



**“IndiGrid Trust Conference Call”**

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**MODERATOR: MR. RAHUL MODI – ICICI SECURITIES**

**Moderator:** Good evening ladies and gentlemen. I am Honeyla, the moderator for the conference call. Welcome to India Grid Trust conference call for discussion on recent asset acquisitions. We have with us today Mr. Pratik Agarwal, CEO, and Mr. Harsh Shah, CFO, of Sterlite Investment Managers. At this moment all participants are in listen-only mode. Later we will conduct a question and answer session. At that time if you have a question please press \* and 1 on your telephone keypad. Please note this conference is recorded. I now would like to hand over the floor to Mr. Rahul Modi from ICICI Securities. Over to you, sir.

**Rahul Modi:** Thank you, Honeyla. On behalf of ICICI Securities I would like to welcome everyone to the IndiGrid Trust conference call. Today we have in the management Mr. Pratik Agarwal and Mr. Harsh Shah. So we will begin with the opening remarks from the management post which we will have a Q&A session. Over to you, sir.

**Pratik Agarwal:** Thank you very much, Rahul. This is Pratik Agarwal, Chief Executive Officer of Sterlite Investment Managers Limited. Thank you all for joining and good evening. We have a few very important announcements to make today. I will run through some of the key announcements and then hand over to Harsh Shah who will take you through some of the details of the transactions we have recently completed.

So IndiGrid is very happy to announce that we have successfully completed the acquisition of our first set of three ROFO assets at a total valuation of 14.1 billion rupees. We have also signed definitive agreements for our first third-party acquisition, which is an investment into Patran Transmission Company Ltd belonging to Techno Electric and this is for a purchase consideration of 2.3 billion rupees. With these four sets of asset acquisitions our portfolio IRR has now increased to roughly 11% at the current market price. Our annualized distribution per unit has grown from what was 11 rupees annualized to now 12 rupees annualized which will remain at least for the next five years.

We can also confirm that our medium term target is to reach a 12% portfolio IRR at the current market price from the next few sets of acquisition that we will make. And, of course, IndiGrid sponsors Sterlite Power continues to have a very strong pipeline of third of assets as well as there are other third-party assets, which IndiGrid looks to acquire and grow the distribution over the coming few quarters.

So these are the key messages of today's call. I will now take you through them one by one. On page six is the vision of IndiGrid. IndiGrid has a vision to have 300 billion assets under management by 2022. It intends to deliver consistent and predictable distribution and grow that distribution and it has a vision to have best in class corporate governance. Through these pillars IndiGrid aspires to become the most admired yield vehicle in Asia.

Next is IndiGrid strategy. We have a four-pillar strategy. First of our focus business model that focuses on owning and operating power transmission assets with long-term cash flows, low operating risk; next is our value accretive growth by which we look to acquire similar assets through our ROFO agreement with our sponsor as well as third-party asset and we look to deliver 3%-5% DPU growth year on year. We look at maintaining an optimal capital structure and maximize distribution for our unit holders. It has now been about nine months since our initial public offering and I believe we have delivered on three key promises. The first one is consistent and timely distribution as per our guidance and sometimes above our guidance. Second, we have grown the distribution per unit through value accretive transactions and we have surpassed our original target of 3%-5% DPU growth and delivered close to 9% DPU growth. And lastly we have completed our first ever third-party acquisition thereby proving the business model of IndiGrid being an independent transmission vehicle, which can acquire both from third parties as well as sponsor.

On the next slide of page nine is the description of assets. After we conclude our third-party acquisition we would have a total of six project SPVs as opposed to two at the time of the IPO. Our total assets under management would reach 5500 crores of 55 billion. We will have 13 lines and three substations. We will continue to enjoy at AAA rated cash flows and we would have close to 33 years of residual contract, which are take or pay in nature and have no transit risk.

With that I'd like to now hand over to Harsh Shah, the CFO, to take you through some of the details of the transaction and our future growth potential. Over to you, Harsh.

**Harsh Shah:**

Thank you, Pratik. On slide 10 it shows the companies that we have added the assets we have added in the portfolio. The blue ones, which RTCL, PKTCL, MTL are the ones, the ROFO assets, which we have acquired and the green one, which is PTCL in the structure for which we have signed the definitive agreements and we would be expecting to close by quarter one of financial year 2019.

