

**“India Grid Trust Limited
Q2 FY2018 Earnings Conference Call”**

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Moderator: Ladies and Gentlemen, good day and Welcome to the India Grid Trust Q2 FY2018 Results Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I would now like to hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities Limited. Thank you and over to you, Sir!

Swarnim Maheshwari: Thanks, Stanford. Hi everyone on behalf of Edelweiss I welcome you all to the India Grid Q2 FY2018 Earnings Conference Call. We have with us today Mr. Pratik Agarwal – CEO and Mr. Harsh Shah – CFO of Sterlite Investment Managers, who are representing India Grid Trust on the call. I would now request Mr. Pratik Agarwal for his opening remarks post which we can start the Q&A. Thanks and over to you Sir!

Pratik Agarwal: Thank you, Swarnim. Good evening ladies and gentlemen. My name is Pratik Agarwal and I am the Chief Executive of Sterlite Investment Managers Limited, investment manager to India Grid Trust. Thank you for joining us today for our second call for the quarter ending September FY2018. We will be referring to the presentation that is available on our website and some of the information on today’s call may be forward looking in nature and will be covered by the disclaimer which is on page two of the presentation.

So with that I will get started. I will spend about five to seven minutes going over our strategy, vision, and a general update on our growth strategy and then I will hand over to Harsh Shah, Chief Financial Office to take through more details about our specific results and the recent M&A transaction that we have announced. Starting with page five of the presentation, I will give a quick recap of who is IndiGrid and what is it that we do. IndiGrid is India’s first power sector infrastructure investment trust, focused on owning high-quality power transmission assets across India. We have a portfolio of eight lines, two substations which are fully operational and revenue generating. The total assets under management are just over Rs.37 billion. IndiGrid is focused on providing stable and sustainable distribution to its unit holders and it is also focused on growing the distribution through its strong growth pipeline and through the ROFO assets of its sponsor.

IndiGrid’s vision on the next page as mentioned here and I will read verbatim, is to become the most admired yield vehicle in Asia which is built upon solid fundamentals of transparency, governance and providing superior risk adjusted returns to unit holders. We would like to have assets under management of about 300 billion which is Rs.30,000 Crores and we would like to consistently deliver our DPU in a predictable manner as well as our growth and we will continuously focus on best in class corporate governance.

On the next slide, we have the four pillars of our strategy. We have pillar one which is a focused business model, focused on owning power transmission assets with long-term contracts, low operating risk, stable cash flows, and low counterparty risk. We will pursue value accretive growth and we have guided towards a 3% to 5% distribution per unit growth year-on-year. We will acquire assets not only through the ROFO agreement with our sponsor but also through third party sources. We will optimize the capital structure to be compliant with the regulator but also do whatever it takes to deliver the right returns and follow right risk policies which are in place and we will endeavour to maximize distribution to the unit holders and at the moment in our last board meeting we have approved on a quarterly distribution policy as opposed to the required half yearly distribution policy.

So moving on from here I will now spend a few minutes giving you an update on our growth strategy at IndiGrid. As you know and I will cover the sector update in a second, but just to give you a quick outline. India continues to have a very deep requirement of power transmission and a very strong regulatory framework under which power transmission assets are built, owned, and operated by private sector players like IndiGrid and Sterlite Power. On page 9, we have a quick depiction of how we see our topline growing over the next four years and as you can see, we have showcased a topline growth from 4.4 billion which is today reaching nearly 22 billion in FY2022 or perhaps before that. It is important to note that this growth that has shown here is purely from the assets owned by sponsor; and above and beyond this we will continue to pursue third party assets and let us also remember that our sponsor continues to bid on more projects which will add to the pipeline for IndiGrid. So just to reiterate, we have clear visibility on 4x growth just from the existing pipeline of assets available with this sponsor.

