



“India Grid Trust

Q4 FY '24 Earnings Conference Call”

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MANAGEMENT: **MR. HARSH SHAH – CHIEF EXECUTIVE OFFICER AND
WHOLE-TIME DIRECTOR – INDIA GRID TRUST**
**MR. NAVIN SHARMA – CHIEF FINANCIAL OFFICER –
INDIA GRID TRUST**
**MS. MEGHANA PANDIT – CHIEF INVESTMENT OFFICER
– INDIA GRID TRUST**
**MR. SATISH TALMALE – CHIEF OPERATING OFFICER –
INDIA GRID TRUST**

MODERATOR: **MR. SUBHADIP MITRA – NUVAMA WEALTH
MANAGEMENT**

Moderator: Ladies and gentlemen, good day and welcome to the India Grid Trust Q4 FY '24 Conference Call, hosted by Nuvama Wealth Management. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Subhadip Mitra from Nuvama Wealth Management. Thank you and over to you.

Subhadip Mitra: Thanks, Mike. Good evening, friends. On behalf of Nuvama Institutional Equities, welcome you all to the fourth quarter FY '24 Earnings Call for India Grid Trust. We have with us today the top management of the company, represented by Mr. Harsh Shah, CEO and Whole-Time Director; Mr. Navin Sharma, Chief Financial Officer; Ms. Meghana Pandit, Chief Investment Officer; and Mr. Satish Talmale, Chief Operating Officer.

I would now like to hand over the call to Mr. Harsh Shah for his opening comments. Over to you, sir.

Harsh Shah: Thank you, Subhadip and thank you, everyone, for joining the call today. I would like to schedule the call in a way that we will start with the results, and I'll take you through the summary of the results in the quarter, this year, through the investor presentation. And subsequently, my colleagues, Satish, Meghana and Navin, will take you through the rest of the presentation. And we will address the question-answer after that.

Considering these are results for the last quarter of the year, some of the comments you can also think about the financial year and how it has gone by. I'll start with slide number three of our presentation, where we are describing the vision. Our vision remains to become the most admired yield vehicle in Asia, based on focused business model, value accretive growth, predictable distribution, and optimal capital structure.

I think, as evident in slide four in our portfolio, we have been able to deliver that over the last several years. And our portfolio has grown across different dimensions. Number of substation, number of transmission lines has grown substantially. Our solar generation last year has grown massively, and it turned out to be a 1.1 gigawatt peak, which is almost like an 80% growth on the capacity. And we also obtained several BESS projects as well as transmission projects for the year.

In general, if I start with slide number six which is our quarterly update for our business this quarter, we have won another greenfield ISTS project in Maharashtra. Besides that, we have won GUVNL Battery Energy Storage project for 180 megawatts/360 megawatt hour configuration. With this, in FY '24, we have won 5 greenfield projects largely in transmission space worth about INR2,000 crores in outlay.

This is a significant step towards our strategy where we are pursuing towards growth via our bidding and adding, I would say, organic growth by focusing on projects that are closer to our assets as well as a closer to our skill sets in creating organic pipeline for IndiGrid.

In this quarter, we also commissioned our first greenfield projects which we had won in lockdown about 2.5 years ago -- Kallam Transmission Limited. And our new project that we have also won this quarter is also co-located at the same Kallam Transmission Limited, showcasing that having a synergistic presence in regions allows us to be competitive and add more expansion in projects in the same region.

Besides transmission and organic growth, we also acquired 300-megawatt of solar project from ReNew. The asset is in Jaisalmer and this asset was acquired at an approximate value of about INR1,550 crores.

We -- in our first BESS project, which was for customer BRPL, which is BSES Rajdhani in Delhi; we have received the approval from DERC. And this is a significant step because this allows us to start the project. And many times after the bid, especially battery and solar projects would get stuck on the final regulatory approval. But we are pretty happy with the speed with which DERC, and the customers have moved to get the approval so that we can start.

