



“India Grid Trust  
Q4 FY2021 Earnings Conference Call”

May 31, 2021



**ANALYST: MR. SWARNIM MAHESHWARI- EDELWEISS  
SECURITIES LIMITED**

**MANAGEMENT: MR. HARSH SHAH – CHIEF EXECUTIVE OFFICER –  
INDIA GRID TRUST  
MR. JYOTI AGARWAL – CHIEF FINANCIAL  
OFFICER – INDIA GRID TRUST  
MS. MEGHANA PANDIT - CHIEF INVESTMENT  
OFFICER – INDIA GRID TRUST  
MR. SATISH TALMALE - CHIEF OPERATING  
OFFICER - INDIA GRID TRUST**

**Moderator:** Ladies and gentlemen, good day and welcome to India Grid Trust Q4FY21 Earnings 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities Limited. Thank you and over to you, Sir!

**Swarnim Maheshwari:** Thanks, Steven. On behalf of Edelweiss a warm welcome to all the participants. I hope all the participants are safe and health. From the management today we have with us Mr. Harsh Shah – CEO, Mr. Jyoti Agarwal – CFO, Ms. Meghana Pandit – CIO and Mr. Satish Talmale – COO who will represent India Grist Trust (IndiGrid) on the call. I will just hand over the call to Mr. Harsh Shah for his opening remarks post which we will have a detailed Q&A session. Over to you, Harsh! Thank you.

**Harsh Shah:** Thank you everyone, and as Swarnim mentioned, I really hope for safety and wellness of everyone who has joined on the call. This is Q4FY21 investor call as well as our conclusion of the Financial year 2021 call. So, we have captured certain items for the full financial year to give a perspective of certain items as well as a little bit of about our evolution over last four years.

To start with on slide 5, I would like to reiterate our vision. Our vision is to become the most admired yield vehicle in Asia. We believe if we abide by the core aspect of our business model and execute them well, we will be able to achieve our vision, First value being focused business model, which is focused on long-term contracts, low operating risks, and stable cash flows. Second value accretive growth, which helps us to increase DPU on year-on-year basis and create a growth pipeline for future, predictable distribution, we have been giving guidance on a forward-looking basis and also providing quarterly distribution, which is predictable for our investors and the last one which is focused on optimal capital structure, which we have maintained our consolidated leverage lower than 70% and focus is on maintaining our AAA rating via prudent liability management as well as in a good quality assets.

On the slide 6, we captured our evolution over last three-four years starting from a growth track record in terms of assets when since listing we had 8 lines and about ~1,936 circuit kilometers, 2 substations about 6,000 MVA in 4 states and 10 revenue generating elements and approximately Rs.3,700 Crores of AUM. Fast forward today we have 40 lines about 7,600 circuit kilometers, 11 substations with 13,550 MVA and presence

across 17 states and one Union Territory with 50 different revenue generating elements and with a total asset size of approximately Rs.20,500 Crores. We have been able to achieve this phenomenal growth based on execution of our promises by focusing on value accretive growth assets that we operate in.

The next important part of our evolution has been our unique unitholder base, how it is evolved and diversified over a period of time. Starting again from IPO, we had a sponsor about ~16%, we had no insurance companies, retail holding was about ~445 Crores and FPIs owning about 39.9%. Fast forward today, we have an addition of sponsor with KKR being sponsor as well as owning about 24% of the stake, 9 insurance companies own about 8.6% stake all of them coming along the way via secondary sale and subsequent rights issues. The retail holding has increased from 445 Crores to 1,825 Crores and this is also evident in the liquidity that we see in IndiGrid lots on the exchanges. DII holdings have relatively come down in proportion to the FIIs and the FPIs own 31%, if we add KKR and this together it will be a higher number.

The third aspect of evolution, which is the market development and we have seen since the time when we listed our InvIT the market was in a state of flux and evolution. We believe now it has come to a status of its evolution that a lot many new issues that we have seen in the recent future. We are in line with our strategy and have consistently raised capital to ensure that we maintain a healthy balance sheet and focus on predictable DPU growth. While we listed with Rs.2,250 Crores at time of IPO, subsequently we did a preference issue of Rs.2,500 Crores and very recently a Rs.1,284 Crores of rights issue.

This is a unique aspect about InvITs in comparison to other equity listed companies considering that InvITs have a mandatory payout ratio of 90% of the cash of its own. It requires raising of capital for its growth because it is distributing out all the cash flow it accrues. We believe it is a better corporate structure because it enables equity investors to have a stable yield, predictable yield as a mandatory payout ratio and contribute capital, if they feel they want to contribute and it is the right decision at that point in time. Our average daily turnover has increased from about Rs.5 Crores to Rs.10 Crores in 2021, which is clearly indicating the liquidity improving. Total return delivered in year-on-year basis has been substantially higher and has increased over a period of time.

Net debt to AUM remains within the planned numbers to maintain a robust balance sheet and along the way, there have been several changes like leverage limit to 70%, a lot size reduction to 1 lakh, RBI enabling, bank lending, induction KKR as a sponsor and insurance, FPI lending InvITs becoming a reality, all of this contributing to InvITs becoming a market of its own.

On the next slide, which is slide #7, it just captures the evolution of a financial performance over the years and as one can see from different numbers in general we have grown anywhere from 50% to 55% in terms of our compounded annual growth rate of all parameters whether it is revenue, EBITDA, AUM and NDCF, which effectively also has delivered a good DPU growth of the investors who have chosen to invest since listing and we believe we will continue to focus on this DPU journey, as we move ahead to ensure that stable distribution and consistent growth remains the focus of IndiGrid.

Coming to slide #9, just a snapshot of who we are today, we are India's first power transmission yield platform with an asset size of about Rs.20,500 Crores, present as we spoke about in 17 states and 1 UT with 40 lines and 11 substations, we are AAA rated and our residual contract life is ~30 years and in terms of another dimension of size we are 11,550 towers and overall constitutes about 4,30,000 tonnes of metal between steel and aluminum.

Going to FY2021 key highlights, the first aspect of the portfolio growth, we have acquired Rs.6,900 Crores worth of assets in FY2021, which has taken our AUM to Rs.20,500 Crores including the largest asset ever transacted in our power transmission sector in India, which we executed called NERSS-II in Q4 FY21.

Besides, that assets, his year is special because we acquired 3 types of assets from different kind of counterparts starting from a joint venture with PowerGrid, which is a cost plus transmission asset which we acquired from Reliance Infrastructure, a state transmission asset, which we acquired from JV of Kalpataru in Techno Electric and signed the first solar asset with FRV in the last year.

In general, last year growth was about 35% of revenue and 26% EBITDA on a year-on-year basis and it is important to note that any of the acquisition happened in the last week of March-21 and therefore has very limited contribution to both revenue and EBITDA numbers of a FY2021. In tandem with the portfolio growth, we have consistently increased DPU guidance. For FY2022, we have raised DPU guidance to Rs.12 75 per unit up by 3% from current annual run rate of Rs.12 40 per unit and up about 6% from the FY2021 initial guidance of Rs.12 per unit.

It is important to note because this is adding to our trajectory of ~4% year-on-year growth in DPU that we have projected and delivered over the last 4 years. The next segment is on improving our balance sheet strength, we have successfully managed the first wave of COVID19 and related uncertainties on the business by maintaining the liquidity and reserves with the company. Our net debt to AUM has remained at 59% as of March 31, 2021, which leaves substantial headroom for growth. This does not account for the rights

issue impact, which will be explained subsequently. We have substantially diversified the debt sources, reduced the cost and elongated tenures in the incremental facilities that we are undertaking. We had focused tremendously on resilient asset management this year.

We are transitioning into an in-house project management or asset management as the industry calls it and therefore Sterlite Power will not be pursuing the project manager role in FY2022; however, we would be internalizing it within the IndiGrid teams itself. We have partnered with IBM for utilizing their global tool called Maximo to digitize asset management and increase reliability and efficiency of our operations. We have made investments into emergency restoration systems to ensure reliability of our portfolio and availability and we are focused on building a world class EHS and ESG practices across the portfolio.

The last one is on industry stewardship, so we are consistently focused on reducing the lot size to allow maximum participation, increasing liquidity and as some of you know already, IRDAI has come up with a circular to enable subscription to debt securities by insurance companies and MoF has announced the similar measures for FPIs; however, we are awaiting the final circular come up there. All of this has put together enabled us to contribute superior total returns, maintain sustainable increase in DPU, and steady operations.

