



“India Grid Trust
Q1 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the India Grid Trust Q1FY22 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: Thank you Mallika and good evening to everyone. I welcome you all on behalf of Edelweiss. We have with us today Mr. Harsh Shah – CEO, Mr. Jyoti Agarwal – CFO, Ms. Meghana Pandit – CIO and Mr. Satish Talmale – COO who will represent India Grid Trust (IndiGrid) on the call. I will hand over the call to Mr. Harsh Shah for the opening remarks post which we can open the Q&A session. Over to you Harsh! Thank you.

Harsh Shah: Thank you Swarnim and welcome everyone to the Q1FY22 earnings call of India Grid Trust. We would go through and refer to the presentation that we have uploaded on the exchanges and to start with quickly on slide #3 this is our vision to become the most admired yield vehicle in Asia on the back of our focused business model, value accretive growth, predictable distribution and optimal capital structure. On slide #5 it is just a snapshot of what IndiGrid is today. So IndiGrid today is India’s first power transmission yield platform with approximately Rs.21,000 Crores of assets under management across 18 states and one Union Territory in India. We have 40 lines, 11 substations and 2 solar power plants approximately 100 megawatts. In terms of other measures, we are about 11,550 towers and overall metal quantity of about 4,35,000 metric tonnes of steel and aluminum. On the right-hand side is the depiction of portfolio as you can see, we are majorly present in central, northern and eastern India.

Coming to Q1FY22 performance highlights, first to start with financials, we had robust financial growth with our revenue and EBITDA growing by about 53%, largely on account of acquisitions that we have done during the financial year or rather during the last 12 months since last year Q1FY21. DPU has increased materially between Q1FY21 to Q1 FY22 in two steps of increases. First one we did during the mid of the year last year and one in Q4FY21 that has resulted into the first quarter distribution for FY22 at Rs.3.19 a unit, which is about 6% higher year-on-year basis, which puts us on track for Rs.12.75 of annual DPU forecast. We remained well capitalized on the balance sheet side and our net debt to AUM is just about 58%. Our ‘AAA’ ratings are affirmed by three important rating agencies in the country. We raised capital in Q1FY22 in two important parts. One is a Rights Issue, which we spoke about in the Q4FY21 call, which was a

successful issue and I would like to thank all our investors who participated in that. The second one was a public bond that we did, which also resulted into a tremendous success and that really opened up long-term source of capital for IndiGrid on debt side.

We acquired our first solar projects called FRV in the quarter for about Rs.660 Crores of EV, about 100 megawatt of plant. We continue to focus on asset management to ensure that we are mitigating any risk that emanates out of operations and continue to maintain reliable portfolio, our availability was at 99.7% for Q1FY22 and the important point for the quarter is that IndiGrid has now transitioned into inhouse project management and asset management and this is an important point because historically Sterlite Power operated as a project manager for IndiGrid and provide its support in terms of operations. However, as we have discussed in several calls over the last two years IndiGrid has built capabilities enough to continue the project manager or operations and maintenance on its own and with that in mind we have transitioned into internalizing these operations. On the policy front, there are many important outcomes that got achieved in Q1FY22 of this year. First one being that SEBI has now approved the reduction of trading lot, (which IndiGrid trades right now at 1,701 of lot size) to a single unit for all publicly listed InvITs so we believe once this circular is notified, we would be speaking to exchanges and making our trading unit to one. We are confident that this is going to result in substantial amount of liquidity and access both for IndiGrid as well as for investors to invest in IndiGrid units. IRDA during the quarter have enabled insurance company to invest in debt securities of InvITs and that is something which we are seeing very well received in our public NCD issue. PFRDA has done two important announcements where they have enabled NPS backed pension funds to invest in debt securities just like insurance companies. In addition to that they also relaxed the sponsor rating requirement, which was there for investment by NPS backed pension funds into InvIT units and this restriction is only kept for the InvIT itself, so IndiGrid is well within the restrictions as indicated. We believe that a lot of NPS backed pension funds would look into IndiGrid as a favorable investment.

Going to the next slide - quickly to capture on slide #7 the impact of COVID-19, we all saw second wave in Q1FY22 of this year just like the wave one in Q1 of last year; however, I think this quarter is far better in terms of collections. This quarter collections were about 69% versus 56% that is happened in the last round on year-on-year basis. However, this is largely due to the fact that Q4FY22 was 126% collection and partial impact of that has rolled over into Q1FY22 and on an average basis we are doing fairly okay with DSO days just like about 60 days. Impact on demand is an important criterion. While power transmission tariffs are not linked to demand and only linked to availability; however, we are clearly seeing power demand improving sharply, from the moment the lockdown has been lifted again and on Q2FY22 itself we have seen a substantial growth

of 16.6% versus last year and as you would have seen a lot of post coming from the Government themselves - India's peak demand has crossed 200 gigawatts in July-21 and consistently making new highs, so we are confident that the power consumption demand, which is the underlying factor in the sector also remains pretty robust.