On the financial performance, our quarter 4 revenue and EBITDA witnessed 31% and 24% year-on-year growth, respectively. Quarter 4 financials now include full-quarter impact for VRET asset and also revenue from ReNew asset on a portion of the quarter.

For the full year, revenue and EBITDA stood at approximately INR2,864 crores and INR2,460 crores, respectively, which is a growth of 23% and 17%. Quarter 4 collections have been phenomenal in the transmission side with 119% and around 89% for the solar assets. For the full-year collection, we received 103% and 101%, respectively, for transmission and solar, which is also the reason why we are adding substantial amount of NDCF for the financial year.

With the phenomenal year, both on financial and growth side, the Board has decided to meet its increased guidance at INR3.55 a unit, which we had raised post acquiring VRET. And further guidance has been increased further by 6.4% to INR15 per unit annually for FY '25. I would remind that we had raised the guidance midyear last year. If one was to compare our original guidance for FY '24, this 6.4% will almost look like a 9% increase from 12 months-ago DPU that we had guided to.

Our net debt-to-AUM still remains at approximately 62.4%, owing to the capital that we raised over the last couple of quarters through both preference issue and institutional placement. And we continue to work to ensure that our net debt-to-AUM remains at a level which allows us to grow.

Operating performance. Our average quarterly availability was 99.52%, and the annual availability has been 99.74%, which is ensuring the maximum incentives for this financial year. Our solar CUF, including RSUPL, was around 23.9%. We also implemented something called Asset Health Indexing for our entire substation portfolio to enable both predictive and proactive maintenance. You will recollect that we implemented DigiGrid about a year ago, and this is a further step in the same direction.

On Slide 7, while there are a lot of factual updates about the industry as it's growing, I would just describe our emotions. We are extremely positive on the way the power sector is growing.

And we feel that industry is getting a lot of tailwinds from the demand side, from the regulatory circles as well as the supply chain side, which is resulting into the government as well as the need of the customer becoming more and more apparent.

And therefore, we are seeing that in transmission lines and substations as well, there is a sizable amount of pipeline that are available for bidding over the next couple of years. And we do see that a sizable amount of this would be able to aggressively target or integrate, which will result into a sizable growth pipeline.

This also is driven by a large amount of demand on the renewable side. And while we do not bid for renewable projects directly, such amount of capital requirement does require many of the developers to flip assets, and that becomes pipeline for us. And besides that, for this kind of renewable expansion, we are seeing a lot of planning already being undertaken or further expansion into transmission and battery storage, which remains a core area where we want to be.

On the quarter 4 of operating performance, I would like to invite Satish Talmale to take you through the performance. Satish?

Satish Talmale:

Thank you, Harsh, and hi, everyone. On quarter 4 operational performance, so we achieved quarter with zero harm on HSE aspect. That means no major incident reported for the quarter. On performance, overall average quarterly availability is 99.52% which is largely due to all the scheduled outages, which we plan typically in Q4. But on an annualized basis, we almost hit our target of 99.75% with 100% maximizing incentives.

On solar generation, we achieved 23.9% CUF with a generation of 445.8 million units. On reliability, we achieved 0.13 trips per line, which is one of the best in our sector. And in quarter 4, we achieved 0 trips for entire substation. So we are continuing our efforts to maintain consistent performance based on reliability-centric approach and coupled by digital technology with the best-in-class operational excellence.

With that, I will hand over to Navin on Slide 9.

Navin Sharma:

Thank you, Satish, and good evening, everyone. We are on Slide number 9. Another good quarter with robust performance. We have recorded a revenue and EBITDA of INR786 crores and INR655 crores, respectively, which translates into 31% and 24% Y-o-Y growth. NDCF generated for the quarter was INR451 crores, and Board has approved distribution of INR3.55 per unit that translates into DPU growth of 3% on a Y-o-Y basis. With this, FY '24 DPU stands at INR14.1 per unit, a growth of around 6% compared with FY '23.

