



“IndiGrid Trust Q4 & FY2020 Results Update Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the IndiGrid Trust Q4 & FY2020 Results Update 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 now hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities. Thank you, and over to you Sir!

**Swarnim M:** Thank you, Stanford. Hi and good evening everyone. On behalf of Edelweiss, I welcome you all to the IndiGrid Trust Q4 & FY2020 Conference Call. From the management, we have with us today Mr. Harsh Shah – CEO, Mr. Satish Talmale – COO, and Ms. Divya Verma – Head – Finance & Accounts. I would quest Harsh to start with his opening remarks and then we can have a Q&A session later on. Over to you Harsh!

**Harsh Shah:** Hi Swarnim thank you and thank you everyone for joining in today. It is our 12th quarter results as well as third financial year completion results. As you have seen we have circulated the investor presentation, which could be available to you. I would be referring to the slide numbers for ease of reference so that you can be on the same slide.

As you see in the content, we would start with reiterating our vision and journey since our inception in the listing. We will take you through the financial highlights or the key highlights for FY2020. Additionally, we will take you through the overview of industry outlook, the operational and financial highlights for the year for IndiGrid and our outlook going forward. That is the sequence of events for today.

On slide #4 is we are just talking about our vision and journey. Since the time we launched IndiGrid, our vision has been to become the most admired yield vehicle in Asia. There are certain elements of our strategy and business plan, which have been highlighted over here acting as pillars on which we plan to achieve our vision. Focused business model, which is dependent on long-term contracts, low operating risk projects and stable cash flows; this is something which is the first and the most important parameter of our strategy to achieve the vision. The next pillar of our strategy is the value accretive growth, which results in DPU accretion year-on-year and creating a growth pipeline for future.

The third pillar for our strategy is to provide predictable distribution, which is quarterly whereas SEBI regulations require us to distribute half yearly but we have been consistently following quarterly distribution since listing. 90% of the net distributable cash flows that we earn need to be distributed which is what we will keep distributing and our focus will remain on sustainable distributions, which means that whatever we distribute we would like to continue that for a sustainable period which is an important part of our strategy. The last one is more about our balance sheet strength and managing an optimal capital structure, this is something which certainly in today's time is even more relevant and we will talk about this a little more in the subsequent part of the sections. Within that, we have a consolidated cap on leverage to ensure that the overall platform is levered optimally neither too low nor too high. We are rated AAA and we would continue to look forward to maintaining this rating with our prudent liability management in the selection of assets. Currently, we are well capitalized and being well capitalized is core part of our plan. We look to ensure that as we grow, we will maintain our capitalization in order. There is a vision in the strategy on which different parts of our strategy, which will allow us to achieve our vision early.

Next slide, slide #6 is about our journey till now. Being the third anniversary of our listing, I believe it is an important milestone for us to look back and see how we have fared. We also need to evaluate what we promised and what we have delivered. We listed in June 2017 as a first power sector InvIT with Rs. 3,700 Crores of assets, the two assets on hand with AAA rating. Subsequent to that in 2018 we acquired Rs. 1,700 Crores of 3 assets from Sterlite Power and one from Techno Electric, which was funded by debt because on listing we were only levered at 25%. After this acquisition, our debt to

AUM reached 49% and therefore for subsequent acquisitions we needed more capital. In 2019 we raised Rs. 2,500 Crores of capital via preference issue and in the same transaction we on-boarded KKR and GIC as two of the largest holders of IndiGrid. Along with that we acquired another Rs. 5,000 Crores of assets from Sterlite Power and signed up a pipeline of Rs. 6,500 Crores of assets to ensure that our growth is also locked in. This transaction in 2019 allowed us a visible pipeline to grow our AUM from ~5,300 crores to about Rs. 18,000 Crores of size and good marquee investors onboard. Of the pipeline that we had signed up in 2019 and the one in 2020 till now, we have announced two acquisitions of approximately Rs. 2,000 Crores. The acquisition of ENICL, which we concluded during the lockdown and the second one is Gurgaon Palwal (GPTL), unit holder approval of which received through the postal ballot last month.

Overall last 12 months there has also been a substantial amount of regulatory evolution that has taken place by SEBI and the RBI, which we believe is going to give a lot of impetus in general. So from now to next two to three years, we aim to achieve our vision to become the most admired yield vehicle in Asia with an AUM target of Rs. 30,000 Crores. We would like to maintain AAA rating, stick to our strategy of value accretive acquisitions, provide predictable DPU and growth. So that was about the journey since we listed till now and how IndiGrid evolved as a platform.

I will take you through the FY2020 highlights in slide #8. It has been truly a transformational and a milestone year for IndiGrid and for InvITs in general. IndiGrid per se has grown substantially in this year; we have acquired Rs. 6,200 Crores of projects, NRSS, OGPTL, and ENICL, which more than doubled our AUM in FY2020. Our EBITDA and NDCF have almost doubled in FY2020. Overall, we have delivered a 60% compounded annual growth rate since listing in the last three years. We have also secured an additional pipeline of Rs. 6,500 Crores of assets, which will allow us to grow up to Rs. 18,000. One unique part that I would like to share here is that IIM-Ahmedabad has issued a case study on IndiGrid as building India's first power transmission InvIT platform. The study highlights the infrastructure transformation that is taking place in India and how InvITs are paving the way.

The next is one of the key developments during the year. We have received marquee investors such as KKR and GIC, both contributing over Rs. 1,000 Crores capital each. It is a substantial endorsement for the credibility of the platform and the potential growth possibility. The deal was also awarded as 'deal of the year' in the infrastructure investor conference. The unique part about this transaction is also that KKR acquired a majority interest in the Investment manager entity and the change in control of the entire platform, which our investors approved wholeheartedly.

The next part is an equally important part of the revolution for IndiGrid and InvIT. The regulations have been evolving, in that, the last year was important because most of the landmark regulations, which enabled a successful journey for InvITs, were approved by regulators. So, SEBI allowed up to 70% leverage for InvITs with certain riders, IndiGrid fulfills all of them. It has enabled better accretion and returns to our investors as well as it made us competitive in the market place to acquire projects at a competitive environment. The second major regulation that came into existence was the reduction in trading lot size from Rs. 5 lakhs to Rs. 1 lakh, which has improved liquidity in the trading of units. In terms of our volumes in the exchange, we have seen an encouraging trend that has improved the liquidity. SEBI also encouraged new guidelines with respect to capital raising for InvITs. SEBI has published the rights issue guidelines for both fast track and slow track as well as preference issue guidelines for InvITs to raise further capital and growth. These three key changes have impacted the profitability and competitiveness of InvITs, improved the liquidity and the ability to raise capital. So, I think there are a lot of changes in the regulations, which has enabled a lot more InvITs to come up.

The last one is RBI which has also now enabled banks to lend to InvITs. It had caused a blip last year, which has been corrected now. The last pillar of the year 2020 is that we have continued to maintain our focus on robust asset management practices. Our availability across our portfolio is greater than 99.5%, we have built a 50 plus operations team across

functions to focus on the sustainability of our operations. There are several ESG initiatives we have kicked off and we will talk about that in subsequent section. Our focus on the long-term reliability of our platform has also been launched and it has been successfully followed. What all these four parameters have allowed us to do is to deliver about approximately 24% total return, which includes the DPU plus the price change in FY2020. We have paid Rs. 12 a unit this year, which is approximately Rs. 700 Crores distributed by IndiGrid. Our growth in NDCF is over 116% on a year-on-year basis. We have a pipeline of Rs. 6,500 Crores, which we look to capitalize as we move ahead. So those have been the highlights of FY2020.