On the next page, we are giving you a quick snapshot of the kind of pipeline that is there in the country which our sponsor continues to bid on as you may know from our IPO material, our sponsor has a rough 30% market share of all projects awarded in the country so far and continues to have the exceptional track record of highest number of commissioned projects and also commissioning projects ahead of schedule. On this sheet, we see close to 10 or 12 projects, which have an estimated project of about Rs.10,000 Crores and all of this can be expected to be awarded in the next 6 to 12 months and this is just one snapshot. There are many opportunities which keep accumulating as time goes by.

On page 11, I would like to give you a quick update which is my perspective of the power sector and how that is likely to impact growth in power transmission in the country. As all of you know the government has taken many steps in the last three years to revive the power sector. It has taken steps in the consumption side to schemes like Uday scheme by which it has restructured loans of various Discoms and this had led to material increase in power consumption and a material decrease in AT&C losses

of those Discoms, which are being reported on a month-by-month basis by the government. This has led to an opening up of the pent-up demand that is always existing in the country for power. There are more than 200 million consumers who are being underserved or unserved and now they are being served by the same Discoms which are financially more viable than they were before.

About 175 gigawatt of renewable capacity is expected to be added and I think the country is far ahead of its plans with regards to their addition and as all of you have been tracking the pricing, the competitiveness of the renewable sector has only grown with every passing quarter and now one can safely say that the renewable sector is more competitive to the conventional power sources. Beside this, there has also been other one-off policy initiatives like the electrical vehicle policy for the government where they look to add by 2030 all new car editions to the electrical vehicles and this can be a sizeable impact on the power consumption on the country which is today about one-third of China and about one-sixth or a fraction of European Standards.

We believe that all of this put together will put an immense requirement for growth of the power transmission sector. The 13th plan envisaged an addition of about Rs.2.5 lakh Crores to Rs.3 lakh Crores, but my personal belief is that towards the end of the 13th plan, we will see a run rate far higher than that because of all the demand drivers that we are seeing in this sector. The most important point to note is that India is one of the few countries in the world where the entire power transmission is opened up for private sector competition allowing companies like Sterlite and hence other platforms like IndiGrid to own and operate transmission lines and this is probably the largest or the second largest power transmission market in the world that is opened for private sector participation. So with that ladies and gentleman I will pause and I will hand over to Harsh to take you through the key highlights of our performance as well as more details of our performance and our recent announcement.

Harsh Shah:

Thank you Pratik. We are on slide #13. It has been the first full quarter for India Grid Trust and it has been very strong financial and operating performance for us in Q2 FY2018. We are distributing Rs.2.75 per unit this quarter slightly above our guidance and which makes our half yearly distribution of H1 at Rs.3.67 versus a guidance of Rs.3.6 per unit earlier this year. We are on track to deliver our FY2018 DPU guidance of Rs.9.2 per unit, which in an annualized form is Rs.11 per unit which was forecasted. We recently announced acquisition of three ROFO assets from the sponsor which would result in 40% AUM growth and 4% of annualized DPU growth and in addition to that as Pratik described we are very well positioned to capitalize on the strong growth fundamentals of Indian power transmission sector and we will continue to execute our strategy on delivering distribution and growing the distribution.

Getting into further details of Q2 FY2018 performance on slide #14, there is a substantial jump on a quarter-on-quarter revenue, because the quarter one revenue was

one month's operations. This is our first full quarter of operations where we did Rs.1323 million of revenue, EBITDA of Rs.1223 and Rs.1014 million of NDCF. This is inline with our operating performance and guidance and therefore due to this we are able to meet and exceed our guidance for half year. On our balance sheet level, we are still underlevered, we are at 23% net-net to AUM as on September 30. We will be using this headroom available to acquire the assets that we have announced so that we can increase distribution going forward.

On slide# 15, is our operating performance as you know that these projects are availability linked tariff projects and therefore the only operating parameter on which our tariff is decided is availability performance inline with our earlier performance, quarter two performance of both the assets under operation remains above the normative availability required as well as the YTD availability exceeds the normative availability to the extent of maximum incentives that these assets will earn and which will add in the revenue and EBITDA and NDCF therefore as per our guidance.