Coming on to collections for the quarter, it stood at 119% and 89%, respectively, for transmission and solar business. For FY '24, collections performance at entity level stood at 103%, with both business segments having collection performance greater than 100%. The DSO, as of 31st March '24, stood at 46 and 71 days, respectively, from transmission and solar business. This reflects improvement in DSO in both the business segments by 8 to 10 days on a Y-o-Y basis.

Moving on to next slide, number 10. DPU for the quarter is INR3.55 per unit. It will be distributed in the form of interest and dividend, which is INR2.74 and INR0.81, respectively. The outstanding units at the end of the quarter is INR78.37 crores, and the distribution to unit holders comes to INR278 crores. Record date for the distribution is May 30. And tentative date by which the unit holders will receive the distribution is June 8. NAV, as of March 31, stood at INR133.15 per unit.

Post this quarter's distribution, IndiGrid would have distributed INR85.97 per unit to the total distribution of around INR4,945 crores. On the right-hand side, we have showcased the trend of distribution on a year-on-year basis, which has stable and scalable growth of 6% over the years. Further, continuing past trend of distribution, for FY '25, quarterly DPU guidance has been increased to INR3.75 from INR3.55 per unit, which is a growth of around 6%.

Coming on to next slide, number 11, this showcases a waterfall from our EBITDA to NDCF generation and distribution. At an SPV level, we had a consolidated EBITDA of INR670 crores. Net of finance income, working capital movement and capex at SPV level, NDCF generated at SPV comes to around INR813 crores. The net of the trust-level expenses, finance cost and tax, we have generated NDCF of INR451 crores.

In Q4 and FY '24, we have added INR128 crores and INR143 crores, respectively, to our reserves. And total reserves stand at us INR465 crores, which is in excess of 1 quarter's DPU. This is current guidance.

So that's all from my side. I hand over to Meghana to take the subsequent slides. Over to you, Meghana.

Meghana Pandit:

Thanks, Navin. Hi, everyone. I'm on Slide number 12. Looking at the balance sheet for IndiGrid as on 31st of March, we continue to be AAA rated by all the 3 rating agencies. And we closed the fiscal year with an average cost of debt of about 7.68% and a very healthy cash balance of about INR15.94 billion, in which 1 quarter's distribution -- Q4 distribution is already included, plus about INR440-odd crores of DSRA. Also includes the cash balance part of that. More than 75% of our borrowing book of INR192 billion is in the form of fixed-rate borrowing, to that extent, insulating the borrowing book against short-term variations in the interest cost.

Our net debt to AUM the leverage ratio remains at healthy 62.4% on the back of the equity raise that we did of around INR1,070 crores in the last fiscal. EBITDA to interest coverage ratio remains very healthy at around INR1.86x. The gross borrowing book is almost 50-50 divided between NCDs and bank loans. Even as far as NCDs are concerned, they are subscribed by a lot of different classes of investors including mutual funds, banks, financial institutions, FDI investors like IFC, PSU banks so on and so forth.

The graph that you see at the bottom of the slide reflects the refinancing schedule. And as you can see it is smoothly divided over the next few years ensuring that we do not bunch up any debt maturities in any particular year trying to maintain that level at not more than 14%, 15% of the gross borrowing book.

Moving on to Slide number 13 talks about the total returns that we have been providing to all the investors. The total returns comprised of distribution till day, which is about 79% and the price change, price appreciation of 33% translating into an absolute total return of 111% and that annualized translates into 12%-odd.

We compare ourselves on the left-hand side with pure-play debt instruments like G-Sec bond 10-year and 30-year and on the right-hand side with pure-play equity indices like NSE 500 and NSE Infra, BSE Utilities. More importantly, with the run-up in the equities you can see that the annualized return on equity has certainly gone up, but on a risk-adjusted basis which is reflected through Beta, IndiGrid Beta being 0.08. On a risk-adjusted basis IndiGrid still consistently has been outperforming both the debt and the equity indices. Moving ahead on Slide number 14 on the business outlook for FY '25. On the portfolio strategy basis, we continue to focus on ensuring operations remain stable by ensuring predictable and sustainable distribution on the back of value-accretive acquisitions both on the transmission and renewable assets.

