IRB Infrastructure Developers Limited
Q4 & FY23 Earnings Conference Call
May 19, 2023

Moderator: Good evening ladies and gentlemen, welcome to the IRB Infrastructure Developers conference call for discussing the financial results for the quarter ended March 31, 2023 and financial year ended March 31, 2023 along with recent developments. We have with us on the call today Mr. Virendra Mhaiskar, Mr. Anil Yadav, Mr. Mehul Patel, and Mr. Tushar Kawedia.

As a reminder, all the participants' lines will be in the listen-only mode, and after the opening remarks by the management, there will be a question & answer session. Please note that the duration of the call would be 45 minutes and any queries left unanswered after the call can be subsequently mailed to the management for adequate response and resolution. Please note that this conference is being recorded.

I now request Mr. Anil Yadav to give you an overview of the significant developments during the quarter. Thank you and over to you, sir.

Anil Yadav: Good evening everyone. I welcome all the investors and analysts on the quarterly con-call. Hope you all have been able to go through our detailed numbers as well as presentation release. We are pleased to inform you that our private InvIT has been listed on NSE on April 3, 2023 in line with the SEBI InvIT regulation which requires listing of all InvITs. On the day of listing, the trust has 10 assets spread across 7 states of India and having a balance average concession life of around 21 years and with total enterprise value of more than Rs. 28,000 crores and equity value of more than Rs. 18,000 crores.

The IRB Group has now listed the 3rd entity, i.e., IRB Infrastructure Trust. The combined market cap of all the three entities is more than Rs. 38,000 crores and gross debt for all the three entities is less than Rs. 26,000 crores. The implied debt to equity ratio for the group is very low, i.e., less than 0.7x on gross debt level. This means that IRB Group is well capitalized to grow strongly from hereon by undertaking the large-size projects.

The traffic momentum continues - Mumbai-Pune reports 16% growth for FY23 as compared to FY22 without any tariff revision. Ahmedabad-Vadodara reports 23% growth for FY23 as compared to FY22.

We have also witnessed a robust growth in the private InvIT. Private InvIT portfolio grows at 70% in terms of toll revenue for FY23 as compared to FY22.

Recently, we have bagged two projects, i.e., one upgradation of 6 laning of NH27 from Samakhiyali to Santalpur having a project cost of Rs. 2,132 crores and concession life of 20 years on BOT basis from NHAI in the state of Gujarat. The project will be funded by debt of approximately of Rs. 1,400 crores and balance through equity and internal accruals (IRB's share of equity is less than Rs. 350 crores).

And the second project is in the state of Telangana. It's an 8-lane highway, Hyderabad ORR project, starting at kilometer 0 at Narsingi junction and ending at kilometer 158 at Gachibowli in Hyderabad, in the state of Telangana on upfront payment of Rs. 7,380 crores for a concession period of 30 years. The total CapEx will be around Rs. 8,400 crores which will be funded by debt of Rs. 5,400 crores and balance through equity of Rs. 3,000 crores (IRB's share will be close to Rs. 1,500 crores).

The total order book of the company now stands at Rs. 20,500 crores. EPC order book is close to Rs. 9,000 crores providing good revenue visibility for the next 3 years for construction segment and further bolstered by a 3 years' executable O&M order which is close to Rs. 2,000 crores. This excludes the order book for Hyderabad ORR project. Hyderabad ORR project will add EPC of Rs. 450+ crores and O&M order book of Rs. 14,500 crores. TOT project not only provides a visibility for toll revenue but also significant long-duration O&M order book which provides visibility for construction revenue as well. Including the Hyderabad ORR project, now our O&M order book is more than Rs. 25,000 crores.

As per dividend policy of the company, the Board has declared second interim dividend of 7.5% on face value of equity share Rs. 1 each making aggregate dividend payout for the current financial, i.e., FY23 of Rs. 120 crores.

Now, I will request Shri. Tushar to provide the financial analysis for March 31, 2023. Over to you, Tushar.

Tushar Kawedia: I will brief you about the financial analysis for Q4 FY23 versus Q4 FY22.