Going to the next slide#8, on operating performance, you can see on the left hand side, our assets are performing as they were expected, all of them resulted into maximizing our incentives and the assets, which are not at the maximization of incentives like NER, which is the asset that we acquired recently is just going through a teething issue after the acquisition for the first two months; however, all these incentive losses are being indemnified by the sellers and being paid as well, so for commercial and tactical purposes IndiGrid portfolio remains at ~99.7%. In terms of some of the other parameters - we have reduced number of trips per line, improved on unsafe conditions, improved on solar generations, all those factors which are important for the portfolio reliability, we are focusing on them to increase reliability and sustainability. On the digital asset management that we have been consistently speaking about, which is our partnerships with IBM Maximo to launch and transform the way asset management operated for transmission sector in the country. We have gone live on two of our large assets, which puts about 20% of a portfolio is already live working on digital asset management and we are hoping that by the year end we would be converting the entire portfolio into DigiGrid, which would be one of its kind. On HSE we are focused on 100% safe-man hours on Q1FY22 and in terms of COVID-19 we continue to be careful in terms of COVID appropriate behaviors and focusing on health and safety of our key stakeholders. I would now invite Jyoti, Chief Financial Officer to take from slide#10 in terms of financial results and other details.

Jyoti Agarwal:

Thanks, Harsh. I am on slide# 10, where we have put up the financial performance for the quarter. As Harsh has already explained our revenues and EBITDA grew handsomely at 53% backed by acquisitions that we did over the span of the last 12 months. Our NDCF was lower by about Rs.50 Crores- Rs.52 Crores YoY to be exact, but this was largely because we did lower factoring of only about Rs.50 Crores in this particular quarter as compared to a factoring amount of Rs.140 Crores in the corresponding quarter of the last year. So, against the lower factoring by Rs.90 Crores, NDCF was lower by only about Rs.50 Crores - this is largely because we had better collections in this quarter of 69% versus 56% collections in the corresponding quarter of last year. On DPU as Harsh mentioned - the Board has declared a DPU of Rs.3.1875 per unit or Rs.3.19 per unit, which is in line with increased guidance of Rs.12.75 per unit for the year, which was up by last quarter and this DPU of Rs.3.19 comprises of interest of Rs.3.04 and about Rs.0.15 paise of the DPU comprises of tax-free dividend, this is largely the dividend that we have got from PrKTCL. This DPU of Rs.3.19 on an expanded unit base of nearly 70

Crores units post the rights issue translates into a gross distribution amount of Rs.223 Crores this quarter, which combined with the distributions that we have done since listing will add up to nearly Rs.2,300 Crores of distribution - nearly Rs.49 of distribution per unit that we have done since we got listed. The NAV for Q1FY22 - I should say was Rs.129 per unit and this was sequentially lower because of two primary reasons, one was an expanded capital base, increased in number of units post rights from 58 Crores to almost 70 Crores and that led to a dilution of the NAV and also we acquired the balance 26% equity of NER and we have to pay close to Rs.500 Crores because of that and that impacted the NAV for the rest, so we are well on our way to deliver on the increased DPU guidance of Rs.12.75 for FY2022.

I go to the next slide, slide#11, which essentially provides the bridge from the EBITDA to the distribution amount. We did an EBITDA this particular quarter of a little higher than Rs.500 Crores. Nearly 50%, about Rs.240 Crores of this was taken away by finance cost, primarily at the IGT level of about Rs.214 Crores and about Rs.27 Crores at the SPV level. There was also a negative working capital movement, this was largely seasonal in nature as we have seen first quarter generally the weakest when it comes to collections against 126% collection in Q4FY21 this quarter was less than 70% so that led to a reduction in the working capital related in this quarter by almost Rs.117 Crores. There were some other minor items like capex and tax as well as the key payments. We were also supported in this quarter by a release of about Rs.49 Crores of DSRA, which is a debt-service reserve account. This is largely on account of some NCDs, which got repaid for which we did not need DSRA so that got added to the NDCF. At the end of Q4FY21 we had a total NDCF reserve of almost Rs.170 Crores, so we dipped into that reserve to the extent of about Rs.55 Crores in this quarter to reach to the distribution amount to Rs.223 Crores. Even after this dipping into the reserve we still have a balance reserve of Rs.115 Crores for the future, which is higher than the reserve that was there prior to Q4FY21.