Going to the key power sector trends, I would just spend a few minutes here, as we believe electricity sector is truly at the cusp of shifting demand patterns, technological disruptions, and regulatory dynamism in India and globally. To give a perspective on technological disruptions would mean efficiency of solar cells and in general all solar technologies reaching grid parity level, improvement in storage technology and battery technologies and evolution of electric mobility. The impact of these disruptions has direct result on the demand pattern. The focus on electricity in India has moved from the availability of a light to reliability and sustainability of energy delivery. Electrification of mobility will further cause huge shifts into the demand patterns in the country to the extent that if the overall electric mobility vision is achieved, it will hit into the oil and gas share of the energy and expand the electricity sector in a material way, which will have a significant impact on equipment manufacturer as well as infrastructure providers like ourselves.

Storage requirements are becoming central to stability and reliability and such demand shifts as well as the charging infrastructure for EV will become a much larger market in the coming future. The last one is a regulatory dynamism that we are seeing in the government, whether it is support in form of PLI or support in terms of planning adequate and efficient transmission system or revitalizing of Discoms by some monetization as well as de-licensing of distribution businesses and many such light touch regulations, which are

supporting a decadal growth in the electricity sector. At the cusp of these three we believe that we are looking at a decadal growth and a transformational shift in the electricity sector in India not only for the infrastructure companies, but also for companies associated with it in terms of manufacturing technology and generation.

Coming to the COVID-19 impact on the business directly that we see on the next slide. The COVID-19 per se, as we have been showing the slide did not materially impact our business while the demands subsequently materially dropped in COVID-19 in 2020, it subsequently came back, it dropped in 2021, as we can see in the green curve we believe the moment the lockdown opens up it will come back up. However, the main thing to note over here is that the power transmission tariffs are based on availability and are not linked to power flow and demand and we have seen it in FY2020, our collections came back to normal and rather beating the historical average and ending the Q4FY21 with 126% of quarterly revenue, which we believe is one of the best quarter's that we have seen and our FY2021 collection remain above 100%, which clearly showcase that the COVID-19 impact of FY2021 was not there on the business per se besides the practical challenges of operations. In general, we are ending the year with one of the best receivables' days of 41 days at the end of the quarter. The last section is on the resilient operation, I would request Satish to take us through that section of resilient operations and reliability centered management, Satish, over to you!

**Satish Talmale:**

Good afternoon. On resilient operations, I think despite of COVID-19 challenges, we have been able to maintain the reliable power supply with a maximized availability. So, across the portfolio we have achieved 99.5% against our normative target of 98%. Of course, there were safety concerns and we have to put a lot of additional COVID related safety measures at our facilities including in substations and in transmission lines and all the critical O&M activities continue with restricted manpower especially in substation operations where we are to operate 24/7, we could be were able to sustain and manage the operations without any much larger impact. Harsh, back to you!

**Harsh Shah:**

Thank you, Satish. The next part was about slide #14 in general operating performance of the year and the quarter. I think the quarterly availability as Satish mentioned has been as per plan except for certain items where there are shut down events that we need to take, but they were compensated by such regulatory authorities like NHAI, which requires us to move lines. In general, our performance and reliability measures are substantially improved, a number of trips per line in FY2021 has come down 0.31 from 0.48 in FY2018 and further if we remove the indemnified components, the trips per line comes down to about 0.2, which we believe is one of the best in the industry and we would continue to focus on that.

Our safe man-hours have been good; however, we did see a fatality earlier in the year for very rare incident of honeybee bite, and we are truly committed to ensure that it does not

repeat and me and Satish and everybody in the team is focusing to ensure that we increase our training man-hours to ensure that we did not see such fatality to repeat.

Our solar generation is currently very low at some of our substations in terms of our size; however, as you know we have signed to purchase the 100 megawatt of solar facility and you will see these numbers going materially up. We also received ISO certification for 14001, 45001 from and 9001 by Bureau Veritas in the financial year 2021. As I mentioned in the summary, we are transitioning our project manager agreement from Sterlite Power to IndiGrid and IndiGrid will become has reliant in operations and management.

On the next slide is about the robust financial performance of Q4FY21 and full financial year 2021. I would invite Jyoti, who is CFO at IndiGrid to take this slide onwards. Jyoti, over to you!

**Jyoti Agarwal:**

Thanks, Harsh. On the back of very sound operational capabilities, we have reflected that in our financial performance, which you can see on slide #15. For the quarter Q4FY21, our revenue on a year-on-year basis increased by 39%, EBITDA increased by 37%. Our NDCF however, increased only by 8%, this is because of a few one offs like some earnout etc during the quarter. Adjusted for that the NDCF attrition has also been in line, actually higher than EBITDA generation at almost 40%.

For the full year FY2021, our revenues increased by 35% and EBITDA and NDCF increased more or less in tandem at 26% and 27% respectively. As we have already announced we have a 3.3% growth in the DPU per quarter from Rs.3 to Rs.3.10 over the course of the year. Now this of course came into effect from the December quarter, so for the full year, the corresponding DPU increase is a little bit less as the Rs.3.1 was paid only for 2 quarters and not for the 4 quarters, the increase is half of 3.3% which is 1.7%, it is showing 1% that is a typo. But on a run rate basis our DPU increase for FY2021, is 3.3% as we paid Rs.12.4 for the year versus Rs.12 that we used to pay before that. As Harsh has already guided, we plan to increase the DPU to 12.75 or roughly Rs.3.1875 per quarter, which will be a further increase of roughly around 3%, so overall an increase of 6% from the start of the year till the end of the year.

Our AUM growth has been remarkable at 71% and we are today commanding an AUM upwards of Rs.20,000 Crores ~Rs.20,500 Crores. We go to the next slide, which is essentially a bridge between EBITDA to NDCF, it is more or less explanatory, but I will take you through some of the key highlights here.

For the quarter, I would like to highlight the working capital movement, which is a big positive of 160 Crores. This was on the back of an exceptional quarter in terms of

collections. We collected the highest ever in a quarter compared to the last four years at 126% and that led to significant drawing down of the debtors and cash coming into the books that helped us for NDCF at an SPV level, which was higher than the EBITDA, so against Rs.451 for EBITDA at the SPV level our NDCF was actually higher at Rs.475 Crores adjusted for the interest cost, debt repayment, etc., at the IGT level we generated an NDCF of IGT Rs.226 Crores. Out of which we intend to pay out the Rs.217 Crores of DPU at Rs.3.10 paisa on expanded equity basis Rs.70 Crores.

It is important to note that for this quarter we have created an NDCF reserve of ~ Rs.62 Crores, Rs.53 Crores at SPV level and Rs.9 Crores in the IGT level. For the full year, the corresponding reserve is Rs.170 Crores ~Rs.143 Crores at the SPV level and Rs.27 Crores at IGT level. This NDCF reserve will help us to tide over any sort of disruption in the collection cycle, which may or may not happen in the future. As of now we do not see any challenges. Collection seems to be following the course but should there be any challenges then NDCF reserve will help us to tide you over and smooth out the predictable DPU that we envisaged to maintain. We go to the next slide; Harsh you want to take the distribution?

**Harsh Shah:**

Sure. Thanks, so I think on slide 17, our distribution as we guided, we are focused on delivering Rs.12.75 per unit for next financial year and for the current financial year the Q4FY21 we have decided to distribute Rs.3.1 per unit, which consists of Rs.1.51 as interest, Rs.0.52 per unit as dividend, which is under the old tax regimes therefore tax free, capital repayment of about Rs.1.07, you will also receive an advice with similar numbers in the mailbox along with the DPU. With this we have cumulatively delivered about Rs.45.77 a unit and approximately Rs.2,000 Crores of distribution to investors since listing.

I think it is important to note that this distribution and the guidance are on a much higher outstanding unit holder base earlier we had 58.35 Crores of units outstanding whereas in this quarter, Q4FY21 we have 70.02 Crores of units outstanding and we are delivering the same Rs.3.1 a quarter for the entire unit holder base and the guidance of Rs.12.75 will also remain on the entire unit holder base. Jyoti, you take the next one, 18 and 19?