I will come to the quick overview of IndiGrid and as an introduction to the company and subsequently, we will go to the remaining sections. So IndiGrid today is India's only power transmission yield platform and when I say yield platform it is focused on a committed payout and therefore it is the only power transmission yield platform in India. We have Rs. 12,000 Crores of assets under management across 13 states in India; we own 20 lines for 5,800 circuit kilometers, 4 substations and 7700 MVA of transformation capacity. We are rated AAA and the residual life of our contract is 32 years, but we do own these assets forever. Just to provide a little more color on our portfolio be in terms of towers we have 9,177 towers under our management and the amount of metals because these towers are fairly heavy in comparison to telecom tower. The amount of metal between steel and aluminum that we own is about 350,000 metric tons.

On the next slide, slide #11 there is a more granular detail of each asset base SPVs, lines, substations, most of them have got more than three years of operating track record now. The revenue weight and the AUM is provided for each asset. We have also shared the metal quantity in each asset so as to provide the perspective in terms of what size of assets are there. The unique part about this portfolio is that today we have high voltage interstate transmission assets, 100% with the central counterparty of Power Grid in our portfolio. Our tariff is an availability based monthly tariff which is not linked to power flow or there is no price reset every five years with respect to any policy or regulatory change. We have a well-diversified revenue portfolio of 22 elements spread across 13 states carrying a different percentage of revenues. It has been not only maintaining the diversification but also reducing the revenue risk on the overall portfolio with respect to asset management. Our portfolio of assets are all on Build Own Operate and Maintain model and there is no transfer of these assets at the end of the concession period. Additionally, we have a credible track record of maximizing our availability and execution, so all these points are captured below at a granular level for further enhancement.

On slide #12 is our corporate structure. So today KKR owns 23% of the shareholding in IndiGrid, Sterlite Power as the original sponsor owns 15%. However, Sterlite Power has agreed to sell its stake to KKR, once KKR becomes a sponsor which will take its holding to approximately 38%. GIC holds ~21% and the residual shareholding of ~40% is held by the public. At the investment manager level, KKR is majority with 60% ownership and they will acquire another 14% at an agreed price in a year from now. Axis Trustee is a trustee for InvIT under InvIT Regulations and the subsidiary that you see are each individual asset as per the names that we described earlier.

The slide #13 is about our shareholder base, as you can see, we have a robust shareholder base with over 55% owned by FIIs including KKR and GIC. Domestic institutions including insurance companies, mutual funds, pension funds and corporates owns 15%. The number and value of our retail investors have doubled since 2020. The current year's base is important for us because it allows us to raise future capital and grow. Additionally, it allows us to keep in the right investor base to appreciate the value of the yield and stabilize the yield that we provide.

Going to the next section is about industry outlook. I would say that the transmission sector has been fueled by tailwinds over the last several years and this year is no different. Even during the overall downturn as well as the COVID impact that we will talk about subsequently. There are certain key drivers to the industry, which we believe would ensure that the

industry will keep growing. The first one is on the left-hand side where there is a significant shift in supply and demand pattern that is taking place in the country. Most of the new generation capacity that would get launched would be renewable energy because it has achieved grid parity. This change on the supply side along with the intermittent nature of the electricity supply from renewables would require greater investment in transmission projects. Now on the demand side as well there is a substantial load shift expected. We anticipate over the next decade or so, electric vehicle storage and rural electrification will bring a complete transformation of the load side requirement. So, considering the significant shift on both supply side and demand side, the transmission is one sector, which would be essential to invest more things to ensure that the grid reliability while maintaining the supply and demand side. The second big driver of the industry is also the need to have an efficient grid as your generation capacity grows. Historically there has been relative underinvestment in transmission relation to generation because the generation sectors are privatized about a decade earlier than the transmission. However, considering our substantial generating capacity already invested, the incremental investment is now happening in the transmission side to ensure that a better utilization, a well-coordinated utilization can happen of our existing generating capacities.

**Just look, transmissions assets were ranked first in infra index of 2019 with respect to attracting people to invest.** This was because the sector does provide a very robust and regulatory framework. We can see on the slide #15, the amendment of Electricity Act is also taking place. There are crucial reform measures with respect to efficient dispute resolution, payment security mechanism, direct transfer of subsidies and encouraging more renewables. So, all these policy initiatives we believe are the steps in the right direction and will set the sector growth in the right direction. There is also a very high focus on private sector participation, which we believe is good for companies like us, which increases the market that we play in and therefore indirectly we get benefit out of this. There are also a lot of amendments happening in the new tariff policy, which will focus on streamlining several procedures to incentivize and disincentivize come for the right measures. Moreover, the liquidity support during COVID-19 is also one of the signs that the government is working towards supporting this sector. The last one is the historical structure policy and measures with respect to Den Dayal Upadhyay Gram Jyoti Yojana (DDUGJY) & Integrated power Development Scheme (IPDS) schemes, where we have seen at a working level the investment that these schemes have attracted and we are very confident that it would add to the overall sectors health.

Coming to slide #16 and this is something, which is very relevant in today's context with COVID. On the right-hand side, we have given the chart of demand and I am sure all of us have faced all the hardships over the last two-and-a-half months. As you can see on the chart since we end of March 2020 when the lockdown was strictly imposed till May and substantial recovery in terms of peak demand as well as power consumption. If you compare it versus the 2019 numbers, the peak demand seems to be pretty much reaching its past level plus consumption also is a few percentages up now. So, we believe that for the entire financial year the electricity consumption maybe down by a couple of percentage points or more but not much too off. I think on a run-rate basis, on a month-on-month, on a quarter-on-quarter basis as the government decides to open up the lockdown in the country we will see the power demand coming in.

The Ministry of Power has also been very supportive during the time. They have provided an exemption to transmission companies from the lockdown enabling us to maintain our lines across the country. As transmission tariffs are not linked to power flow and only based on the availability of transmission elements it was important for us to be categorized as essential services so that we can maintain our lines and earn revenue. The Ministry of Power also issued certain circulars during the lockdown period, which clarified that there is no moratorium in the transmission charges, only reduction of late payment surcharge from 18% per annum to 12% per annum for any payment, which is made beyond 45 days, so there is no moratorium provided as such on entire transmission charges but only the late payment surcharge have been marginally reduced for a limited time frame.

In addition to that as you would have seen in the newspapers' announcement by the government, there is Rs. 90,000 Crores liquidity injection into electric distribution companies, which has been proposed and approved and especially to clear the dues of generation and transmission, we believe that liquidity will ensure a smooth recovery in terms of the receivable payments and will support the sector. So essentially from a power sector impact on the COVID per se, we believe that the transmission sector has largely remain insulated throughout and with the measures taken by the government in the sector we believe that the sector would sail through the crisis in a healthier way.

The next section takes me to the operational highlights of our financial year 2020. To start with, I would say we have achieved 100% safe man-hours across our sites and locations, there are about 600 people working across 13 states for us. We have maintained a consistent track record of availability and maximized incentives; our average availability is higher than 99.5%. with no of trips per line of around 0.4, which is in line with the industry standard. Our focus on reliability center maintenance with respect to rigorous prevention, preventive inspection and maintenance, defect correction and lifecycle management has increased during the year. We have decided to invest early in technology initiatives across zone-based operations, weather predictions or helicopter supervisions for difficult terrains, which would put us in our initiative to maintain reliable availability. We also saw several emergency shutdowns caused by events beyond our control like windstorms or other events, which we could, one restore very fast, second obtain majority of loss time has been available under force majeure of our contracts and therefore did not impact our revenue.