I will go to the next slide, slide# 12, which talks about the debt structure of IndiGrid. We raised incremental debt of about Rs.3,400 Crores in this quarter largely for re-financing and funding of acquisition. This debt was nearly 10 years in tenure and came at an average incremental borrowing cost of 7.57%, With an average cost of debt of about Rs.7.94%, our marginal cost is significantly inside of the average cost, which should help reduce the overall average cost of debt as we go into the remainder of the year. We continue to remain 'AAA' rated. We are carrying a good cash balance comprising of DSRA, DPU as well as NDCF reserve. Our net debt to AUM is much inside of the 70% regulatory cap for InvIT. We have substantial part of our debt which is fixed; more than 70% of our debt is fixed rate debt. We have also been able to diversify our pool of investors they are roughly 50:50 between NCDs and bank loans a little bit higher on the

NCD side, but what is more important is that we have been able to diversify the nature of investors in both the NCD space as well as the bank loan space. We now have both public sectors as well as private sector banks as well as some NBFCs who have given us loans. On the NCD side other than mutual funds and corporates and HNI who are already a part of our debt book, this particular quarter we saw two new investor class is getting added up. One was the retail investor base post our public issue of NCDs and second was insurance. We now have almost Rs.400 Crores of our total debt book held by insurance companies both life and non-life, we have seen an increasing trend month-on-month of this investor base and now with pension funds also being allowed by PFRDA we feel that we have enough headroom to be able to further expand our investor base across this new class of investors. If we look at the bottom of the slide, we have also been able to smoothen our repayment profile over the years, something that we had guided the inventors over the last few quarters. Other than FY2023 now we have the amount of debt repayable in any year within our comfort zone of less than Rs.1,500 Crores and for FY2023 also we are taking proactive steps to ensure that we get an advance tied up significantly ahead of the repayment time. At the same time, we are also exploring whether there is any merit in prepaying some of these debts which is coming in FY2022-FY2023 provided the cost benefit trade-off is optimal for us. For the next slide I would like to invite Meghana to take us through the next slide, please.

Meghana Pandit:

Sure, thanks Jyoti. I am on slide #13 where we compared ourselves on one hand with a pure play debt product which is the 10-year GSEC bond and on the other hand we have also looked at how pure play equity and certain indices have performed and in the graph it is a combination of total return, which is the distribution per unit plus the change in the market price. And as you can see both on an absolute basis and on an annualized basis IndiGrid has outperformed not just on the debt side but also on pure play equity indices like NSE 500, BSE power, BSE utility. More importantly along with this total return what is important is on the volatility side how has IndiGrid performed, which is reflected by the Beta. On Beta at IndiGrid is amongst the lowest with 0.07 and this we have tracked since the time of listing till end of Q1FY22 that is June 30, 2021. So, on a risk adjusted basis IndiGrid continues to outperform the equity indices as well as on the debt side, on the back of the acquisitions that we have done and the sustainable DPU that we have been announcing. For the next slide, I will request Harsh to give a perspective about FY2022 and the outlook that we are looking at.

Harsh Shah:

Thanks, Meghana. So, starting on the next slide, which talks about the outlook for the 2022. We remain very positive about the power sector in general and there are a lot of new initiatives that are taken by Government and regulatory agencies to come up with new technologies and several storage and several other path breaking initiatives on the overall grid side. What that eventually will result into for us is - we are expecting a

sizable pipeline of interstate projects about Rs.50,000 Crores odd and Rs.45,000 Crores in the intrastate bids over the next 3 to 4 years, which would result into a healthy acquisition pipeline for IndiGrid eventually. This year itself we are expecting about Rs.15,000 Crores odd of bids to come to fruition. In addition to interstate projects, we are also seeing traction on the renewable energy side and we would look to target our select set of energy and solar energy assets that we are targeting in the sector, which will be with strong counter parties like GUVNL, SECI or NTPC. On something which we have already announced - KTL, which is one of the last framework assets with Sterlite Power, we believe that is at the last stage of completion and it is going to be completed in this financial year and we would look to acquire that in line with our framework agreement. Based on our current assets itself we would continue to deliver the Rs.12.75 per unit guidance that we forecasted.

On the balance sheet side partly as Jyoti has mentioned our intention would be to reduce cost of debt, diversify our source of borrowing and maintaining adequate liquidity to any uncertainties that may come up if the COVID-19 wave continues to remain in the country. On the asset management side, our focus will remain to maintain a high availability, focus on self-reliant O&M and many other initiatives like digital asset management and predictive analysis will be focused on that. We would continue to focus on world class EHS and ESG practices on our portfolio.

On the industry stewardship, I think we will look to implement lot reduction as soon as SEBI notifies, which we believe will result into increased liquidity in InvIT and IndiGrid as well and there are some other initiatives that we are recommending to the Government with respect to tax anomalies, or further diversifying lending from FPI sources, etc., that will continue to push to the Government, but overall, we are extremely happy with the portfolio that we have. I believe we are in the right sector at the right time with stable assets and a critical mass of assets and our focus will be to continue to perform as we did in the past with respect to our assets, financing and acquisitions. So, with that we believe we will be able to deliver superior return with sustainable increase in DPU for investors in the coming future and with that I would conclude management part of the call and would like to open up for question and answer.

