IRB InvIT Fund — Oct 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Inline **One-line:** The Trust has successfully navigated the "Revenue Cliff" following the expiry of its two largest assets, sustaining a □2.00/unit distribution through aggressive traffic recovery (+25-50% YoY across key stretches) and high inflation-linked tariff hikes (10.16%).

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Quarterly DPU of □2.00 is consistent with the □7–9/year "new normal" guidance.	□
Earnings Quality	Moderate	EBITDA fell 23% YoY due to asset expiries; Income is inflated by non-cash items (□1.8 Cr H1FY23 vs □94 Cr H1FY22).	□
Guidance Confidence	Neutral	No timeline provided for the next "drop-down" asset; reliance on existing 5 assets for current yield is high.	□
Management Credibility	Strong	Disciplined adherence to distribution policy (minimum 90% NDCF) and smooth handover of legacy assets to NHAI.	□
Business Quality Signal	Stable	Operational portfolio is high-margin (83% EBITDA) but the "handover risk" of Omalur-Salem (Jan-27) is approaching.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	—
The Street's Primary Anxiety	Yield Dilution	Concern that asset expiries would collapse the DPU; management maintained □2.00 by utilizing SPV debt repayments.	□
Capital Cycle Stage	Consolidation	Building debt capacity (D/E 0.28x) for the next phase of inorganic acquisition from the Sponsor.	□
Margin / Return Ratio Trajectory	Stable	Project-level EBITDA margins remain robust at >80% despite the loss of high-volume stretches.	→
Pricing Power	Expanding	Successful pass-through of 10.16% WPI-linked tariff hike effective April 1, 2022.	□
FCF Conversion & Quality	Strong	NDCF (□260.3 Cr) exceeds Consolidated PAT (□176.4 Cr), reflecting strong cash generation over accounting profits.	□
Competitive Moat Signals	Stable	Strategic locations (Golden Quadrilateral) benefit from macro-economic traffic recovery.	→
Balance Sheet Strength	Strong	AAA/AA ratings; Net debt reduced by 8.7% YoY to □1,160.2 Cr.	□
Working Capital Efficiency	Stable	Toll model ensures immediate cash; NDCF includes □144.1 Cr of debt repayment from SPVs.	→
Mgmt Guidance Track Record	Reliable	Consistent distribution track record since listing in 2017.	□
Key Vulnerability / Red Flag	Asset Depletion	The Trust is a "melting cube" without new acquisitions; remaining portfolio life is ~17 years.	□
Management Tone	Confident (PPT)	Focus on ESG standards and re-tolling of Pathankot-Amritsar.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** Traffic momentum is exceptionally strong; Tumkur-Chitradurga (the new anchor asset) saw H1FY23 car traffic grow 35.7% YoY. The 10.16% tariff hike implemented in April provides a significant revenue cushion. The Trust has de-leveraged significantly (D/E 0.28x), providing □4,500 Cr+ in headroom for future acquisitions. * **Negatives:** The exit of Surat-Dahisar and Bharuch-Surat is now fully reflected, causing a 23% YoY drop in H1 EBITDA. The portfolio is now concentrated in just 5 assets, increasing the impact of any localized disruptions (e.g., historical farmer protests). * **The Street's Primary Concern:** Investors remain focused on the "Reinvestment Risk." While organic traffic growth is healthy, the current portfolio cannot grow DPU significantly. The catalyst for a re-rating remains the acquisition of high-yield BOT/TOT assets from IRB Infrastructure (Sponsor). * **Forward Watchpoint:** Monitoring the bidding activity of the Sponsor. The InvIT's future depends on the Sponsor winning new projects and dropping them into the Trust at accretive valuations.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column absent.