On the right-hand side of slide #18, we have provided our availability track record and the incentive that we have earned in the year. Besides that we have reduced the number of trips per line in this financial year and we have achieved the same percentage of successful 100% safe man-hours, The near miss reporting has increased for us in FY20, which we see as a positive because we are putting a lot of efforts in the education and training, and the solar power generation has gone up in our portfolio with respect to self-consumption since we are using the solar power plant in our substations.

The next part of our presentation on operational highlights are our technology initiatives. These are the four initiatives that we have taken in this financial year for different measures. We deployed helicopter surveys during the winter to ensure that we are ready for any emergency reactions in the NRSS project as a slowdown might have an impact. We partnered with a software called ClimaCell, developed by a MIT specialist, which facilitates at micro level to track the wind speed data across our portfolio. This provides the lifetime inputs for us to react and be ready for any natural calamities. For example, during monsoon, this tool was extremely useful for us to be ready. In case of an event, it will enable us to react very fast. The drone-based asset management or other supervision has been spoken about for a long time we is at POC stage (Proof of concept). While the country has not yet enabled drone surveys beyond visual line of site but as and when it does we would be ready to utilize that to our advantage for both reducing our cost and increasing the reliability. We believe this is a technology which within three to five years would be commercially viable for India to follow. It is also the largest cost item for us in terms of supervision, which we can look to reduce with the investment in technology and we are looking to invest more in digital asset management technologies to ensure that we can increase the reliability and reduce the cost. At a highlight level on COVID, we have no COVID incidence across 600 people working on our portfolio, our team is working day and night to ensure people's safety and asset reliability, as well as complying with all the regulations and guidelines issued by the Government of India. We also managed grid stability during the 9-minute call on April 5, 2020 successfully, in coordination with the central regulator.

The next section of our slide is about the ESG prerogatives, which we have started focusing on. We have highlighted the key aspects of ESG impact, on business impact and which have a higher stakeholder impact and we represented what we do in the subsequent slide. Environmental ESG impact, we own two small solar power plants and a substation where we have invested some time back which we are using for auxiliary consumption. We are doing tree plantation drives and

overall substantial amount of cost has been paid for the forest land, which we use, which was towards deforestation of the areas.

Slide #23 is about the social aspect with the primary one being on health and safety, which we have already covered in terms of achieving 100% safe man-hours, but we go over and beyond that and provide more education to even people who work for us as partners and contractors, 100% of our contractors have received that relevant training. On the right hand-side, we have provided the specific data about how much effort we have put in, in increasing the training as well as reducing the risk of lack of health and safety. We implemented a tool, which enables us to manage our compliances across the portfolio. Additionally, we do several community engagements across our portfolio to ensure that ROW issues do not result in material risk as we go forward.

Our Board has remained the same since over the last two quarters. We will see more independent joining our board, There is one member from KKR, one from Sterlite Power and I represent the management on the Board. Then we have 3 independent directors on our Board who have diverse experience from financial markets, legal, regulatory and civil services. Our Board, is fairly active. We have most of our important committees being majority represented by independent members and KKR. We have been chaired by independent members and there is very active and healthy participation. It is also evident from our EGM results that for most of the voting that we have done a substantial amount of the eligible investors have voted and voted in a favor of resolutions. We have a strong process for internal audit and framework, which was implemented by KPMG.

Going to the next section of financial highlights of FY2020 capturing year on year (YoY) performance. Our EBITDA and NDCF have increased by 90% and 116% YoY respectively. Our EBITDA on a three-year basis has delivered a CAGR of 60%. This was on the back of acquisitions of NRSS, OGPTL and ENICL in the last year. ENICL acquisition happened in March. Our revenue for FY2020 was at Rs. 1,242 Crores while our run rate is at approximately Rs. 1,440 Crores for FY2021. The Board has approved Distribution per unit of Rs. 3 amounting to Rs. 175 Crores, which we are distributing. Our EBITDA margins have improved at 91% versus 90% last quarter, last year. We ended FY20 with a very good healthy receivable days number of 55 days and collection ratio of 97% in FY2020.

The next chart is about the NDCF on slide #28, overall, in H2 we have earned Rs. 370 Crores of NDCF. On a H2 level, we are distributing Rs. 350 Crores of NDCF. We distributed Rs. 175 Crores in Q3. This happens to be also one of the largest quarters in terms of our NDCF because of the acquisitions and working capital recovery that happened in Q4. We ended the quarter with Rs. 256 Crores of NDCF. So effectively we are paying more than 90% of NDCF for H2. We are maintaining Rs. 175 Crores on Rs. 3 a unit for Q4FY20. As we discussed earlier, we are focused on managing a robust balance sheet. We are maintaining AAA rating. Our weighted average cost of borrowing is at 8.6%. We are only levered at ~50% net debt to AUM with substantial debt head room available for us. Our EBITDA to interest cover is also at a fairly high level. We closed the year with Rs. 475 Crores of cash which allows us to maintain a robust balance sheet in the subsequent period during the COVID scenario. We have varied sources of borrowing viz. MLD, Bank, NCD and ECB. There is diversified mix of both banks, and capital market investments and from our repayment and refinancing schedule we do not have any material refinancing coming in over next couple of years. The first set of refinancing is coming in FY2023. and we believe that with our size and rating, we will be able to mitigate that.

The slide #30 is about what we have promised and what we have delivered. During our listing, we had promised low volatility and superior total return to our investors. We are very happy to see that our beta is 0.07 as compared with other indices and stocks. having low beta and low volatility. However, our total return is substantially higher than the comparable indices. We have delivered a 32% total return including ~Rs. 31 of distribution and price change.

So, coming to the next slide, which as you can see in the heading, our outlook for FY2021 remains positive. We have a lot of pipeline assets including framework assets from Sterlite Power, which we are looking to acquire in FY2021. GPTL, which is part of the framework asset for which we have already taken approval. Our investors have voted substantially positive for that and we look to consummate the transaction soon. We will evaluate select opportunities in solar as well, with central counterparties such as SECI, NTPC. We will focus on creating a pipeline of transmission projects besides the existing projects. We will work on maintaining a strong balance sheet. We will keep our focus on maintaining adequate liquidity to mitigate the current uncertainties in the country and any other unprecedented scenario that may come up. Currently, we have sufficient cash balance and working capital. We look to diversify our debt sources further and elongate tenures as we plan to implement the facilities and reduce the cost of it. Our focus on robust asset management would remain as ever. We would ensure that we meet our commitment of the highest availability. We choose to remain invested in technology and ESG aspects of the business during the year for ensuring that we continue to deliver world-class EHS and O&M practices across our portfolio. We will continue to play our role as an industry leader by spreading awareness about IndiGrid as well as InvITs in general. There are some policy initiatives, which we are working with regulators with respect to increasing participation on the lending side like insurance and PF regulators. We are still working with SEBI and requesting them to reduce the lot size from a minimum 1 lakh to 1 unit at par with equity. We believe that it will continue to be our focus in FY2021. for delivering superior total returns, stable DPU and growth in NDCF considering the last three years. With that, I would take a pause and open for questions and answers.

**Moderator:** Thank you, Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Congratulations for a good set of numbers. Sir three questions I have primarily. First is, are you guiding for any FY2021 distribution?