Moderator: Thank 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 good set of the numbers. Two questions, first on the business side, on the acquisition side especially given the fact that we have only KTL left and most of the new transmission assets are being built either by the large

players who may not be willing to part with the asset -so does it mean that going forward more and more renewable energy that will be the focus or do you think that there is a chance that we will have some transmission projects coming up for sale that is the first question?

Harsh Shah:

Thank you Mohit. I think right we see the growth in three buckets, first as you mentioned on renewable energy side, we do see acquisition pipeline over there; however, as we had said renewable energy would fairly remain in the size of 20% to 25% of overall portfolio and we would not cross that, but at this point in time we are just about few percentage points also, about 3% of renewable asset in the portfolio, so there is still sizable pipeline as well as sizeable headroom for us to acquire this. Second with respect to I would say predictable acquisitions, which are all already built assets one of them as we reported is KTL, second there are already other assets available in the market, which are completed and revenue generating. We would look to acquire this; however, it depends on when particular investors look at monetizing that and Sterlite Power asset as well beyond KTL, which is a sizable asset size in itself, but also beyond Sterlite Power as well there are assets, which we are looking at, within transmission space. Third is with respect to the new bids, in new bids as we have done in the past is to partner with the developer like we had partnered with Sterlite Power and provided framework agreements, which gives visibility of exit to investors. We are looking at several such partnerships, which would result into further pipeline even from the newly built assets, so we are pretty confident about that between these three we have sizeable visibility of growth.

Mohit Kumar:

Are we open for acquiring intrastate transmission assets?

Harsh Shah:

Yes, we are open to acquire intrastate transmission assets. We already acquired one intrastate asset, which is in Haryana, but however, that is case specific because intrastate TSAs are different and we need to dig into which kind of agreements are in place, what kind of counter parties are there, so we are open, but it eventually depends on size of the risk as well as type of the counterparty.

Mohit Kumar:

Secondly on the working capital side there has been a large draw in this particular quarter, which we have not seen in the earlier quarters, I think earlier quarters more or less small working capital, so do you think it is a cause of worry or do you think this will get addressed and is the July-21 collection far better than June-21 in terms of your billing?

Harsh Shah:

One - the way to evaluate the quality of receivables in balance sheet is to look at days receivable outstanding and today that number is at 60, so on a balance sheet level in DSO we are at 60 days outstanding, which is not certainly a cause of worry that is the number

to evaluate in terms of what is the outstanding. The rest is quarter-on-quarter, in last quarter as Jyoti mentioned we did 126% collection, which means that a lot of our customers ended up paying in advance because they received liquidity from somewhere, so the moment when you have a quarter like that - where you have collected ~125%; next quarter where people are going to take a breather so it is just the quarter-on-quarter adjustment is what we think at the moment that is playing on. In addition to that we believe that this quarter was also unique from the point of view that this is the first quarter under which CTU is operating independently of PowerGrid because as you would know about two quarters back CTU separation from PowerGrid has taken place and it has been operationalized in this quarter, which had resulted into operational delays in raising invoices and coordinating because it is a completely new setup and we are seeing the clear change in July-21 and we have received over 90% of collections in the month, so I think it is a temporary phenomena or not even a phenomena it is a quarter-on-quarter change, Q4FY21 was extremely high collections, which means Q1FY22 is slightly lower, but we have seen the receivable trend increasing in Q2FY22 already.

Mohit Kumar: On the lot sizes - just some clarification the SEBI board approved the lot sizes reduced for all InvITs right and once this meeting minutes gets published or notification get published, we can apply for it right, how much time do we expect this thing get materialized once it is notified?

Harsh Shah: We should wait for the notification but what we believe is that once the notification is made public it is only a matter of us writing to exchanges and some operational changes at the backend that will take place with exchanges, so it just the exchange approval that would be remaining after that.

Mohit Kumar: Understood, it is maximum 10-15 days, right?

Harsh Shah: That is right.

Mohit Kumar: Understood. Thank you and best of luck.

Moderator: Thank you. The next question is from the line of Abhilasha Satale from Dalal & Broacha. Please go ahead.

Abhilasha Satale: Thank you for taking my question. We have raised our debt and equity base via NCDs and rights issue, so I want to know that at current debt level how much maximum AUM we can reach?

Meghana Pandit: Today on net debt to AUM we are close to about 58%. As you know our statutory regulatory cap for leverage is up to 70%, so with that cap you know our AUM can easily

grow to the extent of at least Rs.5,000 Crores to Rs.6,000 Crores without the requirement of any further round of equity dilution.

Abhilasha Satale: Thanks, the second question is our interest cost whatever the new debt we have raised that being at lower cost the cost of debt has gone down from 7.94% and we have a large repayment next year, so this year over the medium term what kind of interest cost of debt will be like average cost of debt we are seeing?

