

Issue Detail	
Type	100% Book Building
Issue Size	Rs. 4700 Crore
Offer Price	*Rs (100-102)/Equity Share
Min App Size	10000 Shares
Issue Open	3-May-17
Issue Close	5-May-17
Shares Offer	45.6 Cr.
Face Value	Rs 10
Lead Mgrs	Credit Suisse Securities (India) Private Ltd , ICICI Securities Ltd, IDFC Bank Ltd , IIFL Holdings Ltd.
Listing	BSE, NSE
Registrar	Karvy Computershare Pvt Ltd

No of shares	
Offer for Sale	34,761,770
Fresh Issue made	421568627

option to retain oversubscription upto 25% of issue size.

Company Overview

IRB InvIT Fund is a registered infrastructure investment trust under the InvIT Regulations. They primarily intend to own, operate and maintain a portfolio of six toll - road assets in the Indian states of Maharashtra, Gujarat, Rajasthan, Karnataka and Tamil Nadu. These toll roads are operated and maintained pursuant to concessions granted by the NHAI.

IRB Infrastructure Developers Limited (the "Sponsor") is, one of the largest infrastructure development and construction companies in India in terms of net worth in the roads and highways sector according to the NHAI's annual prequalification for public private partnerships in national highway projects report for 2016. Excluding the toll-road assets that will be transferred by IRB to them, as of December 31, 2016, IRB has 16 road projects, of which eight are "operational", five are "under construction" and three are "under development". They wish to acquire an initial portfolio comprising of the Project SPVs, all of which are currently either wholly or majority owned by IRB and its subsidiaries.

The Trust has been settled by the Sponsor pursuant to the Indenture of Trust in Mumbai, India, as an irrevocable trust in accordance with the Trusts Act. The Trust was settled with an initial settlement amount of Rs. 10,000 by the Sponsor.

These toll roads projects are Bharuch-Surat NH 8, Jaipur-Deoli NH 12, Surat-Dahisar NH 8, Tumkur-Chitradurga NH 4, Omalur-Salem-Namakkal NH 7 and Talegaon-Amravati NH 6. While Surat-Dahisar and Bharuch-Surat project has concession period tenure till January 2022 and Omalur-Salem-Namakkal till August 2026, other projects have concession tenures ending in June 2037. Sponsor has 22 BOT road projects on hand as on 31st December 2016 out of which 14 are operational, 5 are under construction and 3 are under development. Futures of all these projects are based on the daily traffic volumes, inflation and regulatory changes. Trust will follow factoring of WPI in the pricing of the projects.

Company Strength

> Company has diversified road project portfolio and revenue base. The geographic diversity of the Initial Road Assets will play a significant role in developing experience and expertise, including ability to evaluate, acquire, operate and maintain new projects. The geographically and temporally diverse project portfolio provides with an advantage in capitalizing on new opportunities available in the roads and highways sector .

> Company has Experienced Sponsor, Investment Manager and Project Manager with consistent track records in operating and maintaining projects in the roads and highways sector in India . The Sponsor is one of the largest infrastructure development and construction companies in India in terms of net worth in the roads and highways sector with a large project portfolio of 8,183 Lane Kilometres of roads and highways in operation, under construction or under development, excluding the Initial Road Assets, as of December 31, 2016.

> The Net Proceeds will be used to repay and replace a significant portion of the Project SPVs' existing indebtedness. The resulting low leverage will provide them with debt capacity to grow their business, including by financing future acquisitions. They intend on financing future development and acquisitions through the issuance of additional Units .

Recommendation

IRB InvIT FUND is India's first registered infrastructure investment trust. IRB has bundled six of its operational toll road assets and transferred them to the Trust.

The Trust generates income in the form of toll collection from these road assets and interest on cash in their books. According to SEBI guidelines, the Trust needs to distribute at least 90 percent of this distributable cash to the unit holders in the form of dividend, which will be tax free. The Trust also is exempted from dividend distribution tax.

Based on projected cash flow on the basis of estimated growth in traffic and inflation-linked increase in toll charges, at an upper price band of IPO (Rs 102), the dividend yield will be close to 10%. Excessive investor interest may also lead to some price appreciation post-listing.

Risk attached to the issue is that the regulatory framework governing infrastructure investment trusts in India is untested and the interpretation and enforcement thereof involve uncertainties.

Objects of Issue:

The object and purpose of the Trust, as described in the Indenture of Trust, is to carry on the activity of an infrastructure investment trust under the InvIT Regulations, to raise resources in accordance with the InvIT Regulations, and to make investments in accordance with the investment strategy of the Trust. The Trustee and the Investment Manager shall ensure that the subscription amounts are kept in a separate bank account in the name of the Trust and are only utilised for adjustment against Allotment of Units or refund of money to the applicants until such Units are listed.