**Jyoti Agarwal:**

The next slide 18 is the adjusted NAV. The way the InvIT regulations work is that when you acquire an asset where you are the majority holder then you consolidate the debt as well as AUM or the value of the asset 100% in the books. Consequent to that the NAV at the end Q4FY21 is at Rs.146.26. This includes 100% of both PRKTCL as well as more importantly NER. Now for NER while we have acquired 74% in tranche 1, there is a plan to acquire 100% balance 26% of the asset and that transaction for the balance 26% is due to happen in Q1FY22. By the equity value adjusted for debt has been consolidated 100% there is a payout that needs to be made for the 26% that we have acquired in this first quarter, which would lead to an adjustment in the net asset value to the tune of roughly about Rs.8. Then



there has also been a rights issue as you are aware, Rs.1,283 Crores, which will have a dilutory impact because of the same valuation is going to be distributed among a larger number of units and that impact will be about Rs.6, so on pro-forma basis the Rs.146.26 NAV per unit would actually translate to about Rs.132.18 per unit and we thought in the light of fair disclosure and full transparency we wanted to bring to the notice of unit holders to be mindful of.

**Harsh Shah:**

Sorry, just to add on that Jyoti, this is as per the valuer report. Our statutory NAV as of March-21 remains 146.26 per unit, however, as we speak today there are two events as Jyoti described we wanted to be more transparent and disclose the Q1FY22 events which has dilutory impact and we believe that, that is something which shareholder should be aware of their it is why did that these are the two events which has the impact on the downward side on the NAV that is published. To make it clear NER is acquired, 100% economic interest of NER is acquired and is going to IndiGrid; however, the payment which is not made at the moment, which is what Jyoti described that we would be paying subsequently in Q1FY22 or subsequent timeline as and when certain conditions are met by Sterlite Power.

**Jyoti Agarwal:**

Thanks, Harsh for that explanation. I will move on to the next slide, slide number 19, which talks about our finance structure, the capital structure on the debt side. So have a gross borrowing of roughly around Rs.12,800 Crores at the end of March-21, which is adjusted for some amount of debt, which got paid in the first week of April-21. In the quarter, we raised about Rs.5,100 Crores of debt, and this primarily because of NER, which got any consummated in the last week of March-21 and about Rs.1,000 Crores we raised for the purpose of refinancing debt the SPV level. This debt we raised at an average incremental cost of about 7.36%, which stands very well compared to the average overall book cost of 7.93%. So over the course of the entire financial year, we have been able to refinance debt at a lower level so that your average cost continues to go down. At the start of the quarter our cost was about 8.29% for the overall book, which now is less than 8% and in the month of April, May, we have also been able to do a public NCD issuance where we were able to raise about Rs.1,000 Crores for 7 years and beyond - average maturity of roughly around 8 - 9 years at a cost of about 8% and what that has done is that made us capable of extending our tenures of the debt book so that we are able to raise incremental debt for seven years and beyond at lower cost.`

Today as we speak, we are in a position to raise incremental debt between 7 - 10 years maturity at plus or minus ~7.5% and as more and more of our book gets churned over and new debt comes into the fold, our average cost of debt should also be going down from the current 7.93% to may trending down to 7.5% over the next couple of quarters.

We continue to be rated AAA, we have a fixed rate borrowing of more than 80% it is almost 83% - 84% and roughly 60% of our book is in the form of NCDs and the balance in form of loans. We are carrying a cash balance of about Rs.965 Crores at the end of March-21, but this includes the DPU to be paid of Rs.217 Crores as well as restricted cash in the form DSRA is Rs.300 Crores, so adjusted for that the cash that we are carrying which is about free surplus cash is Rs.450 Crores, which on a book of about Rs.13,000 Crores translates to about 3% - 3.5%, which is right or fair amount of cash that we believe we should carry given the overall size of the operations.

Our net debt to AUM is about 59%. Now this will be going down because of the rights issue that we have done in the month of April, but as of March 31, 2021, it stands at 59%. Our interest ratio is actually 1.52, instead of 2.52 which is a typo. In terms of the repayment schedule, which you can see at the bottom half of the slide, because of the ability to raise debt beyond seven years that we have enabled, we should be able to refinance all our debt in that kind of a maturity bucket and extend the maturity. So apart for FY2023, we believe by September all the repayments in any financial year will not exceed Rs.1,500 Crores that would be roughly around 12% - 13% of our book and we believe that is the right kind of level of refinancing or repayment that are due in every year that we should have and would proactively ensure that it does not go above the Rs.1,500 Crores mark in any particular year.

As far as FY2023 is concerned, there is a large amount of debt of Rs.2,600 Crores, which is coming for repayment this includes two chunky NCDs, one for Rs.1,400 Crores and another for nearly Rs.700 Crores, which we can refinance now, but these have been locked in at higher rates of interest and so there would be a significant amount of MTM cost or prepayment costs that we will have to bear. The way we will manage this particular refinancing is that we are proactively working with banks for an advance tie-up of loan facility, which is a longer availability period, which we hopefully should tie up during the course of the year, so that we have this facility in advance rather than raise this money closer to the maturity date. We are also to the extent possible, in process of refinancing much of FY2023 debt piece and we should be able to do at least Rs.200 Crores to Rs.250 Crores over the next quarter. Harsh, you want to take the next slide.

**Harsh Shah:**

Adding to where Jyoti ended, I think where we are in terms of our rating, the rate cycle and the opportunity, we believe that this Rs.2,600 Crores in FY2023 is a very good opportunity to reduce our cost of debt further because these are the bonds which were locked in about couple of years ago with much higher cost of debt and then given our incremental cost of debt, we believe that this is going to result in a good chunk of savings for the coming years too.

On the next one, I think that two strategic capital raise, that we did and one Jyoti already spoke about, but I think some of the statistics on public debt is mentioned over here. I think the key objective of that was to diversify our source of debt extend average maturities of a borrowing and increase the market debt for the capital raises and we saw that against token of a smaller issue we received a 25 times demand of about Rs.2,500 Crores and we completed the Rs.1,000 Crores for the full green shoe subscription and over Rs.11,500 applications were received for the debt issue and majority, which is more than 80% of the subscription as we saw has been in the 7 or greater than 7 year tenure and that is something which will help to achieve that objective of really establishing a long term tenure and the market for IndiGrid papers and the average maturity of allocation that we achieve is 8.6 years and this also now includes for insurance companies, who have chosen to purchase our papers and this is important response as just a few days after IRDAI enabling such ability of insurance company to our debt papers and we are pretty encouraged and happy about such strong demand from long-term capital.

On the rights issue side, I think this was a first ever rights issue done by a public listed InvIT, and this is the first call after that we are talking about the rights issue to investors and our objective was to ensure that we are preemptively capitalized to ensure that we are able to grow when the market is right. This rights issue has helped create leverage headroom for further growth and also offer the opportunity to all our shareholders to participate and contribute to the growth journey of IndiGrid. The rights issues was subscribed 1.25x and what is heartening to know is over 90% of the eligible investors chose to subscribe to our rights issue and which we believe is a very good number and then we see it as a sign of confidence on the IndiGrid platform from our investors. With the capital that we have raised at the rights issue we would be able to acquire another 5000 Crores odd of assets while remaining within the 70% leverage that we have kept for ourselves.

The next slide is more a long-term track record of delivering returns and as we are being consistently maintaining DPU and especially IndiGrid is focused on delivering superior total return, which consist of dividend distribution or the distribution per unit plus price appreciation or change in price. As you can see with the comparable indices and stocks that we have been consistently showing over last several quarters, we still remain at a substantially higher spread of what we have delivered in terms of annualized return over last four years since our listing.

Important to note, the majority part of this returns is getting delivered by virtue of distribution and not just the price change and that is something which also contributes to a low BETA or low volatility in total returns and the price of IndiGrid.

Coming to slide #23, which is the outlook for FY2022, we believe that there is about Rs.50,000 Crores of interstate TBCB pipeline and another Rs.45,000 Crores of intrastate TBCB business that is expected over next three to four years, this forms a very healthy pipeline for acquisition. Within the interstate transmission bids we see ~Rs.15,000 Crores worth of bids coming in FY2022, and additionally about Rs.26,000 Crores are identified for renewable power plant, which may come in a subsequent years.

Our focus will be on completing the acquisition that we had signed up for namely FRV as well as converting the framework asset KTL into our portfolio by year end. We will continue to selectively evaluate opportunities in both solar and transmission sector and the outlook is to increase our DPU to Rs.12.75 and we will work towards delivering the same.

On the balance sheet side, we will continue to further diversify our debt sources and elongate tenures. We will aim to reduce the cost of debt by refinancing. We will maintain adequate liquidity to mitigate current setup of any unpredictable scenario that may pan out due to COVID-19 or other than COVID-19 over the next 12 months.

On the asset management side, we continue to maintain a robust availability and maximize incentives; we would be investing both in technology and people to ensure reliable and self-reliant O&M. We will continue to make investments into leading technologies like digital asset management or predictive analysis and emergency preparedness to ensure that we are able to operate our assets reliably. We would focus EHS and ESG practices for the portfolio inline with global practices for similar platforms.