Slide #16 is a bridge to our EBITDA to the NDCF number, so we had as we saw in the slide #13, Rs.1223 million of EBITDA, we paid Rs.247 million of interest on the NCD and the other loan that we have. We repaid Rs.37 million of loan, which was a scheduled repayment, made provisions for tax of Rs.19 million. We had significant improvement in working capital in this quarter and the other expenditures of about Rs.10 million which brings us to Rs.1014 million of NDCF for this quarter.

Taking through the next section which is the update on the mergers and acquisitions, which we have announced for the next three assets from the sponsor. This acquisition will result in our AUM from Rs.37.4 billion to Rs.52 billion which is approximately 40% growth. Circuit kilometers under management will increase by 75% to 3361 circuit kilometers and our presence will grow from four states to eight states in India. All these three projects are part of the interstate mechanism and are of the same contractual mechanism of the initial portfolio assets.

On slide #19, to describe what Pratik described which is stated strategy to pursue M&A. All these three assets meet the criteria to our strategy. As a focused business model, we will focus on long term cash flows which are availability linked and high credit quality. These assets represent almost 34 years of residual tenure, a part of interstate transmission assets and under PoC mechanism and have been having an average availability of 99.83% on which we can earn most incentives. In the same regard, this is going to be value accretive as it can result in 4% DPU increase. We are utilizing the headroom available and therefore we are reaching to an optimal capital structure where we can leverage to offer superior returns to investors and we will continue to maximize the distribution with our M&A strategy.

Next slide #20, it is just a depiction of how this DPU is increased, so FY2018 which is a 10 month has a Rs.9.2 per unit of guidance from us and FY19 and FY20 will increase by indicatively Rs 0.44 paisa per unit based on this acquisition. We intend to finance this acquisition by 100% debt which will be financed with long term, 10 to 15 years of debt facilities, fixed rate facilities.

The next slide is on our expected timeline of our acquisition. So the green boxes, which are the due diligence, independent valuations, board approvals for the transactions are already in place. We are working towards finalizing the financing agreement and we have issued the EGM notice for approval of unit holders for this acquisition. We intend to close these transactions by end of Q3 or early Q4 and we will keep updating the investors as we move and make progress in this acquisition.

On slide #22 is the strong pipeline of existing sponsor assets and depiction of which three assets are we acquiring. We are acquiring Purulia & Kharagpur, RAPP and Maheshwaram Transmission projects which are the first three assets and as you can see on the table, there is a strong pipeline of future assets in which represents a significant amount of growth in a sequential manner in the next two to three years. With that I would like to just conclude our Q2 performance presentation and request Swarnim to open for question and answers.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati:

Thanks for the opportunity. First of all a bit of macro long-term question is you indicated that there are lot of interstate and intrastate TBCB projects available for bidding. How comfortable are you bidding the intrastate projects given that there could be issues in terms of payment and hence consequently impact DPUs?

Pratik Agarwal:

Puneet thank you for that question. This is Pratik Agarwal. Let me step back, so far as you know our sponsor Sterlite power has 11 projects, all 11 of those are interstate projects which pay from the PoC regime and you know about the credit quality of that. Now we have done some analysis and you are absolutely right that some states could be considered riskier than let us say the interstate pool, so there are few things here right. One is that I do not believe that the intrastate opportunity will be as large as the interstate opportunity, intrastate by nature has smaller lines and smaller capexes and I think best case scenario we expect that to be 20% to 30% of the total opportunity. Now within that intrastate, there are 29 states in the country and our analysis shows that perhaps half of them are high quality with good cash flows and have a very good track record and some of the others are perhaps lesser quality. Having said that at this point of time, we are not focused really as much on the intrastate opportunity, we continue to focus on interstate and as and when those opportunities come, our sponsor will look at

them carefully assign the right risk premium if at all and if the opportunity do not fit from our payment security perspective, they will probably avoid those opportunities. IndiGrid on the other hand will of course look at any transfer of assets very carefully ensuring that the credit quality does not suffer at any point of time.

