IRB InvIT Fund — May 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline / Transition Year **One-line:** The Trust has successfully navigated the "revenue cliff" created by the expiry of its two largest assets, using aggressive 20%+ organic traffic growth and the maiden acquisition of the Vadodara-Kim HAM project to stabilize the long-term distribution profile.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	FY23 DPU of □8.00 meets the revised expectations post-asset expiry.	□
Earnings Quality	Low (Accounting Artifact)	PAT grew 22% while Cash Profit fell 36%; growth is a non-cash result of lower depreciation post-asset expiry.	□
Guidance Confidence	Strong	Successful integration of Vadodara-Kim (HAM) and recovery of Pathankot-Amritsar tolling.	□
Management Credibility	Strong	Delivered a high Q4 distribution (□3.40) via capital reduction to reward patient unitholders during the reset.	□
Business Quality Signal	Improving	Core BOT assets (Tumkur, Omalur) showing 21-23% YoY traffic growth, significantly above GDP.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	—
The Street's Primary Anxiety	Yield Dilution	Fear that new acquisitions (HAM) will offer lower IRRs than legacy BOT; Mgmt responded with high Q4 payout.	□
Capital Cycle Stage	Reinvestment	Actively deploying debt headroom (0.3x Net Debt/Asset) to replace expired cash flows.	□
Margin / Return Ratio Trajectory	Stable	EBITDA margins maintained at 80% despite portfolio churn.	→
Pricing Power	High	WPI-linked tariff revisions of 10-15% successfully implemented across the portfolio.	□
FCF Conversion & Quality	Strong	NDCF of □493.7 Cr remains the primary valuation anchor, reflecting high cash conversion.	□
Competitive Moat Signals	Stable	Assets remain critical Golden Quadrilateral/East-West corridor links with 16-year avg life.	→
Balance Sheet Strength	Strong	Net Debt/Asset at 0.3x; significant headroom vs. 0.49x regulatory cap for future acquisitions.	□
Working Capital Efficiency	Stable	Toll collection is 95%+ FASTag; immediate cash realization at the SPV level.	→
Mgmt Guidance Track Record	Reliable	Consistent history of meeting the 90%+ NDCF distribution mandate since 2017.	□
Key Vulnerability / Red Flag	Asset Concentration	The portfolio now relies heavily on Tumkur-Chitradurga for 40%+ of toll revenue.	□
Management Tone	Confident	PPT focuses on "proven traffic history" and "AAA" rated HAM asset acquisition.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The operational performance of the remaining BOT assets is stellar, with Tumkur-Chitradurga and Omalur-Salem reporting 20%+ YoY volume growth. The acquisition of Vadodara-Kim (HAM) marks a successful pivot to a diversified revenue model (Annuity + Toll), reducing volatility. * **Negatives:** The structural revenue hole is real; Total Income dropped 26% YoY (₹1,038.6 Cr vs ₹1,400.3 Cr) due to the exit of Surat-Dahisar. Finance costs rose 36% to ₹192.6 Cr, partly due to the debt taken to fund the Vadodara-Kim acquisition. * **Street Concern:** Analysts are watching the "Yield Gap." To bridge the gap between legacy BOT returns and new HAM returns, management utilized a ₹1.70/unit capital reduction in Q4 to boost the total DPU to ₹3.40, signaling a commitment to unitholder yields. * **Forward Watchpoint:** The key trigger is the next asset drop-down from the Sponsor's pipeline. With Net Debt at only 30% of asset value, the Trust has ~₹4,000 Cr+ in borrowing capacity to acquire yield-accretive assets.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹ Cr)	1,038.6	↓ 25.8%	N/A	↓	Driven by expiry of Surat-Dahisar and Bharuch-Surat concessions.
EBITDA (₹Cr)	827.9	↓ 28.5%	N/A	↓	Margin remains healthy at 80% despite lower scale.
EBITDA Margin %	79.7%	↓ 300 bps	N/A	↓	81% in FY22; slight compression due to HAM asset inclusion.
PAT (₹Cr)	369.6	↑ 22.1%	N/A	↑	**Accounting artifact:** Depreciation fell 62% as expired assets left the books.
Cash Profit (₹Cr)	630.9	↓ 35.8%	N/A	↓	The "true" earnings metric; fell due to loss of high-cash-flow assets.
NDCF (₹Cr)	493.7	↓ 9.7%	N/A	↓	Net Distributable Cash Flow; utilized to pay ₹8.00 DPU.
Net Debt / Asset (x)	0.3x	↑ 0.23x	N/A	↑	Increased to fund Vadodara-Kim acquisition.
Traffic Growth (Tumkur)	21.0%	↑	N/A	↑	Strong organic recovery on Karnataka stretch.
Traffic Growth (Omalur)	23.0%	↑	N/A	↑	Significant volume beat on the Tamil Nadu stretch.
Distribution (₹/unit)	8.00	↓ 11.1%	N/A	↓	FY22 was ₹9.00; reset to sustainable level post-asset expiry.
Interest Coverage (x)	4.3x	↓ 8.2x	N/A	↓	Higher finance costs from acquisition debt and premium deferment.