On the industry stewardship, we will continue to liaise with regulators and Ministry to reduce the lot size at par with other listed platforms to ensure the liquidity increases and improves for InvITs. There are further changes that we are seeking for PFRDA to subscribe to debt securities for InvITs and also actioning of MoF circular on FPI and ECB lending and we are recommending government to streamline tax anomaly with respect to capital gains tax for InvITs.

With that I would just conclude the call by saying we are really happy to have such a wide participation and performance. We look forward to answer your questions now.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:**

Good evening, Sir and congratulations on a good set of numbers and raising the capital. Sir, two questions, firstly why we are maintaining such a high level of cash on our books and

the related question is that of course we have around Rs.24 billion of repayment due in FY2023, when it is expected to refinance, can you throw timeline?

**Harsh Shah:**

I think Jyoti did explain partly, but we would try to do it again. I think the high level of cash I think we need to reduce certain cash out of the Rs.965 Crores of cash Rs.220 Crores is the distribution held for payment, which would bring it to about Rs.750 Crores out of that ~Rs.300 Crores is a statutory DSRA we maintain one quarter of interest cover at any point in time, which reduces band of the Rs.300 Crores, so this is about like Rs.520 Crores out of Rs.960 Crores is kind of either cash flow which we are distributing to subsequent investors and for debt service, out of the other Rs.400 Crores that you see, there is one way to look at it, there is a reserve that we have created in this financial year, Rs.170 Crores that is a reserve that is created which we can use subsequently. So, we have approximately other than these three about Rs.200 Crores, Rs.300 Crores of excess cash, which depending on opportunity we can either use it or we keep it that is a flexible channel. I do not think we should look at it as a Rs.960 Crores of cash balance. The real flexibility and cash balance is just about Rs.200 Crores - Rs.300 Crores and we have our upcoming acquisition also coming right for FRV that we have signed, so we will decide to use it for either upcoming acquisitions or refinancing that may come up. So, the next question that you asked was Rs.2,400 Crores of repayment in FY2023. See both of them are coming for next financial year, so any refinancing that we do for that amount would largely happen in the Q4FY22, because as Jyoti mentioned they are locked NCDs and breakage costs are higher, so we would be doing it somewhere in the Q4FY22

**Mohit Kumar:**

Understood, Sir. What is your debt equity post the acquisition of KTL and FRV, in the sense you did also with the rights issue is Rs.1,2843 Crores right, so post the KTL, at KTL and solar, I think that should happen in the next 12 months, what will be, I think we need to pay something right, so after making all the payments, what will be debt equity at the end of FY2022?

**Harsh Shah:**

I would just say one after the rights issue our net debt to AUM is at about 55% approximately and considering the size of both the other assets overall AUM would probably be in the range of 60% after these two acquisitions. Jyoti if you can right about 60%?

**Jyoti Agarwal:**

Yes, you are right, it would be about that kind of level, immediate visibility is around 55% post this quarter because rights as well as FRV we are expecting to happen in this quarter, it will happen a bit later, but it will be within the 60% threshold based on time visibility of the acquisition pipeline.

**Mohit Kumar:**

So, 10% extra margin available to us, right?

- Harsh Shah:** Yes.
- Mohit Kumar:** Understood, Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Prashant Pandey from Birla Sun Life Insurance. Please go ahead.
- Prashant Pandey:** Sir, my query is on the return of capital which you have given in this quarter so how is it predicted, was there any specific reason in terms of debt maturity was coming up for the loan, which was given to SPV and also what is the future outlook how much capital return can we expect going forward?
- Harsh Shah:** I think this is not linked to any specific maturities as we have described earlier. This is linked to primarily one thing - that under the tax regime and the InvIT regulations, we need to distribute cash flows to our investors, ie the cash that we receive from SPV in the same form as the payment received. For example, in a particular year or a quarter if one SPV generates more cash than the interest that it has to pay to IndiGrid, in that quarter we may see some capital repayment happening. It is not a uniform, but some SPV will do it, some SPV will do it after 10 years. It depends on the capital structure of the SPV per se so when will we receive a cash inflow into an SPV more than the interest payment that it owes to IndiGrid you will see this component coming in. It is just an accounting treatment. It is not a buyback or a capital repayment in the true sense. It is just the capital repayment because subsidiary has returned the debt to InvIT and InvIT is paying back in the same form. In this quarter, the number is relatively higher as you would have seen there is substantially higher collection that has taken place. When you receive more collection, there is more NDCF and the interest is accounting so we can only pay X amount of interest, the rest of it comes to us as a capital repayment. On the outlook in future, there would be components of capital repayment which would be there, but it is very difficult to predict it on a y-o-y basis that you know it will be of Re.1 or Rs.2 it is very difficult so we are focused on following the rules that is there in the SEBI regulations and the income tax, but prediction of that is difficult early on.
- Prashant Pandey:** Sir, thank you and my second and final question was on the NDCF, if you see on page #15 and #16, NDCF is different, so I wanted to understand as in why is there a difference, is it because one is at SPV level and another is at the InvIT level?
- Harsh Shah:** Correct, there are two ways to look at it is, one is at the InvIT level in terms of after creating reserves and second is that what you see on the slide #16, is just a waterfall from EBITDA to NDCF right how what are the changes, it is not a technical formula of NDCF that gets followed under SEBI, as SEBI requires to have two level of NDCF separately

communicated and what is NDCF for IGT is after adjustment of 10% of reserve at SPV, you will need to make certain adjustments to map it to the FY21 NDCF Rs.917 Crores, which is the total cash generation that has happened in the company.

**Prashant Pandey:** So, the 90% regulation is for the lower amount?

**Harsh Shah:** 90% is on both amount NDCF at SPV as well as NDCF at IGT.

**Prashant Pandey:** Thank you.

**Jyoti Agarwal:** If I may explain in a simple way both of them are actually representing the same number, the method of representation is different, so if you look at slide #16, if you take the distributed amount and just add the reserves for the quarter and for the year, you will get the total NDCF number, which is there on slide #15, this slide is talking about the overall NDCF is generated including the reserve, the breakup is shown in slide #16.

**Prashant Pandey:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Hansal Thakkar from Lalkar Securities. Please go ahead.

**Hansal Thakkar:** Thank you for the opportunity. Congratulations Harsh and team on a blowout year and quarter after such an unpredictable year. My question is actually in continuation to the previous one, so while I understand that the capital repayment may not have predictability can we assume that the dividend will have a predictability going forward?

**Harsh Shah:** On the dividend front it is a very specific scenario for which we can provide a little bit of guidance. The dividend is coming from the joint venture called Parbati Koldam, which we acquired from Reliance Infra, which is a cost plus asset and in a cost plus regulated return asset we receive post tax return from the regulator and the customers, so there is a specific amount of dividends that we receive every year from that joint venture and that would amount to Rs.0.50 a year kind of dividend for the platform which was Rs.30 Crores – Rs.35 Crores and that is something which will continue for a longer period of time, so the dividend component will be more sustainable and more predictable in the range of Rs.0.5 - Rs.0.6 a unit per year.

**Hansal Thakkar:** Wonderful for and the second question I have with the increased guidance of Rs.12.75 per unit for FY2022, the first quarter you are paying of Rs 3.1 per unit and therefore would it be safe to assume that the balance will be caught up by the end of the year?

**Harsh Shah:** For the guidance we are following an accrual method, the Rs.3.1 that we are paying is for Q4FY21, the Rs.12.75 per unit will be the DPU from FY2022, so depending on how you account for it, it will go, so Q4FY21 DPU is Rs.3.1, but Q1FY22 onwards it will be higher DPU.

**Hansal Thakkar:** Right, sorry my fault, and the next full year will be Rs.12.75?

**Harsh Shah:** Yes.

**Hansal Thakkar:** Wonderful. Thanks, and keep up the good work.

**Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Harsh, thanks for taking my question. So you know after this tax rule which got changed for dividend distribution many of REITs which are listed ones had changed the mix of distribution to their unit holders and also have given some guidance on the same on an increased distribution as a percentage of total distribution, so it seems that there is some financial engineering and flexibility to sort of change the mix to the unit holders, which of course has been proven by all the listed REITs in India, so given that do we also have that flexibility and hence if we have that flexibility would we want to give any guidance on the mix of these three forms of distribution going forward?