Puneet Gulati: Okay, secondly I am referring to the document which you have uploaded on BSE which is essentially unaudited, consolidated, interim financial information right and that basically talks about profit and here the number that you have is NDCF net distributable cash flow. So is the entire distributable cash flow supposed to be distributed to the unit holders?

Pratik Agarwal: So SEBI guidelines require us to distribute 90% minimum of the NDCF and we have always committed to distribute at least 90% and from time to time more than that.

Puneet Gulati: Okay so it will be largely 90.

Pratik Agarwal: I mean SEBI allows management discretion to use the other balance for let's say better uses if and when there are opportunities and we will consider that but yes our endeavour is to distribute at least 90 and beyond that.

Puneet Gulati: So what number of outstanding unit should I assume? Is it 283.8 or is it should add 13.9 to it as well?

Pratik Agarwal: 13.92 is already included 283.8 so that is already included of this amount.

Puneet Gulati: So if I multiply 2.75 with 283.8 I arrive at almost Rs 780 million, which is kind of 70% of NDCF how should one think about this?

Harsh Shah: Right so I think there are two questions, one is it will come to 81% not 78%, there are two levels of NDCF one is at the SPV level, SPVs need to distribute minimum 90% and the same goes for IndiGrid, SPVs distribute as interest and principal repayment to IndiGrid and what IndiGrid receives is the IndiGrid NDCF and they also in turn need to distribute minimum 90%. At both level there is 90% that is distributed which translates to the 81%. To add to Pratik's comments I think this is mid of the year and at the right time, we are anyways pursuing M&A opportunities at this point in time and we will use this capital, which is available to acquire as part of the acquisition strategy to ensure that we maintain a cap structure and allow us to acquire at a better addition to these.

Puneet Gulati: Okay so basically, are you saying you will merge the entities somewhere and make that 81 into 90%?

Harsh Shah: The cash which is not distributed as of H1 will be used to acquire the assets, which we are pursuing right now for MTL, RTCL and PKTCL, the three projects to the extent we

will have to borrow less and SEBI also provided 10% cap for the same reason, so that in case of uses which are beyond NDCF like M&A, IndiGrid and the investor managers should be able to pursue that.

Puneet Gulati: Basically in a way you are saying you are permitted to give only 81% because you have layers and if you increase layers can this 81% get further reduced to may be 72%?

Harsh Shah: No so you are not permitted. Based on the disclosure at the IPO in the prospectus you cannot add more layers and change the NDCF formula. Let us say for example in our M&A presentation the assets which we are acquiring, RTCL, PKTCL and MTL are getting directly acquired by IndiGrid, so the layers are not really to reduce the NDCF.

Puneet Gulati: Okay.

Pratik Agarwal: There are only two users for cash at IndiGrid either to distribute or to utilize in operations or acquire new assets.

Puneet Gulati: Okay. Lastly you have also benefited from lowering of working capital, which is added to the NDCF, can you give me more colour about what really is this?

Pratik Agarwal: Right. So I think getting into financials, this Rs.10 Crores has primarily come because the incremental tariff of JTCL which we are receiving based on the order that we received in favor of JTCL has come in arrears as one time; we are recognizing that on a cash basis and that has come in Q2 in a larger amount, which has resulted in reduction in working capital and increase in cash balance.

Puneet Gulati: Okay. Is this NDCF sustainable or... this will be lesser next time right?

Pratik Agarwal: So I think the first question is, is DPU sustainable? Yes, the NDCF is including the changes, upfronting of working capital and therefore quarter-on-quarter, there can be smaller movements of working capital; but the distribution we have guided market towards 9.2 holds true and therefore quarter-on-quarter movements do not change that distribution that is already factored in the projection.

Puneet Gulati: And there is very high level of visibility on this DPU?

Pratik Agarwal: Yes, there is very high level of visibility on this DPU and that is also showcased by two things, one we are able to distribute Rs.3.67 right now even at the lower end NDCF distribution and therefore we have substantially high visibility of distributing and meeting the guidance of the H2 also.

Puneet Gulati: Okay that is all from my side. Thank you so much.