On slide 11 the point to note is that the consideration, which the sponsor had agreed has reduced from 14.8 billion to 14.1 billion. So IndiGrid has acquired these three ROFO assets at 0.78 billion lesser prices, which will increase the DPU and the IRR of IndiGrid substantially. With this acquisition, along with Patran acquisition the IRR in the IndiGrid investment will increase to 11% at the current market price. We have financed the existing ROFO assets acquisition with a 10 billion loan with a bullet repayment with a 10-year fixed rate at 8.25% and the other financing is done with a 4.2 billion short term loan, which we would work towards converting into long term bond.

On slide number 13, I would like to introduce the asset for which we have signed the definitive agreements, Patran Transmission Company Limited. The asset is a BOOM project, which is built, owned, operate and maintain basis and has a perpetual asset ownership belonging to the SPV. The residual contract life of the asset today is 33 years and the asset consist of a substation of 400/22 kV with 14 bays in the district of Patran in Punjab. The asset has already a track record of more than one year of operations and this asset will be under interstate transmission lines and therefore covered under the point of connection and mechanism of collection of power grid.

On next slide, on slide number 14, it depicts the location of the asset on the left-hand side and on the right-hand side we have depicted the purchase consideration of 2.32 billion, which is marginally above the independent valuation prepared by the independent valuer, Haribhakti & Company Ltd, a member of Baker Tilly firm and this investment also will be funded by debt as we close the transaction. We have enough head room in our net capacity to remain below the 49% criteria laid down by SEBI. Post the acquisition also we would be below 49% of fair market value.

Now, the next section is about what is it from here for IndiGrid's growth journey? On slide number 16 it depicts the strong pipeline of existing sponsor assets, which remain available to IndiGrid to acquire as they complete. These assets are divided into primarily three buckets as of now. First bucket, which is ENICL and NRSS XXIX Transmission Ltd. First asset, ENICL is completed and the second asset, NRSS XXIX is partially completed, which is going to be fully completed in the financial year 2019. These two assets provide IndiGrid an opportunity to grow the top line and therefore EBITDA by almost 100% from where it is today.

The next sets of assets, which is OGPTL, GPTL, and KTL in the maroon color, are the assets, which are under development and construction with the sponsor. All of them are reaching COD in financial year 2020, which again will offer IndiGrid to acquire an EBITDA closer to 600 crores, which is again 100% growth from what we are today and the third sets of acquisition, potential acquisition, in the orange bucket in the last table is NER Transmission Line and Goa Transmission Project. Both together also provide the opportunity of acquiring another 600 crores of EBITDA for IndiGrid. All these assets belong to the sponsor and they are already acquired by the sponsor and all these projects are under construction with the sponsor and all of them are under the interstate transmission line and therefore point of connection mechanism of collection.

Going to the next slide, slide 17, we have depicted how with these phase of acquisition IndiGrid's AUM will grow. To start with on the left the IPA AUM of IndiGrid is depicted, which is approximately 37 billion rupees. The initial IRR of the IPA itself was 8.6%. Post acquisition of MRP and PTCL our AUM will grow to 55 billion, which is

more than 50% and result in the IRR to increase to 10% at 100 rupees, which is the issue price, which is equivalent to in today's price 11%.

As Pratik mentioned in our vision we intend to grow our AUM up to 300 billion in the next three to four years. Along with that we want to increase the IRR of the vehicle at 12% at 100 rupees, which is the issue price. As we grow our AUM on the green with ENICL and NRSS to add maroon, which is the KTL, OGPTL, GPTL and the orange, which is NER and Goa over the next three to four years, we will work towards increasing our AUM as well as increasing the IRR available to investors. This slide showcases that we have clear roadmap towards reaching of 200 billion AUM from the existing assets available with the sponsor. We are ensuring that the IRR increases to 12%.

On slide number 18, the slide number 18 depicts our strategy in the DPU form. The light blue chart of the slide was the initial DPU, which started with 11 rupees per year as per our guidance. When we added MRP the 11 rupees has increased to 12 rupees per year. In addition to that the fall in the tariff and the DPU from the initial portfolio assets have been further deferred and as you can see that our strategy is to clearly acquire assets and grow DPU with every acquisition. Along with the growth in DPU we are able to defer any drop in the DPU as well. With the existing assets available with the sponsor and with the IndiGrid's acquisition our DPU will continue to grow till FY25 and it will not drop for the next eight to nine years and will continue to grow. So, we have a clear path available to grow our DPU from even 12 rupees to ahead.