**Harsh Shah:** I think that is very good question. I will just start from saying that REITs and InvITs follow a different capital structure directionally. What happens in real estate is that typically the asset value is much higher than the book value and because of that in any case they had to pay dividend even earlier even though it was taxable, so for them what has only changed is that from a taxable dividend they are moving slightly and making it towards tax free dividends depending on the tax structure of different SPVs; however, for InvITs or rather let us say infrastructure businesses typically the capital structure and book value are not materially different like that for real estate so what happens is that we have a lot of depreciation cash flow available to us, which on a real estate the depreciation percentage of the overall asset value is lower, so we are kind of restricted to follow a particular capital structure, which would eventually result into a material part of our distribution coming as interest, so we do not have the same kind of flexibility to move to a dividend structure and we believe that is better for InvIT or rather IndiGrid for sure because if we were to move to this kind of structure the overall cash flows will come down material because then will need to start paying 25% tax to that extent to be able to generate same amount of dividend, so we have done those calculations and we believe that that is something not feasible for IndiGrid; however, it can be case by case for different people, also the dividend that we are providing



is specifically coming from a cost plus asset. That is why we are being able to deliver that dividend.

**Sarvesh Gupta:**

Understood and other thing is so basically for further increase on DPU is in a way dependent on the incremental IRR project that you are bidding versus the cost of debt, how are you seeing this spread in the market relative to previous years, where there is a gush of liquidity everywhere in the world, are you seeing pressures on the incremental spreads for the newer acquisitions that you are bidding versus your cost of debt?

**Harsh Shah:**

I think it is a very, very pertinent question, First point, I think we acquired NER just at the end of the last financial year, so for the near term growth DPU growth we are not dependent on new asset acquisitions because our high confidence guidance comes from the fact that we have the assets that we have already acquired on the back of which we are providing the DPU guidance so our near term growth DPU growth is not depended on asset acquisition, to answer your second question certainly the competition and in general the capital availability in the country has increased and which would result in to relatively narrower spreads on acquisitions, however, it depends on what is the particular situation, let us say whether there is a stressed asset or operating asset or particular asset in which you already have synergies on, it depends on asset to asset, but in general directionally yes, competition has increased, spreads have narrowed down that is where we believe platform like IndiGrid are more competitive because of our rating, because of our balance sheet strength, because of a track record of acquisitions, because we can turnaround acquisitions faster and speed is definitely one of the criteria that we have seen has worked well in terms of competitive scenario because eventually the sellers do want a solution that gets delivered to them faster rather than waiting for a year because the economic situation can change materially in the year, and the tax part where we can have a better IRR just because the way we are structured in comparison to a legal entity, which is structured differently, so I would say we remain to be competitively well placed on an account of our rating, balance sheet strength, turnaround capability and track record and our tax structure.

**Sarvesh Gupta:**

Sir, last question on the acquisition pipeline now we only hear what is actually accepted and closed, but how often do you reject the acquisition of an asset or the assets are mostly homogeneous so all it requires a good deal around it or are there really assets which are bad as well as we keep hearing that everything that you are considering gets acquired in a way so how often you reject and what causes rejections, if you can tell us the rejection issue

**Harsh Shah:**

I do not have a specific rejection ratio to be honest to give you specific number, but I think I will answer your second question first which will address the first one, is that assets are homogeneous, if you look at our portfolio today ~95% of our assets are in the same type of contractual framework, which is interstate transmission service to receive similar kind of

cash flows, similar kind of technology, so effectively the filtration is very simple as long as it is this part of the contract we like these contracts so believe they very strong, we do not need to reject the asset. The next level comes in terms of quality of work and execution and typically there are about 2% -5% range of outcomes that we see in quality of execution between different projects and that gets adjusted in the value that if you correct 2% of extra work and the asset will become good, those are the kind of changes, if it is an interstate TBCB asset, which is clean operating assets, it is an easier decision for us, we do not need to reject it. Solar is slightly trickier and materially different than TBCB, so we have been very selective over there. We do not pick up assets with relatively weaker counter parties, and that ratio would be very high, most of the projects that are there today have a substantial amount of state counterparty risk and we do not even pursue those projects. I would not call it a rejection but we filter it out. We do not bid for those projects. Coming to the narrower pipeline if it is a SECI project, well-built project or a NTPC project well built, good quality model then we pursue that project eventually we may not get it on account of several things let us say we do not like the quality of certain aspects, we put a higher risk premium to it and a higher costs of correction and maybe we have bided out, but the criteria for rejection for us are largely around the counterparties that we do not like and we do not work with as well as if there are material issues with the contract which cannot be corrected for any commercial measures.

**Sarvesh Gupta:** Understood, what are the tangible and intangible benefit of this making the project management in-house and would it be given to the investment manager or which entity?

**Harsh Shah:** Sorry, can you repeat that?

**Sarvesh Gupta:** The project management, which has been transferred from Sterlite Power to, I do not know which entity, what is the tangible saving per year and what is the intangible benefit of doing this?

**Harsh Shah:** One it is not with the investment manager. It is with the IndiGrid entities itself. So, there is no external economics going to any other person. In terms of tangible benefits, I would say there is no tangible savings on this account as we were anyway paying about 10% of O&M cost to Sterlite Power and we would need to incur minimum that if not more to have a similar kind of platform working for us. I do not think there is a commercial saving on that account. In terms of intangible, there are many advantages, one is it is a large operation that we are running and the accountability should remain with the IndiGrid teams instead of outsourcing it with external members or agency, so we need to build that strength. Second it also addresses our risk management that our own teams are managing our assets and we have better confidence, better control and governance around it and the third one is to ensure that you know if we invest in people over the longer term then over a longer period

of time, the cost of operations will go down that is the third one. It is just changing contractors in a year these are three intangible benefits I would say for changing the project manager.

**Sarvesh Gupta:** Understood. Thanks a lot for answering all the questions and all the best for the coming quarters.

**Moderator:** Thank you. The next question is from the line of Ruhi Pabari from Reliance Nippon Life Insurance. Please go ahead.

**Ruhi Pabari:** Thanks for taking my question. Firstly, congratulations on the good set of numbers. I have a basic questions with respect to the DPU classification, I may have just missed it earlier, I understand you said this was more of an accounting entry, there it is no actual repayment, which is happening in terms of a debt, so when a SPV is generating some amount of cash and it is generating cash more than its interest payment, that is when this capital repayment is happening is what I understood from the initial part of the call, when that is happening why does the interest component in the DPU has to go down?

**Harsh Shah:** I think that is a very smart question. There are two concepts I would like to bring forward to explain that one is a concept of reserve, so we at IndiGrid level we have flexibility to do 10% of NDCF, a 10% of reserve creation at SPV as well as IndiGrid, so we do not need to completely translate into a mirror image of what have received exactly as has been. It can be proportionate because we create reserves. Second there is a context of allocation of expenses that we need to follow from tax perspective so then in conceptual level when an InvIT receives its income in form of interest it needs to set that off against the interest expense that InvIT incurred. When it receives in terms of principle it needs to follow a similar kind of principle of allocation and same for dividend so we internally follow a particular allocation method of expenses at InvIT level, which would mean that what is the attributability of that income and expense at InvIT level correspondingly and then the residual amount is paid, it is difficult to exactly match it on the call like this, but it is to follow an attributability of income and expense concept at InvIT level, which is what causes this difference. In reality we have Rs.170 Crores of reserve also that we have created in FY21, right, that will also have certain amount of interest and principal repayment or the capital repayment and dividend repayment, that would be used subsequently as and when we utilize this to pay further.

**Ruhi Pabari:** Understood, and in terms of the capital repayment just one more thing I wanted to understand is this capital repayment taxable at the marginal rate on unit holders or how does that treatment go?

**Harsh Shah:** So, it is difficult to address the exact taxability for me on the call, but I will describe how because even the Investment manager has received as an owner of IndiGrid units this capital repayment, it goes out of the cost of acquisition for the buyer.

**Ruhi Pabari:** Thank you so much for your answer.

**Moderator:** Thank you. The next question is from the line of Sudheer Bheda from Right Time Consultancy. Please go ahead.

**Sudheer Bheda:** Sir, congratulations on superb set of numbers also congratulations to you and your entire team for outstanding management and unparalleled return in the last 3 years. I have questions are two questions, first you have created Rs.170 Crores for the year FY21, so what is the total reserve we have created so far in the last 3.5 years?