Utilization of Net Proceeds

	Particulars	Estimated Amount
1	Investment in the Project SPVs by way of an issue of debt	4200 Cr.
2	General purposes	[●]

	Particulars	Amount Outstanding as on December 31,2016 (Cr.)	Amount Proposed to be Repaid/Prepaid (Cr.)
1	Repayment/prepayment, in part, of certain loans/facilities availed by the Project SPVs from their respective senior lenders		
a	Loans/facilities availed from senior lenders that are not associates of GCBRLMs and BRLM	2121.4	1060
b	Loans/facilities availed from senior lenders that are associates of GCBRLMs and BRLM	1,391.28	1,368.16
2	Prepayment, in full, of the subordinate debt provided to certain Project SPVs by the Sponsor and the Project Manager	698.50	698.50
3	Prepayment, in full, of certain unsecured loans and advances availed by certain Project SPVs from the Sponsor, the Project Manager and certain members of the Sponsor group	741.74	741.74
4	Repayment/prepayment, in part, of the balance portion of certain loans/facilities availed by the Project SPVs from their respective senior lenders		10,14.9
	Total	4952.921	3868.4028

Trust will have key investment conditions as under:

- 1 Invest at least 80% of the value of the assets in completed and revenue generating infrastructure assets
- 2 Balance 20% can be invested in under-construction infrastructure projects and securities of infrastructure companies in India (cannot invest in units of other InvITs)
- 3 InvIT should hold (directly or through SPVs) the infrastructure assets for at least 3 years from the date of purchase of the asset by the InvIT (except investment in securities of infrastructure companies)
- 4 Investment into SPVs is subject to the InvIT holding a controlling interest (at least 51% of equity share capital) in the SPVs

On dividend policy, investors are likely to get rewards based on

- > At least 90% of distributable cash flow of the SPV shall be distributed to the InvIT in proportion to its
- > At least 90% of distributable cash flow of the InvIT shall be distributed to the unit holders
- > Dividend declared to be paid within 15 days; distributions to the unit holders to be made on a half yearly basis (however, management has intention to distribute dividends on quarterly basis as informed during road show. Such dividends will be totally tax free in the hands of the Unit holders.)

InvIT project Details

Project SPV	Project	Lane Kms	Commencement of concession period	Commencement of toll collection	End of concession period with no reduction or extension	Trust's equity interest upon the listing of the units	Gross toll revenue in FY2016	Residual Concession period as of 31st Dec 2016 with no extension
ISDTPL	Surat-Dahisar NH8	1434	Feb 20,2019	Feb 20,2009	19-Feb-21	100%	613.476	4.14 yrs
ITCTPL	Tumkur-Chitradurga NH4	684	June 4,2011	June 4,2011	3-Jun-27	100%	201.91	20.43 yrs
IDAAIPL	Bharuch-surat NH8	390	Jan 2,2007	25-Sep-09	1-Jan-22	100%	193.552	5.01 yrs
IJDTPL	Jaipur-Deoli NH12	565	June 14,2010	27-Sep-13	13-Jun-35	100%	120.617	18.45 yrs
MITPL	Omalur- Salen-Namakkal NH7	275	14-Aug-06	6-Aug-09	13-Aug-26	74%	74.939	9.62 yrs
ITATPL	Talegaon-Amravati NH6	267	3-Sep-10	24-Apr-13	2-Sep-32	100%	47.217	15.67 yrs

Ratings

The Trust has been assigned a rating of CARE AAA(Is) stable by CARE ratings indicating an opinion on the general creditworthiness of the trust and has not rated the Units of the Trust. India Ratings has assigned IND AAA Outlook Stable to Trust's external senior debt reflecting combined credit quality of the underlying assets and has not rated the Units.

Competitive Risks

> The debt financing proposed to be provided by the Trust to each of the Project SPVs comprises certain unsecured, interest-free and interest-bearing loan as well as loans that will be secured by a charge on (i) the cash flows deposited in the escrow account and (ii) the escrow account of such Project SPV which shall be subordinated to the charge created to secure the debt owed to the senior lenders of the respective Project SPVs (the "Secured Trust Financing"). The Project SPVs propose to undertake additional obligations in relation to such deposits, including, among other things, the creation of a cash reserve of not less than 15% of the amount of the deposits maturing during a financial year and the immediately succeeding financial year, the appointment of a security trustee for secured deposits and obtaining deposit related insurance

> The escrow arrangements mandated under the concession agreements require all monies that are received by each Project SPV, including funds constituting the financing package, the fees collected from the operation of the Initial Road Assets and any termination payments received from the NHAI, to be deposited in an escrow account and utilised only in accordance with the order prescribed under the escrow agreement. The consent of the NHAI is required to amend the order of outflow of payments from such escrow account.

> The regulatory framework governing infrastructure investment trusts in India is untested and the interpretation and enforcement thereof involve uncertainties, which may have a material, adverse effect on the ability of certain categories of investors to invest in the Units, our business, financial condition and results of operations and our ability to make distributions to Unitholders.