- Moderator:** Thank you. We take the next question from the line of Venkatesh B from Citi Research. Please go ahead.
- Venkatesh B:** The first question is your DPU works out to something like Rs.78 Crores, the NDCF is Rs.111.4 Crores according to your presentation, so does not it work out to like 77% not 81%?
- Harsh Shah:** Just hold on a minute, I think we have distributed 90% at each level and we will calculate the exact number of units and show it to you, just give us a minute. Can you start with the next question, while the team will calculate that?
- Venkatesh B:** Okay again while you calculate it on related note is it like in the first quarter when the DPU was calculated you used a unit count of 270.2 million and in the second quarter you used 283.8 million what is the count used for unit in the first and the second quarter when you calculated the DPU?
- Harsh Shah:** Right I think that changing unit count has changed on account of... So are you questioning whether which is the right number 27 or..?
- Venkatesh B:** What did you use in the first quarter when you calculated the DPU of 0.92 and what is the number you used when you calculated 2.75 in the second quarter is what I am asking in terms of unit count?
- Harsh Shah:** Correct so 2.75 is based on the revised unit number which is 28.38, and the first quarter 0.92 was on 27.02 as a unit count. The difference between them is the fresh unit, which are getting issued.
- Venkatesh B:** Okay so that is clear. And now this payment, is it 90% and 90% at both levels or was it that overall NDCF which was 90%?
- Pratik Agarwal:** Yes, there is no consolidated formula of NDCF; it is 90% and 90%. There is no consolidated formula of NDCF.
- Venkatesh B:** But you actually chose to give almost 97% in the first quarter. You paid out something like Rs.24.9 Crores whereas NDCF was 25.7, but in this quarter what is the reason you are not paying out more than 90% overall why not pay Rs.90 Crores because anyway whatever you are acquiring now this is going to be anyway 100% debt funded so what is the need for withholding money at the IndiGrid level? Why not pay 95%?
- Pratik Agarwal:** Right so I think we go back to our vision, that our vision is to continuously distribute the predictable distribution per unit and quarter-on-quarter, we intend to maintain what we distribute and we will even out for the entire year and therefore we have given guidance of 9.2 for the full year and in this quarter there is additional cash flow on account of upfronting of one time tariff, which is more than expected, as per our plan

that was expected in Q3 and Q4. So that is one of the reasons that this number looks relatively lower. But in general we intend to distribute maximum and this is only because of this one-time additional cash that we have received.

Venkatesh B: Okay I get it, basically you have got this extra cash which basically you have given a guidance of 3.6 which you have beaten and then you are holding some more cash to meet the 5.6 in the second half?

Pratik Agarwal: Right.

Venkatesh B: Okay. The second part, the other question I had was this JTCL tariff high in the notes to account you say that you have recognized around Rs.18.49 Crores in the first half of the year, now how much of this has been recognized in the revenues in the first quarter and how much has been recognized in the second quarter, Rs.18.49 Crores?

Pratik Agarwal: Okay so just to clarify one thing, we have given a half year results and we have recognized on a cash basis so what we are publishing today as result sheet is the first half year sheet as per SEBI regulations and most of this Rs.18.8 Crores has been received in Q2 and this is recognized based on cash, so the entire amount has been received.

Venkatesh B: Okay but this entire Rs.18.49 Crores has been recognized in the second quarter correct?

Pratik Agarwal: That is correct.

Venkatesh B: But out of this half of this attributable to the first quarter?

Pratik Agarwal: No it is not about attribution as a conservative accounting we have chosen that this is one-time arrears payment and therefore we will recognize on cash basis and this cash was receiving in Q2 and therefore it is recognized in Q2 so it is not attributable to Q1 or Q2, it is attributable to when the cash was received in our accounts.

Venkatesh B: Okay my last question now I guess at the end of the first quarter you had disclosed your balance sheet, any reason why you have not disclosed in the first half because you have put out your entire balance sheet?