Jyoti Agarwal: Yes, thanks. So, we have already indicated the marginal cost of debt this particular quarter has been in the range of about 7.5% to 7.6% and this is by the way 10-year debt that we have raised in this quarter, as the average maturity of the debt raised in this quarter is almost 10 years. At the moment, we do believe that the incremental debt cost for us will only get better as more and more investors are allowed to invest in our paper, pension funds being the latest addition and as the market sort of appreciates our strategy and the outperformance a bit better. So, we think we should be on our path to be able to continue to expand the average maturity and reduce the average debt costs by having more and more incremental debt in the 7.5% maybe between 7.5% and 7.6%. So, for the rest of the year whatever refinancing that we will be doing would be in the 7 year to 10 year bucket and I would say hazard, notwithstanding any monetary policy surprises, us to be able to do it around similar range

Abhilasha Satale: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Pradyumna Dalmia from Lansdowne Investments. Please go ahead.

Pradyumna Dalmia: Hi, Harsh, Meghana and Jyoti, excellent performance once again for this quarter. My question, Jyoti was regarding the factoring, which was at Rs.50 Crores was very low this quarter compared to the last so just want to understand what determines the amount of factoring that we do every quarter and what is the sustainable level of factoring one should expect every quarter?

Jyoti Agarwal: Good question, Pradyumna. Factoring for any sort of short-term debt can be driven by two or three factors; one is of course we need to be able to sustain the cash outflows for the operations, whether it is O&M cost, debt or whatever. Second is also we are very particular about our DPU guidance to the market and this particular quarter. The amount of factoring that we determined was primarily to ensure that there are no negative surprises on the distribution front, as we realized end April-21 that there is likely to be lesser collections, which is seasonal in nature. At the same time, there are other two factors that Harsh talked about - one was CTU migration and the second was this terrible second wave of COVID-19

that hit us around the middle of April-21 and right up to the end of early June-21. So based on these two we realized that the collections would not be as we had envisaged. We had envisaged around 85%, 90% coming in through the year but we modeled at about 65% 70% collections and accordingly, we determined the amount of factoring that we would need to do to ensure that we are good in terms of distribution. Eventually the collections came at 69% which was very much in the estimated ballpark and the amount of factoring was good enough for us to be able to meet the distribution guidance. As such, we did not have any shortfall of cash to sustain our operations. But the reason to do factoring, was to meet our new guidance. As we speak, almost half of the factoring amount has already been pre-paid because we saw collections normalizing. As Harsh was mentioning in the month of July-21, we had 96% collections efficiency, so we have seen collection normalize very, very quickly and to avoid unnecessary drag on the interest cost front, we have actually prepaid 50% of the factoring amount, we expect to prepay the balance very soon. Based on the current outlook of the second quarter as well for the year, we do not envisage any challenges of cash flow to be able to get into factoring again, but look, I mean, this is the strength of the model that we do have various tools in our kit to be able to tide over if any short-term imbalances might be there. So, we have factoring, we also have an ability to raise short-term money from the commercial paper markets, we are also trying to tie up sort of a permanent working capital line with the banks so, hopefully all of these tools will not be needed that much but should there be a need then we can use this to our advantage. Factoring being one of them, which we have successfully deployed, once was in the corresponding quarter of the last year in COVID first wave and second much lesser demand in this particular quarter.

Pradyumna Dalmia: Great. So, if I understand correctly, the factoring is going to be used as a tool if and when we see any liquidity crunch or shortfall and amount of factoring is likely to change every quarter and there might be quarters where there is no factoring required at all?

Jyoti Agarwal: I think factoring is an exception rather than the norm. I do not envisage factoring for the remaining part of the year. It seems it will pan out the way we are envisaging. This particular quarter we had to do it because of factors that we had just outlined. So factoring is not really a norm on a quarter-by-quarter basis, but more as an exception.

Pradyumna Dalmia: Thank you so much.

Moderator: Thank you. The next question is from the line of Rushabh Sharedalal from Pravin Ratilal Share & Stock Brokers Limited.

Rushabh Sharedalal: Thank you for the opportunity. Just one question that do we as IndiGrid stand to benefit from the fact that - there are power exchanges like India Energy Exchange in the listed power grid. So, do we as an InvIT stand to benefit from it in any manner?