**Harsh Shah:** Will you ask all three and then I will answer you.

**Mohit Kumar:** Secondly on the debt the amount of 62 billion and given that the rates in yield have eased do you think it is the right time to look at some reduce our interest rates or loans for a full year so that we have more cash flow to distribute to our investors. Thirdly, how do you see the deal environment given that we have time to target from 120 billion to additional 130 billion of assets over the next two years? Do you think COVID has changed anything for you in the sense? Do you think deal-making has become easier with time or become difficult with time?

**Harsh Shah:** Mohit, I will answer the questions one by one. In terms of guidance, we believe that there is a lot of uncertainty in the country today in terms of sector demand, lockdown, etc. So while we have a very positive outlook of the sector and transmission would remain a safe sector, we are just waiting to see the impact of COVID and how it proceeds when the lockdown opens. So, we are cautious and watching the scenario. Therefore, we have not provided the formal guidance of FY2021, but we are positive. This is just the first month that we are seeing for after COVID and we are seeing all the positive signs of recovery for the sector. We have witnessed decent collections in the first couple of months. We have seen the power demand coming back up and policy makers are supporting with liquidity, all above mentioned three aspects are positive signs. However, we would like to wait for a few months more before we firmly comment on the guidance. On the debt, I think we fully agree with you that the debt markets are good. We have seen the interest rates easing. On the other hand, we have also been locking our interest rates for some period. but we do keep evaluating opportunities where there is a possibility to prepay certain loans and borrow cheaper. So as and when we do, it will reflect into our NDCF. However, it is not that entire Rs. 6,200 Crores can be refinanced on one day because we have locked in the cost of debt. Therefore, we do not have an upside, or we do not have a downside in many of them till the reset date comes in. On the pipeline side, I



think we have a very healthy pipeline. As per our presentation, about Rs. 15,000 Crores of transmission bids are taking place in H1. There are several Rs. 10,000 Crores of bid that took place in the last six months. So, I think the pipeline is healthy and we will see it as it comes in. The pipeline is more on a year-on-year basis than on a quarter-on-quarter basis because our pipeline comes when the completed projects are monetized by the developers. So, we see a healthy pipeline coming in the sector. The last question that you ask about COVID impact. I would say every M&A transaction is a new one. and therefore, sometimes things will become easier and sometimes things become difficult. I would say COVID has a more logistical impact than any deal making impact. So, at the end of the day, all of us are working from home and therefore our speed does reduce in terms of logistical matters. Other than that, I think we are focusing on what we did before, hence nothing has changed in the market and we are fairly positive. However, I think logistically things have become slightly difficult to operate especially on our M&A transaction considering the lockdown. However, we believe it will open with the new lines coming soon.

**Mohit Kumar:** Any comment on the collection for the April and May?

**Harsh Shah:** We have received more than 50% collection in April without any liquidity support from the government during a complete lockdown with such low demand. The collection for May is higher than April which is an encouraging trend.

**Mohit Kumar:** Okay Sir. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique Asset Management. Please go ahead.

**Pratik Kothari:** For IndiGrid just wanted to convey our hearty thanks because of this during the last two, three years many incidents happened in finance viz. NBFCs and mutual fund, infra projects and all. The way you navigated this journey is commendable. So, my hearty thanks and congratulations. Secondly, the trust you created, I think IndiGrid unit holders trust because of the current management, so just wanted to say thanks all. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Dhruv from HDFC Asset Management. Please go ahead.

**Dhruv:** Sir if you can please share some light on the upcoming three deals any timeline if you can share?

**Harsh Shah:** Sorry.

**Dhruv:** On the three projects that we are likely to acquire any timelines that you can share?

**Harsh Shah:** I think it is already there in the public domain. We are working on the timelines. We have received the investor approval on May 11, 2020, in our EGM and that is positive. We are going ahead with the execution and we will come to investors for approval only when we are certain to close the transaction. So, I would say that we are working on it and it would be announced shortly.

**Dhruv:** So, all three should be completed within this year?

**Harsh Shah:** I think the question is KTL and NERSS.

**Dhruv:** Yes, GPTL and KTL.

**Harsh Shah:** See GPTL will certainly be completed in this year. KTL and NERSS are still under construction, so we would wait to comment on that till the time they are commissioned. We are monitoring those projects, and doing diligence on those projects as they are target projects, but as and when they are commissioned it would be an appropriate time for us to commit a timeline. Currently, these projects are still under construction.

**Dhruv:** Just to get a sense, so if a project is commissioned after that you do your due diligence in terms of the operation of the line and then go ahead? or is it an ongoing process that happens? The point is if this is now commissioned in September do you probably acquire it in October, or will it take time?

**Harsh Shah:** So, it depends on the type of arrangement we have for a particular project. For example, for GPTL, KTL and NERSS we have signed the framework agreement and therefore we have access to the information related to the projects. Accordingly, we start monitoring and doing diligence much earlier before it is commissioned as agreed between the two parties. However, for a third party project where we may not have a direct access as early on, we have to wait and take part in the process and as and when the data is open we look at that.

**Dhruv:** Secondly any scheduled debt repayments in the next two years?

**Harsh Shah:** Sorry.

**Dhruv:** Scheduled debt repayments in the next two years or we are planning to refinance them?

**Harsh Shah:** No, we plan to refinance it, but the scheduled repayment what we have presented over here are Rs. 62 Crores and Rs. 77 Crores in FY2021 and 2022, which are the scheduled one, but we would be looking to refinance.

**Dhruv:** So broadly if I am correct, here the distributable cash flow should increase in the next two years from the FY2020 earnings, partly with the two acquisitions and the full benefit will come in FY2021?

**Harsh Shah:** Yes. I think with the two acquisitions that we are looking to do, the NDCF should increase. However, as I said on a guidance front we will have to wait and see because the working capital is part of the NDCF of how the recovery and the sector happen to give you an exact guidance on that.

**Dhruv:** But Sir broadly if I have to understand of the NDCF almost 90% has to be distributed right?

**Harsh Shah:** Yes.

**Dhruv:** So that it is at least a minimum that should happen?

**Harsh Shah:** Correct on a half yearly basis.

**Dhruv:** On a half yearly basis yes got it. That is, it. Thank you so much. Thanks.

**Moderator:** Thank you. The next question is from the line of Hitesh Arora from Unifi Capital. Please go ahead.

**Hitesh Arora:** Just on the collections bit I just wanted to clarify of your April and May revenues you collected roughly 50% of that is that understanding correct?