In the curve we have also added the orange line, which clearly states that our strategy will be to grow, acquire more third-party assets as well as the future assets belonging to sponsor, which will ensure that even beyond 10 years our growth will be sustainable and continue. This also provides a clear insight that our DPU does not fall with the existing assets including the ROFO assets and the sponsor assets below 11 rupees till FY30, which provides a clear visibility and stability of DPU to investors of IndiGrid.

I would like to just congratulate the investors at the end to successfully achieve this growth and increase in DPU and allow us to acquire more assets. I would want to add that we received 100% positive vote on the acquisition of these assets in November 2017 and we are confident that we will continue to work towards working for IndiGrid to increase the IRR and DPU. Thank you. We can open for questions.

## Question and Answer Session

### Moderator:

Sure, sir. Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait

for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again.

We have the first question from Divyesh Shah, Individual Investor. Please go ahead.

**Divyesh Shah:** Yes. First, congratulations for the execution; we are growing as per the plan. Sir, I have just two questions since our reasoning to increase the AUM to 300 billion by 2022. Sir, I fail to understand why we are so aggressive, what difference it makes to the investor, how we would be protected at 12 rupees DPU? So, what is the need of such aggression, in four years we would be growing at (not clear)? What is the logic of that growing, will it help to grow our distribution?

**Pratik Agarwal:** So, I think the question is from Divyesh Shah. This is Pratik here. I'll have Harsh join me. Harsh?

**Harsh Shah:** Yeah?

**Pratik Agarwal:** So the question is that what is the need for the aggressive growth and how is the investor protected? So it's a great question. Let me first start by saying that every single time we add an asset, whether it is 200 crores or 2000 crores it is always DPU accretive to the investor, so that's point number one. Point number two, our assets are operational and therefore the risk is bare minimal, and we have a counterparty risk almost equivalent to PGCIL, which means that these are annuity assets. So, it is safe for me to tell you that all of growth, whether small or big, is very low-risk growth and almost risk-free growth. So that is the first point. Second point on why to have this growth vision I think when we went to the market we went with a story that this is a yield plus a growth stock and hence it is very much our course strategy to deliver on growth while delivering stable yields and this is the kind of growth, which I think people invest from a market like India and it is in our view not regressive because India will be awarding as much as 60,000 to 80,000 crores of transmission projects each year alone and, therefore, our vision to get to 30,000 over a four-five year period is a reasonable vision given the size of the market. So, I think those are the main reasons. Perhaps Harsh would like to add anything.

**Harsh Shah:** Yeah, Pratik, I would just add that as Pratik mentioned with every acquisition we are working towards increasing the DPU and, therefore, Mr. Shah, the DPU towards the investor will increase with every acquisition and, therefore, investors start gaining with acquisitions.

**Divyesh Shah:** Yes, thanks. Mr. Pratik, suppose god-willing everything goes as per our plan, by 2020 we reach 300 billion AUM, so at that time what will be the DPU per unit, what is your expectation since today we are committed to 12 rupees per unit, suppose by next four

years we achieve 300 billion AUM, so at that time what is your rough target, where will you be?

**Pratik Agarwal:** So, Divyesh, I'll have to come back to you on the DPU numbers. At this point of time we have done the mathematics and we believe that we are comfortable to take the IRR to 12% in the next few years. We have not worked out the DPU at the end of the three-year or four-year vision, but certainly there will be an increase in DPU from what we are currently talking for FY19. What the exact number will be we will come back in due course.

**Divyesh Shah:** Sir, but if my understanding is right in last one year (not clear) our DPU has increased by one rupee, suppose that way can I assume that by 2022 it can go to 15 rupees, something like that, 14 to 15 rupees? Is it possible? Because I am trying to understand the morality of your working. So, my simple assumption is every year we are increasing the size, which we are now.

**Pratik Agarwal:** Divyesh, the DPU increase year-on-year will have multiple factors affecting it including cost of capital, availability of assets, and things like that so I don't think it is a linear relationship, but at this point of time I won't be able to comment beyond this because it is a forward-looking statement, so I can just tell you that we will come back in due course. Harsh, would you like to add?