On the back of the five greenfield projects that we have recently won, complete focus remains on execution of this work on both the transmission as well as the BESS projects. Synergistically also looking at participating in few more opportunities that will come our way in the current fiscal as well as deliver on the DPU guidance of INR15 for FY '25.

Balance sheet strength and focus on ensuring that it continues remains again as one of the top priorities by ensuring that we optimize the interest cost and try to see that we elongate the tenure as and when there are refinancing opportunities or acquisition opportunities that come through. Similarly, we try and maintain the leverage ratio as much as possible by ensuring that there is enough headroom that is available for future growth.

On the asset management side both on the digital asset management or health index that we have introduced reflects on our priority and on ensuring maintaining at least 99.5% availability across the portfolio as well as ensure world-class EHS and ESG practices throughout. Industry stewardship again continues to be a focal point for us as InvITs wherein we try to participate in ensuring investor education is happening regularly and at the same time ensuring private sector participation gets priority in the electricity sector both in Greenfield projects as well as national monetization pipeline.

Moving on to Slide number 15 this reflects on how our DPU trajectory has moved on the back of accretive acquisitions that we have done since the time we got listed. The various colour bands that you see talk about the acquisitions that we have done over the years and on the back of these acquisitions how we have been able to grow and maintain the increased DPU for the sustainable period over the future. So that is what is reflected by this slide. I'll just take a pause here and open the room for question and answer please. Subhadip. Over to you.

Subhadip Mitra:

Perfect. Can we please open the floor for question and answer?

Moderator:

Thank you. Ladies and gentlemen we will now begin the question-and-answer session. We have the first question from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari:

My first question is on this new entry which we have made for the last 6 months in BESS the battery energy storage. Harsh, if you can speak more about that and explain what kind of business that is, I mean what kind of capex does it incur and not just from our side also from the customer side given a DISCOM is putting up this Battery Energy Storage?

And what does it cost for them to store this power. Recently there were talks about central government having to come up with some viability gap funding because they didn't seem economical. How much is it for the project that we have won? Just broadly, if you can help us explain or understand this business or economics of this?

Harsh Shah:

Yes. So thanks, Pratik. For us, Battery Energy Storage projects are almost exactly similar to transmission projects. Even within framework it is pretty much similar in terms of TBCB form, except that instead of transmission service agreement it is called Battery Energy Storage Service agreement. So it's identical in terms of the concession agreements that we have followed in the past.

The payments or rather the business model or the operating margin is also based on availability. So as long as we manage provide a certain availability as well as accounted efficiency, we continue to get paid whether the customer uses the charging and discharging cycles they have provided or not, irrespective we get paid. So practically, it is almost like a substation project that we have managed. So that's point one.

Point two, in terms of the customer capex, customers in this case or rather in most cases would not be incurring any capex. It would be in the substations and therefore rather they are outsourcing capex. So we are doing capex on their behalf, and they will pay us an annuity for 10 years, 12 years as the bid might be. So the business model is that instead of incurring expenditure on their books they are calling bids, and they are paying an annuity for that.

Just to provide you a little bit of context of economics, the tariffs at which we have won a few projects would be in the range of around INR4.5 a unit. And the primary driver for this tariff being reduced substantially over the last 1 year has been that the cost of batteries have come down drastically over the last 1 year.

And I think at a INR4.5 we are looking at an inflection point because for serving peak demand if one was to use solar plus battery in the evening the cost would come around INR6, INR7 which is pretty much I would say at the great parity to serve peak load in the evening or morning. So I do think there is a real business case where we will see a lot of growth in the Battery Energy segment from different customers as long as the prices remain down.

So we are hoping that a lot of growth in this area will take place, but the business model to your question remains as our normal bid, own, operated kind of the business model.

Pratik Kothari:

Correct. And if you can share what is the capex that we'll have to put up for this 180-megawatt, the one we are doing in Gujarat and when we say 180-megawatt, 360-megawatt hour, that means we have to keep this battery available for 2 hours that is the contract which we have to serve?