**Harsh Shah:** It is same, Rs.170 Crores. Starting of FY21, we did not any reserve, now we have created that reserve.

**Sudheer Bheda:** Sir, my second question is, it there any inter SPV transfer of loans suppose one SPV some sort of liquidity then another SPV who is with the actual liquidity transfers the amount to another SPV, those kinds of transactions are there in which at the SPV level?

**Harsh Shah:** Technically we can do it, but we prefer to avoid any such inter SPV transactions, if at all there is a need InvIT itself gives the loan or takes the loan back because InvIT itself carries a lot of liquidity, but we avoid that should be the way for SPV transaction.

**Sudheer Bheda:** Because other InvIT are doing like before so I just wanted to?

**Harsh Shah:** It makes the accounting very complex and there are tax impact and many other impacts so have you been avoiding it.

**Sudheer Bheda:** That's good. Thank you for taking my questions and all the best.

**Moderator:** Thank you. The next question is from the line of Mulesh Savla from Shah and Savla LLP. Please go ahead.

**Mulesh Savla:** Heartiest congratulations, Sir on an excellent set of numbers and thanks for giving guidance for higher DPU. most of my questions have been answered, but just a passing guidance from you if I may know what is the rationale behind distributing income even on the right units also because, as I believe the income is to be distributed as you said for the Q4FY21 of last year and rights were concluded in the month of April-21 current financial year so may I just have some understanding on that, please?

**Harsh Shah:** I think you are right, there is no rationale. We have followed the regulations as it is. We could not have avoided rights issue owners to not receive the income because the unit holders who are entitled for distribution are the unit holders who are there on the record date, the rights preference or any other unit holders, so there was no way for us to exclude those investors or the alternative way to consider is to say right pricing of Rs.110 would a factor this distribution also coming to them, so we can look at it both ways.

**Mulesh Savla:** I think we could have had a separate pricing number for the right unit and I feel that there will be some minority unit holders who may not have applied presuming that you know again I may or may not get one lot so there are chances that few of them may not have applied and they may be deprived of this additional benefit.

**Harsh Shah:** Sir, I am trying to understand why is it an additional benefit because even if the unit holder who did not apply, will still get the Rs.3.1 per unit quarterly distribution, they are not getting lesser

**Mulesh Savla:** No, that's right, but if they would have applied, and they would have obtained the similar additional lot, they would have got higher dividend or higher distribution.

**Harsh Shah:** You are right, but that is what is the unfortunate reality of SEBI regulations, we had to do rights issue within the lot size multiples, which is beyond control of the company, in addition to that we still need to follow the regulations of record date of dividend right even in the company if the rights issue was done early the company cannot choose different dividends for different investors. The investors as the same legal right and standing whether they have come by a rights issue or preference issue so unfortunately, the company does not have the flexibility to decide that rights issuer/investor should get less or more and the way the regulations are defined, the company could not do rights issue in a way that normal equity rights issue happen

**Mulesh Savla:** I agree, but I am sure the regulations whatever they may be saying if company would have thought of probably company would have come up with the board meeting and record date before the allotment of the right issue or maybe right unit would have had the different icing numbers?

**Harsh Shah:** Let me explain it in two ways, one it is not prudent for company to make decisions based on the record dates, if we do that, we put the company at risk on market close, whatever after 2 months the markets are back, so we cannot take that risk. Second this anomaly will accrue anytime we do the rights issue. For example, let us say the record date for this quarter is June 2, 2021, today, or let us say next few days so after record day we announce rights issue, let us say June 3, 2021, the rights issue will get concluded by when in the next 30

days, after allotments and everything will be done, it will take 30 days, we will be standing in June 30, 2021, right, the same investors will get Q1FY22's DPU and in fact we will repeat whichever date you pick up for rights issue whichever date in the calendar year, we cannot time it exactly, any time you pick up their subsequent capital investors will have his advantage, so that is a procedural law, which to company cannot change right.

**Mulesh Savla:** Alright, excellent and wish you all the very best for the work that is being carried on, so continue to carry on the excellent work. Thank you very much.

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

**Pratik Kothari:** Good evening, Harsh. Thank you for the opportunity. Regarding the capital repayment you put it in a different way, like collection would not have been so high, our reserve creation would have been a smaller amount and we would have received a higher amount as interest for this quarter?

**Harsh Shah:** Yes, let us talk in percentages terms, in Crores terms we would not have higher amount, but in percentage terms it would be higher interest component. That is correct.

**Pratik Kothari:** The collection had not been so higher, 126%, correct right?

**Harsh Shah:** Exactly.

**Pratik Kothari:** It is only because you have received a higher cash amount that you have chosen to create reserve and to use that reserve in future, whatever that may be, to return or whatever?

**Harsh Shah:** Correct.

**Pratik Kothari:** Fair enough, thanks. My second question is what could be our portfolio IRR as a unit holder maybe at Rs.100 or at NAV level or at current price?

**Harsh Shah:** IRR is a very floating term. It is very difficult for me to guide on because of one as you rightly put in at what price, second is at what leverage, third is at which assets to include and not to include. For example, if we only include the current assets or we include KTL and FRV, you do not include, even if we include KTL and FRV this will be 60% level, which is not an optimal case of 70%, IRR assumption is very materially between different people so it is tough to comment for us on IRRs specifically, what we can guide on is obviously DPU and growth and across the world platforms with track record of delivering DPU and growth on the yield front get valued as dividend plus growth. What is the total return, what is the distribution that it made by such platform plus the growth track record?

With now such a long track record of performance, I think what is more relevant is distribution plus growth in terms of return parameters it is almost tuck into an akin to EPS to that extent one can think about it, it is like EPS growth, similarly in InvIT it is DPU growth right as a way of valuation because IRR per se is very floating, which according to assumption the IRR numbers will vary so much that it would not make sense.

**Pratik Kothari:** But, is it not possible to share what the IRR is as of March 31, 2021 or may be closer and you may give it as Rs.100 and every investor based on that can rate this IRR?

**Harsh Shah:** No, we publish a valuer report right, so our valuation report are as on March 31, 2021, has all the disclosure about the asset, the EBITDA, Revenue, the costs everything is there, but what we do not forecast is interest assumption, leverage assumption, repayment assumptions that is something which each investor will have to take a decision on, because we cannot guide on that and therefore we cannot guide on IRR, but you can construct the same model with a little bit of assumptions of your own site based on our guidance to create what is the IRR in the platform because there is enough material in the public eye for one to calculate IRR, but we cannot guide that what is the right IRR because the we are seeing what are the assumptions on which the management cannot guide on that.

**Pratik Kothari:** Fair enough, thanks. My last question, in the presentation you have mentioned some onetime adjustment on account of change in law in BDTCL if you could explain what is that on the quantum of the same?

**Harsh Shah:** There is a onetime change in change in law income that we received, which we had to also give it to Sterlite Power because we acquired these assets from Sterlite Power so we received this income in P&L and passed it on as an expense to Sterlite Power, which is a one time and therefore you know it the comparable quarterly or annual financial gets distorted with that. The specific number is ~Rs.60 Crores of one-time income that that we have booked on a similar number of expense that we would have booked.

**Jyoti Agarwal:** The income that we had a book is about Rs.42 Crores and expenditure that we had booked is Rs.68 Crores, so that is the one-off items that have been booked in this quarter.

**Pratik Kothari:** Fair enough. Thank you and congratulations for such a wonderful performance and all the best.

**Moderator:** Thank you. The next question is from the line of Ravish Chandra from Individual Investor. Please go ahead.

**Ravish Chandra:** Harsh, first of all congratulations. I am attending all the conference calls since 2018. I remember you used to say that we will reach Rs.20,000 Crores by 2023. It is excellent that

you are down and planned on scheduled time. Second thing is I appreciate your team now like Satish, project management, which will give a lot as to intangible benefit like okay for next asset acquisition you have that capability of managing yourself so I appreciate you do because it may require three major components, one is debt ratio, debt interest reduction, second one is getting more AUM in the core and third one is operation management and for all three good job. Most of the question are answered, but I have one more doubt, until today, we were the only INVIT, but now we have a competition, Harsh, will you think that this competition one more PSU INVIT is in place, so further acquisition going from Rs.20,000 Crores – Rs.30,000 Crores, will be a hurdle of competition per se?