**Harsh Shah:** Yeah. What you can do, Divyesh, is that you can refer to slide number 18, which is not an estimate but a depiction of where the DPU can reach, with every asset it can increase. Having said so it can change, but clearly as you can see the DPU will go up from where we are today as we add more assets.

**Divyesh Shah:** Thank you, Mr. Harsh. Can you just provide me the guidelines how it will be funded through infusion of new units as well as through the debt, and since our market price today is six to seven rupees discount at par so how the new acquisitions would be funded?

**Harsh Shah:** So, the SEBI guidelines clearly says that we need to maintain a 49% leverage maximum and therefore any acquisitions that we do would be funded almost in the same proportion and we would have to raise more capital. Having said so at whatever price we raise capital as long as per unit DPU and IRR increases so investors will have an incremental return on that part.

**Divyesh Shah:** Okay, sir. Thank you. I will come in the queue next time. Thank you.

- Moderator:** Thank you, sir. Participants are kindly requested to ask two questions in the initial round and may join the queue for more questions. The next question comes from Sunil Kothari, Unique Investment Consultancy. Please go ahead.
- Sunil Kothari:** Thank you very much for this opportunity. Sir, my question is this indicative DPU of rupees 12, if you can just segregate if possible some nearby numbers?
- Pratik Agarwal:** Okay. So, if I understand, your question is that these 12 rupees will it be paid in form of return of capital or interest, am I correct?
- Sunil Kothari:** Yes, correct.
- Pratik Agarwal:** Yeah. So, what we can give guidance is that it will be largely interest. It is, now not possible to give a five-year value on that because we will be acquiring more projects and therefore the numbers would change year-on-year. Having said so for next financial year it will be solely interest.
- Sunil Kothari:** Okay. At least for near term you are saying it will be only interest?
- Pratik Agarwal:** Yes.
- Moderator:** Sorry to interrupt, Mr. Sunil. Could you please be a little louder because your voice is not audible?
- Sunil Kothari:** Hello? Hello? Now am I audible?
- Pratik Agarwal:** Yes, please go ahead.
- Sunil Kothari:** Yeah. My question is this 49% is the upper limit...
- Pratik Agarwal:** I am sorry. It is not audible, Mr. Kothari. Your question was whether the 49% is the upper limit? Yes, that is the upper limit and we will continue to maintain that as per SEBI regulations.
- Moderator:** Mr. Sunil, your voice is breaking, sir.
- Sunil Kothari:** I'll come again.
- Moderator:** Thank you. I will move on to the next question, which is from Mahush Elapadi, Individual Investor. Please go ahead.

**Mahush Elapadi:** Yeah. Hi, Pratik and team. Congratulations for the acquisitions. My question is that as I can see from your slide the total acquisition price that you have paid to your sponsor has been decreased by around 70-80 crores from the initially agreed price. I just want to understand what was the reason behind that? Is it because the cost of capital as in the 10-year G-sec has moved up 100 to 120 bps from the time you have announced the acquisition? Is that the reason the valuations were decreased?

**Harsh Shah:** Thank you Mahush for the question on this. Yes, there are two factors to valuation decrease, one, the most important factor is that the sponsor is rarely behind IndiGrid and the success of IndiGrid is of utmost importance to the sponsor. While the unit holders and the IndiGrid has approved the acquisition at 14.8 billion, however, we agree with you that the macroeconomics has changed, the G-Sec has moved higher, and therefore we renegotiated the price with sponsor in line with movement to the market and the sponsor has taken a pragmatic step in this to ensure that IndiGrid investors have higher accretion.

**Mahush Elapadi:** Okay, got you. And secondly, as I can see the repayment schedule of the Grid in the year 2023 or in the year 2028 maybe, because of the new financing, there will be a large chunk of bullet repayment, I think, in 2023 there will be a repayment of around 60, 70 crores and 2028 due to the new financing agreement, there may be similarly large repayment. So, wouldn't this affect the DPU on those specific years?

**Pratik Agarwal:** Okay. So, very valid question. So, we have a very active liability management program. If you look at the total debt after acquisition, we will be below 49% and debt service coverage ratios will be much higher than 2 and we will continue to be rated AAA. Now, in 2023 it is only approximately 25% of the loans, which is coming for maturity, which will be refinanced for a longer tenure; and the same for 2028. We have total asset life, or contract life for 33 years in our portfolio, which allows us to refund loans to match the tenure of the assets and cash flows and therefore the DPU will not be impacted. We will be refinancing the loan for further 10 years.