The total consolidated income for Q4 FY23 has increased to Rs. 1,699 crores from Rs. 1,683 crores, an increase by 1% over Q4 FY22. For the previous year FY22 in the 4th quarter, we had a one-time income of claim for Goa project. Hence the numbers are not comparable.

The consolidated toll revenues for Q4 FY23 have increased to Rs. 547 crores from Rs. 510 crores in Q4FY22, an increase by 7%.

The consolidated construction revenues for Q4 FY23 has decreased to Rs. 1,151 crores from Rs. 1,173 crores in Q4FY22, a decrease by 2%.

EBITDA for Q4 FY23 decreased to Rs. 838 crores from Rs. 891 crores in Q4FY22, a decline by 6%.

Interest cost has decreased to Rs. 373 crores in Q4 FY23 from Rs. 399 crores in Q4FY22, down by 6%.

Depreciation has increased to Rs. 222 crores in Q4 FY23 from Rs. 189 crores in Q4FY22, an increase by 18%.

PBT has decreased to Rs. 242 crores in Q4 FY23 from Rs. 303 crores in Q4FY22, down by 20%.

PAT before share of JV decreased to Rs. 167 crores in Q4 FY 23 from Rs. 235 crores in Q4 FY22.

PAT after share from JV has decreased to Rs. 130 crores in Q4 FY23 from Rs. 175 crores in Q4 FY22, a decline by 25%.

Cash profit has decreased to Rs. 389 crores in Q4 FY23 from Rs. 424 crores in Q4 FY22, a decrease by 8%.

Now, I request the moderator to open the session for questions and answers.

Moderator: We will now begin the question & answer session. We will wait for a moment while the question queue assembles.

The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Sir, I just had a couple of questions. The first is, the loss at the JV level has increased quite substantially if we look at that compared to the last few quarters. Just some views there. Because, what we were of the impression that it would be at the stable level going ahead.

Management: Alok, Revenue share started in Kishangarh-Gulabpura and Hapur-Moradabad projects in this quater. In the last quarter, the loss from JV was Rs. 12 crores. In this quarter, it has increased to Rs, 37 crores. It means an increase of Rs. 25 crores. And since our share is only 51%, it means the revenue share number is close to Rs. 50 crores for the aforesaid project. As we move to FY24, we have got tariff revision of 5% and also if we expect 5% to 6% kind of traffic growth, then around 10% revenue growth expected in FY24. Considering the last quarter's toll collection was Rs. 565 crores, if we annualize that number, that reaches to close to Rs. 2,300 crores of revenue. 10% of that will be roughly Rs. 230 crores. Whatever impact of revenue share is coming in this quarter, that will get negated by growth in the next financial year.

Alok Deora: What's the run rate we should work with for this.… If I take FY24, how much would this number look like?

Management: For the entire financial year, it should be in the range of Rs. 50 crores to Rs. 60 crores of loss for the next financial year.

Alok Deora: Also just wanted to understand, with the increased WPI, there was a toll price change expected from April 1st for many projects. Have we undertaken that? If you can throw some light on that.

Management: December WPI was close to 4.95% and we have got almost 5% tariff revision in line with the WPI. On Mumbai-Pune Expressway, we got an 18% increase; on NH4, we got a 16% tariff increase.

Alok Deora: All this will come from April onwards?

Management: Yes, 1st April.

Alok Deora: Just one last question from my side. Now, what's the ordering scenario? Because, this year what we understand is due to the election year, the ordering will be there for the first 8-9 months and then it will dry out. Since we have got a very decent order book, how are we approaching it? And also if you could throw some light that how are the BOT toll projects coming up if at all because what we have been anticipating BOT toll projects have not been so much also in the overall NHAI awarding. So, just your views on that, sir.

Management: Our stance continues the same as it was and the priorities will remain BOT, TOT, and HAM in that order. As you know, we have already bagged one large TOT. There are a couple of more TOTs coming up. We are looking at participating in those. At the same time, we expect the BOT pipeline to shape up well. I am sure you would have come across several articles on the piling up of NHAI debt that have been coming around in the last 1 week. And we sincerely feel that there would be an uptick on the BOT ordering. Nevertheless, TOTs with sound CapEx are also something which we can alternatively look at and that is the strategy we will adopt to ensure a good order book intake and good portfolio building exercise.