Harsh Shah: I think what we have followed right now is what has required by SEBI for us to disclose and we will consider this if it adds value to disclosed in the semi-annual report which we are working on and which we are required to disclose by mid of next month and you will see the balance sheet in that.

Venkatesh B: Okay my last question is related to your debt I think there was around at the end of the first quarter that was around Rs.990 Crores of debt or so part of it was external

currency borrowing, part of it was domestic debt so I just wondering if the entire debt is fixed cost debt or is it like floating debt?

Harsh Shah: Entire debt is fixed cost debt, our bonds are fixed rate bond and the foreign currency borrowing has also been along with IRS swap to fix the rate as well as dollar.

Venkatesh B: Okay and even when you are going to acquire this at 14.9 billion, the entire debt will be of fixed rate debt correct?

Harsh Shah: Yes we intend to do a fix rate borrowing, having said so we will come back with the specifics but we intend to do fix rate borrowing.

Venkatesh B: Okay that is it from me all the very best for the second half and for your acquisition.

Moderator: Thank you. We take the next question from the line of Ashwani Sharma from B&K Securities. Please go ahead.

Ashwani Sharma: Hi good evening. Sir my question is on the three new ROFO assets that you have announced to acquire, could you please tell me what are the basis of valuations of these three assets which will make our AUM of around 52 billion?

Harsh Shah: Basis of valuation of these assets is discounted cash flow method and along with our release today and the EGM notice which has gone the valuation reports are also hitting the exchanges. The philosophy which is used by Haribhakti as an independent valuer is the DCF method and that is basis of valuation and that has been added to the exiting AUM to calculate the revised AUM.

Ashwani Sharma: Okay and secondly Sir a few of the investors had a concern that tomorrow if there is a scenario of rising interest rate in economy then will that have a major impact on the cash flows of IndiGrid, so if you could please throw some light on that?

Pratik Agarwal: This is Pratik here so as just now we answered your previous question that on all the current debt that we have as well as the endeavour on future debt is for it to be a fixed rate debt and hence virtually immune to changes in interest rate. So no impact on the cash flows of IndiGrid, the existing cash flow. Did I answer your question?

Ashwani Sharma: Okay that is all. Thank you.

Moderator: Thank you. We take the next question from the line of Swarnim Maheshwari from Edelweiss Securities Limited. Please go ahead.

Swarnim Maheshwari: Yes Sir, two set of questions first is what is the kind of cash balance the trust had at the end of September 30, 2017?

- Harsh Shah:** Yes the cash balance the trust had at the end of September 30, 2017 was Rs.127 Crores which includes the invested amount as well so cash and cash equivalents, which includes the cash at the SPV level as well as the cash at the IndiGrid level, net of the distribution, which we made, so our cash NDCF if you sum up at 127 minus the distribution, which we made for 24.5 is Rs.103 Crores of cash balance, the residual of this amount includes the cash and any other liquid investments.
- Swarnim Maheshwari:** Okay so at the end of September 30, 2017 cash balance of your trust is actually Rs.103 odd Crores.
- Harsh Shah:** Correct. You are right.
- Swarnim Maheshwari:** Just wanted to understand what is the surplus amount that we are keeping us in order to reduce our debt for the new acquisition?
- Harsh Shah:** As of now that amount is Rs.24 Crores.
- Swarnim Maheshwari:** That is Rs.24 Crores?
- Harsh Shah:** Correct and to answer the earlier questions, which was asked by Venkat from Citi, the 90% is applicable on entire HI and not only on the Q1. In Q1, the distribution was 97% and therefore 90% and 90% ratio is calculated on the entire H1 NDCF and not only on the Q2, which is the requirement of SEBI that the 90% is to be measured on the half yearly basis and because of that, the Q 2 percentage looks lower because there is an additional cash inflow and there is over distribution, which is 97% in Q1 and because of that Q2 is relatively lower. So at an average level, at H1 level, we are distributing 90 and 90%.
- Swarnim Maheshwari:** Okay so Sir that necessarily means that in Q3 and Q4 since we have recognized the full JTCL tariff hike so we would be going for 90% distribution each in Q3 and Q4 minimum?
- Harsh Shah:** I think the first clarification; we have not recognized the entire tariff of JTCL. We have decided to recognize it on cash basis as and when we receive and the second is that this Rs.24 Crores of cash may get utilized over distribution as well in Q3 and Q4 and therefore the percentage is we are not projecting percentage distribution because it changes based on the working capital movement as well as any other use of expenses and therefore, we have given a DPU guidance which we have high certainty of.
- Swarnim Maheshwari:** Right it makes sense so whenever there is surplus or deficiency in cash flows we can manage accordingly?
- Pratik Agarwal:** Exactly I just want to add that this is while it is like a business with extremely stable returns compared to many other almost any other infra asset plus let us remember that