- Harsh Shah:** Yes.
- Hitesh Arora:** Just as a rough sense you closed the financial year with 55 days how much we expected to get elongated now just as a rough by for Q1?
- Harsh Shah:** I think it is a rough estimate in terms of the impact we believe that there would be about 20 to 30 days of the expansion of working capital that will take place because of this. We will see a recovery happening on that with the liquidity measures kicking in from July onwards. However, I think that we will have to wait and watch, but our initial estimate is about 20 to 30 days of working capital impact. We ended the year with sufficient cash balance to meet that kind of debtor days expansion.
- Hitesh Arora:** Just one more on NERSS, your bigger asset in your previous presentation you had mentioned that the completion date was around November of this year, would you now post this COVID thing how has been is it on track or is it got delayed a bit how was it looking there?
- Harsh Shah:** I think tough for me to commit on behalf of Sterlite Power, but I would say that certainly there is a two-month impact on everyone in the country. Hence, I would expect a couple of months of delay for sure on account of COVID. Having said so, the regulators have already awarded that extra time to all the sectors, some have done explicitly some have done implicitly, but the government has been very clear that this will be considered as a force majeure for extension of time. So, I cannot commit on behalf of Sterlite Power, but I would say it is reasonable to assume that people have not worked during the complete lockdown, so there will be a couple of months of impact.
- Hitesh Arora:** Just one last question on any guidance taken a role of change our strategy for acquiring solar assets anything in the near-term any visibility in the near-term for the acquisition of solar assets and what time would it be?
- Harsh Shah:** I think it is very clear on our outlook, it is showing as 5% of our overall presentation so it is actually a very small part of our strategy and not the core. We have taken an enabling resolution for solar expansion. However, we have been evaluating cautiously and have to provide a timeline of when we will acquire. The strategy that we gave is what we can reiterate that we would acquire a small percentage of our AUM. We would look for only central counterparties like SECI and NTPC and we look to acquire good quality assets. So, at the moment, I think these are the three things, which we are focused on. There are no special goals for us that we have to acquire one or more solar projects. We are more focused on risk management and acquiring what is right that is what we have been doing over the last three years and we will continue.
- Hitesh Arora:** Fair enough, okay, thank you. Thanks, Harsh.
- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Thanks a lot for strong set of numbers. I had two questions, one is on your guidance. It appears to us that post these acquisitions our NDCF was going to be much higher compared to the run rate in FY2020. So, people are expecting a higher DPU going forward. As money has no color and we are seeing some trouble because of the COVID situation, is it not better to halt on acquisitions right now, rather than not giving at least Rs.3 guidance for the complete year? So why pursue acquisition over a minimum guidance if things are looking turbulent? The second question is on the collection efficiency. You have given the collection percentage for the last three financial years, and there is some volatility in the same. You also said 50% have been collected for April and May in FY2021 so how does that compared to April and May of FY2020?

**Harsh Shah:** To answer your first question Sarvesh, one is balance sheet strength and the other is acquisition. We are looking for assets for which we have already raised capital. For example, for ENICL, GPTL and other framework projects, we have already raised equity capital last year. So, we are still making an accretive acquisition. The working capital changes get adjusted along with the acquisition so these two are completely separate decisions. If you would ask this question about month-and-a-half ago that what is the scenario of acquisitions versus balance sheet, I would have said we have been far more conservative. We would not know how the sector is going to react, how the collections are going to react in the month of April and May. Looking at where we stand today, we have all healthy signs that we have seen in the sector, which is recovery of demand, collections coming in even without liquidity support, liquidity support getting announced. With these three, four measures we are far more comfortable for the plan that we wish to execute. Now coming to your question on higher NDCF and DPU announcement, we are not declining that. We are saying we would like to watch for the next couple of months, how the situation evolves in the country and in the sector. At the moment it is fair for us to reserve the right for not providing guidance as we wait for the next couple of months to see how the things unfold. We will be conservative in terms of acquisitions. That is our base business, we look to acquire as long as it is an accretive working capital adjusted acquisition which would only add to the DPU. We are not saying that the NDCF or DPU will not grow this year. The second question was on collection efficiency. The changes that you have seen between FY2018, 2019 and 2020 would not be called a volatile scenario. FY2019 was slightly low because we acquired an asset at the end of the year. So, it also impacted by overall the asset portfolio, and they are not completely comparable as some assets had different working capital at that time when we acquired. If you do average of 95%, 98% of collection it's a fairly good collection in the sector and we are fairly comfortable with respect to that.

**Sarvesh Gupta:** How does the number compare for April and May collection compared to last year?

**Harsh Shah:** I will give you a trend. Q1 is typically the lowest collection quarter and Q4 typically is the highest collection quarter. Therefore, if you look at our NDCF in Q4, it is typically higher because of working capital. You will see even in the slide #28 there is a recovery of working capital that happened in Q4. Q1 is typically lower, 50% is our revenue collected. So, if you translate that to a historical track record that number would come to about 60%, 80%, and 85% in this quarter.

**Sarvesh Gupta:** Just one comment on your answer to some investors. I would appreciate if you come out with a statement. For new acquisitions first you should ensure the Rs.3 minimum payout for quarter as we have been doing before looking at any acquisitions if you see any threat to current DPU of Rs.3 per quarter also then you should first take out the Rs.3 DPU over the new acquisition?

**Harsh Shah:** That is a fair I would say recommendation and suggestion that is why we are also focused on that, that will focus on the distribution first than acquisitions that is a fair point.

**Sarvesh Gupta:** Understood all the best for the coming quarters Harsh Shah thanks a lot.

**Moderator:** Thank you. The next question is from the line of Shirish Rane from IDFC Securities. Please go ahead.

**Shirish Rane:** My question pertains to the 50% of your revenue collection. I assume it is in the normative course of business, there is no extra request by any DISCOM or POSOCO that you should not collect that amount for some time, is that correct?

**Harsh Shah:** No, there is no moratorium, there is no request, and there is no waiver.

**Shirish Rane:** This is a normal course of business and you expect it to collect over a period.

**Harsh Shah:** Correct, exactly.

**Shirish Rane:** Second question is on the solar assets. Can you elaborate what kind of assets are you looking at and what kind of financing and then distributable cash flows? I understand you cannot tell exactly till you have asset on table, but directionally how are you thinking about solar asset acquisition?

**Harsh Shah:** Sure, as I said we are looking for SECI and NTPC assets only. We are looking for a smaller acquisition so if you assume, we have 12,000 Crores, less than 10% we would look at 1000-1200 Crores of acquisition. We are looking at assets which have an operational track record. Coming to your question on the NDCF, that is linked to the overall size that we acquire and the way we finance it. But if we acquire a 1000 Crores project at a reasonable valuation, it will result in a decent accretion. Specific numbers are difficult to provide.

**Shirish Rane:** Do you have any asset on horizon at this point the way you have transmission asset lined up?

**Harsh Shah:** We have taken the enabling resolution at the moment for approval. We have developed the strategy of what kind of assets we want to acquire, which ensures that we can give guidance to both investors as well as to the markets. We keep evaluating assets, we are looking at some assets. But it is tough to commit on whether we are going to end up acquiring or not, because there is a long road in terms of diligence and other factors to fall into place. At the moment there is no visibility on whether we will end up acquiring in two months or six months.

**Shirish Rane:** The last question considering the interest rate fall in the market, are you looking to refinance your debt and if yes, what kind of interest saving you think you will get?

**Harsh Shah:** We are looking to refinance a bit, but the cost of debt would depend on the tenure and the terms that we negotiate. The last acquisition that we did, ENICL, we funded with 8.15% cost of debt at the project level. However, I would say that is not necessarily the only benchmark cost. It would range in between 8.15% to 8.5%.

**Shirish Rane:** You are saying below that is not possible?

**Harsh Shah:** That we will have to see as we come to close different acquisitions. Getting a rate below that with a reasonable tenure, which fixes our rate for three to five years, would be difficult now. That is important for us because we prefer not to take floating rate loans.

**Shirish Rane:** You do not have a prepayment option in the existing debt refinancing?

**Harsh Shah:** We do have that option on a few portfolio assets. Therefore, we will look to refinance assets where we have a prepayment option and if it makes sense in terms of interest benefit both.

**Shirish Rane:** Fair enough Sir. Thank you very much for answering questions.

**Moderator:** Thank you. The next question is from the line of Abhishek Puri from Axis Capital. Please go ahead.

**Abhishek Puri:** Congratulations for good set of results. We were looking at Power Grid numbers and as per the call the debtor days for March quarter is closer to 30, 35 days whereas for IndiGrid it is closer to 55 days. So how was that collecting mechanism growth for you in this kind of a scenario whatever they collect, will it be equally distributed?