Alok Deora: For this year, how much order inflow we are targeting?

Management: The way we look at growing the business is a combination of what we can execute and how much capital can we invest. From the investment perspective, we certainly can add another Rs. 10,000 crores worth of assets in the coming year. Whether the asset is in the BOT side or TOT side is something which will be decided basis what comes up for bidding, but certainly the appetite with the company to grow at this pace remains intact after taking into consideration the Hyderabad TOT CapEx.

Alok Deora: One last thing. The Ganga Expressway construction has started. What kind of revenues we would be seeing in FY24 from this particular project?

Management: A run rate of at least a minimum of Rs. 500 crores per quarter taking it to Rs. 2,000 crores to Rs. 2,200 crores for FY24.

Alok Deora: In this HAM project, there were discussions going on about 20% equity by the authorities. Any update on that, sir? Because, actually there is no update we have got from anywhere. If you can just provide any update if that is happening or not happening or….

Management: We haven't heard about that particular initiative as yet.

Moderator: The next question is from the line of Nikhil Kanodia from HDFC Securities. Please go ahead.

Nikhil Kanodia: My first set of questions are based on the guidance. If you can throw some light on the FY24 revenue margin and CapEx guidance and also the equity infusion that we are planning to do in the coming years?

Management: Nikhil, on the next year plan, we are envisaging a contract revenue somewhere between Rs. 4,900 crores to Rs. 5,000 crores, which is almost 10% to 15% up compared to our FY23 numbers. We are expecting stable margins between 23% to 25%. On Toll Income side, Mumbai-Pune has received an 18% tariff hike and the Ahmedabad-Vadodara had 5%. So, a traffic growth of somewhere around 5% to 7% for Mumbai-Pune and similar for AV. The gross toll collection what we are expecting is around 20% to 25% higher than what we have achieved for FY23.

Nikhil Kanodia: What would be the CapEx that you are planning to do in the coming years?

Management: Equity requirement for the next year for us with the existing project is Rs. 1,000 crores for FY24 and another Rs. 250 crores for the next year. This is for the ongoing projects with us. This includes the Samakhiyali project also.

Nikhil Kanodia: With the recent win of the ORR project, going ahead, 1) What is the bid pattern? 2) What sort of projects that we have a chance of winning? 3) The debt numbers would have already gone up. So, what is the leverage that we can take going ahead in the future and the size of the projects that can be won?

Management: I think we need to be seeing the fact that these projects will be executed through the private InvIT platform. 1) Firstly, this debt will not consolidate in the IRB debt. 2) If you look at the equity value of the private InvIT, it stands at around Rs. 17,500 crores. And the debt there is hardly Rs. 10,000 crores. So, we can certainly grow faster in CapEx-heavy projects going forward. We have enough legroom there to grow the asset base.

Nikhil Kanodia: Sir, the leverage on the private InvIT is similar to what we can take in the public InvIT as per the SEBI guidelines?

Management: In fact, we can go higher there, up to 70%.

Moderator: We have a follow-up question from the line of Nikhil Kanodia from HDFC. Please go ahead.

Nikhil Kanodia: Sir, in the guidance front, on the order inflow, I guess I missed the number. Can you please repeat the order inflow guidance for the next year?

Management: On the order inflow, as I said, from a CapEx side, we would target somewhere close to Rs. 10,000 crores. I am not saying whether this will be construction CapEx or TOT or a combination of TOT and BOT but we look at two parameters when we look at incremental order intake that as I said, one is the execution capacity on the construction side and the capacity to infuse the required equity into these projects. The range which we feel we can certainly take in for the upcoming year is around Rs. 10,000 crores. It can be a combination of a BOT and TOT or a TOT and HAM the way the opportunities make themselves available.

Nikhil Kanodia: And sir, the recent ORR project, I guess it is routed through the private InvIT. Have we also received the GIC share of equity infusion in the project?