**Mahush Elapadi:** Okay understood. And I also wanted to understand, your sponsor has been acquiring some assets in the region of (not clear), so from our company's point of view, from IndiGrid's perspective, would we stick to Indian transmission assets in the reasonable future or would we also have an eye on the international assets. Because I know the risks associated with international assets would be relatively more and we have enough opportunity in India as well. So, in the medium to long term, would we be primarily India-focused player?

**Pratik Agarwal:** As per our charter IndiGrid is only investing in India and Indian infrastructure assets and particularly transmission. And purchase of any charter, we will have to come back to unit holders for any change. As of now, we have no plans to acquire assets out of India.

**Mahush Elapadi:** Okay. And lastly, I just wanted to understand, the 3 to 5% DPU year-on-year growth guidance that you have mentioned in your slide, so is this the guidance we can expect for the next many years possible until the guidance changes from your end or is it only valid for next four to five years?

**Harsh Shah:** I think, four to five years guidance for a 3% to 5% itself is substantial guidance in comparison to any other company in the country. Having said so, our attempt and endeavor will be to continue to grow returns for our investors. As of now, we have a clear road map to meet our 3% to 5% guidance for next three to five years, considering our pipeline of ROFO assets. Beyond that, we will, as will grow, as well as, as we move in the journey of growth, we will continue to guide market beyond five years growth.

**Mahush Elapadi:** Okay. And just one last question, if you could permit, because we have a very ambitious growth target in terms of our AUM, where we want to reach 300 billion in next three to four years from the existing 5.5 billion. So, it is almost 25000 crore additional capital that you require and half of which will be financed through equity route. And so, I just want to understand, would it be a very ambitious target to finance such a large chunk of portion from equity markets considering the EBITDA for InvIT are not that well or is not as anticipated as a year before, so wouldn't it be an ambitious target to raise that kind of capital from equity markets?

**Pratik Agarwal:** I think, your question is not about whether the assets are available, but whether the financing is available.

**Mahush Elapadi:** Yes.

**Pratik Agarwal:** Yes, we are in close touch with investors and we understand the tremendous amount of capital available to look at yielding assets, especially transmission, and especially those that offer double digit returns. So, we don't see any problem, in fact, we believe that the bigger the vehicle gets, the easier it will have access to capital, and that's the feedback we received from investors. With regards to the InvIT itself, yes, certainly it is very early days, it is less than a year since the first InvIT has been launched, but we remain very confident that the government is committed to this product and they recently announced that several PSU assets will be pursuing the InvIT product, and therefore with that kind of supply, we are sure that this will become a mainstream product. Apart from that, we also expect a few (not sure) to take off in this year, which is a globally half a trillion to trillion-dollar market. So, we feel very confident, and coming back to our own vision, as you know, 2/3rd of our vision is already available with our sponsor, close to 20000 crores of assets can be acquired just from our sponsor including our current 5000 crores. So, that would mean, that within the next three, four years, we have to figure out a way to get

another 100 billion of assets through both third party as well as sponsor assets, which we don't think will be a challenge.

**Mahush Elapadi:** Great, great. Thank you, thanks a lot.

**Moderator:** Thank you sir. We have the next question from Ashwini Sharma from BNK Securities. Please go ahead.

**Ashwini Sharma:** Yeah. Good evening sir. Couple of questions, I am sorry if it is a repetition as I joined a little late. Sir, in the Patran how much we are buying in the project?

**Harsh Shah:** We are buying the asset, as in how much we are in consideration for the assets, right?

**Ashwini Sharma:** Yes.

**Harsh Shah:** It is on slide #14; we are buying it for Rs.2.32 billion.

**Ashwini Sharma:** No, no, how much percentage are we buying sir, that is my question.

**Harsh Shah:** So, we are acquiring 100% economic interest and the equity interest we are buying 46% and in tranches 100% in next three years. However, for clarification, we are buying 100% economic interest and the entire EBITDA will belong to IndiGrid.

**Ashwini Sharma:** Okay. And sir, because of this now 3 and 4, so what is the incremental EBITDA that we are expecting from these four assets now?

**Pratik Agarwal:** The incremental EBITDA that we are expecting from this asset is approximately 200 crores.

**Ashwini Sharma:** And that we can see in the FY19 numbers sir?

**Pratik Agarwal:** You will see that in the full year financial FY19. However, it depends on when we close the Patran acquisition. If it gets closed in quarter 1, that many days a month could be short up.

**Ashwini Sharma:** Okay. And sir, post these four acquisitions, what will be our absolute debt number sir?

**Pratik Agarwal:** Post these four acquisitions, our absolute debt number will be 14.1, which we are adding, plus 2.3, so we are adding with this acquisition 16.4 billion and we are starting in our existing balance sheet 9.8 billion. So, we will be approximately 27 billion in terms of debt, as an absolute debt number.

- Ashwini Sharma:** Okay. And finally, what would be our effective interest cost after this debt?
- Pratik Agarwal:** Of our entire 27 billion, while we are yet to finance the acquisition of Patran, on our entire portfolio today, our effective cost will be 8.1%.
- Ashwini Sharma:** Okay. Thanks a lot sir and all the best. Thank you.
- Pratik Agarwal:** Thank you.
- Moderator:** Thank you sir. The next question comes from Anand Vyas from Bajaj Holdings and Investments. Please go ahead.
- Anand Vyas:** Sir, my one question is why there is parcel stake buying, means, 46 now, then 74, then 100, any key reason?
- Pratik Agarwal:** Yeah. All these assets have lock-in clauses within their agreements, which allow you to increase your stake gradually depending on the COD date and then the second-year anniversary. So that is the reason why you see this gradual increase in stake. But I must clarify that in the case of all four assets, the three sponsored assets and the one third-party asset, IndiGrid is taking over full economic interest by infusing the right amount of debt into those assets and thereby ensuring that the full economic interest gets transferred to IndiGrid as of the date of acquisition. As far as unit holders are concerned, they can see this as a complete acquisition. Of course, from an equity perspective, it is a staged acquisition.
- Anand Vyas:** So, sir, secondly for this year, I think, you have guided around close to 400, 420 odd crores of revenues, right? If I am not wrong?
- Pratik Agarwal:** Correct.
- Anand Vyas:** So, what will be for the going, next two years, combination of all the assets you have, revenue and EBITDA, if you can help us out?
- Pratik Agarwal:** Yeah, go ahead Harsh.
- Harsh Shah:** Yeah. So, as I said earlier in the call, our revenue for full year basis, we are adding 200 crores, so we will be 640 crores.
- Anand Vyas:** For FY19, right?
- Harsh Shah:** For FY19. On the EBITDA guidance, we have not disclosed that in our presentation or information, so we would like to refrain from giving a guidance directly on EBITDA, we

would rather stick to the Rs.12 DPU per unit, which is what we will distribute. And if we compare that with the total number of units outstanding, which is 28.4 crores, one can calculate what is the NDCF, which is the Net Distributable Cash Flow, which the company will distribute.

**Anand Vyas:** Okay sir. And then for FY20 how much we expect in terms of revenue?

**Pratik Agarwal:** I think for year-on-year numbers, we would not give guidance on that as a consolidated basis and we have refrained from that. Having said so, the information is available in our valuation reports and one can really consolidate the individual assets to arrive at that conclusion. Having said so, we are sticking to a Rs.12 guidance. So, it will be Rs.12 even for FY20.

**Anand Vyas:** Okay sir. And sir, my last question is, why...because all the assets, which you acquired was on a discount, whereas this was in slightly premium. Is this because of you are buying the equity in parts and all that, or it might be some other reason?

**Pratik Agarwal:** Yeah. So, a very important question, thank you for asking. See, the key difference is that the first three acquisitions we have done from the sponsor. Sponsor is also as the one who has launched the vehicle and carries the responsibility that investors have a value accretive transaction. That is what the sponsor and the investment manager has promised to all the investors. And when we agree to a price, we need to ensure that the IndiGrid investors are going to make a value accretion in this price and the way it is financed. And for which sponsor we all also write a first offer agreement, which also ensures that if sponsor wants to sell to someone else, sponsor needs to sell at least 10% more expensive than it is selling to investors of IndiGrid, and this allows IndiGrid to have a favorable treatment in terms of valuation, and which is why you see a slight discount. Having said so, from the other aspect of Patran, it is a fully acquired based on fair market value basis from a third-party seller, which also ensures that the real valuation of the asset of the sponsor was also equivalent to that. However, because of the ROFO agreement, IndiGrid investors are able to have a favorable term with the sponsor.