Harsh Shah: Let me take that. So, as such directly we do not get any benefit. In the longer run, we do get benefit and what we mean by that is most of the transmission planning in the country happens on long-term open access agreements. What that means is that the most amount of the transmission lines are built when they know the buyers and the sellers, they know the corridor and therefore they build an additional line. That has been the historical way of planning. So, in that regard, it does not contribute directly whether there is exchange or not; however, the rationale behind building up a national grid is also to facilitate open access without long wait period, and therefore if you want to buy power in Gujarat from Northeast or you want to buy power in J&K from Rajasthan we do not need to wait for two, or three years to make a plan and PPA and then build a line, also you should have an access to be able to buy cheaper power from where you get it and in that scenario exchange the key catalyst. For example, well it is not concluded, you would have read about allowing distribution companies to get out of the old PPAs with PSUs or thermal and get into the new PPA which could be cheaper for them. In that regard, they would need to be able to buy power from exchanges or the new PPAs. So, new energy exchanges play a vital role in that process which would eventually result into healthy Discoms, it is a contribution of the energy exchanges into an overall healthy sector, which would help transmission line owners like IndiGrid, but no direct benefit for us.

Rushabh Sharedalal: Thanks a lot.

Moderator: Thank you. The next question is from the line of Ravi Chandra an individual investor. Please go ahead.

Ravi Chandra: Good evening Harsh and team. Congratulations once again for an excellent performance and continued growth. I have one query to Jyoti in the waterfall slide, that is slide number 11, so reserve, what you are telling maybe just I am clarifying. Earlier it was shown in both SPV as well as at IGT level. So, now you are showing that as a combined balance, Rs.1,150 million is available? Is that right?

Jyoti Agarwal: Yes Sir, you are absolutely right. The Rs.170 Crores that we had as a reserve was a combined reserve at the SPV as well as at the IGT level. We have used about Rs.54.8 Crores but we have only dipped in the reserve at the SPV level, so overall the reserves between the SPV and at IGT that we are carrying forward at the end of this quarter is about Rs.115 Crores.

Ravi Chandra: I am fine. I think only one question. Looking ahead for one unit obviously you can attract more retailers like me. Thanks a lot. Once again Harsh congratulations. Thank you.

Moderator: Thank you. The next question is from the line of Hitesh Nayak Kumar an individual investor. Please go ahead.

Hitesh Nayak Kumar: Good evening to the team of IndiGrid. I just wanted to tell that I have joined IndiGrid as a member in the month of August 2020 and I was really impressed by the way things have been presented in a transparent way data and information is shared. But as an individual investor, I just have one concern that I want to understand what are the counterparty risks to the business because when the stock market crashed in the month of March 2020 the prices of IndiGrid also fell down drastically. If such type of an event happens, I just want to understand whether the counterparty risks are there or it is just an euphoria that has happened and that is the best time to accumulate more units from the market?

Harsh Shah: So, these two are different question, so the first question was counterparty risk and as it was discussed in the earlier calls I have indicated that the counterparty risk is an important risk for IndiGrid because we are playing in a sector where our eventual customers are not financially healthy, so this is an important risk to chat; however, our contracts, our payment security mechanisms are fairly strong and I would say the last part that just because we are providing a monopolistic service as transmission at a very limited or a minor cost or a fraction cost, our customers who are even in a worst financial situation they prefer to pay because it is a kind of a lifeline to evacuate and import power so that is what has kept to sector or the transmission sector healthy even though the distribution sector have not been healthy. Having said that, just to go back to the Q1 of last year and entire financial last year, this is a test actually. In last 20 years or I can say 15-20 years, COVID is one of the worst disasters that one could have expected for both country and financials put together. In that as well, our collections did not fall materially, so the quarter one collection last year was 50% that was not because people did not want to pay that was because people could not get to office for one and a half month, could not raise the bills, so the old cycle administratively got impacted, but after quarter one, quarter two, quarter three, and quarter four, the collections kept on increasing and as a year whole we collected more than 100% for an entire year. So now what that says is that even in the most stressful scenario at least in our lifetime that we have seen operationally and financially, the contracts prevail and the payments kept happening, so we ensured that the last year has been a testament of that, so yes, it is important but it remains minimal risk. On the other hand, unit price is something which so many factors are impacting the price, which is beyond the control of the management to guide on, etc., but I think if at all you look at the fall, you need to look at the fall in relative terms to other investment options as well, so I think the quarter one was an important fall, a large fall that happened everywhere, but it is linked to so many global events and domestic events that took place and therefore one needs to compare relatively, it has impacted us lesser and yes, people who invested at that time in general everywhere they were rewarded

eventually, but that is very difficult for management to guide on that such fall will not happen because that is linked to the liquidity perceptions, euphoria or opposite of an euphoria whichever way so that is a difficult one for us to predict, but on the collection side, I would say we have a strong contracts .

Hitesh Nayak Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Suneel an individual investor. Please go ahead.

Suneel: Congratulations on completing three years and being a long-term investor. I think this is one of my best investments and my question is regarding your acquisition pipeline and particularly given that an InvIT does not have a ROFO with the PowerGrid, do you think it is the way of Government saying that private sector can bid for it or it is allowed, are you going to bid for it?

