction.
Net Debt / EV	0.30x	→	→	→	Significant headroom (up to 49% approved, 70% permitted).
Interest Coverage (x)	3.42x	↑	↑	↑	Calculated as EBITDA / Int (246/72). Up from 3.0x in prior periods.

2B. SEGMENT BREAKDOWN (Project Level)

Project	Revenue / Day (□Mn)	Traffic Growth (YoY)	HTM Projected Traffic Growth	Trend	Key Development
Tumkur Chitradurga (TC)	12.30	14.0%	4.1%	↑	Outperforming HTM projections by 3x; remains the portfolio's engine.
Jaipur Deoli (JD)	5.40	8.0%	5.2%	↑	Strong educational and tourism-led traffic recovery in Rajasthan.
Pathankot Amritsar (PA)	4.40	Muted	5.8%	→	No protest interruptions in Q1; normalization of freight traffic.
Talegaon Amravati (TA)	2.60	Recovering	4.6%	↑	Network development activities near completion; improving throughput.
MVR (Omallur-Namakkal)	4.90	8.1%	5.2%	↑	Nearing Jan 2027 expiry; currently generating high-yield book profits.
Vadodara Kim (VK1)	1.90 (Ann.)	N/A	N/A	→	HAM asset delivering steady annuity; interest on annuity up with rates.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	Distribution	Maintain □2.00/unit quarterly baseline.	□2.00 in Q2 (monsoon)	Consistently delivered □2.00 for multiple quarters.	Low
Guidance	Acquisition	Close Hapur-Moradabad, Kaithal, KG assets by end of Q2/early Q3 FY26.	Regulatory approvals in Aug	Secured 96% unitholder vote this quarter.	Medium
Strategy	Refinancing	Shift 25-30% of debt to fixed rate; keep 70% floating.	Execution on next reset	Successfully lowered MCLR by 20 bps this month.	Low
Strategy	WAL Extension	Increase WAL from 14 to 17 years post-acquisition.	Successful unit issuance	On track with binding term sheets.	Medium
Macro	Tariff	3.5% WPI-linked hike implemented for FY26.	Fixed 3% floor ensures stability	Delivered 3.5% across 4 projects.	Low
Balance	Leverage	Maintain Net Debt-to-Value < 49%.	~□4,000 Cr incremental debt cap	Leverage currently conservative at 0.3x.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Param Vora, Trinetra	Financials	"Could the management elaborate on the sustainability of the distribution... can you give a roadmap regarding the dividend yield?"	Management explained that dividends are paid from book profits (primarily MVR) while the rest is interest/ capital reduction to maintain the □2.00 payout. Implies that the DPU is more stable than the PAT, as InvITs distribute cash, not just accounting profits.	Specific % guidance	4.0	Cash over Profit
2	4.5	Satinder Singh, Eon	Management Outlook	"Now what are the next steps in the acquisition process and indicative timelines for completion?"	Management indicated lender and NHAI approvals are in process, with an expectation to conclude the transaction "shortly" or by the end of Q2. Clear timeline reduces execution uncertainty for the □8,436 Cr AUM jump.	None	4.0	Specific timeline
3	4.0	Satinder Singh, Eon	Financials	"Reduction of 50 bps in the repo rate... what is the kind of rate of interest we are looking at as of March 31, 2026?"	Management confirmed a 20 bps MCLR cut already and noted that every 50 bps reduction saves □40 Cr in interest on the post-acquisition debt. Signals a potential 5-7% upside to DPU if the rate cycle turns decisively dovish.	Final exit rate	4.0	Rate tailwind
4	4.5	Siddhesh Choudhary	Capex and Allocation	"Will the promoters also	Management confirmed the	Firm commitment	3.5	Sponsor skin-in

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
				step in with the capital... Have they indicated anything?"	Sponsor is evaluating participating in the fundraising alongside other investors. Sponsor participation would be a major signal of fair valuation and confidence in the private-to-public flip.			
5	4.0	Siddhesh Choudhary	Financials	"Will we be able to maintain this or increase the distribution per unit of □8 post acquisition?"	Management avoided specific guidance but noted that the MVR exit (16% of cash flow) in FY27 will necessitate a reset. The acquisition is designed to offset this expiry, but the final DPU depends on the unit issuance price.	Forward DPU	2.0	Dilution math
6	3.5	Siddhesh Choudhary	Financials	"Inflation is coming down... would we need to revise our NAV... owing to the recent trend?"	Management argued that lower inflation (WPI) is hedged by lower interest costs, where a 100 bps rate cut saves 2x more than a 100 bps tariff loss. Provides comfort that "lower for longer" inflation is net-accretive to equity unitholders.	NAV impact	4.0	WPI Hedge
7	4.0	Siddhesh Choudhary	Business Overview	"Why vehicle movement might be lower in some of the assets?"	Management attributed PA's muted growth to geopolitical/local tensions, while	None	4.0	Regional mix