**Harsh Shah:**

Thanks a lot, Ravish. I think first question is about the competition and growth, so we do not have special hard coded target that we have to reach a particular AUM number and that it allows us flexibility to choose the right assets at the right cost of capital. Second on the other InvITs in which the competition is not just on InvITs, the competition is from non-InvITs as well, strategies I would say remains the same, that we keep evaluating; however, we believe the focus of any PSU InvIT is going to remain on acquiring assets from its sponsor than really going out and acquiring assets from the market that is something we believe is not the focus of public InvITs or the PSU InvITs, we cannot comment on behalf of them, but to a similar InvIT in case of our auction with our track record, with our governance, our agility and our ability to turnaround is something which is typically valued highly for sellers, so we do not see it as an incremental competition, that also does not mean there is no competition, there is already competition from other strategic owners of transmission assets, other financial platforms, so it is just continuing in that manner, we do not feel that there is an incremental competition because of PSU InvIT, rather we feel that with more InvITs coming there is going to be better liquidity, better understanding of about InvITs in the market in general and it is going to overall help everyone.

**Moderator:**

Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:**

You spoke about a number of policy initiatives which you are waiting for, can you list out in last year I did not get the last the anomaly to capital gain, what is referring especially?

**Harsh Shah:**

This is referring to the point that as listed InvITs , on trading there is a security transaction tax that gets levied on investor pay back, typically it is levied on the equity stocks and that InvITs are trading on the equity index, so that is the right thing to do; however, when it comes to the long-term capital gains tax treatment for in which the period considered for long-term holding is 36 months, which is more working to a debt fund than equity, so for InvITs at the moment there is worst of both that there is a security transaction tax like equity, but the holding period is like debt fund, so we have been proposing to the ministry



and several regulatory bodies to streamline the anomaly we believe it should trade at equity level, we believe it should be SPV should be leviable, but then 36 months should not be a holding period to compute long-term capital gains tax, it should be in line with the equality long-term tax treatment, which is 12 months.

**Mohit Kumar:** Understood, are we expecting any other policy changes, over the next 12 months?

**Harsh Shah:** I think our focus is just on enablement of PF capital also to debt securities that is one, but I do not think it is kind of changing the game materially and the second one is reduction of lot sets, which is one big initiative that we are working on, this is the other two ones that I think of.

**Mohit Kumar:** Over the last 2 years, we have an asset with Power Grid is there any charge or any talk with the PowerGrid that is to buy out the balance equity?

**Harsh Shah:** Sorry, can you repeat balance of, the Parbati Koldam you mean? No, we have not engaged on any such conversation yet and it is anyway very small amount hardly about ~Rs.75 Crores, it is a smaller number, but yes, we have not engaged in that.

**Mohit Kumar:** I am asking this because this is a large numbers of JV project which are there in the PowerGrid, there are huge numbers may be 10-14 if I am not, that is why the potential opportunity for us to go and bid for the deals?

**Harsh Shah:** Possibly, but I think this is too early. We have just acquired the asset in the first quarter of CY21 operations, it is a joint venture, so maybe we will explore. but it is too early for us to say anything on that.

**Mohit Kumar:** Understood. Thank you.

**Moderator:** Thank you. We take the next question from the line of Rushabh Sharedalal from PR Share and Stockbrokers. Please go ahead.

**Rushabh Sharedalal:** Harsh, thanks for the opportunity. I really appreciate it. Wanted to understand it on the return on capital that is the component of our DPU, you so you mentioned to one of the previous participants that you know if that SPV generates more cash than what it requires to pay to IndiGrid then they pay that particular portion of distribution as return on capital subsequently to the unit holders, apart from this particular situation is there any other situation in which IndiGrid pays any kind of distribution as return of capital because I remember that only in the Q2FY18 and once in 2019, we paid some Rs.0.28 per unit and Rs.0.12 per unit as return on capital and one more thing whether it has any impact on the net asset value of the trust? Thank you.

**Harsh Shah:** Answering second question first, there is no impact on net asset value and how it is paid and to answer the first one, I think there are few other cases in that scenario also one can see a return of capital or other capital repayment, for example, we acquire a company along with cash right, so let us say on the date of the acquisition company had Rs.20 Crores of cash, but that could not be upstream by the earlier seller or earlier owner because of whatever the capital structure, external lenders did not allow or any other issues, so we acquire the company and then upstream this Rs.20 Crores of cash, so it is only factored in the valuation for the seller, but then the upstream this Rs.20 Crores of cash which is the SPV phased to IndiGrid owner, in such case also there can be a capital payment, but there has been one off, but there can be such one offs, but in most cases it will more cash than interest that is when it comes to capital repayment. One-off could be when we acquire a company along with cash.

**Rushabh Sharedalal:** So, what exactly is the rationale behind giving this return of capital and not giving it for so many quarters and you just giving it this time or twice, once in 2018 and 2019? Was that the same rationale in those quarters as well?

**Harsh Shah:** Correct, pretty much similar rationale. It is not in our hands. It is not a decision making that we do that this quarter we want to pay distribution in terms of capital repayment, the SPV receive more cash than our interest that it can pay it will come in form of capital repayment or if you have acquired an asset with an in-built cash, so I believe the last time in 2018 was the case when we acquired Patran asset from Techno Electric, but already had Rs.10 Crores of cash, which we paid for so that Rs.10 Crores of cash was upstream at that time so upstream as SPV paid to the IndiGrid as a principal repayment after acquisition, so these are the two cases largely it will pan out and none of them are due every quarter it will happen and it depends on the quarterly cash flow and any such events that can happen.

**Rushabh Sharedalal:** That is very useful. Thanks a lot. Thank you.

**Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

**Vipul Shah:** Thank you for the opportunity. Hearty congratulations for a very good set of numbers. My first question, is there any decision to what will happen beyond this 30-year concession period globally, what will happen to the unit holders, when the concession period ends is there any global precedence for this?

**Harsh Shah:** Just to correct, Mr. Vipul, I think you are mixing 30 years -35 years, with the unit itself. I will try to explain both. One at an asset level, there are two possibilities that can take place, one is that the asset contracts will to be extended further because you believe electricity will

be needed beyond 35 years and the owners of the assets are assets are us, it is not a concession so there is no transport and we will continue to get paid and this will be continuing as planned. Second in case there is no extension of contract as in the early part of the slide, I explained there is a significant chunk of metal ~4 lakhs tonnes of metal that is there in our portfolio today, while the word does not suit scrap, but even if you calculate a scrap value of that in today's value term it will be a significant chunk of today's price, if we were to close the business today there is a significant chunk of steel and aluminum in the company today, whatever inflation numbers you can assume that will be the value that would be scrapped in the business and paid to all the unit holders that is the second scenario.

**Vipul Shah:** Sorry to interrupt you, Mr. Harsh, but which is the more likely scenario means globally what has happened in other countries?

**Harsh Shah:** Globally, what happens is nobody scraps infrastructure that is inbuilt and you have extension of contract that is what happens reasonably.

**Vipul Shah:** So that is the most likely scenario?

**Harsh Shah:** Yes, it is the most likely scenario, we believe that should happen, but again at the end of the day 30 years is a long time. We do not know in what contractual framework it will take place right, but what we know is that whatever assets we have we have a significant value whether we realize it in form of operating those assets and earning income or scrapping that metal and pay in either case, there is a significant value, now we are not a decision maker at that policy level at which direction should it go to, if you ask my personal view or a professional view I believe infrastructure, which is built with so much difficulty should we continued to operate because the incremental asset building is going to be far more expensive, for example, the assets that we built right now 5 years ago if they were to be built again now they will cost at least 50% higher, so imagine the scenario 30 years ahead, if the government want to build a new line it is going to cost multiple times higher than operating the same line with little bit of improvement and better tariff, so that is how we think that it should take place. The last question on the clarity that I describe that at an asset level. Units are a going concern. There is no end of unit line like an equity it is an ownership right, it is no principal repayment and after that the unit sees to exist, like in equity if some InvITs business ends after 15 years, 20 years, 30 years, etc., and they are not growing, they are not buying a project, etc., you can do the InvITs also just like the delisting the equity shares, it is a complicated process, but the SEBI regulations does provide for it.

**Vipul Shah:** Thank you very much for explaining it in detail and lastly again, I return to the distribution of this quarter as one previous, I understood the rationale for returning the capital, but I did not understand the rationale for reducing this interest payment component mix, what I want to convey is instead of this Rs.3.2 per unit, it should have been Rs.4.2 per unit or something like that?