on a quarter-on-quarter basis, there are going to be volatility and we are a management committed to deliver on the promises on a annual basis and you will see that it at the end of results. So on quarter on quarter, there will always be times when one quarter is higher and the other quarter is lower, but I think we should measure this on an annual basis.

Swarnim Maheshwari: Correct. Sir last question over here, I guess the DPU what we will be distributing is Rs.78 Crores but NDCF works out to be Rs.101 Crores, now the difference of Rs.23 Crores out of that Rs.18.5 Crores is on account of JTCL tariff hike, what is the balance amount attributable to?

Harsh Shah: So I think this attributable amount is not for the percentage ratio and JTCL cash flow is not the exact matching of each other. At the end of Q1 we distributed 97% at a half year level which is Q1 plus Q2 we are required to minimum dispute 90 and 90%, we were left with additional cash of Rs.23 Crores out of that Rs.18.8 Crores was one-time cash that has come and the rest of the amount is just as a cash which is with the company. The focus is that we have guided the investors and markets on 3.6 as H1 distribution and we have met that and rather exceeded that and we are still reaffirming our H2 distribution for the same reason, so it is not one-on-one matching between the gaps.

Swarnim Maheshwari: Got it Sir. Right Sir. Thank you so much. That is it my side.

Moderator: Thank you. We take the next question from the line of Ravi Kumar, an individual investor. Please go ahead.

Ravi Kumar: Basically from the SEBI, my question is related to the acquisition of three assets. Basically as a SEBI rule, you need to acquire only the completed assets of minimum of one year or two year timeframe whereas I could able to find that the Maheshwaram Transmission Line is scheduled to be commercial only in next year June, so could you please throw some info on that?

Harsh Shah: To answer your question I think what I understand is this is a scheduled COD, which is as per the tariff rather the transmission service agreement signed by Maheshwaram Transmission Limited. As of now the Maheshwaram Transmission Limited has completed its construction and commissioned and therefore we are going to acquire only after the revenue generation begins for this project. Having said so for your first question, which was regarding the SEBI rule of one year of minimum operation, SEBI rule permits 10% of the total assets as under-construction assets to be acquired by the trust, it is permitted. However, we are not acquiring an under-construction asset. We will be acquiring MTL as a commissioned asset, which will be revenue generating.