**Anand Vyas:** Okay, thank you so much. We will be in the queue.

**Pratik Agarwal:** Thank you

**Moderator:** Thank you sir. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. I repeat, if you have any question, please press \* and 1 on your telephone keypad. The question comes from Mr. Dipen Shah, individual investor. Please go ahead sir.

**Dipen Shah:** Sorry, I got the drop down earlier. Good evening to everybody. I had just one question and pardon me if it is a repeat, we have a target of about 300 billion assets, for which about 50% will be equity and 50% will be debt. Looking at the current response to all the InvITs with the price currently quoting at a 7% to 8% discount, if we have to do a dilution at a lower level or a lower price than the face value, would that be an acceptable option, and in that case would this Rs.12 stand, going ahead?

**Pratik Agarwal:** Yeah. Thank you Dipen. It is not a repeat question, but our response is similar. When we acquire an asset, we ensure that DPU, which is Dividend Per Unit, even post raising equity for all the investors, existing and new is increased. And therefore, at any point in time, at whatever price we raise capital, it will have no impact on the returns to the investor, rather it will be value accretive, at whatever price we raise new capital.

**Dipen Shah:** Okay, okay. I think, that's it. Thank you very much and all the very best.

**Pratik Agarwal:** Thank you.

**Moderator:** Thank you sir. The next question comes from Mohit Pandey from Citi Group. Please go ahead.

**Mohit Pandey:** Hi, good evening, and thanks for the opportunity. My question is on the acquisition financing. If you could please share the rate at which the 4.2 billion short term loan has been tied up, that would be one, and secondly, the Rs.10 billion bullet loan, does that imply bullet payment of only the principal after 10 years or both the principal and the accumulated interest after 10 years, these are the two questions.

**Harsh Shah:** Yeah. Thank you Mohit. I will start with the second question, the 10 billion loan is, we are servicing interest along with the loan, so interest accumulation is not happening. We are only refinancing the principal amount at the end of the tenure. And the 4.2 billion financing is done at 8.5%.

**Mohit Pandey:** Okay. Alright, that's it from me. Thank you.

**Harsh Shah:** Thank you.

**Moderator:** Thank you sir. Sir, we have a followup question from Anand Vyas from Bajaj Holdings and Investments. Please go ahead.

**Anand Vyas:** Sir, question is, now your, as per the SEBI law, your debt to AUM is capped at around 49, and you are now reaching that limit. So, next what, means, we will have to go to the market for raising our QIP FPO, can you give some clarity on that part?

**Harsh Shah:** Yeah Anand, we will have to raise for any large acquisition additional equity, and like any other instrument, there are several potential avenues, starting from QIP and FPO, that you said. In InvIT, there is another avenue that we can issue units to the seller of the asset directly as a swap in favor of the units in the equity in the project, which also provides that flexibility to InvIT to acquire assets by issuing new units to the seller. Having said so, we will have to raise equity capital to acquire more and more assets, and we see that we have a very attractive asset today offering good returns, and as we grow the portfolio, it will even increase higher, and therefore when we raise capital, we see great interest, because the returns will be even more accretive.

**Anand Vyas:** Okay. So, sir, if you issue units, then what's the maximum holding they can take, means, what is the holding that they can acquire in that part? Is there any cap on that?

**Harsh Shah:** Yes. As per SEBI regulations, as of now, other than sponsors, the limit is at 25% for any individual investor. However, if we acquire a larger transaction and the seller is okay to become a sponsor, there is no limit on that. Up to 75% sponsors can hold units.

**Anand Vyas:** Okay sir. Thank you.

**Harsh Shah:** Thank you.

**Moderator:** Thank you sir. We have the question from Sunil Kothari from Unique Investment Consultancy. Please go ahead.

**Sunil Kothari:** Yeah, thank you very much sir. Sir, my question is as per regulatory permission, if units are to be allowed to hold by any management persons, like you or CFO, or chairman, so I would like to know whether that is allowed or not, and if yes, are you, if anybody is holding this units or not?

