CareEdge RATINGS

IRB Invit Fund (Revised)

January 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,728.18@ (Enhanced from 1,528.18)	CARE AAA; Stable	Reaffirmed
Issuer rating Issuer rating	-	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.
@₹1,651.69 crore outstanding as on December 30, 2024

The rating pertains to debt at the fund level and does not cover the fund's ability to pay envisaged returns to unit holders of the fund or debt servicing ability of underlying special purpose vehicles (SPVs) of the trust

Rationale and key rating drivers

Reaffirmation of ratings assigned to long-term bank facilities and issuer rating of IRB InvIT Fund (IRB InvIT) continue to favourably factor in the diversified portfolio of five matured operational toll assets with established track record of ~12 years on an average and one Hybrid Annuity Mode (HAM) project with track record of receipt of five annuities over 2.5 years. The portfolio is spread across six states with all projects under concession with National Highway Authority of India (rated CARE AAA; Stable). Ratings continue to derive comfort from robust debt metrics and leverage position. The consolidated debt/enterprise value (EV) remains comfortable at ~30% as on March 31, 2024 (without deferred premium).

In the current fiscal, the company has received sanction of ₹2,735 crore debt (for a longer tenor against existing debt) which has been used to refinance existing borrowings at InvIT level (₹1,501 crore as on March 31, 2024). The remaining amount (₹1,020 crore) is yet to be availed and will be used to refinance borrowings at VK1 ExpressWay Limited (VKEL) on receipt of approval from NHAI. Post refinancing, there will be no debt at SPVs level. With the refinanced debt, the debt/EV is expected to be at 34%. CARE Ratings Limited (CARE Ratings) expects leverage to remain comfortable, going forward with debt/EV to remain below 49%, breach of which shall be a key rating sensitivity.

The fund has reported a net toll revenue growth of 10% in FY24 (adjusted for the projects where concession period has ended) over FY23 and 3.7% in H1FY25 over H1FY24. The lower toll growth collection in current fiscal is mainly due to impact of general elections and incessant rains. Four projects have received toll revision as on June 2024, due to the election code, which has impacted toll collection as well. The toll collections are expected to improve in the second half of fiscal 2025. The HAM project under InvIT has received five annuities in a timely manner till September 2024

Ratings continue to factor in support from the pooling of cash flows at SPV level which ensures availability of the cash flows towards debt servicing, periodic maintenance expenses and major maintenance at consolidated level. Ratings also favourably considers the significant experience and established track record of the project manager/sponsor - IRB Infrastructure Developers Limited, and the fixed-price contract for 10 years executed in FY20 by all underlying SPVs for meeting operation and maintenance (O&M) and major maintenance and repairs (MMR) requirements.

However, rating strengths are tempered by inherent revenue risk associated with toll-based road projects, exposure to operation & maintenance (O&M) and major maintenance risk, interest rate risk arising out of floating rate of interest for the outstanding debt and high project leverage (including deferred premium). Higher-than-envisaged debt-funded asset acquisition by the IRB InvIT may have a bearing on debt coverage indicators and thus constitutes a key rating monitorable.

CARE Ratings also notes of receipt of a preliminary and non-binding offer (NBO) from IRB Infrastructure Trust for acquisition of five toll projects. The NBO is preliminary and subject to diligence and receipt of requisite approvals. CARE Ratings would continue to closely monitor further developments related to this acquisition and take appropriate rating action.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not Applicable

Negative factors

- Significant decline in toll collection or increase in O&M expenses leading to debt-service coverage ratio (DSCR) falling below 2x on a sustained basis.
- Any adverse change in the capital structure and /or debt coverage indicators due to incremental debt raised
- Non-adherence of any covenants as per sanctioned terms.
- Any systemic risk or regulatory changes adversely impacting InvIT' s credit profile

Analytical approach: Consolidated.

CARE Ratings has considered combined business and financial risk of the trust at consolidated level. Lenders of the trust have first charge on the escrow account and receivables of the fund arising from principal and interest payment of loans by the trust to subsidiaries as per annexure-6.

Outlook: Stable

IRB InvIT' s business and financial risk profile are expected to remain stable aided by healthy toll collections, comfortable leverage indicators and strong liquidity.