> The Sponsor currently holds 74% of the equity share capital of MITPL, and its ability to acquire the residual 26% of the equity share capital from the other shareholders of MITPL is subject to obtaining NHAI's consent. In case of any delay or failure to obtain such consent, the Sponsor may be unable to acquire such equity shares in a timely manner or at all and the Trust may be unable to acquire 100% of the shareholding in MITPL from the Sponsor prior to listing of the Units or at all.

Financials Snap Shot

Profit & Loss Account (Cr.)	31 Mar 14	31 Mar 15	31 Mar 16	Ratio	31 Mar 14	31 Mar 15	31 Mar 16
Revenue (Net)	745.2	900.3	986.7	Profitability Ratios			
Other Income	17.3	16.1	17.1	RoE	12%	12%	17%
Total Revenue	762.5	916.4	1,003.8	RoCE	12%	12%	17%
Road work and site expenses	48.0	142.6	128.4	Liquidity Ratios			
Employee benefits expense	16.0	17.4	20.9	Net Debt/Equity	1.981	2.031	1.999
Other expenses	11.7	12.2	11.2	Interest Coverage Ratio	101.5	-95.1	18.7
Total Expenses	75.7	172.3	160.5	Issue Information			
EBITDA	686.8	744.1	843.3	Type	100% Book Building		
Depreciation and amortisation exp	68.7	74.4	84.3	Issue Size	Rs. 4700 Crore		
EBIT	618.2	669.7	759.0	Offer Price	*Rs (100-102)/Equity Share		
Finance Costs	375.6	444.8	434.8	Min App Size	10000 Shares		
Profit / (loss) before tax	242.6	224.8	324.2	Issue Open	42858.0		
Tax expenses	2.4	-2.4	17.3	Issue Close	42860.0		
PROFIT AFTER TAX	240.2	227.2	306.9	Shares Offer	45.6 Cr		
Other comprehensive income	0.1	0.0	-0.1	Face Value	Rs 10		
Profit before Tax	240.3	227.2	306.8				
Balance Sheet (Cr.)	31 Mar 14	31 Mar 15	31 Mar 16	Cash Flow (Cr.)	31 Mar 14	31 Mar 15	31 Mar 16
Share Capital	1111.6	1114.6	1114.6	Profit/(Loss) before tax	(45.2)	(126.1)	(59.1)
Subordinated debt (in nature of e	695.6	698.5	698.5	Adjustments			
Other equity	215.6	91.6	15.2	Interest expense	347.4	413.9	398.7
Net Worth	2022.7	1904.7	1828.2	Depreciation and amortisation expenses	356.4	425.4	467.6
Borrowings	4006.9	3868.2	3655.2	Dividend income on current investments	(0.0)	(0.0)	(0.4)
Other financial liabilities	6959.2	6867.3	6662.6	Interest income	(12.2)	(10.1)	(9.6)
Provisions	121.5	73.5	109.4	Operating profit before working capital ch	646.4	703.0	797.3
Non - current liabilities	11087.6	10809.0	10427.2	Movement in working capital			
Borrowings	677.8	677.8	643.6	Increase/(decrease) in trade payables	(44.3)	35.4	(29.5)
Trade payables	7.6	43.0	13.4	Increase/(decrease) in other liabilities	9.8	0.6	(10.9)
Other financial liabilities	383.8	421.0	545.4	Increase/(decrease) in other financial liabi	(139.3)	(163.9)	(152.1)
Other current liabilities	12.9	13.9	3.0	Increase/(decrease) in provisions	0.2	43.8	35.8
Provisions	0.2	0.1	0.1	Decrease/(increase) in trade receivables	(0.7)	0.8	0.7
Current tax liabilities	3.8	3.3	1.4	Decrease/(increase) in financials assets-lo	(4.0)	(129.9)	(70.2)
Current liabilities	1086.1	1159.0	1206.9	Decrease/(increase) in others financial ass	18.0	3.0	1.9
Total Liability	14196.5	13872.7	13462.3	Decrease/(increase) in others assets	139.5	8.3	(4.2)
Fixed Asset	13047.0	13466.3	13940.6	Cash generated from / (used in) operatio	625.6	501.1	568.7
Deferred tax assets	44.8	49.2	36.7	Direct taxes paid (net of refunds)	0.8	1.3	7.6
Other non-current assets	3.0	1.1	0.5	Net cash flows from operating activities	624.9	499.8	561.1
Total Non-current assets	13094.8	13516.6	13977.9	Net cash flows from investing activities	(454.0)	(26.6)	(37.2)
Trade receivables	20.4	17.8	14.8	Net cash flows from financing activities	(271.8)	(463.3)	(548.3)
Cash and cash equivalents	173.8	180.8	160.6	Net increase/(decrease) in cash	(100.9)	9.9	(24.5)
Loans	0.1	125.3	190.4	Cash at the beginning of the year	173.5	72.5	82.4
Current tax assets	3.5	2.2	3.2	Cash at the end of the year	725.4	824.0	579.4
Other current assets	10.7	4.3	9.0				
Total asset	13303.2	13846.9	14355.9				