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					core assets like TC and JD benefit from strategic corridor placement. Reinforces the benefit of portfolio diversification to absorb regional volatility.			
8	4.5	Dhiraj Dave, Samvad	Governance	"Resolution which sought approval did not have any mention of rights issue... [you are] diluting the existing investors."	Management admitted that a Rights Issue takes 5-6 months due to SEBI rules, making it difficult for an immediate acquisition closure. This is a crucial signal that the Trust will likely opt for a QIP or Preferential allotment to ensure speed.	Alternative timeline	3.0	Speed over Rights
9	4.0	Dhiraj Dave, Samvad	Financials	"Tumkur Chitradurga... □91.57 crore of something like NDCF... how much is the premium?"	Management clarified that the entire reported NDCF figure for TC in the presentation pertains to the premium payment itself. Explains why TC's massive traffic growth doesn't immediately spike the DPU.	None	5.0	Premium trap

PATTERN FLAGS & SENTIMENT * **The Dilution Friction:** A clear tension exists between long-term retail unitholders (represented by analyst Dhiraj Dave) and management regarding the fundraising method. Management's push for speed (QIP/Preferential) over the "fairer" Rights Issue route suggests they prioritize closing the deal to fix the asset-depletion clock over protecting current holders from minor dilution. * **Interest Rate Sensitivity:** Management has pivoted their communication to emphasize interest rate savings. With □2,500 Cr current debt and ~□8,000 Cr post-acquisition, the InvIT is becoming a massive "macro play" on Indian interest rates, where a 100 bps cut is now more material than a 2% traffic swing. * **Analyst Sentiment Verdict:** Analysts

are **constructively skeptical**. While they applaud the AUM growth and the WAL extension, they are hostile toward the lack of a Rights Issue. Management's credibility on operations remains high, but their governance posture on dilution is being closely watched. The primary unresolved issue is the **final unit price**; an issuance at a steep discount to NAV would likely trigger a sell-off by existing holders.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3/Q4 FY25)	This Quarter (Q1 FY26)	Direction
Acquisition Status	Non-binding offer for 5 assets.	Binding term sheet for 3 assets; Unitholder approved.	↑
Portfolio Life	WAL ~14 years (Depleting).	WAL ~17 years (Structural extension).	↑
Interest Rate Environment	High rates (8.8% - 8.9%).	First 20 bps MCLR cut received; rate reset beginning.	↑
Pathankot Stability	Susceptible to protest disruptions.	Zero disruption in Q1; traffic normalizing.	↑
Traffic Momentum	TC Growth ~7%.	TC Growth ~14% (Significant acceleration).	↑
Reporting Transparency	Consolidated NDCF only.	SPV-level NDCF reporting initiated (SEBI compliant).	↑
MVR Overhang	Approaching expiry in 2027.	Binding assets acquired to "seamlessly" replace MVR cash.	↑

INVESTOR NOTES: * **The "Premium Trap" is Real:** Investors must realize that the massive traffic growth in the Tumkur-Chitradurga (TC) asset is currently being consumed by NHAI premium payments. The "breakout" in DPU will only occur once these payments are restructured or the debt is refinanced post-acquisition. * **Dilution Watch:** The acquisition equity value of □4,905 Cr is massive. If the Trust issues 60 Cr+ new units (effectively doubling unit capital), the "yield per unit" must be protected. Watch the issue price; anything below □75-80/unit (estimated NAV range) is dilutive. * **The Yield Cushion:** At □2.00/quarter (□8.00 annual), the yield remains ~11-12% at current market prices. This provides a significant margin of safety against the upcoming dilution, as long as the new assets are even marginally accretive. * **Forensic Trigger:** CFO-to-PAT divergence is explained by SPV-level premium payments to NHAI and higher depreciation. This is standard for toll-roads, but the "true" cash flow is currently being trapped to settle sovereign liabilities (premiums).

Conclusion: The thesis has evolved from "Wait and Watch" to "Execution Mode." The business quality is improving through longer asset life, but the next 60 days of capital raising will determine if the equity upside is captured by current unitholders or given away to new investors. (Section 5 end).