Harsh Shah: It's a little more complex than that, but yes we need to do 2 hours of availability. But there are also cycles. So this project has two cycles, some projects can be one cycle. So it is not easily comparable. Each project is not easily comparable over here because based on the cycles and location and customer requirements there can be what we call sizable amount of difference between difference between project to project.

Having said that, for this project that we have won has got two cycles and 180-megawatt meets the peak capacity; 360-megawatt hour that means 2 hours of battery storage and the cost of the capex we're still in place of -- I would say we are in process of placing the orders, but it's in the range of somewhere around INR550 crores to INR600 crores.

Pratik Kothari: Okay. And this INR4.5 which is mentioned will be the cost for the DISCOM, this does not include any gap funding that centre government has to do?

Harsh Shah: This project is not under any viability gap funding and this project economics is not dependent on any VGF being received from the government.

Pratik Kothari: Fair enough. And Harsh on the risk part, I mean the battery technology, I mean, keeps evolving every other year. So what happens in case things change a few years down the line? That is one. Second, given this is very new technology, what happens if this doesn't perform as expected because transmission line has been in existence for many decades. This is quite new. And third what happens after this 10 years, 12 years?

Harsh Shah: I think point one the technology is evolving massively, and it is evolving for better, so efficiencies are improving. So as the new technology is coming, we will see probably reduction of costs and we are hopeful that it happens, and it will help us in further augmentation that we have to do.

To your second question, I think we need to do a little bit more work around it as a country, as a way to raise awareness. So most likely today the largest amount of battery capacity in the world exist in China and it is not in one few 10 gigawatts. It's over hundreds of gigawatts of manufacturing capacity of lithium-ion batteries that exist.

This technology itself is not new. Technology exists for decades in satellites in our phones. It is the same technology at a different skill, different applications. So the lithium-ion technology I won't call it new. It is extremely stable, extremely viable and huge technology across the world. We have a lot of exposure and we have looked back at a lot of technology as well as manufacturing plants operating plants in China. The capacity is tremendous, the use case is tremendous, and they are treating it as a base technology, not as an emerging technology. I would say sodium-ion is an emerging technology, but lithium-ion is a base technology which is in the existing for decades. So we are not worried about the risk of the technology itself. But we do see the technology improving year-on-year and that would add edge to us rather than risk.

Pratik Kothari: And what happens once -- I mean, the battery would have a life of about 8 years 10 years, 12 years depending on how much you use it. What happens post that?

Harsh Shah: So a variety of business cases are possible. Battery will have a very long life. Even after 10 years, 12 years battery will have I would say SOx will be slightly different because the length of discharge and other parameters will be slightly different and may not be wise to use as a utility-scale battery storage, but battery is still a battery, can be used, can be recycled. There are multiple business cases and depending on the cost, technology and what exists 10 years, 12 years down the line we can find an application.

Rather I'll tell you today there is a very vibrant battery recycling industry in India itself, forget about China, but to predict that what will be the size of battery recycling 10 years, 12 years down the line would be a little too much crystal ball gazing, but I can tell you there will be sufficient applications that exists after 10 years, 12 years.

Pratik Kothari: But none of this is captured when we bid for the project?

Harsh Shah: I don't think I can answer that question Pratik.

Pratik Kothari: Okay. Fair enough. Sir, second as we -- I mean -- so one is to maintain this DPU -- I mean first of all -- I mean, great increase from where we started. So one is to maintain this DPU of INR15 as long as possible and second is this accretion which we intend to keep doing over a period of time and you have done a fine job over the last 5 years, 7 years, but as we keep growing larger and larger, does it become harder to kind of capture this increase given the number of projects or the size of projects that we have to keep on boarding?

Harsh Shah: To your question, yes, as we become larger it takes more effort to grow on a larger base 100%. It is -- I mean, 5 years ago INR2,000 crores would have added sizable growth, Now, INR2,000 crores becomes 8% on the overall book. So as we become large we obviously have to target larger projects and a larger growth pipeline.