Metric	Current H1FY23	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□Cr)	920.9	↑ 38.6%	N/A	↑	Includes non-cash fair valuation income.
EBITDA (□Cr)	417.2	↓ 23.3%	N/A	↓	Impact of exit of 2 major BOT assets.
EBITDA Margin %	45.3%*	↓ 3650 bps	N/A	↓	*Note: Consolidated EBITDA margin diluted by notional accounting items.
PAT (□Cr)	176.4	↓ 2.4%	N/A	→	Decline offset by lower depreciation (-42%).
NDCF (□Cr)	260.3	↑ 4.4%	N/A	↑	Cash flows remain resilient despite asset expiries.
Distribution per Unit (□)	4.05 (H1)	↓ 17.3%	↓ 11.1%	↓	Q2 DPU held at □2.00 (vs Q1 FY23 □2.00).
Net Debt (□Cr)	1,160.2	↓ 8.7%	N/A	↑	Net of cash and bank balances.
Interest Coverage (x)	3.51x	↓ 10%	N/A	↓	Calculated using PBT + Interest / Interest.
Traffic Growth (MAV %)	~14%	↑	N/A	↑	MAV traffic at Tumkur rose from 1.8M to 2.1M YoY.
Net Debt/Equity (x)	0.28	↓ 6.6%	N/A	↑	Conservative leverage allows for expansion.

2B. SEGMENT BREAKDOWN (Project-wise EBITDA Q2FY23)

Project	Revenue (□ Cr)	EBITDA (□ Cr)	Margin	Trend	vs Avg	Key Development
Tumkur Chitradurga	164.7	155.8	94.6%	↑	High	Emerged as the primary cash engine (+28.5% total traffic).
Jaipur Deoli	Not in doc	12.1	—	↑	Neutral	Benefited from 25% YoY traffic recovery.
Pathankot Amritsar	Not in doc	15.9	—	↑	Neutral	Toll collection stabilized post-farmer protests.
Omalur-Salem	Not in doc	16.4	—	↑	Neutral	Traffic up 35% YoY; concession ends Jan 2027.
Talegaon Amravati	Not in doc	41.8	—	↑	Neutral	Consistent performance on East-West corridor.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Distribution	Sustain quarterly DPU.	Q2 at □2.00 matches H1 run-rate; NDCF covers 100% of payout.	Delivered	Low
Guidance	Tariff Revision	Implementation of 14.87% hike for Pathankot (Sept).	Already effective as of Sept 1, 2022.	Delivered	Low
Strategy	Capital Allocation	90% NDCF Payout.	NDCF (□260.3 Cr) vs Payout (~□234 Cr) implies ~90% ratio.	Delivered	Low
Strategy	Acquisitions	Fund through debt/internal accruals.	D/E of 0.28x provides ~□4,500 Cr headroom before hitting 49% cap.	Ready	Medium
Macro	Traffic Recovery	"Robust traffic history" across Golden Quadrilateral.	H1FY23 traffic across all assets is back to pre-covid levels.	Delivered	Low
Balance	Leverage	Maintain Credit Rating.	AAA/AA ratings reaffirmed by India Ratings and CARE.	Delivered	Low

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 (Q1FY23)	This Quarter (Q2FY23/H1FY23)	Direction
Portfolio Composition	Included partial Surat-Dahisar revenue.	Zero revenue from Surat-Dahisar (Fully Handed Over).	□
Tariff Tailwinds	10.16% WPI Hike (April).	Additional 14.87% hike for Pathankot-Amritsar (Sept).	↑
Distribution Split	Int: □1.20	Cap Red: □0.80	Int: □1.25
Traffic Volume (Tumkur)	3.29M (Q1 only)	7.17M (H1 Total)	↑
Net Debt/Equity	0.30x (FY22)	0.28x (H1FY23)	↑
Remaining Portfolio Life	~18 years	~17 years (Anticipated extension of time included).	↓

Investor Notes: * **Earnings Quality:** The CFO-to-PAT ratio (using NDCF as proxy) is **1.47x**. This high conversion is typical for infrastructure assets where non-cash depreciation is significant, but it confirms that the DPU is backed by hard cash, not accounting maneuvers. * **The "Yield Gap":** The exit of Surat-Dahisar has removed the most significant volume generator from the portfolio. While traffic growth on other assets is filling the gap, the Trust's ability to maintain a □2.00 DPU long-term depends on Pathankot-Amritsar maintaining its post-protest momentum. * **Thesis Monitorable:** The "Capital Reduction" component of the distribution (□0.75 in Q2) is a return of capital, not just return on capital. This is expected in a BOT model but underscores the need for inorganic growth to replace the depleting asset base. The massive debt headroom is the primary "option value" for unit-holders.