**Harsh Shah:** Correct. I think if the IndiGrid board would decide to give Rs.4.2 per unit they could have given, but we believe it is not prudent, we believe predictability has more value than suddenly one quarter we increase Rs.4 per unit and in next quarter it goes to Rs.2 per unit, in this business there are seasonality, in some quarters there is great collection, but maybe in the next quarter, it will be lesser, so it is not that 126% will remain always 126%, , so if in one quarter it is 126% that means there is some quarters somewhere it will be 64% right to average out 100% so as a business we need to be able to act prudent and in the quarter in which there is a 126% collection we should create a reserve out of 26% to ensure that the volatility can be met in volatile month that is the philosophy under which we are operating and therefore we keep this Rs.170 Crores as a reserve and maybe in next quarter of the collections are lesser, then use out of this reserve, so this is to ensure that the predictability of DPU remains that is why we are focused on maintaining that.

**Vipul Shah:** Lastly you made some payment to Sterlite Power to the tune of Rs.68 Crores and you received Rs.42 Crores that is what I think you foresee, so can you explain it in layman's language what has happened?

**Harsh Shah:** Sure, so what has happened is what Jyoti explain is there is Rs.43 Crores income that has come in that has come in which is an accrual and there is a Rs.63 Crores of cash that we have paid, the difference between the two is that the amount that we paid to Sterlite Power is 70% of the NPV of incremental tariff that we had received, Rs.43 Crores of the amount that we have booked in the revenue is the cash we have collected already in arrears in any of these regulatory settlement when the regulator issues the order you get paid or you are starting from COD, in this case it was 5 years ago, we received Rs.43 Crores in cash against which we had paid the same amount 70% of that cash and the residual amount is a 70% of NPV of future tariff we will receive on account of this tariff order.

**Vipul Shah:** Got it. Thank you, Sir and or all the best for the future. Thank you.

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

**Jiten Rushi:** Good evening, Sir. Thanks for taking my question and congratulations on a good set of numbers. Just few questions from my side, so as you said the project management will be done internally, so my understanding is correct it will be done at the SPV level?

**Harsh Shah:** It is not at SPV level, we have intermediate holding companies also, we are going to make entity called India Grid Limited one as a mother entity, which will do project manager for all SPVs.

**Jiten Rushi:** So, this will be with effect from FY2022, right?

**Harsh Shah:** That is correct.

**Jiten Rushi:** Sir, there was a contract between us and the Sterlite which has got expired and this has resulted in creation of this entity, which will be doing the O&M work?

**Harsh Shah:** No, the entity was already created. We were any ways doing project management work internally for all assets which we acquired other than Sterlite, like for example, PrKTCL, JKPTL, PTCL, all those assets were doing project management on our own. Now the contract is not expired. We have bilaterally decided that we want to do O&M on our own and therefore we are transitioning out so it is not the contract is expired it is out of our choice that we have decided to do it on our own.

**Jiten Rushi:** Then what would be the payment structure here as a percentage of revenue, how it will work, Sir?

**Harsh Shah:** It is inter-company in any case, so we will continue to maintain a percentage of O&M cost with it into India Grid Limited One, but it is 100% subsidiary of India Grid Trust, on a consolidated basis, there is no external payment that is getting made.

**Jiten Rushi:** Sir, on the KTL deal when do you expect this now because of the COVID-19 we understand that would be some extension of time, so what is the deadline now where we can see it nearing completion?

**Harsh Shah:** KTL is still on under construction asset, it has about 60% revenue generation that has started, but it is not completed yet, so tough to predict when it will get completely but you are watching it, as per our contract it is December 2022, so that is kind of an outer date for us.

**Jiten Rushi:** Sir, on the acquisition side, we had understand the SPV should conclude in the next month probably in June-21 only, now with the COVID-19 situation and there could be some assets which can get this because of the equity component or the original developer cannot invest

equity into the system; however, there must have been of a good quality, so are you looking for any such kind of acquisition wherein we have the ability to acquire such under construction asset obviously it can be a limited portion of that AUM, are we looking out on some acquisition like this?

**Harsh Shah:** Yes, certainly we are looking for acquisitions like that, but in a limited way. I do not think there are many such projects, but we are looking for such acquisitions if it makes commercial sense.

**Jiten Rushi:** So, any new acquisition is expected this year or this will take around with KTL and FRV?

**Harsh Shah:** Sorry?

**Jiten Rushi:** Any new acquisitions lined up?

**Harsh Shah:** There may be new acquisitions, but that is not at a scale that we can certainly say it is happening in this fiscal.

**Jiten Rushi:** One last question just wanted to understand, the return on capital will also have impact on the costing for an investor, say if I invested Rs.100 and if I am getting Re.1 back my cost would probably come down to Rs.99, if I understand correctly?

**Harsh Shah:** That is correct.

**Jiten Rushi:** That is from my side and All the Best. Thank you.

**Moderator:** Thank you. The next question is from the line of Manoj Shah from Laxgov Investment. Please go ahead.

**Manoj Shah:** Just wanted to understand regarding this return of capital as you were saying that if somebody has invested Rs.100 and you gave in Rs.1 as return of capital, so how is that for investors, if it is a return how it will get accounted for the tax purpose because dividend and interest are more or less taxable now in the marginal tax bracket, so how this will be calculated?

**Harsh Shah:** So, this will be slightly different and you should consult your tax adviser, but I just explaining that a conceptual level, this would be removed as Jiten said on earlier question if you have acquired a unit for Rs.100, your cost of acquisition become Rs.99, so it will be a balance sheet adjustment and as and when you decide to sell the unit, let us say you sell at Rs.140 today then the profit or the capital gains will be calculated based on selling price minus Rs.99 versus selling price minus Rs.100, so this component will get impacted on the

capital gains tax instead of a marginal tax, that is the way to look at it, but will be taxed when you realize that gain as per the tax law, but that is the directional input just to clarify the dividend is not on the marginal rate because this dividend is coming from the SPV, which he is paying in the old tax regime.

**Manoj Shah:** Because earlier if I understood, a dividend was taxed in the hands of the investors in case with the equity shares, now it has become taxable?

**Harsh Shah:** No. Only if the company that issued a dividend is following a new tax regime, if the company is continuing follow old tax regime you still have a tax-free dividend for that company subject to your dividend not exceeding Rs.10 lakhs and other provisions around that?

**Manoj Shah:** That is correct.

**Harsh Shah:** So, it is to do with the choice of company in terms of old tax regime or new tax regime, the companies that we have acquired is following old tax regime and therefore this dividend is given as a tax paid dividend from InvIT.

**Manoj Shah:** Just coming back to that return of capital as you said when the investors sell it will be calculated as capital gain, it will be more like a like a debt capital gains like 36 months period kind that how it has to be looked into it?

**Harsh Shah:** Correct, if you sell after 36 months then it will be a long-term capital gains tax whatever the rate is.

**Manoj Shah:** Like what we get in a debt?

**Harsh Shah:** No. Your capital gains treatment will be like equity just the holding period is like debt that is 36 months.

**Manoj Shah:** There is a lot of regulations, so it is getting really confused?

**Harsh Shah:** We do agree. These are complex issues. Best to take advice from a tax adviser on this.

**Manoj Shah:** Maybe for the layman understanding if you can put it on the website, it can help a lot?

**Harsh Shah:** We have a website, on a website there is a tax query issues you can probably refer to that also.

**Manoj Shah:** Thank you very much.

- Moderator:** Thank you. We take next question from the line of Kiran Naik from Modi Fincap. Please go ahead.
- Kiran Naik:** Thank you for giving me an opportunity. Sir, I have only one question, are the company planning anymore NCDs in the coming years?
- Harsh Shah:** As we have said that we want to refinance some of our existing debt including the maturity that is coming in FY2026, so we would certainly be doing certain amount of capital raising for refinancing of debt. Size and tenure, probably we can only talk about when have done it.
- Kiran Naik:** It will be similar which had come in March-April for retail investors also?
- Harsh Shah:** Not sure. Tough to comment on that because there is long process to issue anything to do a public debt, we have just done one, so we would probably do private placement for some more debt for some time.
- Kiran Naik:** Thank you, Sir. Great, Sir.
- Moderator:** Thank you. As there are no further questions, I now had the conference over to Mr. Swarnim Maheshwari for closing comments. Over to you, Sir!
- Swarnim Maheshwari:** Thanks Steve. Thanks everyone for participating in the conference. Harsh would you like give any comments over here.
- Harsh Shah:** Thanks a lot for everyone who has joined the call and continued it. It was a very long call. I think it deserves an annual call as bigger that much focus and query so we are very thankful for all the investors to join the call and showcasing confidence be it in rights issues or public debt issue that we have done to wholeheartedly subscribe that. We are committed to the vision and strategy that we have put together for unit holders of IndiGrid and we will continue to execute that with two things in mind, which is a predictable DPU and consistent growth. With that I was just sign off and thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Edelweiss Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines