



“India Grid Trust Q4 FY2018 Earnings Conference  
Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the India Grid Trust Q4 FY2018 Results Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. 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. Good evening and I welcome you all on behalf of Edelweiss to the India Grid Trust Q4 FY2018 Earnings Conference Call. From the management, we have with us today Mr. Pratik Agarwal – CEO and Mr. Harsh Shah – CFO of Sterlite Investment Managers, who will represent India Grid Trust on the call. We will have our opening remarks from the management post which we will have question and answer session. Over to you Sir!

**Pratik Agarwal:** Thank you very much Swarnim. Ladies and gentlemen welcome to the first annual results call of India Grid Trust. We are truly delighted to have had a wonderful first year and we could not have asked for a better year. If you look on page 5 of the slide deck we have rated ourselves on what we believe were the key deliverables for the year that went by. The first one is that we have had robust performance on operations, which have allowed us to not only deliver our distribution, but beat our distribution guidance for the full year.

We have been able to successfully complete three acquisitions of ROFO assets, which are almost one year ahead of the original plan and we have of course successfully financed that acquisition also in time, which has led to this distribution growth ahead of time. We have also parallelly signed our first third party transaction, which is the first ever third party M&A by any InvIT rather and this therefore allows us to now freely pursue our long-term plans of our Rs.30,000 Crores AUM.

As I mentioned already we beat our guidance by 4% for a year and we have also given a guidance for next year FY2019 of Rs.12 distribution, which is a further increase from FY2018 performance by just under 5% and finally because of the above actions over the last 10 months I think we are on a firm footing as in 12% IRR platform on the back of the current assets that give us the ability to deliver on growth and the back of the existing assets belonging to the sponsor.

I will just take you through a few slides with regards to our operations and our strategy and then handover to Harsh who will walk through some of this to give detailed numbers. We will then open up for few questions.

On page #7, we have a quick recap of the story. IndiGrid currently has an AUM of about Rs.5,200 Crores consisting of about 5 project SPVs and another one, which is currently under acquisition, which is third party SPV. As a total asset base of 13 lines and 2 substations and it has continued to maintain the highest possible rating of AAA at a platform level as well as at the assets level. It has an unmatched 33 years of average residual life and very importantly it has perceptual ownership of these assets, which allow IndiGrid investors to own revenue from the assets not only for the 35 years, but also beyond that into perpetuity.

Moving to the next slide page #8, is a quick re-articulation of our vision, we aim to be Asia's more admired yield vehicle in the power transmission space. We will do this by delivering asset under the management of Rs.30,000 Crores or 300 billion by 2022. We will deliver predictable distribution and grow that distribution year-on-year and we will never move away from our philosophy of best in class corporate governance disclosure and transparency.

On page #9, we talked about the 12% IRR story, which is coming from very high quality assets, best in class, which are risk adjusted returns on asset base like this. Let us remember that these are power transmission assets in the interstate segment of India, which have availability based tariff, which means that there is no tariff risks or throughput risks and there is a virtual annuity, which has been secured for roughly 35 years in each of these assets.

Apart from the five existing assets and one that is being acquired, IndiGrid has a Right of First Offer on another 7 assets belonging to the sponsor, which are very, very large in volume and allow IndiGrid to reach an AUM of Rs.20,000 Crores just from the existing assets that belong to the sponsor. Such a growth available internally is a very rare occurrence in the infrastructure space and this gives us tremendous confidence of achieving through our vision.

The transmission section itself has a very steep growth ahead of itself on the back of a robust growth on power demand as well as on generation stemming from renewable sources. This has led to a roughly \$46 billion investment plan in the current Thirteenth plan and the good news is that an entire opportunity will be available for private participation of companies like Sterlite Power to play in and this will allow an unparalleled opportunity for IndiGrid to grow in this market and capture the entire growth both in volume, scale as well as in returns.

Over the ten quarters IndiGrid will look at acquiring each of the sponsor assets one by one as soon as they can get qualified for acquisitions as per the SEBI guidelines. Finally on the slide we talk about corporate governance philosophy. IndiGrid continues to maintain higher standards of corporate governance far above those laid out by the

regulators themselves. We have an independent board, which has diversified experience of regulatory experience, legal experience as well as experience of managing similar trust vehicles in other parts of the world. We also have an independent investment committee that screens all transactions independently, any of the sponsor nominees and ensures that all such transactions recommended for unit holders are in the complete interest for unit holders and the sponsor continues to have a very strong track unparalleled track record in the Indian market with 30% market share of all projects acquired so far and more importantly the best execution track record of any company in the Indian transmission sector.

Moving on to page #10, here is a quick explanation of the 12% IRR that we talk about. As we can see on X axis we have various assets that we intend on dropping in and on Y axis we have the assets under management that is, those assets that allow us to deliver. We have seen that the first two blue boxes and part of the green box is something we have executed already in the first year of IndiGrid's existence and the story in FY2020 and FY2021 is what allows us a clear pathway, which ensures a 12% IRR.

With that I would like to hand over to Harsh who will go into a little bit more details around the numbers for 10 minutes and then we will hand over back to the moderator for questions. Over to you Harsh!

**Harsh Shah:**

Thank you Pratik and good afternoon to all who join us today. I am on slide #12 where we are talking about the results for Q4 and highlights for financial year 2018. We had another strong financial and operating performance this quarter and we exceeded both financial and operating performance for full year again.

For Q4 DPU, we are distributing at Rs.3 DPU, which is going to allow us to exceed our full year guidance by 4% and annualized DPU for a year at Rs.11.47 per unit. Entire DPU of this quarter will be distributed as interest to unit holders. As Pratik spoke, we have successfully completed the transfer of ROFO assets and we have fairly advanced in consummating the third party transactions with Techno Electric for Patran Transmission Company Limited in Q1 of next year.

The FY2019 guidance for the full year, we are providing at Rs.12 per unit, which is 4.6% higher than the annualized FY2018 DPU what we delivered and this is in line with the promise that we did at the time of IPO and subsequently growing distribution by at least 4% to 5% per year. Our NAV as represented by the independent value report as on March end 2018 stands Rs.101.87 a unit and we are very well-positioned to capitalize on the growth pipeline that we have as IndiGrid is going to acquire more assets within the sector on the back of the strong pipeline available with this sponsor and the incremental spending required in the country.

Slide #13 is consolidated financials for Q4 and full year financials. Q4. We have delivered revenue of Rs.1480 million with an EBITDA 1,326 million, which has enabled us to distribute Rs.3 unit. For full year, we are ending the year with Rs.4155 million as EBITDA and total distribution of Rs.9.56 annualized term Rs.11.47 a unit. As you can see on the right side of the chart, we have delivered where we have improved our DPU's consistently on the back of acquisitions in the last quarter and otherwise on the back of improved performance quarter-on-quarter.

I will take you through slide #14, which provides the NDCF for full year. On the left hand side is the full year EBITDA 4.155 billion. We removed the interest expenditure, external debt repayments, tax reversal and change in working capital to come to NDCF at SPVs that is the column number 2, a blue column, which is the NDCF of Rs.3.4 billion. Subsequent reductions and reserves created and we have IndiGrid NDCF of Rs.2.792 billion out of that we have distributed Rs.2.7 billion as distribution for the full year 2018.

On slide #15 and #16 is operating performance of SPVs, which we started with IndiGrid as well as those acquired subsequently. We can see that our operating performance in terms of availability maintained for a quarter and full year has been far exceeding the normative norms put under the contract and we have been able to earn maximum incentives under the contract on account of this, which is approximately 3.5% of our total revenue for the year.

On slide #17, is snapshot of our holding today as well as the total return, which is delivered by IndiGrid as of now till date. On the right hand side of the column is unit-holding breakdown that we have. As you can see it is fairly diversified between foreign Institutional Investors, Domestic Institutional Investors including Life Insurance Company and retail and others. A point to note is that our retail and other shareholdings have increased since IPO as well as our domestic life insurance holdings have increased since IPO, which clearly demarcates the confidence expressed by the investors in the product.

On the left hand side of the column is depiction of total return. As you can see that bearing the initial volatility in the unit price IndiGrid has remained largely flat and delivered a stable price as well as a consistent distribution and if we compare that with other indices available Nifty or G-Sec, IndiGrid has substantially outperformed in total return versus G-Sec and lower than Nifty as an index.

We believe that IndiGrid will continue to provide a stable return in form of distribution as well as earnings expansion, which may result in capital appreciation, which is going to be the total return as a share price for investors of IndiGrid.

On slide #18, I would just reiterate some of the messages before concluding our discussion over here and open for questions. We measure ourselves in these five buckets to ensure that we deliver our goals. The first one is operations. We have maintained more than normalized required availability and result is maximum incentives. We have completed the first asset injection in FY2018, which remains a core part of our business model where assets and grow DPU. Our FY2018 DPU itself we have exceeded our guidance and provided a 4% growth. We are guiding for FY2019, another 4.6% growth for next year at Rs.12 DPU and we are continuously working to reach the portfolio IRR of 12% as the entire weight.

With this I would like to hand over to Pratik to have some concluding remarks and open for questions.

**Pratik Agarwal:**

Thank you Harsh. I will just spend just two minutes on the outlook on the industry because we had a full year of operations and I would like to share my thoughts with our friends on the call and then open for remarks. I would say that a year ago the Indian electricity market was still very much in a phase where it was far from recovered. I believe that the data we have in front of us today and some of that is available in page 1 and page 2 of the appendix, we are seeing very good signs of growth. Overall electricity demand should grow by 7% to 8% in the current year and the total consumption in the country should grow to about 1.7 billion units from the current 1.1 billion units last year.

This growth is going to be fuelled by several schemes, which have not only been announced but implemented by the government such as Rural Village Electrification Scheme. I believe by end of this month, 18000 villages would be electrified all under the current government. This has been fueled by the punitive charges that are being levied on Discoms who have been bring undue load shedding. This has also been fueled by the Saubhagya base schemes and the potential of DBT type schemes in electricity that we have seen being piloted across the country and all of this is leading to the pent up demand of roughly 500 to 1000 units per capita, which will slowly get unleashed and will start putting the constraints on the entire system.

On the generation side, we are seeing that India continues to beat all previous records with regards to new additions in the renewable sector. We are slowly now seeing that the average size of the renewable farms are growing dramatically what used to be a 50 or 100 megawatt average plant is now reaching levels of 500 megawatts and perhaps even 1000 megawatts and we are also noticing that many of these plants are situated far from the grid and hence there is going to be a large spend on the back of this grid connected solar and wind farms that appears to be the new policy of the government going forward to meet the gap between its current capacity and the 200 gigawatts plan that it has.

All in all there continues to be a strong push from the generation side and a strong pull from the demand side, which will only pickup in the next two years on the back of several elections and we expect that all of this will result in a similar constraint on the grid that we saw in 2011-2012 therefore resulting in a much bigger demand for new transmission assets.

There are more - on slide 22, 23 we will talk about this but I would not take you through those in detail. I will just stop here and open it up for questions and hand it back to Swarnim. Thank you very much.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Hansal Thakar from Lalkar Securities. Please go ahead.

**Hansal Thakar:** Firstly let me just congratulate the whole management on wonderful maiden year on achieving higher than estimated distribution and completing your acquisitions, for that I think this is probably been one of the biggest positive surprises on the fixed income side at least so congratulations for that. I have two questions. The first question is particularly focusing on the capitalization of the assets going forward. Can you throw some light on where we are on the debt as of now and what is the plan for capitalization for assets going forward?

**Pratik Agarwal:** Thank you very much. This is Pratik here. Thank you for your kind words. We have been able to deliver what we have only because of support of investors like yourselves. So thank you very much. I will hand over to Harsh Shah and Aditya to take that question.

**Hansal Thakar:** If I may just repeat that question with regards to the expected capitalization of new projects in the coming years?

**Harsh Shah:** Thank you Hansal. To share that for our expected capitalization in our business model in transmission comes from our acquisition of new projects and as Pratik mentioned. On the pipeline we clearly have two projects available with the sponsor which are completed and available to acquire, which itself is NRSS and ENCIL projects, which represents AUM of over 5 billion as of now. We clearly have a very large pipeline available for acquisition for next financial year. As we have clearly guided, we would be looking at acquisitions for third party projects as well. At the right point in time, we will give a specific guidance and closure to the acquisition of new projects, which in our case would be capitalization.

**Hansal Thakar:** As of now, can you just give me some indication as to where we are on the debt?

**Harsh Shah:** On the debt we are less than 49%; however, these are large acquisitions and therefore we may not be able to finance only via debt and as we communicated earlier, we would continue to raise capital to acquire these projects.

**Hansal Thakar:** The second question I had obviously again is it has been a phenomenal surprise on raising distribution by 4% and like you have suggested going forward you will keep doing that. So can you just give me some understanding as to going forward on the projects that we have as of now including the Patran projects when are we likely to peak out on the tariffs like four years, five years from now?

**Pratik Agarwal:** Are you looking for how stable our distribution is from the existing projects, is that the question?

**Hansal Thakar:** That is what I want to know.

**Pratik Agarwal:** If you look at Q3 results along with the release we gave, when we acquired these three projects in Patran altogether, which are assets available with us. We will be able to sustain a Rs.12 DPU for the next five years; however, that is not our plan, our plan is to continue to grow our AUM and DPU and IRR and that is what we will be working towards.

**Hansal Thakar:** Great. That is all from my side. If I have more questions, I will get back in the queue.

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

**Bhavin Vithlani:** Good afternoon Gentlemen. I joined a bit late, so pardon me if I am repeating the question. So my question is that when we started the year and the kind of guidance that we gave, we have outperformed that on all counts be it DPU or in terms of the timing of the acquisitions and when we look forward for the next three, four years you have kind of given some colour in your presentation. My question is that if you could give some light in terms of a) the timing of these acquisition and how would these be financed? That is number one. The second question that I have is, this is the question that we usually get from the investors is in your presentation you have kind of given or guided that the IRR, which is around 10% which you raised from 8.7% from the IPO level and you want to take it further to the 12% level, so how is that we are able to achieve, if you throw some more light that will be more helpful. So these are my two questions.

**Pratik Agarwal:** Pratik here. I think your first question was with regards to timing of the acquisitions and the second question was on the path on IRRs. Like you rightly said we did an IPO less than a year ago when we had two assets. We had closed to three completed assets



at that point of time and we decided to accelerate the acquisition and consummate those three deals in the first year itself. Similarly as Harsh mentioned we have two assets already one of which is complete and the second one is part complete and about to be fully complete and those will all qualify as per SEBI guidelines to be injected into IndiGrid and these are quite sizable. Now the exact timing at what point this financial year we would like to do, we cannot comment on that, but it will be our intent to do as soon as possible so that we can share the upside with the investors as soon as possible.

With regards to financing, there are all the several options. Our first protocol, we will look for there is debt, there is equity fund raising, there is also the option of swapping the assets for units, so that in case that is more reasonable to do and more acceptable to shareholders we can do that. I think the most important thing to remember is that regardless of which option we choose every single acquisition and the financing of that acquisition is subject to shareholder approval in an AGM similar to the one we did last year in which we had 100% approval for the last set of transaction and similarly we will do that again as and when we decide to, we have some firm plans for the acquisitions and this kind of a method gives comfort to shareholders that any such decision along with financing package will always be distribution accretive without which the shareholders are unlikely to approve such a transaction, so that is broadly on the first question.

On the second question on IRR as you rightly mentioned in your question itself we have moved from an 8.8% or 9% IRR, already to a 10% IRR in the first year on the back of three or four relatively smaller transactions, we have larger assets available in front of us and just like we were able to increase IRR by 100 to 120 BPS, we will continue to do so in the subsequent years in the same way, so that gives us tremendous confidence of the 12% and very importantly this entire acquisition agenda is not dependent on any third party or any new assets that Sterlite Power has to bid for in the market and acquire. This entire acquisition calendar is based on existing assets, some of which are complete, some of which are in late stages of construction and that gives us the confidence that we will be able to meet and exceed our plans and there can always be one quarter, two quarter delay here and there, but that will not disturb the entire plan. I hope that answers your question.

**Bhavin Vithlani:** Thank you so much for taking my questions.

**Moderator:** Thank you. The next question is from the line of Anand Vyas from Bajaj Holdings. Please go ahead.

**Anand Vyas:** Congrats on good set of results. I have two queries. One is on EBITDA margin fund for the Q4 it is around 88%, 89% vis-à-vis the average of 92% for past two, three quarters, any reason for that?

- Harsh Shah:** The reason for drop in Q4 is twofold. One is primarily we concluded this M&A transaction and the transaction expenditure, which is diligence expenditure and advisors fee are something which has come in Q4 to the tune of about Rs.3 Crores and that is what is the key difference between the previous quarters and this quarter.
- Anand Vyas:** My second question is regarding how much revenue has been accounted in Q4 vis-à-vis the new asset?
- Harsh Shah:** Vis-à-vis the new asset as in how much is only the new asset revenue?
- Anand Vyas:** Yes, for a month or two month if you can share the numbers it will be great?
- Harsh Shah:** For the total Q4 what we have recognized is Rs.148 Crores and the incremental revenue, it is in the standalone financial recognized for three projects together, it is approximately Rs.30 Crores for the one-and-a-half month post acquisition.
- Anand Vyas:** Okay, so one-and-a-half months around right?
- Harsh Shah:** Only one-and-a-half month of acquisition is done for PKTCL, RTCL and MTL projects.
- Anand Vyas:** I have one more query regarding your AUM because I think the last time you have mentioned that AUM was 53 billion, this year is 52 billion, I know you have done the NAV part and because of the bond yields it has corrected a little bit, correct me if I am wrong?
- Harsh Shah:** Yes, there is always going to be an impact of VAT, which is on quarter-on-quarter basis, will be updated.
- Anand Vyas:** So it means quarterly you have to update it right?
- Harsh Shah:** The regulation requires it to update on a semiannual basis and semiannual basis will provide the valuer report.
- Anand Vyas:** Thank you Sir. All the best.
- Moderator:** Thank you. The next question is from the line of Ashutosh Mehta from Edelweiss. Please go ahead.
- Ashutosh Mehta:** There is an impairment in investment in subsidiary 49.6 Crores, can you throw some light on that?

**Harsh Shah:** This is an impairment between the intercompany loan, which is provided from IndiGrid to SGL1, so this is with respect to the fair market value of the BDTCL, JTCL SPV controlled by SGL1 and the original investment made by IndiGrid and SGL1 as part of the swap as the earlier transaction. There is only an accounting impairment charge, which is taken. It changes along with fair market value of individual investments that each company entity will be owning.

**Ashutosh Mehta:** What could be the reason for the notch in value?

**Harsh Shah:** The investment that was made by Sterlite Power in BDTCL and JTCL was at a particular price. So that was the investment made by Sterlite Power from SGL1 to the subsidiaries. We acquired SGL1 at a price from Sterlite Power at the market value, at the IPO market price, which was discovered. The fair market value of BDTCL and JTCL has gone down, standalone has an investment for over the period of last one year primarily on account of BDTCL and JTCL are the two projects, which has highly upfronted tariff and when the year finishes of highly up fronted tariff the fair market value relatively goes down. In addition to that there is also an impact of movement of the registry rate and VAT, these two impacts results in the lowering of the contribution of these two projects in the total NAV; however, the book value of the investment carried by IndiGrid and SGL1 remains the same and therefore the impairment is provided; however, there is an accounting change and therefore you do not see the impairment at a consolidated level.

**Ashutosh Mehta:** Sure, so the borrowing that you are doing at asset level, SPV level, and what is the rate of interest for that?

**Harsh Shah:** We have got two borrowings at the asset level, one at a BDTCL level and the other at JTCL level. BDTCL borrowings is at 7.85% coupon, the debenture.

**Ashutosh Mehta:** Is it fixed?

**Harsh Shah:** Fixed and there is a 12-year ECB fully hedged, fixed including IRRs and forex hedged at BDTCL level, whose cost is post hedging around 8.75%; however, this is only 10% of the total borrowing and we have borrowing at JTCL SPV level, which is at 8.5%.

**Ashutosh Mehta:** Could you just share the outstanding amount for all these?

**Harsh Shah:** Outstanding amount of each borrowing?

**Ashutosh Mehta:** Yes.

- Harsh Shah:** Just give me a minute I will refer back to the financials. Our borrowing at JTCL project is Rs.423 Crores.
- Ashutosh Mehta:** This is outside borrowing right?
- Harsh Shah:** Yes all of these is external borrowing, it is Rs.424 Crores. Borrowing at India Grid Trust level is Rs.1000 Crores.
- Ashutosh Mehta:** That is at what rate?
- Harsh Shah:** It is at 8.25%. Our borrowing at BDTCL level, the 7.85% debenture is Rs.735 Crores and the ECB, which is fully hedge, which is at Rs.245 Crores at BDTCL.
- Ashutosh Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.
- Girish Achhipalia:** Thanks for the opportunity. This is a question, all these borrowings that we have currently, they are at all fixed rates?
- Harsh Shah:** No. The Rs.424 Crores borrowing at GTCL level, which is approximately 17% to 18% of a total borrowing is not at a fixed rate; however, 82% of a borrowing at a fixed rate.
- Girish Achhipalia:** Are we going to refinance this at India Grid Trust level anytime in the future?
- Harsh Shah:** Yes. Eventually in future we would like to finance most of financing at India Grid level, which is more operationally efficient as well as tax efficient.
- Girish Achhipalia:** Just a final question on the capital structure right now the SPVs are getting borrowings and they are getting infused in borrowings and they are repaying interest, the coupon rate that are you charging the SPVs is at what levels currently?
- Harsh Shah:** It is at 15%.
- Girish Achhipalia:** Correct me if I am wrong, there is a tax outgo at the SPV level?
- Harsh Shah:** No. There is no tax outgo.
- Girish Achhipalia:** If you made a profit there would be a tax liability is that right?
- Harsh Shah:** If we make a profit there will be tax liability at SPV level. We do not see that in the foreseeable future as per our current model.

**Girish Achhipalia:** By when do you actually lower your 15% rate because the capital structure would need that, you repay your debt, which the SPV has borrowed, so in which years would you lower the rate of interest because in those years there could be some profit right?

**Harsh Shah:** That is the right question Girish. The 15% is interest rate that we change every year. We get into a study based on the registry rate and what are the benchmark rates available for unsecured loans and take that rate against that, so this will be a floating rate year-on-year and therefore we do not change randomly these rates. Coming to the second question at what point in time there would be a repayment of capital considering that this is a 100% subsidiary of IndiGrid eventually all of them, there is no mandatory requirement of providing this capital back. We feel that these assets are perpetual assets and therefore we would be able to extend the contracts and eventually earn beyond a concession period and therefore the termination of the contract and therefore repayment of loan is a far-fetched possibility.

**Girish Achhipalia:** Essentially what you are trying to say is that concession agreement, which talks let us say 30 years from now is more theoretical and that will get extended by further period, is there any dialogue with the regulator about this aspect and what kind of understanding do we have for this?

**Harsh Shah:** Sure, so we ourselves did not initiate a dialogue about this.

**Pratik Agarwal:** Can I just correct one thing, Girish this is not a concession agreement itself. This is a 35- year contract. A concession implies that it is a fixed on concession with a transfer at the end. In our case there is no transfer and hence it is not a concession agreement. The assets belong to the SPV in perpetuity and legally no one can challenge that. Now the contract which is defining our tariff is for a 35 year period and I think the right question to ask would be what will be our tariff post 35 years, I think that remains open. I think the regulators are applying their mind to it. There are several ways to calculate it, it can be several things to think about it, but all of us will agree that the present value will be small. The important thing to remember is that it is not a question of renewing the concession. This is a perpetual ownership asset, which remains with the SPV forever and only the tariff on the 36<sup>th</sup> year has to be determined.

**Girish Achhipalia:** Thanks.

**Moderator:** Thank you. We have the next question from the line of Sunil Kothari from Unique Investment Consultants. Please go ahead.

**Sunil Kothari:** Thank you very much. Congratulation for a very good performance and reasonably better than expected distribution, Sir my question is in this year we distributed 9.56 per unit distribution and out of that 0.33 paise approximately was capital returns, my

question is what should we expect next year this Rs.12 distribution, what should be interest and what should be capital, any probable bifurcation?

**Pratik Agarwal:** Thank you Sunil. We would project for next financial year Rs.12 of payment as interest only.

**Sunil Kothari:** Great Sir. We are at 10% IRR current portfolio and we are moving towards 12%, so that will happen by our sponsor or these assets we are getting little discount that is the way it works, so little bit understanding as an investor I want to understand?

**Pratik Agarwal:** There is a strategy of IndiGrid, which is to have a particular AUM and have a particular DPU growth year-on-year and that DPU growth comes from buying assets at the right price, doing it, having the right financing structure for those assets by maximizing the incentive beyond for those assets, so there are several strategies, which help us deliver a DPU growth year-on-year and of course one of those is evaluation like you rightly mentioned. Like you rightly said if you look at the five assets alone and assume that there will be no further assets ever then yes it is a 10% IRR story, but that is not how we look at this platform. It is a roll up platform, which has these five assets, another seven assets, a few more third party assets and therefore, one has to look at given the existing reach of IndiGrid, what is the IRR based on all those assets, so we have just looked at what will happen once the next set of assets come in and based on that we project a 12% IRR number.

**Sunil Kothari:** My last question is by 2022 our vision is to have Rs.30,000 Crores asset under management, by then do we expect 12% IRR on Rs.30,000 AUM?

**Pratik Agarwal:** The two numbers are mutually exclusive. We do have a vision of 12% IRR. In fact we have a plan of 12% IRR, which is possible even without the entire Rs.30,000 Crores of AUM just from the existing assets of Sterlite Power, which will probably be taking into Rs.20,000 Crores AUM so what will the IRR be beyond Rs.20000? I think we have not put a mind to that, but we see these two events as different. The way we see it is that IndiGrid is already 12% IRR story because it has demonstrated growth in the last one year, it has demonstrated that it already has assets that are needed for the 12% and now it is just a matter of completing some of these assets and dropping it into IndiGrid. We are not taking any bets on traffic growth or volume growth in this 12% assumption.

**Sunil Kothari:** Thank you again and congratulations for a good set of numbers. Thank you.

**Moderator:** Thank you. The next question is from the line of Swarnim Maheshwari. Please go ahead.

- Swarnim Maheshwari:** Two sets of questions from my side. First if you could share is there any update with respect to compensatory tariff for BDTCL?
- Harsh Shah:** This is Harsh here. As of now there is no update. The order is reserved by the commission and as soon as we receive the order, we would inform the exchange and the investor regarding the same along with the actions.
- Swarnim Maheshwari:** What is the tentative amount over here? Is it like around Rs.120 Crores to Rs.150 odd Crores? What is that we are quite priced?
- Harsh Shah:** We have provided in our financials for this year because we need to issue 80% of that amount as units to the sponsor. We have estimated that at approximately Rs.74 Crores and therefore 80% of that amount is provided as financial contingent liability in the books of account to integrate for this year. So that can be the estimate.
- Pratik Agarwal:** I think the question is what can you approve to IndiGrid?
- Swarnim Maheshwari:** I was coming to that. What we can approve to IndiGrid is I guess something like 70% odd right?
- Harsh Shah:** Swarnim, the way the formula works is that CERC approves a particular cost overrun and incremental tariff with respect to that. So that cost overrun estimate approval, which we are looking at is approximately Rs.74 Crores for BDTCL.
- Swarnim Maheshwari:** What component of that accrues to IndiGrid?
- Harsh Shah:** 20% of that would accrue to IndiGrid and 80% of that would accrue to the sponsor.
- Pratik Agarwal:** And this 20% is obviously upside from existing projections.
- Swarnim Maheshwari:** That is correct Sir. It was just like the way JTCL happened?
- Pratik Agarwal:** That is right.
- Swarnim Maheshwari:** You are saying that in the contingent liability we have already provided for 80%, which will be issued to the sponsors?
- Harsh Shah:** Yes, under Ind-AS this is the contractual liability and the order is reserved, so we have provided for that liability.
- Swarnim Maheshwari:** Correct. Secondly on this impairment just one thing, this is like just one year phenomenon or is it like that the revenues have kind of peaked out in this year or this

will be for only JTCL, BDTCL and going forward for any of the assets if the revenue is peaking out in particular year, so this would be kind of regular phenomenon?

**Harsh Shah:** The impairment testing happens every balance sheet date which we sign and therefore on every balance sheet date we sign, we would calculate the fair market value and cost of carrying that asset in the books and that is what will come as an impairment charge in standalone or consolidated books. It has no impact on the ability to distribute our cash flow because it is the cash distributed what matters to us. It is just an accounting charge, so would not be materially important for our performance.

**Swarnim Maheshwari:** Thank you so much for this.

**Moderator:** Thank you. Ladies and Gentlemen that was the last question. I now hand the conference over to the management for their closing comments. Thank you and over to you!

**Harsh Shah:** Thank you Swarnim. I would like to thank you on behalf of the entire IndiGrid team including Pratik and the entire team behind this platform. Aditya, who leads the IR must be interacting with most of you on a regular basis, so with the year end results we are very delighted that we have beaten our guidance and we would like to thank each one of you to support us in the process, guide us and provide us feedback on what more can we do to ensure that we succeed together. This platform is focussed towards making consistent distributions to a unit holders and growing them by acquisitions. Our entire effort would continue to devote on that and ensure that in the next foreseeable future will continue to beat our expectations. Thank you for joining.

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

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(This document has been edited for readability purposes)