Management: I think as we clearly have a policy, we endeavor to execute this project through private InvIT, and as soon as we have achieved the financial closure, we would announce the same. We have 120 days to announce the financial closure for the project.

Nikhil Kanodia: Do we have any outstanding credit rating on the project as of now, be it in the provisional or on the actual debt numbers?

Management: For the ORR you mean?

Nikhil Kanodia: That's correct, sir.

Management: For ORR, we are working with the credit rating agency. All of the funding details and the credit rating and how it is going to fit in the overall scheme of things, we will come out with a detailed presentation on SPV.

Nikhil Kanodia: You mean as on date, we don't even have any provision rating on the project, right?

Management: The concession agreement is yet to be signed.

Moderator: The next question is from the line of Teena Virmani from Kotak Institutional Equities. Please go ahead.

Teena Virmani: My question is regarding the equity investment breakup that you have shared; Rs. 1,000 crores for FY24 and Rs. 250 crores for FY25. Does this include the Hyderabad TOT?

Management: No, it doesn't include the Hyderabad equity.

Teena Virmani: So, including that, that would be somewhere around Rs. 1,500 crores upfront for FY24? This will have to be put entirely altogether?

Management: Yes, that's correct.

Teena Virmani: So, effectively, it will be Rs. 2,500 crores for FY24 equity investment?

Management: Yes, that's right.

Teena Virmani: And Rs. 250 crores for FY25 based on the current set of portfolio of projects?

Management: Yes.

Teena Virmani: For meeting this Rs. 2,500 crores of equity requirement, how would that happen? Because, these are the investments which would have to be routed by a core company.

Management: Right.

Teena Virmani: So, how would the funding for this entire Rs. 2,500 crores work out?

Management: We have a good amount of cash on hand plus the cash will be generated during the upcoming financial year. A combination of that plus a part of the equity will be coming from the private InvIT side. All put together, we should very comfortably be able to meet this target.

Teena Virmani: Rs. 1,000 crores are IRB share, not the entire equity. Rs. 1,000 crores for FY24 excluding Hyderabad TOT?

Management: Yes. IRB share excluding ORR is Rs. 1,000 crores and as you rightly said, the Hyderabad number would be in the range of around Rs. 1,500 crores. All put together, Rs. 2,500 crores is the equity commitment that we have on hand for FY24. We are very confident to meet that, we have a plan in place, and we will discuss the details once we have achieved the SPV.

Moderator: The next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: Just a single question, sir. Our toll collections through the private InvIT have been increasing significantly in FY23. Is there any chance of higher dividend payouts in this year and if there is, then can you just quantify that?

Management: We are working on those. You are right that the collections are improving extremely well and there would be a good amount of distribution that should become feasible. At the moment, we would not like to give any specific guidance on that aspect, but your thoughts are rightly placed and that also would come in handy to meet the overall equity requirement.

Nikhil Abhyankar: So, they will be basically used to fund the equity requirement.

Management: Equity requirement for the IRB CapEx.

Moderator: The next question is from the line of Vivek Surekha, an individual investor. Please go ahead.

Vivek Surekha: Sir, my question is on our HAM project. Can you give any guidance on monetization of assets? What I understand when last time you mentioned, we would be moving this.

Management: IRB now has 3 HAM projects which are under various stages of development. As per our stated policy, once we complete the projects and they become eligible for transfer, we will certainly be offering them for sale to either public InvIT or any other investor who is interested to buy it.

Vivek Surekha: So, can we expect any monetization in the balance sheet in '24?

Management: No, I don't think we will be eligible for the same.

Moderator: There are no further questions. I now hand the conference over to Mr. Mhaiskar for closing comments.

Virendra Mhaiskar: Thank you everyone for being on this call. It had been a great year gone by and we look forward to a more engrossing year going forward in terms of growth and look forward to meeting you all again on the first quarter results. Thank you and have a great evening.

Moderator: Ladies and gentlemen, this concludes the conference for today. We thank you for your participation and for using Researchbytes' Conferencing Services. You may please disconnect your lines.