

"InvIT provides a window for unlocking invested capital"



With IRB raising Rs 5,035 crore by unlocking six projects, **Virendra Mhaiskar, Chairman and Managing Director**, says that the entity would repay the entire debt on these Special Purpose Vehicles (SPVs), amounting to Rs 3,350 crore.

Why has IRB chosen the InvIT route to raise funds?

(It was due to) SEBI's announcement if the infrastructure investment trust (InvIT) regulations have provided a window to developers to unlock their invested capital in completed infrastructure projects by transferring their 100 per cent ownership to an InvIT at a price based on valuation done by an independent valuation.

To enable IRB to participate in the ever-growing opportunities of road building, we decided to unlock some capital in completed projects by transferring them to an infrastructure investment trust, which will be run by an efficient and independent Board and professionals.

The trust will have six completed road assets, covering over 3,000 lane-km, spread across five states with an average concession period of 16 years.

Having invested substantial capital in the project over the past two decades, we believe that the time is right, where some unlocking of value can be comfortably done, because we have a pipeline of projects that is stable in nature, generating good cash flows.

The trust will be raising Rs 5,035 crore as a part of this first public offering which includes a base issue of Rs 4,300 crore, OFS and oversubscription.

Tell us about the total capital employed at these six projects...

The enterprise value of these six projects would be around Rs 5,922 crore, which we are talking to the public. They are likely to generate a

mind-boggling distributable post-tax EBIDTA of approximately Rs 26,800 crore, and an enterprise value of assets valued at Rs 5,922 crore.


Importantly, IRB as a sponsor would be holding Rs 900 crore worth of units, which is 15 per cent of the enterprise value. All the six projects have a proven track record and have been operational for a good number of years and have demonstrated significant revenue CAGR of 11.4 per cent since they have become operational.

How is IRB likely to utilise the raised amount? What is the purpose behind this fund-raising?

The user process would be primarily used to repay the entire debt on these underlying SPVs. The majority of the money (amounting to Rs 3,350 crore) would be utilised to repay external debt of the underlying SPVs, and the balance Rs 1,700 crore would be utilised to pay back the sponsor's sub-debt and equity.

As a result, a 12 per cent yield would be an unlevered yield at the trust end, and the trust would have more external debt to begin with.

Give us an idea about your total operational assets...

As private sector participants, IRB has been at the forefront of investing substantial capital in excess of Rs 19,000 crore in projects completed, and (has) also committed another Rs 1,100 crore towards projects under execution. Considering operational and under-construction projects, we have close to Rs 30,000 crore road projects in our kitty. The total road portfolio of IRB today spans across 10,000 lane-km, comprising 22 projects, across eight states, of which 14 projects are already operational. 

- RAHUL KAMAT

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