**Harsh Shah:** Good question. the first answer to that is as per theory it should be exactly same. However, there is typically a three day's gap between the money coming into their account and to our account so that is one gap. When the year-ended last week, the lockdown got implemented and some of the payments could not be paid. But that will be half a day or one day worth of revenue. Power Grid has also got another business, which adds to their receivables, which is difficult to reconcile for us. But besides that, ours and Power Grid's receivables should match, and we reconcile our books on an annual basis. There is an audit by CAD and by our internal auditors in tallying our books. So, on an annual basis it gets tallied that, if they receive 100, we get 100. But a couple of percent here and there on a month end basis keeps changing because of payment frequency, time to transfer, etc., but besides that it should be in the same line.

**Abhishek Puri:** In terms of your CAD audit Power Grid book that we know, but do they audit your books also to match the payments?

**Harsh Shah:** No, CAD audits Power Grid books to say that you had an obligation to pay as per the POC mechanism, have you paid or not, have you done reconciliation with the constituents of POC tool and signed up reconciliation or not. Power Grid needs to do that as per the statutory and contract basis.

**Abhishek Puri:** We have seen 50% collection in April and May, I am presuming for the bills which were raised by March and April. In that scenario you are already at 55 days as of March is it crosses 60. As you pointed out it maybe a timing issue for 20 to 30 days, expansion could happen until the liquidity has pumped in and the money flow is back to you or to Power Grid and then to you. In that scenario as soon as you cross 60 days would late payment surcharge be accounted for your revenue item or P&L item?

**Harsh Shah:** Late payment surcharge gets accounted after 45 days. As the late payment surcharge gets levied and collected by Power Grid, we do cash accounting instead of accrual accounting for our late payment surcharge bills. That is done conservatively we do cash accounting on late payment surcharge as well as on rebate.

**Abhishek Puri:** Does our other income contain any component of late payment surcharge or it is still not received and hence we have not accounted?

**Harsh Shah:** We have received late payment surcharge during the year as well as we had given rebate on some of the cost, so our revenue, the retail financials would include net late payment surcharge we are collecting.

**Abhishek Puri:** I just wanted to clarify because other income generally consists of that LPS part or other operating income as other companies do it?

**Harsh Shah:** Sure. In the detailed disclosure in the financial statement you will see the late payment surcharge they were separately accounted and provided money.

**Abhishek Puri:** Right. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Manish Gupta from Solidarity. Please go ahead.

**Manish Gupta:** 6400 Crores is your gross debt right because you have 475 Crores of cash with you right now?

**Harsh Shah:** Okay.

**Manish Gupta:** I just wanted to confirm that. When we look at the valuation report of all your projects, the cost of equity defers marginally by projects. Could you explain what is the logic of that cost and what is the assumption behind the terminal value? Under the assumption that you do not acquire any additional projects, your DPU will gradually decline, I wanted to verify that?

**Harsh Shah:** To answer your first question, which was with respect to cost of equity, the valuation report uses the cost of equity as per the WACC formula and the WACC formula includes the CAPM model. The CAPM model includes the particular taxation that is applicable on that project and that is linked to the overall tariff curve of the project. Therefore different projects have different tax. The effective tax rate to calculate the CAPM model is totally different, and therefore you will see a very minor difference between project to project in terms of that itself not just cost of equity. The second question that you asked was with respect to terminal value. We believe that these are permanent assets since these projects were awarded on a BOOM basis and therefore there are potentially three ways the terminal value gets looked at. One way is to see that the contract has extended beyond 35 years. If contract is extended beyond 35 years on a cost plus basis, then we calculate the project cost multiplied it to by 30% multiplied by 15.5% ROE on a regulated asset model. Assume that is extended for another 15 years and get the NPV, so that is one method how it gets evaluated. There have been incidents when people have filed for petitions for extension. The CERC commission has told that we would look to evaluate closer to the expiry date, but in principal we would look for a cost-plus kind of a model. The second way of valuing is to do a scrap value. There is 350000 tons of metal, which is owned by these companies, so the metal quantity is fairly accurate. One needs to assume a particular inflation over 35 years and what will be the price at the end of 35<sup>th</sup> year minus the extraction cost, services cost etc. That gives us the second potential way of valuing the assets. The third one is replacement cost basis because the asset belongs to us and over a period of time the ability and the cost to build a new asset in the same corridor is going to exponentially increase. If somebody was to build the lines we have today in the same location, it is going to cost 50% more in just five years because of the inflation in manpower, metal price, less corridors available etc. However, that is potentially an opportunistic way of looking assets. But between the three cases that I said, a very high tariff in replacement cost method to a cost plus tariff to a metal value method, whichever method one chooses the impact of that today after 35 years of discounting is fairly small. So, we are playing in the range of 3% to 5% of the AUM today in terms of the overall impact. What it effectively does finally is to put that growth model at the end of it to match one of the three or the most reasonable or prudent opportunity. So that is the method that is used and then the entire value of method is publicly available, but these are the three ones, which we believe get applied. To your last question if we do not do any more acquisitions besides the one which we have already committed, our DPU will remain Rs.12 for up to 10 years and after that it will start to decline.

**Manish Gupta:** Very clear. Thank you.

**Moderator:** Thank you. The next question is from the line of Sunil Shah from Turtle Star Portfolio. Please go ahead.

**Sunil Shah:** We thank IndiGrid for getting the DPU in this quarter as per the expectation. Also, my question is first is on the NDCF, for the quarter, on the slide #28 at 257 Crores. The distribution is about 175 Crores. Does that mean that the difference of about 80 Crores was surplus to us to when we started this quarter?

**Harsh Shah:** We have to distribute minimum 90% of the NDCF on half yearly basis. Therefore, on the slide #28 at the top table, which is half yearly NDCF, in Q3 we distributed more than what we earn, in Q4 we have earned more but we have distributed slightly less. This 20-30 Crores amount was stabilized based on the changes that happened quarter-on-quarter on the NDCF front. The right way to look at it would be how much cushion we have created on a half year basis or on a full year basis. We have distributed 700 Crores and the NDCF is 720 Crores on a full year basis. We have earned 20 Crores more. On a quarter-on-quarter basis, the NDCF to distribution changes keeps on happening. Q4 has high NDCF, Q1 and Q3 are low

NDCF. March and September quarters are high collection quarters and therefore have higher NDCF. Q1 and Q3 by that logic is slightly lower, that is just a trend that we have seen happening in India. Therefore, we keep this cushion available to us within the 10% bracket to be able to distribute more or less as per the quarter collection of NDCF.

**Sunil Shah:** Hypothetically assuming that this solar project was acquired somewhere in the month of April and we had gone through this COVID situation. Then revenues of the solar projects would have got affected, so would that disturb our DPU?

**Harsh Shah:** We do not own any solar assets so data may not be as accurate as the data we provide for our own assets. But for the assets that we track, the solar generation numbers have not gone down in April, both generation and collection numbers. I would not say that for entire solar sector in India because there are different states and different PPAs, but the collections in solar sector per se has not gone down in April. Generation numbers are at peak in the summer season. So, from the plant performance perspective most of the solar projects are fine, there is no impact on account of the COVID. There may be state specific issues. Coming to the second part of your question, as I said we are looking to acquire a small value of the solar projects. Our annual NDCF is 700 Crores, we are distributing 175 crores quarterly. Let us assume a 10% portfolio of solar projects and that would typically contribute about 5%-10% of our NDCF about 10 Crores of NDCF maybe incremental on a per quarter basis. We already keep pushing of sizable amount on transmission revenue itself so the ability of a solar project to materially impact that quarterly numbers is going to be very limited because we are acquiring a small asset first. So, the possibility of that impacting our quarterly NDCF is limited.