2B. SEGMENT BREAKDOWN (Project-wise Gross Toll FY23)

Project	Revenue (□ Cr)	YoY Growth	EBITDA (□ Cr)	Trend	vs Avg	Key Development
Tumkur Chitradurga	377.6	27%	309.2	↑	Above	Largest driver; tariff hiked 10.16% in April.
Jaipur Deoli	154.4	28%	111.6	↑	Above	Solid growth; tariff hiked 10.16% in April.
Omalur-Salem	155.1	30%	105.6	↑	Above	Outperformer; 14.87% tariff hike in Sept 2022.
Pathankot Amritsar	139.7	nc	136.2	↑	Above	Tolling resumed Jan 15, 2023, post-protests.
Vadodara Kim (HAM)	112.5*	New	112.5	New	Neutral	First HAM asset; revenue includes annuity + interest.
Surat Dahisar (Exited)	134.1	↓ 84%	0.0	↓	Below	Concession ended May 2022.

**Note: Vadodara-Kim considered from Oct 13, 2022.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distribution	Distribute min. 90% of NDCF.	Fully distributed FY23 NDCF of □493.7 Cr.	Consistent	Low
Guidance	Acquisitions	Expand portfolio via Sponsor's □23k-25k Cr pipeline.	Needs ~□1,000 Cr acquisition annually to grow DPU.	Delivered (Vadodara-Kim)	Medium
Strategy	Portfolio Mix	Transition to Toll + HAM mix.	Vadodara-Kim provides 'AAA' rated annuity stability.	In Progress	Low
Strategy	Leverage	Maintain Net Debt/Asset < 49%.	Currently 30%; implies □4,200 Cr of debt headroom.	Strong	Low
Macro	Traffic Growth	Leverage 10-15% tariff hikes.	Achieved; Q4 revenue reflects full impact of hikes.	Exceeded	Low
Balance	Rating	Maintain AAA credit rating.	Maintained via India Ratings and CARE.	Reliable	Low

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4. ANALYST Q&A

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

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5. WHAT CHANGED vs PRIOR QUARTER

Based on Prior Context (9M FY23 results):

What Changed	Prior Quarter (9M FY23)	This Quarter (FY23 Full Year)	Direction
NDCF Run-rate	□376.7 Cr (9M)	□493.7 Cr (FY)	□Improving
Distribution Strategy	Periodic quarterly payouts	Shift to Capital Reduction in Q4 (□1.70/unit)	□Strategic Shift
Asset Stability	Pathankot tolled for <3 months	Pathankot fully operational (resumed Jan 23)	□Normalized
Net Debt Position	□2,289.8 Cr	□2,289.8 Cr	→ Stable
Portfolio Life	Transitioning	Average concession life confirmed at ~16 years	□Clarity
Total Income Trend	Down 22.7% (9M)	Down 25.8% (FY)	□Structural Loss

Investor Notes: * **The PAT Distortion:** PAT grew 22% while operational cash profit (the source of your dividends) fell 36%. This is a classic InvIT accounting quirk—when large assets like Surat-Dahisar expire, the heavy depreciation charge disappears, "inflating" PAT even as the cash leaves. Always value this Trust on NDCF, not PAT. * **Capital Allocation Efficiency:** Management used □111.9 Cr of previously "trapped" escrow cash from the ITCTL project to fund the Vadodara-Kim acquisition. This is high-quality capital recycling that avoids equity dilution. * **Yield Protection:** The Q4 distribution of □3.40 (of which 50% was Capital Reduction) is a tactical move. It suggests management is willing to return capital to support the unit price until the next large-scale acquisition is completed. * **WPI Tailwind:** The 14.87% hike in the Omalur stretch and 10%+ in others is a major buffer. In a high-inflation environment, this Trust acts as a strong "real" asset hedge, as evidenced by the 27-30% YoY gross toll revenue growth on remaining assets.

STOP HERE.