- Pratik Agarwal:** I would like to reiterate that IndiGrid is committed to not taking construction risks and having only operating assets and it will always be compliant with the SEBI regulations where 80% of which has to be invested in operating assets and only 10% can go in assets with less than one-year track record. We do not intend to acquire assets that are not fully commissioned and hence MTL will only be acquired after it is fully commissioned.
- Ravi Kumar:** What is the commercial start date?
- Pratik Agarwal:** So MTL consists of two elements. One element is already commissioned and has practically started accruing revenues. Second element is expected to be commissioned before the end of this quarter.
- Ravi Kumar:** My second question is MTL is acquired only for 49% by IndiGrid, 51% is still with the, I think the parent company? Is there any info can be shared based on this?
- Pratik Agarwal:** Yes Go on Harsh
- Harsh Shah:** To answer your first question, the MTL is going to be acquired with 100% economic and beneficial interest towards the IndiGrid. The MTL TSA permits 49% of transfer of equity shares to a third party subject to few regulatory approvals however the 51% can be divested over a period of five years in two tranches. IndiGrid is acquiring 49% on the date of the acquisition and will sign a specific call option agreement to acquire the residual equity shares over the period of next five years and in addition to that IndiGrid has strong provisions to invest as investor's loan in this Maheshwaram Transmission, which will give its complete economic interest and control of the assets. This is standard in the infrastructure industry and most of the other infrastructure assets go through the M&A in a similar manner.
- Ravi Kumar:** Thanks. That is it from my side. Thank you.
- Moderator:** Thank you. We take the next question from the line of Ashwani Sharma from B&K Securities. Please go ahead.
- Ashwani Sharma:** Sir of the three new assets that we are acquiring that will be done in the may end of Q3 or the beginning Q4, could you please tell us what would be the incremental NDCF from these three assets?
- Harsh Shah:** Thanks Ashwani. I think it is slightly difficult for us to communicate that because we do not have exact specific dates of closure of these acquisitions, which will impact in this financial year and therefore we have given a guidance of about 4%, so empirically if you calculate about Rs. 0.44 paisa, which we are directing at a 28.4 Crore of unit base, it will translate into about Rs 15 odd Crores of NDCF on an annualized basis. Having

said so, we cannot comment on the period and quarter of that because we do not have the specific date of acquisition as yet.

Ashwani Sharma: Just a bookkeeping question. What would be our cost of debt Sir, average cost of debt?

Harsh Shah: For acquisition or for existing portfolio assets?

Ashwani Sharma: Existing Sir?

Harsh Shah: So for existing portfolio assets, it will be approximately 8%, which is pre-tax. On a post tax basis if we calculate, it will be sub 6%.

Ashwani Sharma: And for acquisition Sir?

Harsh Shah: Which will be in a similar cost of debt because we will still be rated AAA and we are still below 49%, so we intend to maintain the similar cost of debt range.

Ashwani Sharma: Yes Sir. Thanks a lot.

Moderator: Thank you. We take the next question from the line of Sohail Shaikh from Edelweiss. Please go ahead.

Sohail Shaikh: Hi good evening just want some clarification. Earlier on the call to a question you answered that Rs.24 Crores of cash surplus will be kept for acquiring these three assets, but on the presentation, it is said acquisition will be funded entirely by raising debt at IndiGrid or SPV level, debt tenure to be 10 to 15 years, so correct me if I am wrong if I have misheard on this?

Harsh Shah: No you have not misheard Sohail and good question. This cash flow can be used based on the potential uses in H2, which can be towards debt, which can be towards any other working capital changes, which can be towards incremental distribution, which can be towards any other incremental expenditure. So largely speaking 1490, the acquisition will be largely debt funded and this cash flow is really insignificant in relation to the larger number and the use of it will be decided over the next H2 and we will update on the call.

Sohail Shaikh: Thank you.

Moderator: Thank you. We take the next question from the line of Venkatesh B from Citi Research. Please go ahead.

Venkatesh B: This is regarding one of those assets where you are going to take only a 49% stake, but you said I think you will have 100% beneficial ownership, am I right?

- Harsh Shah:** Yes that is correct.
- Venkatesh B:** So that basically means the entire cash flows, which that asset is generating in one form or the other is going to come to IndiGrid?
- Harsh Shah:** Yes. The entire cash flow generated by asset will come to IndiGrid.
- Venkatesh B:** That is it from me Sir. That was the only clarification I needed. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities for closing comments.
- Swarnim Maheshwari:** Thanks a lot for the detail insight Sir. Would you have any closing comments over here?
- Pratik Agarwal:** Thank you Swarnim. So thanks once again to all the participants for a really engaging discussion and for going deep. We are very happy to note that people are spending time on our product and on the InvITs. I will just reiterate that IndiGrid is committed to providing a platform in which investors can invest in long-term stable power transmission assets and we are also committed to value accretive growth. We will continue to engage with you at periodic levels and we thank you for your interest and your support. Thank you.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purposes)