**Sunil Shah:** Thanks so much for the clarity Sir and all the best for the future. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Ravi Shankar from Axis Bank. Please go ahead.

**Ravi Shankar:** Sorry Sir my questions have been answered and lot of people have already asked the same question thanks.

**Moderator:** Thank you. The next question is from the line of Rikesh Parikh from Barclays. Please go ahead.

**Rikesh Parikh:** Just in general I wanted to understand what kind of IRR we would be looking at when we are acquiring a new project whether it is solar or transmission project?

**Harsh Shah:** So, the IRR keeps changing depending on the cost of debt and when we acquire etc. We look for anything from 12% to 13% IRR in a transmission project. It can be higher or lower depending on the size and different parameters.

**Rikesh Parikh:** So that will be to even for the solar?

**Harsh Shah:** Solar projects would come at a premium to that so we would look to have higher IRR in solar projects.

**Rikesh Parikh:** Now just coming to solar project, solar project tends to have certain amount of volatility and some amount of risk in terms of the litigation. Why exactly are we looking at a solar project when we have a very stable line of steady revenue coming from transmission line?

**Harsh Shah:** Your point is correct there have been litigations & tariff issues in the past. But most of these issues have been on the state PPAs there are very limited instances of central sector undertakings like SECI and NTPC. So, from that perspective risk is lesser when we evaluate a particular project with central counter parties. We are leveraging our existing skill set and balance sheet to ensure that we can acquire projects at a better return. We observe there would be a lot of people who may want to monetize the solar portfolio. Considering that we do have access to capital with our rating and the balance sheet we may



be able to generate superior returns versus let us say a normal holder of solar projects. Therefore, there is a financial arbitrage for us to leverage, especially in the sector where the regulator, the counter parties are central counter parties are same. So that is the reason to evaluate such that long term, fixed price PPAs, limited volatility and you avoid the volatility in terms of collection by selecting the right counter party.

**Rikesh Parikh:** Are we seeing a healthy pipeline of projects even in transmission?

**Harsh Shah:** We do not look at pipeline on a quarter on quarter basis. If you look at it on a six months or 12 to 18 months period, we are seeing a healthy pipeline. There are already 10000 crores worth projects which got bids last year and in last six months we saw another 15000 Crores worth projects getting bids. So, we do see a good pipeline available in the market.

**Rikesh Parikh:** Thank you that is it from me. Thanks.

**Moderator:** Thank you. The next question is from the line of Rushabh Sharedalal from Pravin Ratilal Share and Stockbrokers. Please go ahead.

**Rushabh Sharedalal:** Congratulations on a good set of numbers. I just had one question. Recently there was a news items saying that the local electric gear makers are seeking a ban on the Chinese companies due to security reasons. These gears are used by the power generation and transmission companies. If such a ban comes up, will we have any cost impact on IndiGrid?

**Harsh Shah:** We do not do development of projects or import. The only component in our entire portfolio that gets imported from China on the transmission line side is something called insulator and the connectors of insulator with the conductor which is to be honest of 5% value on the portfolio, that is one. Second is we have already imported those parts and they can be changed with the domestic providers as well if at all we have to do. So we are not impacted by any of this change and the second one on substation side we do not have any Chinese transformers etc., and therefore we are not impacted at all so we do not see an impact of this supply chain because of import ban from China coming in there is a huge domestic market or domestic manufacturing for power grid that we are doing. So, we do not see the impact of that on the business.

**Rushabh Sharedalal:** Thanks a lot, and again congratulations on a great set of numbers.

**Moderator:** Thank you. The next question is from the line of Mahesh Shah from Edelweiss. Please go ahead.

**Mahesh Shah:** I just had one question regarding the length of solar asset. When we do acquire solar assets what would be the typical PPAs like 25, 35 years are you targeting something or is it something that is open to evaluations?

**Harsh Shah:** Typically the PPAs have signed in the solar what we have seen is for 25 years and when we look to acquire with some bit of a track record we can look to do one to two year of track records then that will make it 23 so I would say you would look for assets in the range of 20 to 25 years of contract.

**Mahesh Shah:** Post this contract how much is the equipment again which are similar thing to what we have a transmission line in terms of residual value or whether the contracts can be extended or is that benefit?

**Harsh Shah:** Solar projects are not BOOM projects, so typically they are limited life projects. Therefore, we value it like that. They also have a lesser life; cells have a lesser life so we may use re-farming to increase the return but assuming beyond 25 years of tariff while acquiring will not make sense.

- Mahesh Shah:** Given that there is enough of a pipeline in terms of transmission assets are you going to continue to acquire solar projects? Would 25% of the new acquisitions would probably be solar?
- Harsh Shah:** 25% is more like a guidance on long term basis and that too at a maximum. It does not mean we have to acquire 25%. Our focus is on acquiring good assets with a stable cash flow, operating track record. We are happy even if we have 15%. There is no goal for us to achieve 25% of solar. We will be focusing on selecting the right asset which fits the portfolio.
- Mahesh Shah:** Got it and congratulations on a good set of numbers. Thank you.
- Moderator:** Thank you. The next question is from the line of Nimish Rajesh Shah an Investor. Please go ahead.
- Nimish Rajesh Shah:** I have three questions. There was a force majeure event earlier in the year and the recognition of the same has been completed. Second question is on the slide number 23, the unsafe conditions have jumped by 15 times and incidence have jumped by 6, 10 otherwise the near miss has also increased. Is there any concern around this? Third question, in a falling interest rate scenario right now and our debt is mostly at fixed cost so is there any provision to revisit this? Thank you.
- Harsh Shah:** So I will start from your last question there are some projects which may have a provision to revisit which is a call option or a put option which is always a cost, so the cost benefit analysis is being done. So, there are now free options to prepay anybody at any time. It is a tradeoff. We believe in securing our cash flows and therefore we have been hedging our cost through fixed interest rates. There will be an opportunity to refinance in a few and we will keep evaluating them. The next question which you asked on the unfit condition. It is a good sign, when your unsafe conditions reporting goes up and near misses go up it means that people are open to talk about it. So, it is a cultural shift that we are pushing in the company. As you can see number of training man hours are doubled. What that does is it makes more people aware about what is an unsafe condition and what is a near miss. As we invest more in training there would be increase unsafe condition and near misses reporting. We like that increase because that means people are being cautious, people are watching what was not done rightly and which builds a strong foundation. So therefore, it is a good sign not a bad sign to see this reporting numbers going up.
- Nimish Rajesh Shah:** So, my first question was regarding a force majeure event in one of the transmission lines earlier in the year. Is the recognition complete and there was certificate which was to be obtained for the maintenance of line?
- Harsh Shah:** We took 74 days to restore that line. This is double CC align of JTCL entity. The respective authority has already approved certificates up to 60 days as a force majeure and we have received certificate of availability and therefore revenue has been recognized for that. The next 14 days for the 20% of that line we did not recognize the revenue. However, we are still appealing at the central level to give 14 days of revenue to us for that component as well, which will be around 1.5 Crores. We have got confirmation from insurance company to recover sizable amount of that, reaching about couple of Crores. So, I would say we have concluded the force majeure incident in a very positive note.
- Nimish Rajesh Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dheeraj Vaibhav from Samvad Financial. Please go ahead.
- Dheeraj Vaibhav:** We see EBITDA of 2993 Crores in one slide and when we go into the last distribution slide, we see that with NDCF there is a kind of EBTIDA, different only by 10 Crores. Can you just explain to reconfirm that figure as you see in slide?
- Harsh Shah:** So, you are referring to the EBITDA slide and the NDCF is it?

