



“IndiGrid Trust Q3 & 9 Months FY2020
Earnings Conference Call”

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Moderator: Ladies and gentlemen! Good day and welcome to the IndiGrid Trust Q3 and Nine Months FY2020 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 conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities Limited. Thank you, and over to you Sir!

Swarnim M: Good evening everyone. We welcome you all to the IndiGrid Trust Q3 and 9M FY2020 Conference Call.

I would like to thank the management for giving us the opportunity. I would like Mr. Harsh Shah – CEO, to start with his opening remarks first and then we will have the Question-and-Answer session. Over to you, Harsh.

Harsh Shah: Hi Swarnim and hi everyone, thank you for joining on call, I welcome you all on the 11th quarterly investor call for IndiGrid.

I will take you through the investor presentation summary after which we will open for the questions.

I am on page #1 of the presentation where we have described our overview and vision. Our vision is to become the most admired yield vehicle in Asia, and we envision to achieve INR 30,000 Crores of AUM while distributing predictable and growing distribution and focusing on best in class corporate governance.

To introduce us, I would just restate we are the only power transmission focused yield platform. Our AUM today is approximately 11,000 Crores. We own 18 transmission lines and 4 substations across 11 states. We are rated AAA by all the three reputed rating agencies and our residual contract length of the agreements is about 32 years. However, we will continue to own the assets beyond that as well.

slide #7 describes the shareholding and who are we. Our majority owner is KKR at 23%, and 15% is held by Sterlite Power, the sponsor which started IndiGrid as an INVIT and balance 62% by other unit holders including GIC, other DIIs, FIIs and retail.

Sterlite power has also agreed to sell the 15% to KKR, which would translate KKR holding to approximately 38%. This is subject to approval from SEBI as well as some other guidelines.

In the investment manager, which runs IndiGrid; KKR owns 60% and 40% is owned by Sterlite power. On the second anniversary of the May 2019 preferential issue transaction, KKR will acquire another 14% and hold 74%.

As stipulated by SEBI guidelines, Axis Trustee leads the trusteeship role for the investors of IndiGrid. The assets which we have acquired since IPO are enumerated in the gray and blue boxes below.

On slide #8 is our shareholding as on 27 December. Our shareholding is well distributed across long-term FIIs between KKR and GIC and other investors as well as retail, mutual fund and life insurance companies amongst others.

Today we have 7 life insurance companies and 4 mutual funds owning IndiGrid and value of retail and HNI investors has almost doubled since we listed in June 2017.

Coming to quarterly results; in quarter three, year-on-year EBITDA has increased by 102%. Our availability has remained greater than 99.5%, our debt to AUM is below 49%, our rating is AAA. One of the key updates in the quarter is that SEBI has issued the right issue guidelines for InvIT. We have continued to distribute Rs.3 per unit as interest.

On slide #11, I will elaborate the key positive regulatory development that has happened in this quarter and before I dwell into the specific right issue guidelines, which are published I would like to take pause and describe what has happened over last four quarters. Over last four quarters there have been significant changes by regulatory authorities to provide conducive environment for InvIT.

In April 2019, SEBI issued a circular which enabled InvIT to have higher leverage than 49% under substantially strict regulation and monitoring, as long as the InvIT is maintaining AAA rating. This has enhanced the attractiveness of InvIT as an investment option considering the fact that you can generate better returns while maintaining a stable rating.

Subsequent to that SEBI also reduced the minimum lot size value from 5 lakh to 1 lakh, our lot size has reduced from 5103 units to 1701 units. The liquidity has improved because of that and I am sure in general the participants have experienced the benefit of that.

Third change which took place is rights issue. I believe it is an important impetus to InvITs as they are perpetual platforms which are going to raise capital and acquire assets more than normal companies would usually do. Therefore rights issue is one of the most efficient and flexible way to raise capital. It is a very important enabler for InvITs for future capital raises, besides that, this will also enable us as managers to offer opportunity to all classes of investors to participate in every capital raise; as against in preference issue where some of the investor class was not allowed.

Recently, RBI also enabled banks to lend to InvIT subject to certain criteria. So over last four quarters we have seen good amount of regulatory thrust which makes the environment conducive and provides a level playing field for InvIT.

Coming to operating performance for IndiGrid, we have presented both YTD FY2020 as well as Q3 FY2020 financial performance. In all the assets we have maintained a substantially higher availability, in some cases lower due to force majeure events and we believe that will receive a force majeure availability certificate for the same.

Coming to the financial results for Q3 FY2020 as presented in slide #13, in this quarter we have recognized 339 Crores of revenue and earned approximately 314 Crores of EBITDA this is almost double than the EBITDA of Q3 FY2019, this is largely on account of the acquisitions of NRSS and OGPTL done in Q1 and Q2 of this year, and this quarter we are receiving the full impact of both the acquisitions.

We have maintained our quarterly distribution at Rs.3 and we have distributed Rs.30.56 a unit since listing, amounting to approximately 1135 Crores. On a quarterly basis, we have agreed to distribute 175 Crores this quarter, which will be paid out as interest.

The next slide describes our waterfall from EBITDA to distribution. As we said we earned 313.9 Crores of EBITDA in Q3, we have paid net interest expenditure of 107.5 Crores and we have repaid loan of 3.9 Crores, and our working capital changes of 48.1 Crores, out of this 14 Crores is the value of one time insurance payment as advance for the rest of the financial year. There is approximately 6 Crores of IM and PM fee and approximately 23 Crores of slippage on receivables, which translates to approximately 6 days. We ended the quarter with 96 days of receivable outstanding as against the normative 90.

We believe that on a quarter-on-quarter basis, this is a small movement and we provide a capital reserve to adjust for this. We believe in Q4 the collection will be better, and that has been the trend over the last few years.

There is a 6 Crores of tax expenditure largely on the interest income that we earned. In all we have earned 154 Crores of NDCF and on account of the specific one time expenditure of insurance for the advance year as well as some small working capital changes we are using the 21 Crores reserve this quarter and we have distributed 175 Crores of distribution for the quarter.

Next slide is slide #15, where we have provided the distribution amount 175 Crores translated into the distribution per unit Rs.3 entirely paid as interest the ex-date will be 27th of Jan 2020, the record date is 28th of Jan 2020 and we will be paying the distribution on or before 6th of February 2020.

Next slide is on our liability side on our balance sheet. We believe we have contained the interest rate as well as refinancing risk till now. Our repayments are staggered across the years and we have fixed our interest rate. Our weighted average cost of borrowing is 8.75%, our weighted average maturity of debt is about 7 years and we do not have any material refinancing in the immediate next 10 to 12 quarters. The first refinancing amount is coming in FY2023 and we believe we are adequately capitalized & prepared for it.

On slide #17 is the performance since listing. Our beta is 0.07, which is one of the lowest in the indices in comparison to any other indices as well as stocks. This signifies that we remain a low volatility stock.

Slide #18 represents our total return, from June 2017, (when we got listed) is 24.1%. Dividend/distribution is 27.6% and a 3.5% drop in price. In comparison to most indices, we have outperformed the market and while maintaining a beta of 0.07.

We believe that with our focus on delivering majority of total returns via distributions over a period a substantial part of our return would come from distribution and it would continue to improve on a compounded basis.

On slide #19 is a small comparison of how globally yield platforms have performed. While we are small in comparison to the global platforms, however it is a significant size in terms of our market cap

and in terms of our yields we are trading at a substantially higher spread versus the GSEC. We believe that is fairly attractive as globally these platforms have traded from 2.5% to 4.5% spread based on the rating, liquidity, growth and stability. In India, we have better and stable platform with a high rating. We believe over a period of time this will improve.

Slide #22 shows growth pipeline for which we have signed agreements. The first four projects on the left are the ones for which we have signed exclusive agreements including Right Of First Offer. Put together they account for approximately 7500 Crores and as per our earlier guidance we intend to execute these agreements and carry out M&As in next 12 to 18 months as and when the projects are ready.

There are other projects with the sponsors, and there are third-party projects. We would continue to expect to be a relevant player in acquiring that going forward. With this I would like to just take a pause and We can open up the call for the question and answer session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir two questions, first is on the I think the total revenue for the quarter compared to the Q2 has declined so the EBITDA I think a decline of 40-odd Crores am I right in just saying that?

Harsh Shah: You are right in saying that, this has happened because in Q2 there was approximately 44 Crores of one time revenue and EBITDA that was generated based on arrears received of one of the earlier petition. On a comparable basis the EBITDA has increased marginally.

Mohit Kumar: So this is normal, but the rate will continue the current EBITDA for the quarter

Harsh Shah: Yes, that is correct, this is about 313 crores, ~300 Crores is an approximate run rate which will continue.

Mohit Kumar: Second is given the fact that we had to dip in our cash reserve to meet the DPU guidance for the Q3. so do you think this is because discoms are not paying in time and our working capital increases?

Harsh Shah: I do not think that this has happened materially on account of discoms not paying on time due to which working capital has increased. If you compare quarter-on-quarter, there are two anomalies that

exist in our business. In Q3 we make a one-time payment of insurance for the entire year. approximately 16 to 18 Crores and which looks as a quarterly dip but then it is subsequently balances of for the rest of the year because that payment has made annually and there are some other one-time charges also that has been made. In addition to that usually the cycle what we have seen over last five years, we have seen Q4 has got the best collections, then in Q1 it goes down then Q2 is better and Q3 is down again. This quarterly cyclicity exists, and we are confident that this 96 days of receivable will reduce to 90 days in Q4 and we already seeing those trends in the subsequent collections.

Mohit Kumar: So my understanding is that most of the PGCIL receivables are supposed to get paid in time or else a penalty is levied?

Harsh Shah: Yes, the penalty gets levied above 45 days and we also receive the same. Second the comparable number for 45 days is 75 days because in the 45 days the unbilled amount is not included whereas when we communicate 90 days it includes at the end of the month the unbilled amount that is the outside yes that accounting difference between the two processes so I would compare it versus 75 and 90 days to compare the same.

Mohit Kumar: One last question Sir what is the cash on the books right now and what is the debt in the books?

Harsh Shah: We have not disclosed the cash on the books in our financials. We have 66 Crores of cash reserve available. This does not include the DSRA of INR 102 Crores which is equivalent to one quarter of interest service.. As of Q3, Our debt outstanding is approximately 5,200 Crores.

In Q3, just to answer your previous question we also received approximately 5 Crores of late payment surcharge.

Mohit Kumar: Understood Sir. Thank you.

Moderator: Thank you. The next question is from the line of Aditya Sanghi from Ad Capital. Please go ahead.

Aditya Sanghi: Congratulations on a solid set of numbers yet again. First question - what kind of monitoring you have in place on the three projects for which you have a framework agreement with Sterlite power over the next 18 months?

Harsh Shah: Thank you Aditya, that it is a good question. Under the framework agreement we have comprehensive monitoring rights starting from inspection, audit of both financials, non-financials, technical, parameters. For most of the projects we have already appointed technical as well as financial advisors to work on monitoring those projects. We not only monitor the progress, but we also monitor the qualitative factors which enable us to finish the due diligence in a more efficient manner in the end. So yes we have already appointed advisors to monitor those projects.

Aditya Sanghi: Are you seeing any delay with respect to any of the three projects from the timeline that you are expecting?

Harsh Shah: No, I do not see a delay at the movement on any of the projects that we had expected, to be honest one of the ROFO projects, ENICL was planned to be commissioned in the Q3. And that has already been commissioned. ENICL has already been commissioned and charged so the force majeure event has been mitigated there.

Aditya Sanghi: The ROFO project is not part of the three that you are seeking to buy initially?

Harsh Shah: We have four projects on which we have exclusive rights. ENICL is a ROFO project along with three framework projects which are exclusive to us. Sterlite power needs to take our approval to approach anyone else. Therefore we consider all of them as a target asset and monitor all of them in parallel.

Aditya Sanghi: How is your O&M structured with Sterlite power? Do they bill you actuals or do they bill you quarterly? just wanted to get a sense of how that is progressing and whether you are seeing any sort of increase in your O&M cost as now that you have a few years of these projects under your control?

Harsh Shah: So I would first answer your question in terms of the structure in which we are operating and then the performance of O&M. There are three parties involved. First, at the investment manager level we have a Chief Operating Officer, Mr. Satish Talmale, who monitors and has the authority to make decisions on our O&M so he is the final authority on O&M matters,. To support him there is a team to ensure the O&M is overseen well. Second, within IndiGrid itself we outsource contracts to third party O&M contractors, in which the purchase orders are given directly by the IndiGrid subsidiaries, by the specific SPVs and all the cost is directly booked in the project SPVs. Third stakeholder is Sterlite power which is acting as a project manager under the statutory capacity as required by SEBI and they get a 10% fee of O&M expenditure that we incur under IndiGrid. On an annual basis Sterlite power

gets approximately 8 to 10 Crores fees as against the total 90 Crores of O&M expenditure that is done directly by the SPVs to the third parties.

Answering your second question, over a period our O&M contracts have matured and improved. In some of the cases we have seen O&M cost improve as well. We have not seen any O&M cost increase materially over last three, four years.

Aditya Sanghi: That is all from my side and all the best for the coming quarters.

Moderator: Thank you. The next question is from the line of Ravi Srikant from Muthoot Family Office. Please go ahead.

Ravi Srikant: I had three basic questions. First is on the present issues, you have mentioned that the revenue model is based on three revenue line items – availability, Non-Escalation part and Escalation part of the tie-up. Is incentive received only if the lines are available or does there need to be any actual electricity flow through the lines?

Harsh Shah: Electricity flow is not a criteria to calculate availability. The availability is a measure of there was ability to transmit electricity and not actual transmission of electricity.

Ravi Srikant: Is the Escalation & Non-Escalation part subject to change?

Harsh Shah: The non-escalation component is an actual number mentioned in the contract. The escalation component is mentioned in the first year which is the valuation year. Subsequently it is compounded based on the inflation assumption disclosed in the by the valuer. The actual escalation happens based on CERC published escalation numbers on a semi-annual basis.

Ravi Srikant: So out of these three, which would be the biggest chunk of revenue?

Harsh Shah: Non-escalation component. Out of our revenue stream about 95% will be non-escalation, 2% to 2.5% will be escalation and about 3% will be incentives.

Ravi Srikant: The trust gives funds to the underlying activity either as interest or as equity and based on the flows received, it is given out from the trust either as interest or dividend. Till now the flows have all been in the form of interest. Is there any specific reason why the entire investment has been made through

loans? Does it make sense to have some part of equity so that there is a dividend component to the cash payout as well?

Harsh Shah: Eventual taxability in the hands of investors is substantially different depending on foreign investors, domestic institutions, domestic family office, retail investors etc.. There is variety of taxation that is levied in India. If we earn a Rs.100 of EBITDA, our attempt is to distribute entire 100 as much as possible and leave the taxation on the investors because that is where there are varied rates. In the absence of that we believe there will be inefficient tax treatment. Having said so, I think it is different for different investors so we will not be able to answer in absolute manner.

Ravi Srikant: But going forward is this how it will stay , primarily the distribution will be in the form of interest payouts ?

Harsh Shah: We believe so, for a substantial period we believe that is better for overall value chain and we will be distributing substantial part as interest.

Ravi Srikant: And then last question is related to the amount of the payout. Assuming that you do not acquire any further assets to your ROFO clause, how long will you be able to sustain Rs.3 per unit payout?

Harsh Shah: I would urge you to not think we will not be able to acquire other projects. But in a scenario we do not acquire any other projects, we will be able to continue the payout for another 10 years. .

Ravi Srikant: So for ten years I mean even without the ROFO assets you would be able to maintain the Rs.3 payout?

Harsh Shah: With ROFO and framework assets which are visible to us for acquisition for which we have already signed the agreements beyond that if we do not factor, we will be able to do it for another 10 years.

Ravi Srikant: Okay that is it, thanks a lot.

Moderator: Thank you. The next question is from the line of Santosh Hiredesai from SBICAP Securities Limited. Please go ahead.

Santosh Hiredesai: I was just trying to understand to get some color in terms of the pipeline of assets that we have where are we on that. Are we also open to look at intrastate projects in terms of acquisitions as and when the sponsor is bidding for the assets and getting those commissioned?

Harsh Shah: We see our pipeline into two buckets, one bucket is of the assets for which we already have exclusive agreements which is approximately 7500 Crores. Whether it is a ROFO or a framework asset, our immediate goal is to target where there is a higher certainty of acquisition, and we are fully capitalized for that. The second group of assets is any future assets with central counter parties like ISTS etc. , so that is a future be it from Sterlite Power or other completed projects and the third as you mentioned about the intra state projects. Now to be honest whether it is a Sterlite power project or other projects we would evaluate intrastate project as well, however we recognize the fact that they are not at par with the inter state transmission pool. and therefore we would ensure that it does not become a substantial part of our portfolio, it will be very small in size and would be resulting in a better yield accretion. as well as we would be evaluating the contracts and the counter party in a far deeper way and different intrastate assets would have a different answer to be honest. So to say specifically would we acquire all intrastate assets? maybe no, but will we reject all intrastate assets? maybe not. The answer would like somewhere in-between based on the contract and the state with which the contract is made. And directionally speaking it remain a very small percentage of our portfolio if at all we convert such opportunity.

Santosh Hiredesai: Sure, does it mean that we are also open to diversifying into renewable asset or something like that or we will stick to the transmission assets?

Harsh Shah: Yes, at the movement our charter is focused on transmission assets, if there is an opportunity that comes along, we would come to investors for their views and approvals before any such step is taken.

Santosh Hiredesai: Alright, that answers my question. Thanks, and all the best.

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

Sarvesh Gupta: Sir first question is on the current assets that are outside of the ROFO and the framework assets. What kind of IRRs are available for you to acquire?

Harsh Shah: Thanks Sarvesh, transmission assets are fairly stable, liquid and sellable assets. Therefore in most of the transactions that we have seen, there are two or three bidders that compete for a particular asset. I would not say that there are some assets which are available at a particular IRR and we will get it. which is I would say a very high level statement. I do not know the number as we evaluate every opportunity on a specific merit in terms of capital structure, financing, credit rating, counter party, and therefore it is a variety of factors that contribute to the eventual yield that we buy. Most important factor when we acquire a project is that after acquisition, with or without dilution, the incremental project must result in accretion or IRR accretion on the IndiGrid portfolio. So that is I would say the bare minimum criteria that we apply that as long as our returns are improving after cost of financing be debt or equity that will be an accretive acquisition.

Sarvesh Gupta: That I understand but if you have Rs.100 and some asset is being sold at Rs.100, then what is the IRR that will accrue to you if you buy it and given that it is a stable market. What are the current rates going on in terms of IRR?

Harsh Shah: Sarvesh so that is what I am answering there are no current rates as it is a private market. If it was listed market I would say that the price is trading at a particular price but in a private market when we buy a project with a long-term cash flow, the price discovery is subject to many facts like interest rates, liquidity, quality of counter party etc. So unfortunately, there is no direct answer available for me to provide to you that for Rs.100 acquisition what we would get.

Sarvesh Gupta: Now secondly on this receivable part, I could not understand related to one of the questions asked by a previous caller that you were saying that PGCIL has a 45 days kind of a time and above that they will charge penalty and in your case you explained that if we subject to accounting it becomes 75 days. So what is this 30 days difference and can you just explain that part a bit more?

Harsh Shah: Sure, so first of all even for us the 45 days apply as it is , it is just a way of looking in our books, when we say 90 days on the 30th of the month or the last day of the month we recognize that the unbilled amount is accrued to us even though it is not billed because we are recognizing revenue based on a contract, whereas PGCIL has a process of billing on 5th of the next month and therefore they recognize the revenue in the next month and therefore for the same outstanding with the PGCIL accounting and communication philosophy, it would be communicated 60 days outstanding whereas we will communicate 90 days outstanding so that is just a way of communication of the same receivable days and the other 30 days Power Grid shows as a separate unbilled amount. Did I answer your question?

Sarvesh Gupta: Yes, so my question was let us say power grid collects, after that you would collect from power grid in some manner right. How much time that we are seeing?

Harsh Shah: Correct, that takes about a day or two we do not need to collect from power grid. As a CTU, power grid has a responsibility to distribute the money that they receive within about 48 hours to all the transmission licensees so on an average I would say about 48 hours gap is there.

Sarvesh Gupta: And you get the penalty whatever power grid collects in case there is delay beyond 45 days?

Harsh Shah: That is correct for example in this quarter itself we collected about 5 Crores of penalty on late payment surcharge.

Sarvesh Gupta: And what can be the norm for this penalty as a percentage of overall receivable that you collect over a cycle, what can be the normative number?

Harsh Shah: Yes, so I think it is a good question I think it is tough to communicate the norm, but I will give you the parameter. They are charged at 18% beyond 45 days and on an average let us say if you assume 15 days delay from that then you can do a math with respect to that for example for us this quarter it was 5 Crores over a revenue of 339 Crores. So approximately 1.5%.

Sarvesh Gupta: My final question is with regards to this new rights issue framework, which has been announced. So can you establish that going forward we would always go for rights issue for equity fund raising?

Harsh Shah: The decision of going with a specific fund raising is taken by the board after considering several factors. Rights issue is the most favorable for several reasons, as it includes all the investors, it provides pricing flexibility to the management and the board. In a normal preference issue, the risk remains that the news leaks and the two weeks pricing gets modified and the capital raise can be jeopardized. So there is enough I would say flexibility for management or rather incentives to go for board to go for right issue. Having said so it is tough for me as a management to commit that this is the only way we are going to use it in future, but clearly we are incentivized as well as this is a better way to go for the capital raise in future.

Sarvesh Gupta: Thank you Harsh and all the best for the coming quarters.

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

- Ritesh Parikh:** Sir can you tell me what is the total reserve we have utilized or deficit right now at the end of Q3?
- Harsh Shah:** At the end of the Q3 we have a balance of 66 Crores.
- Ritesh Parikh:** 66 Crores of deficit or...
- Harsh Shah:** No, not the deficit, the balance.
- Ritesh Parikh:** Okay there is the surplus available for the distribution if required. Secondly, in the past we had been giving a table of indicative DPU. It will be helpful if we can share that going forward.
- Harsh Shah:** Sure we take that feedback Ritesh. We used to give DPU guidance when there were subsequent acquisitions lined up. After the last two acquisitions we have stopped, but closer to the next acquisition we will certainly add that to provide guidance.
- Ritesh Parikh:** And last we have a meaningful addition to our asset in this calendar year, my understanding is that we have already tied up for the debt component for the acquisition of the asset, so are the payment made to the company on the post-acquisition or it is made in advance as such?
- Harsh Shah:** sorry can you repeat the last part of the question I did not get it clearly.
- Ritesh Parikh:** We already have a pipeline or visibility of our assets. Have we have already agreed to acquire in the current year so are the payment made in advance or we make at the time of transfer of the asset as such?
- Harsh Shah:** We have made an exclusive agreement; we have not committed to acquire because we need the unit holder approval to do so. We have not yet issued a notice for approval of unit holders. second the visibility is for next 12 to 18 months so we are not acquiring, there is no mandatory timeline to acquire in a particular calendar year. We raise debt only when we are acquiring and we pay the consideration when we are causing the transfer. At the moment we have not taken any economic interest in any of the SPVs. It is only an agreement to acquire subject to meeting several conditions including investor approval. We will be raising debt as and when those conditions are met and investors have approved and we are acquiring those assets.

Ritesh Parikh: If I look at your asset pipeline visibility, so we have GPTL available in Feb 2020 . So once that asset is available, we will take the shareholder approval and then arrange for the debt and make the payment as such. Is my understanding correct?

Harsh Shah: That is correct.

Ritesh Parikh: What is our current cost of borrowing?

Harsh Shah: Our current weighted average cost of borrowing is 8.75%

Ritesh Parikh: Thank you.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: First question is on the PAT. There has been no acquisition on cost- plus asset in the InvIT, would you consider buying out cost plus assets at any point of time and what are the regulatory challenges you foresee in acquiring those asset and the valuation challenges?

Harsh Shah: To answer business wise, direction wise yes, we would acquire cost plus projects. It is part of our mandate and we are allowed to acquire and we believe that it will fit in our portfolio. Considering the fact that in a cost plus asset when the distribution is provided, the dividend is generated on a post-tax basis and tax is also compensated, such acquisition would enable us to distribute dividends to investors directly so I believe that there is a merit in acquiring cost plus assets and we would look for it. Coming to your next question, is on the challenge, I think and again these are very high level views but we see some of the key challenges in acquiring a cost plus asset is approval from regulatory authority. because most cost-plus assets are not in a particular SPV frame, the entire SPV can be transferred post the lock in, they need regulatory approval. So that is one I would say critical procedural risk. Second in terms of depending which year we acquire, is it the last ten years of the cost plus asset or the first five; I think that would substantially differ in terms of value, the capital structure etc., so basically when are we acquiring the cost plus asset will be a critical input as well in that and the third is again a counter party, is this cost plus asset is a central asset or a state asset would be another material differentiation between the two.

Mohit Kumar: Do you see any capital structuring challenges & do you think regulators will have a relook at the entire capital structure before approving the deal?

Harsh Shah: Which regulatory body are you referring to CERC or SEBI?

Mohit Kumar: CERC. For your capital structure will it be challenging to convince the regulator to allow InvIT to buy out the asset?

Harsh Shah: No, I do not think so. We are at an advantage in terms of acquiring cost plus asset because we can modify our capital structure in a much more flexible manner. CERC concern is on the capital structure of the asset than of the parent. When they evaluate the parent, the key criteria is that is it a first time transmission asset buyer or it is an established operator of transmission assets. Considering IndiGrid's capability and 11,000 Crores of asset based on transmission we would meet that requirement in an easier manner. So I would say that, that would not be a challenge for us to acquire a cost plus asset.

Mohit Kumar: Sir one more question, given the fact that our acquisition is 12 to 18 months away, do we have any plan to acquire the asset meanwhile given that leverage is only 49%. What challenges do we see in terms of credit rating after increasing our leverage to 70%.

Harsh Shah: So to answer your first question, we are not looking to acquire all four assets at the end of 12th and 18th month. We are already monitoring them, as and when they are completed and eligible for us to acquire, and a satisfactory diligence is completed, we would look to acquire them. So it can happen earlier as well. Second as we acquire we would be utilizing our debt headroom to acquire those assets. We have been in discussions with the rating agencies, we have already conducted several analytical exercises, we are confident to maintain at AAA rating for that.

Mohit Kumar: Thank you Sir.

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

Hitesh Arora: Congratulations on the numbers. Just on this assets that you have acquired in the past, you would get a sense of how many of those assets actually you would got the proposition. The assets you reviewed versus the proportion of assets you actually brought in the InvIT, was it 100% ?

Harsh Shah: Not 100% and we can't use the conversion ratio as a number because there are some assets which are worth 200 Crores and some assets worth 4000 Crores. So it is difficult to compare the two

transactions. We have let go substantial number of assets on different considerations and so therefore conversion is not 100%.

Hitesh Arora: For how long do you have this right on ROFO asset for before they can sell it to somebody else?

Harsh Shah: ROFO agreement is for 7 years since we signed it. Sterlite power would send an expression of interest and then we can express our value and engage in a discussion. We have another four years left on the original agreement.

Hitesh Arora: But from your sense of timing, what is the timing to acquire it, it has to be an expression of interest is sent by them first only then can the transaction proceed or how is it going to work?

Harsh Shah: As the asset is eligible to invest, we would be evaluating it. When the asset is commissioned, the counter parties are obliged to send an expression of interest within first 12 months at least once.

Hitesh Arora: What happened to deemed availability at NTL?

Harsh Shah: Two incidents took place at NTL. A roof top flew and fell on to a line and therefore we had to restore it. It took about three days off one of the lines. In a separate incident, a tree fell and damaged the line. In both the cases heavy wind was observed and we are confident that we will receive the availability certificate on a deemed basis.

Hitesh Arora: So the capex of 1 Crore was related to this?

Harsh Shah: No, capex is related to JTCL. We are claiming force majeure certificate for the incident which took place in Q2. The capex was booked in Q3. For the two events in NTL, the capex were hardly few lakhs for NTL.

Moderator: Thank you. The next question is from the line of Kunal Aggarwal an Individual Investor. Please go ahead.

Kunal Aggarwal: Cost of debt today is about 8.75%, where do you see that cost of debt moving in the near future and how are you thinking about diversifying your sources of debt? There has been some commentary about the financial health of the power sector. I understand in IndiGrid we have safeguards built-in

under pooling mechanism and we have Power Grid's monopoly protection . How do you see the financial health of the sector translate into any roll on effects for IndiGrid going forward?

Harsh Shah:

To answer your first question on cost of debt, we have a strategy of locking in the cost of debt at different intervals, and therefore in our portfolio cost of debt is ranging from 7.85% to 9.1% and we communicate the weighted average cost of 8.75%. Going forward, we are in a unique macroeconomic scenario where the GSEC has come down, the spreads have widened in India and the global scenario is substantially liquid in providing good cost of debt as well. There are good sources available to borrow from, both in India as well as externally. We see a conducive environment to raise capital, especially for our platform Indigrid which is focused on operating projects & is rated AAA. So, we are bullish on that. Whether that will result in immediate cost saving or not it is very difficult to communicate because we have locked in our cost of debt at the moment. So that is one directionally. In your second question you asked about diversification. In our portfolio we have NCDs, we have bank loans. we have ECBs. We have tapped into all sets of assets, all sets of I would say lenders and debt capital, having said so we keep evaluating many such options. and as and when something materializes I mean that is one of the key criteria because this constitutes 70% of our balance sheet which we track and try to optimize that is the focus for us both in terms of cost as well as long tenures.

Second question you ask is on the health of power sector now this is a very important question and so I will take a step back and let us evaluate at a macro level what the role of power transmission right is. The role of power transmission in India, (especially where generation and distributions are done across different locations) is to provide an efficient grid and efficient grid is the backbone of an efficient power system. The consumers or the distribution companies will be able to source the power from the cheapest sources. Now unfortunately, if you think about the investment in power generation in last 20 years about 85% of capacity addition was done by private sector. which means substantial amount of hands and capital both are contributing towards building the generation side, but the transmission side got prioritized about a decade later. Since then incrementally substantial capacity addition has happened in transmission. It is still catching up to the investment in generation that happened over last 20 years and is still under invested. If you go to distribution it is even worse off as there have been selective privatization that has taken place and the backdrop of regulation for privatization and efficiency of power sector which is separation of conductor from the power is something which is still pending in the parliament. So coming to my commentary on that, to have an efficient power sector, the distribution sector needs to be reformed. which would not only include increase in prices, which has

already taken place and if you look at it the incremental deteriorating position has slowed down, but structural change would only take place if the distribution companies are allowed to be more profitable on a going concern basis. This can happen when they are able to buy the power from where they want to, break the legacy PPAs or at least prioritize the infrastructure which enables them to start making money on a unique basis. We see a lot of moves happening, but it is a decade long reformation story. that we see over here, and transmission will play a key role. Now coming to how we are impacted by that till now we are not impacted and leaving aside all these strategic advantages of AAA grade and monopolistic nature of power grid, so fundamental economic factor for which transmission has remained safe and we believe will remain safe is that the entire country's interstate transmission charges is hardly about 3% of entire power sector. and that acts as a backbone. So for most of the distribution companies or generating companies this acts as a lifeline as it costs very less. This is one of the critical reasons why transmission sector I believe will remains healthy.

Kunal Aggarwal: Alright thank you.

Moderator: Thank you. The next question is from the line of Rupen Masalia from R&A Associates. Please go ahead.

Rupen Masalia: My question is pertaining to NDCF. At the current DPU rate of Rs.3 per quarter, the amount is around 175 Crores so on an annual basis it comes to Rs.700 Crores. Due to seasonality in quarterly performance, would it be fair to estimate that for the financial year as a whole there would be a sufficient NDCF that is say around 700-odd Crores plus to take care of Rs.12 DPU for the whole year without drawing into the capital or reserves?

Harsh Shah: Correct. So I think Mr. Masalia very apt question. On an annual basis, we would have higher NDCF than what we distribute.

Rupen Masalia: Okay. Thank you.

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

Hitesh Arora: I got disconnected when you were talking about the diversified sources of funding that you were looking to that including dollar funding , can you please repeat?

Harsh Shah: We have already borrowed from several diversified sources like banks, mutual funds, and we have an ECB in place for one of the SPVs. So we already are tapping into several sources of capital and we keep evaluating all debt raising opportunities available so as and when we do the next phase of capital we would come back with the specific update on that.

Hitesh Arora: ECB funding is also available as an option to you?

Harsh Shah: Yes that is correct. Last year RBI enabled ECBs for refinancing rupee loans which was not allowed in the past.

Hitesh Arora: Fair enough, thank you.

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

Swarnim Maheshwari: Beyond the assets in sponsor pipeline can you tell us something about recent TBCB bids and the competitive intensity? We understand that the last 4, 5 bids were quite competitive. so can you throw some light over there?

Harsh Shah: It is always difficult to communicate whether the bids were competitive or not, but I believe that the players which are competing for TBCB pipeline are ones who have got substantial experience in transmission like Power Grid, Adani Transmission, Sterlite Power, to name a few. As we are not present in the under construction bids, I would not know the exact competitor status. From last five six years track record perspective I think most of these bidders have bid reasonably. And from our perspective, I think we only evaluate EBITDA line, which is the cash flow that the project generates, than the project capex. We do not get in to the efficiency of the bidding because the construction company or the developer is fully incentivized to ensure that they make good return. They know that in terms of the cash flow, the valuation is pretty much known, based on what transactions have taken place. I think, large capable players being in place, so we have seen the bids to be fairly reasonable.

Swarnim Maheshwari: Can you give us some timeline indications when are you looking acquire GPTL, KTL and NTL, ENICL?

Harsh Shah: We have not issued diligence notice, so till the time we are satisfied with the project and the diligence it is difficult for us to give specific timelines. There are dates provided in presentation for ENICL

which is already commissioned as well as GPTL is on its line to get commissioned in February. So I think by considering that we will buy commissioned assets, those two become the first assets for us to evaluate.

Swarnim Maheshwari: Diligence process is already underway?

Harsh Shah: We keep monitoring the project in parallel so the diligence is concurrent for us.

Swarnim Maheshwari: Finally if you can quantify the incentive income for this quarter?

Harsh Shah: So the overall income is about ~10 Crores that is booked as incentive for this quarter, about ~3%.

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

Moderator: Thank you. Ladies and gentlemen that was the last question, I would now like to hand the conference over to the management for closing comments.

Harsh Shah: Thank you Swarnim for holding the call and thanks to all the investors who have joined the call. As I see through the questions that have been asked, and we are happy to know that the investors have taken deep interest in our business and to understand as well as asked specific questions. We appreciate that. We see a substantial amount of growth in our business and both in terms of immediate pipeline as well as future and we believe that we will continue to be able to deliver a superior total return in comparison to other indices on a risk adjusted basis and a substantial part of our total return would come from the consistent distributions that we make and look forward for your support as we continue the journey for IndiGrid. Thank you.

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