Detailed description of key rating drivers:

Key strengths

Diversified and established track record of InvIT portfolio:

InvIT consist of five matured operational toll assets and one HAM asset. Toll projects encompassing length of 2,231 lane Km are geographically diversified with two road projects, out of five, part of Golden quadrilateral. The road assets are spread across Maharashtra, Rajasthan, Karnataka, Tamil Nadu, Gujarat and Punjab and have average operational track record of ~12 years. Diversification significantly mitigates business risk of the InvIT by reducing its reliance on any specific region or project and consequently reducing the potential impact of any unforeseen event emerging in any particular region and/or with respect to any particular project.

The fund has reported a net toll revenue growth of 10% in FY24 (Adjusted for the projects where concession period has ended) over FY23 and 3.7% in H1FY25 over H1FY24. Lower toll growth collection in H1FY25 is mainly due to impact of general elections and incessant rains along with lower WPI. Also, four projects have received the toll revision w.e.f from June 2024 due to the election code and the same has impacted the toll collection as well. The same is expected to improve in H2FY25. VEPL has received five annuities till September 2024, in a timely manner without any major deduction.

Satisfactory leverage and debt coverage:

The leverage of fund as on March 31, 2024 stood at ~30% (excluding premium). In the near term, the leverage is expected to remain satisfactory with debt to enterprise value envisaged to remain below 49%, with a portfolio comprising of only operational road assets.

In the current fiscal, the company has received sanction of ₹2,735 crore debt (for a longer tenor against existing debt) which has been used to refinance the existing borrowings at InvIT level (₹1,501 crore as on March 31, 2024). The remaining amount (₹1,020 crore) is yet to be availed and will be used to refinance the borrowings at VK1 Express Way Limited (VKEL) on receipt of approval from NHAI. Post the refinancing, there will be no debt at SPVs level. With the refinanced debt, the debt/EV is expected to be at 34%.

Debt coverage indicators are estimated to remain strong with DSCR over the entire debt tenor to remain close to 2x.

The Trust is in receipt of a preliminary and NBO from IRB Infrastructure Trust (Private InvIT of IRB group) for acquisition of five toll projects. The NBO is preliminary and subject to diligence and receipt of requisite approvals. Going forward, any acquisitions without the support of cashflows thereby impacting the debt coverage will remain a key rating sensitivity.

Established track record of the sponsor, investment manager and project manager of the Fund:

IRB Infrastructure Private Limited (IIPL) is the investment manager of the fund. It has experience in operating a road BOT basis for two decades and in developing, operating and maintaining toll plazas. IRBIDL is the Project Manager of the Fund to carry out O&M of the project SPVs. IRBIDL has considerable experience in the execution of construction work for roads and highways including National Highways (NHs).

Cash flow support via premium deferment:

Of the five project SPVs under IRB InvIT Fund, one of the project SPVs, IRB Tumkur Chitradurga project (IRBTC) had to pay an annual fixed premium of ₹140.4 crore from first year of concession period (FY12) with an annual rise of 5% per annum. Considering insufficient toll generation as against the premium to be paid in (IRBTC) in initial years of tolling, NHAI had approved deferment of premium obligation over FY15-FY24, thereby providing temporary relief by shifting the payment thereof post FY25. The deferred premium is to be repaid to NHAI along with an interest @2% over RBI Bank rate. The outstanding deferred premium along with interest thereon stands at ~₹656 crore as on March 31, 2024. The premium payment is being made in accordance with the cash surplus accruing to the IRBTC.

Key weaknesses

Risks inherent in BOT toll road projects

The toll revenues are a function of toll rates and traffic volumes. Traffic volumes are directly or indirectly dependent on multiple factors, including the location of the road project (connecting areas and their commercial importance), the quality, convenience and travel efficiency of alternative routes outside the network of toll roads, etc. The traffic is exposed to political risks too with the Pathankot-Amritsar stretch witnessing farmer protests and suspension of toll in the recent past. However, comfort can be drawn from the diversified asset base of InvIT, the potential impact of any unprecedented event occurring in any particular region and/or with respect to any particular project.