Harsh Shah: Very, very interesting questions, Suneel and this question came earlier and I did not speak about it. I would certainly clarify views on that. PGInvIT coming into the picture I would say it is a good thing for IndiGrid in general because more and more people are aware about transmission, business and InvIT now with such a large PSU coming and monetizing and putting it into an InvIT. However, our view is that, it is not Government's role to run monetized assets and in whichever way Government choose to monetize such passive assets, the focus should be on maximizing value for those assets and selling them, second realizing maximum amount of liquidity that the government can get either via PowerGrid or whichever and third is the time to market or which is a transparent bidding process, which can be done. So we believe that as a Government such a large monetization program as and when happens, it should not be done on a bilateral basis. IPO is slightly different because it is do the IPO and call for an auction, but by virtue of PowerGrid owns only 15% in the InvIT, it is not a PSU anymore right, so any sale that happens from PowerGrid or any Government body to another Government body or to an InvIT we believe should be done on a transparent basis via global invitation of tenders instead of any bilateral way; however, we can only express our views right, that is the transparent where the auction should run, if Government decides to do a transparent auction where we have an ability to bid for the assets, we would certainly bid further.

Suneel: Great, thank you.

Moderator: Thank you. The next question is from the line of Rushabh Shredalal from Pravin Ratilal Share & Stock Brokers. Please go ahead.

Rushabh Sharedalal: Thanks for the opportunity again. Just a question on the operational front since IndiGrid is an 'AAA' listed InvIT and you know we have a lot of marquee investors now even pension funds are investing so just wanted to understand that the InvITs are not in the approved list of securities by exchange and RBI, so is IndiGrid taking any steps to ensure that you know we as an InvIT are in the approved list of securities?

Harsh Shah: I am not very aware of this point, but is your question towards can you pledge InvIT units as security, is that the question?

Rushabh Sharedalal: Yes, that is exactly the question.

Harsh Shah: I do not know maybe Jyoti or Meghana if you have a clue, but we are not aware about this term of approved list, but we are definitely aware that the securities can be pledged and there is a specific policy which SEBI has made for sponsors to pledge these securities and I can tell at least that IndiGrid in that case has made adequate disclosures. Sterlite Power who was the sponsor who started IndiGrid pledged IndiGrid units to borrow and so have other sponsors done for their respective InvITs shareholding, so I am very sure that legally it is allowed to pledge and then we definitely know several cases where NBFCs and banks have lent against it and taken units as security. Exact provision of what prevention RBI, I am not very sure, but this can certainly be used as a security for borrowing.

Rushabh Sharedalal: I just brought up this question because of the fact that we as retail investors have been unable to pledge it for some odd reason so you know I wanted to know is something that can be done from the IndiGrid side, which can help retail investors to pledge the units and avail a loan?

Harsh Shah: Sure, we would consult with lawyers and understand if this can be done. This is largely an RBI issue. I think, we as a company do not necessarily recommend to pledge for investment, but that is a personal decision, but we would certainly check with lawyers and RBI to see if something can be done on this.

Rushabh Sharedalal: Thanks. That is very, very helpful.

Moderator: Thank you. The next question is from the line of Shobhit Gupta from Exide Life Insurance. Please go ahead.

Shobhit Gupta: Good afternoon, Sir. I had a couple of questions, first was this practice of using reserves to maintain the DPUs so as an investor, how do I look at in terms of this though it is kind, it looks to me as a way of smoothing DPUs but from a long-term perspective, equity market sometimes is unfavorable for you to raise, so how should we look at it in terms of

discipline? Second question was I think you spoke about the power exchanges. Now if that becomes reality in a bigger way does it limit your opportunities for growth in a certain way in future? Third question, if I can ask is about you know the borrowing from the REIT level and lending to SPVs, now what I understand there is a lot of arbitrages involved in that I mean you can borrow at 7.5% to 8% and lend at 14% to 15% I am not sure about the numbers, I am just giving an example, how should that also to be looked at from an investor point of view? It is the right way to use that arbitrage to pay the distribution or it should be paid from the business perspective?

Harsh Shah:

We would try to give answers on that front. I think the first one was on the sector and second one is different, so infirst on the sector, if you see increased power exchanges, increased liquidity and electricity units – we will require a far more robust grid, which would eventually require a far more investment in transmission. So, this is going to require much more investment in transmission because you would need to keep certain grid idling as somebody somewhere will want to use that grid at the call of the button. So, instead of focusing on the grid utilization, you would focus on keeping the grid ready so that you can buy the cheapest power from where you want to buy because the grid cost today is less than ~6% of the total cost of generation in the country or cost of sales. Now even if you double this grid cost from say, 6% to 12% it reduces net tariff marginally and you are still NPV positive so as the sector as country this is going to be rather contributing to more investment in transmissions is the view that we have. On the reserve, I think what we are doing is extremely prudent. Let me give you an example. If we were distributing on an annual basis, the requirement of reserve may not have existed because on an annual basis you will receive a particular cash flow that it will meet; however, we decided to make a conscious choice and distribute on a quarterly basis as investors want it in a that way. Now what that does is that the entire cycle starting from a revenue, cost, financing and eventually distribution to investors become quarterly. Now one cannot predict possibly the quarter and quarter business, operations, liquidity, seasonality, etc., and general as this happens in all sectors in India, quarter four economic activity is the highest, in quarter one therefore it is the lowest in a sequential manner and therefore we are like any other part of the economy in India, we I would say, quarter one goes low, quarter two is higher than quarter one, quarter three is low, quarter four is the highest when the cycle continues. So, anybody who chooses to pay quarterly distributions and want to maintain predictability should run with some reserves. For example, last quarter we had such a good collection that we accumulated Rs.100 Crores of reserve, so we can use it in the next quarter or the subsequent quarter, this is a quarter-on-quarter adjustment, which I think is healthy, prudent and that should be followed if we decide to be quarter. If we, do it annually, we need not to do it. To question and what you should look at for the health of the business. Health of the business we should look the balance sheet and you should look at our receivables outstanding that gives you that as a balance

sheet are we collecting our dues beyond the periodic, and that gives you a picture and we are operating the transmission line and over the 5 years, our days outstanding are around 50-60 days only so that means health of the business is doing okay, quarter-on-quarter, 60 days becomes 80 days, 80 days becomes 40 days, then next quarter is going to be 80 days because on an average you will revolve around 60 days and there was third question you had asked.

Shobhit Gupta: That was about the loan from the InvIT level to SPV level?

Harsh Shah: Simple concept over there is whatever interest we recover from SPV by charging at higher interest of unsecured loan, we distribute it to our investors in the form of interest, investors pay tax on it based on their jurisdiction and therefore from an Government or a tax perspective nobody is using, we charge on SPV, you collect it back and you pay to investor and the investor pays tax, so that way it is a transparent method even I would say PowerGrid InvIT would be following that, also Government of India InvIT is doing that.

Shobhit Gupta: So, it not a loophole that is kind of giving us a distribution if it goes one day and we do not see that kind of flows coming back so that is not a risk?

Harsh Shah: So, one is we do not see that kind of a risk and the second conceptual clarity is that in InvITs you get PAT plus depreciation both things to you because these are not manufacturing plant that we need to build it in 5 years, these are perpetual assets, so you need to provide for depreciation for accounting regulation, but in reality, there is no depreciation of the asset. So how do we make this depreciation reach to investors in the bank account that is why the InvITs have given as a trust structure that you can pass through. Now how do you distribute depreciation to investors because that is under a Companies act, we cannot figure it another way. This method when you charge 14% it includes the depreciation also you get along, PAT plus depreciation and therefore this eventual method is in favor of investors to suck out all the cash flows from the InvIT that can reach to the investors.

Shobhit Gupta: Thank you, Sir.

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

Swarnim Maheshwari: Sir, you know in one of the replies, you touched upon that for the future growth you will be looking to partner with someone for bidding, so are we talking about participating through the EPC mode wherein you will invest, say~3% of our AUM for the new bids?

Harsh Shah: There are several types of partnerships, Swarnim. There is one partnership where there is a ROFO that we receive the right of first offer, and right of first refusal that we get and we do not invest anything in that. The second is type of framework agreements where we acquire the assets when they are completed and it is binding on both parties and third is let us say taking minority interest via consortiums, we explore all of them, but again depending on the project, size, risk, partner, it changes, the options are changing, but we are evaluating all of this. I would not say to 2% - 3% because 2% - 3% of overall amount becomes fairly large, so we are just looking at what all partnerships can be formed including minority interest, but that would be much smaller amount.

Swarnim Maheshwari: I just saw the regulations actually allowed us to park money at about 10%, or 10% of the overall AUM under construction project?

Harsh Shah: Yes. So, the limitation is 10%, which is a very high number.

Swarnim Maheshwari: I know that is a very high number, Rs.2,000 Crores, odds will be very higher, but are we looking to go through the equity route at this point in time or not?

Harsh Shah: So, we do not have anything signed at this point time, we are talking to several players to evaluate what is possible.

Swarnim Maheshwari: Thank you so much and all the best.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities Limited for closing comments.

Swarnim Maheshwari: Thanks. I would like to thank IndiGrid management for allowing us to host this call. Thanks, Harsh for your detailed insights and thanks to the IndiGrid team for your valuable suggestions. Thank you so much. Harsh any closing comments over here?

Harsh Shah: Thank you Swarnim. Pretty excited about the journey till now and we are looking forward to continue to do value accretive acquisition and deliver superior distribution plus growth to our investors. Thank you.

Moderator: Thank you. On behalf of Edelweiss Securities Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.