**Harsh Shah:** Yeah, Mr. Kothari. There is no restriction on key managerial people to hold units. However, we have our internal insider trading code, which we applied for and a policy is in place for that. And the second question, which you asked for as of now disclosure, as of now, only Mr. Pratik Agrawal owns units of IndiGrid, which is disclosed to the market on the day of the purchase, and as per the practice, we will continue to intimate the market for any purchases done by IndiGrid key managerial people.

**Sunil Kothari:** Thank you very much. Thanks a lot sir.

**Harsh Shah:** Thank you.

**Moderator:** Thank you sir. Sir, we have a followup question from Mahush Elapadi, individual investor. Please go ahead.

**Mahush Elapadi:** Hi Pratik. So, I just want to understand about the refinancing part that you had mentioned, whenever the bonds come due. So, we have assets that has a residual life of 30 to 35 or maybe 40 years, so we just cannot keep on refinancing as and when the maturity turns up, right, so if we were to pay the loan (not sure), every year the returns would obviously reduce, instead we are going for refinancing, which will make the returns go to 12%, 13% maybe. So, it just can't keep on going on, right, refinancing? So we have to pay the bullet payment at one point of time, given the asset size, right?

**Pratik Agarwal:** Right, Mahush; what I understood is, that your question is that at some point in time we need to amortize the entire loan and what is the plan around that.

**Mahush Elapadi:** Yeah.

**Pratik Agarwal:** So, see, we go through a stringent evaluation from rating agencies, before getting assigned a AAA, and for several sensitivities run for ability of assets to repay the entire loan. As of now for arresting assumption, we assume clearly that before the end of the concession period, we would have repaid the entire loan. We are not assuming that we are going to continue to have bullet refinancing. Depending on financial markets, at some point in time we will go for an amortizing loan, and that amount I think, will amortize the entire amount at the end of the concession period.

**Mahush Elapadi:** Okay, that's it. Thank you.

**Pratik Agarwal:** Thank you.

**Moderator:** Thank you sir. Sir, we have a followup question from Divyesh Shah, individual investor. Please go ahead.

**Divyesh Shah:** Sir, my question is regarding the corporate governance, we are following the best corporate governance as far as unit is concerned by giving presentations and having conference call every quarter. Sir, one thing, which I would like to improve on that, is about the shareholding pattern. Why unit holding pattern is not given?

**Harsh Shah:** Divyesh Shah, shareholding pattern is also disclosed in the presentation that the sponsor owns 20.7% of IndiGrid. Could you elaborate on your question?

**Divyesh Shah:** No, after the sponsor, who are...whether institutions...how much institutions holds, how much investor holds, or at least top 10-unit holders apart from promoters.

**Harsh Shah:** Divyesh, on a quarterly basis...

**Divyesh Shah:** It gives more confidence to the retail investor.

- Harsh Shah:** Yeah, yeah. Correct Divyesh. So, on a quarterly basis, we informed the same to stock exchanges. So, you can look at our stock exchange intimation for December quarter, which provides the information about what, is the percentage of institutional, retail, DII, FII. So, you will get that information from the exchange.
- Divyesh Shah:** Okay sir, thank you.
- Moderator:** Thank you sir. Sir, there are no further questions. I now would like to hand over the floor to Mr. Rahul Modi from ICICI Securities for closing comments. Over to you sir.
- Rahul Modi:** Thanks a lot for the detailed insight sir. Pratik sir, would you have any closing remarks?
- Pratik Agarwal:** Yeah. So, I would just thank all the investors and analysts who joined this call with us today. It is a momentous occasion for IndiGrid as it completed the first ROFO acquisition as well as the first third-party acquisition. We started the journey with two assets from the sponsor, and we also promised the investors that we are going to increase the return in the product as we acquire more projects, increase the DPU and increase the IRR. We are very happy to announce this today to all our investors that we have achieved so. And we would just like to close the call by saying we are working in favor of unit holders to increase the returns in the product, and we will continue to work by acquiring more and more projects at a value accretive rate. Thank you.
- Rahul Modi:** On behalf of ICICI Securities, I would like to thank the management for their time and for giving us the opportunity to host this call. You can now end this call.
- Moderator:** Thank you sir. Ladies and gentlemen, this concludes your conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a pleasant evening everyone.

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This document has been edited to improve readability.