Exposure to O&M and MM risks

Any material breach in the O&M and MM requirement may result in the contract being terminated by NHAI. All the SPVs have entered into a fixed-price agreement for O&M and MM requirement for a period of 10 years with the sponsor company IRB Infrastructure Developers Limited (IRBIDL) till FY30. The new refinanced debt stipulated the creation of major maintenance reserve account (MMRA) which provides additional comfort. The expenses as contracted with IRBIDL are low as compared to CARE Ratings' benchmark. Therefore, the substitution risk pertaining to O&M contractor is perceived high. The maintenance contract is a fixed price contract which when combined with past experience of the project manager/O&M contractor in the road sector mitigates the risk to a certain extent. Nevertheless, considering the CAREs benchmark, the average DSCR is estimated remain above ~1.5x. Going forward, higher than envisaged outlay towards O&M/MM will impact Debt service coverage indicators and is a key rating sensitivity.

Refinancing Risk

The assets in the portfolio have various concession end-dates ranging from FY23 to FY39 (including extension - till FY43). The refinanced debt has a repayment schedule till March 2038 (FY38) with majority of the repayments in the last four years. There is no tail period for the loan, however the toll assets have applied for extension in concession period, such extension when accorded by authority would thereby support the project finance flexibility.

Liquidity: Adequate

In line with the InvIT regulations, over 90% of net distributable cash flows (NDCF) of IRB InvIT Fund is being distributed to unit holders after servicing debt and meeting all operating expenses of the IRB InvIT. Hence, the IRB InvIT does not maintain any significant liquid funds. The debt obligations towards principal and interest repayment due for FY25 stands at around ₹304 crore (on Consolidated basis) with adequate toll collections against the same. In line with the sanctioned terms, the Fund is maintaining a Debt servicing Reserve Account (DSRA) balance of ₹128.55 crore as on September 30, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Consolidation
Issuer Rating
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Road Assets-Hybrid Annuity
Infrastructure Investment Trusts (InvITs)
Infrastructure Sector Ratings
Road Assets-Toll

About the company and industry

Industry classification

Macro economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

IRB InvIT Fund is a Trust registered under the SEBI's Infrastructure Investment Fund Regulations 2014 and is sponsored by IRB Infrastructure Developers Limited. The fund owns, operates and maintains a portfolio of five toll - road assets and one HAM in Maharashtra, Rajasthan, Karnataka Tamil Nadu, Gujarat and Punjab. These toll roads projects are Jaipur–Deoli NH 12, Tumkur– Chitradurga NH 4, Omalur–Salem–Namakkal NH 7, Talegaon–Amravati NH 6 and Amritsar-Pathankot NH15. The HAM project is operated under VK1 Expressway Limited.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	1,442	1,062	532
PBILDT	807	862	447
PAT	370	373	171
Overall gearing (times)	0.76	0.78	-
Interest coverage (times)	5.44	4.09	-

A: Audited Prov – Provisional; Note: 'the above results are latest financial results available'
Note: These are consolidated financial results

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2037	2728.18	CARE AAA; Stable
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE AAA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	2728.18	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Jan-24)	1)CARE AAA; Stable (01-Dec-22)	1)CARE AAA; Stable (04-Oct-21)
2	Issuer Rating-Issuer Ratings	LT	0.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Jan-24)	1)CARE AAA; Stable (26-Dec-22) 2)CARE AAA (Is); Stable (01-Dec-22)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Issuer rating-Issuer ratings	Not applicable

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No		Name of the entity	Extent of consolidation	Rationa
1		IDAA Infrastructure Ltd.@	Full	W
2		IRB Surat Dahisar Tollway Ltd@	Full	W
3		IRB Jaipur Deoli Tollway Ltd.	Full	W
4		IRB Tumkur Chitradurga Tollway Ltd.	Full	W
5		MVR Infrastructure & Tollways Ltd.	Full	W
6		IRB Talegaon Amravati Tollway Ltd.	Full	W
7		IRB Pathankot Amritsar Toll Road Ltd.	Full	W
8		VK1 Expressway Limited	Full	W

@The concession for the projects have been completed and have been handed over to the authority.

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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