- Dheeraj Vaibhav:** Yes, so basically the NDCF slide where we have financial highlight whether we are getting EBITDA quarterly the slide #28 for example.
- Harsh Shah:** Yes, the slide #28 has got 670 Crores of income.
- Dheeraj Vaibhav:** Yes 670 Crores, yes I am referring to Q4 that is as to so with that 306 Crores as EBITDA and when I go down and in EBITDA is coming at 293 crores, also mentioned in press release
- Harsh Shah:** Yes, so there is the IGT expenditure that you see on the same chart on slide #28.
- Dheeraj Vaibhav:** It is 6.6 Crores.
- Harsh Shah:** That is one reconciliation, so you need to add that number as well to come to the EBITDA. What you saw on the financials and press release are consolidated EBITDA on which the EBITDA percentage is calculate. 306 Crores is the SPV level number. On consolidation there are expenditure beyond this at the IndiGrid level as well which is shown separately and that is the reconciliation item that I described right now.
- Dheeraj Vaibhav:** That would be majority 6.6 crores. As solar assets won't contribute more than 25% as per your disclosure, would it make sense to give so much time to those asset? Unless we see that becoming a multiyear revenue generating asset? Transmission assets account for 100% of cash flow, solar is not contributing anything as of now. At DPU level it's not even going to add 10 bps at least 10 paisa, 20 paisa, so does it make sense?
- Harsh Shah:** We are not necessarily expanding aggressively into solar and if it is not worthwhile for a multiyear revenue why will we also acquire? To answer your question, we will acquire assets which will make it worthwhile for a multiyear revenue. I would say we would certainly not do something which is not worthwhile and therefore we will acquire solar asset which would be adding a good chunk in BPU, and which will be sustainable.
- Dheeraj Vaibhav:** Power grid is going to do InvIT quotation for the existing grids that are available. When the sector started ARCs were not allowed to hold security visit or some certificate of another construction company. But 5 to 7 years down the line IBC permitted that. If IndiGrid wants to invest, can you invest in power grid InvIT?
- Harsh Shah:** Technically speaking, as per SEBI regulations, at the moment an InvIT cannot invest in another InvIT. As per our strategy we would not like to necessarily invest in another InvIT. We ourselves are owner and operators of transmission asset, if we have extra 10%, we might as well give for investors and they can buy these are InvIT units or buy another InvITs units. That prerogative is not part of our business plan or a model to acquire another InvIT. If power grid or other state TRANSCOs are monetizing their assets we would certainly look to acquire. But it may not make sense for us to invest in another InvIT.
- Dheeraj Vaibhav:** Appreciate thanks a lot for your wonderful performance and efforts and do look forward the future, wish you and your team all the best.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.
- Mohit Kumar:** Last year there were too many regulatory changes which were in favor of InvITs are there some more expected in the next six to 12 months?

**Harsh Shah:** So, from our perspective we can tell you what is publicly available. Insurance companies and pension companies need to be enabled to invest in debt securities of InvIT which will allow us to have longer tenures for loans. So that is what we are actively working on. The second one we are working on, but we do not know is reduction of lot sizes from 1 lakh to 1 unit. We believe that will be a big boost to the sector. Last year SEBI reduced from 5 lakh to 1 lakh. We are trying with SEBI and ministry to reduce it to 1 unit. The third one is ability to add sponsors in a particular InvIT. For example, KKR has already applied to become a sponsor of IndiGrid and we are working with SEBI to come up with a policy guideline on how to induct a new sponsor.

**Mohit Kumar:** Understood Sir thank you.

**Moderator:** Thank you. The next question is from the line of Varnish from DC Investments. Please go ahead.

**Varnish:** My question is you mentioned that the interest rate on late payment has been reduced from 18% to 12%. So how much will it affect going forward? You have beautifully explained the three residual scenarios. What is the minimum residual cost per unit you are expecting over a period of time?

**Harsh Shah:** So, to answer your second question first, on the residual life see at the moment if I use the worst method that is to scrap, the scrap value of our assets would be about 2000 Crores. Assuming there is 0 inflation for 35 years today in that scenario also, you will get 2000 Crores at the end of 35<sup>th</sup> year. So that is 2000 Crores divided by whatever 58.5 Crores unit so approx. Rs.40. If you add 1% inflation, 2% inflation, 3% inflation year-on-year the number will keep going up. We cannot predict 35 years of inflation so that is going to be your view to calculate.

**Varnish:** Yes, best case scenario you are saying right now in today's rate it is coming around Rs.40 per unit?

**Harsh Shah:** So that is a simple way to look at it and oversimplifying so that the message is clear but that is one way to look at it.

**Varnish:** Yes, because we heard somewhere that Rs.7 it is going to be so that is the reason, you clarify that it would be around Rs.40.

**Harsh Shah:** See today's value but when we value our cash flows, we do not take this value in to account in today's terms.

**Varnish:** Correct.

**Harsh Shah:** So just to be clear, if we get discounted value of future cash flow and this value is passed at the end of 35<sup>th</sup> year in today's terms. It will be today's 2000 Crores plus the inflation assumption that we want to assume for 35 years.

**Varnish:** You have 55 days of credit and if we have penalty impact increase from 8% to 12%, what would be the impact to the P&L?

**Harsh Shah:** Yes, it is a very muted impact for example we have collected approximately 6.8 Crores of LPS net LPS in the entire financial year. so, 12% to 18% if we have to replicate for next year it will be a single digit Crore impact. it is a fairly small impact.

**Varnish:** Thank you very much really appreciate the good work you are doing thank you.

**Moderator:** Thank you. The next question is from the line of Gopal S an Investor. Please go ahead.

**Gopal S:** Thank you for your wonderful presentation and great Q&A this is a great learning experience for people like me a retail investor. most of the questions which I had were answered. my question is related to TDS on the DPUs. Recently the Indian Government has given relief on TDS to be reduced from 10% to 7.5%, IS this applicable to the DPU that IndiGrid is going to distribute.

**Divya Verma:** Yes on this DPU, the interest which will be distributing to the investor we will give that at the concessional rate.

**Harsh Shah:** Okay thanks a lot Mr. Shah.

**Moderator:** Thank you. Ladies and gentlemen, we take the last question from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

**Swarnim M:** Can you help us with the breakup of 475 Crores of cash and investments? How much is in investments? I also wanted to understand what is the distributable free cash reserve that we have?

**Harsh Shah:** Correct. So out of 475 Crores, there is 125 Crores of DSRA, which is the debt service reserve account and 175 Crores is the DPU which we are distributing this quarter. That is about 300 Crores of committed capital towards DSRA & towards distribution. So, the residual amount of cash would be one can assume as a free cash.

**Swarnim M:** Okay got it right thank you so much and wish you all the best Sir. Would you have any closing comments Harsh?

**Harsh Shah:** Yes, thank you Swarnim. We decided to have a longer call because it was an annual year end call, and we have completed three years. I would like to thank everyone for the important questions. We are really happy that our investors are going deep in our business model and understanding the assets and our strategy better, so it is very heartening. I would just reiterate our vision and strategy. Our focus is to become the most admired yield platform coming out of Asia. We would focus on acquiring stable assets with operating cash flow, long cash flow and ensure that we keep distributing the stable income that we earn and work on growing that with the acquisitions that we have been doing. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.