Fortunately, the market that we operate in has been growing very fast and large. So we are hopeful that we'll be able to keep up our pace of growth rate that we are working towards. And then the first question, I think we do publish indicative DPU profile. The indicative data that we have published is in Slide 15, you may want to refer that. There is a sizeable amount of I'd say, past -- relative past that we can maintain INR15 a unit without acquiring any more projects which allows us sufficient time to manoeuvre, find projects, develop projects, acquire projects to ensure that we are able to maintain as well as grow DPU.

Pratik Kothari: Correct. And last question from my side. I mean, we commissioned Kallam, our first greenfield. So if you can just share some experience how is it putting up, how is the team being developed? Because now we are also taking up a few more greenfield projects?

Harsh Shah: Yes. So what we have done is we have made a separate business unit within IndiGrid towards projects. It is headed by an extremely senior gentleman, who's got a very deep experience on power sector. And we have put together a business unit on project side as we go for larger projects because we just don't have Kallam, we also have several regulated tariff mechanism projects going on across country already on our substations.

So there is a lot of capex happening in our portfolio, put together, INR2,000 crores of TBCB plus around INR400 crores, INR500 crores of cost plus projects. All in all, INR2,500 crores of capex that we are doing. So we have identified several of our team members within IndiGrid itself, who have done capex in the past, who have been reassigned responsibilities on the project side. And we are augmenting further as we look for other projects. So I think the core talent remained in IndiGrid from the beginning. And wherever there was, I would say, leadership required, we added leadership capabilities on the execution.

Moderator: We have the next question of the line of Subhadip Mitra.

Subhadip Mitra: My first question is, again, with regard to the BESS piece. So if you could just highlight for us what has changed over the last 6 to 8 months which has led to this sharp reduction in costs? What we understand is, okay, while lithium prices have come off, it may not have come off by more than maybe 20%, 25%.

So is it that there is a function of probably some near-term or medium-term dumping by China because they are not able to sell enough batteries to the European EV industry, given restrictions there? Is this more of a short-term event or a near-term event? Or do you see that there is a structural change in battery prices, and they will keep on getting cheaper? That's my first question.

Harsh Shah: I think to answer the first question, I would say I won't use the word dumping. There is a significant scale that China has created in manufacturing batteries. And it is a scale business because the larger the plants are, the lesser the cost is. Second, there is a significant advancement of technology that Chinese have invested in. Few years ago, there used to be cell size of 200 ampere hour, then 250, then 280, 314. And now this year, this time, they have announced 350 ampere hour cells.

And just to put things in context, between 350 ampere hour cell and a 280 ampere hour cell in the same volume we can pack 25% more power, right? So essentially, you have reduced the rest of the balance of cost by 25%. So there is a lot of advancement on R&D side that we are working on as well as they've got the scale. Now, the biggest driver other than the lithium prices what we've seen is overall, globally, the EV expansion or rather the growth that was estimated has not taken place. And most manufacturing facilities at the cell level are pretty similar -- rather same for EVs as well as utility scale storage.

So the EV growth that the world was factoring in has not taken place, for variety of reasons, political, economical whatever it is reasons. This has resulted into a lot of capacity being available for utility scale battery storage, where the application is kind of very, very viable. So a lot of capacity, technological advancement and I would say advancement in the market, all three things are contributing together.

On top of it, yes, as you mentioned, especially U.S. is also not importing batteries from China, if I'm not wrong. So that has reduced competition. and that has reduced prices in China. So I think many factors put together are contributing. I would not call it a short-term phenomena. But

at least midterm, I do see this continuing, a lower battery price. So hopefully, it can remain further.

Subhadip Mitra: Understood. And just like we've seen India also trying to -- we've seen that in solar module, right with the ALMM and everything. We are trying to become more self-reliant and let's say not have as much dependence on China. So do you see things panning out in a similar manner in batteries also? Or that's still some time away?

Harsh Shah: See, I think it can because it's not impossible for India to develop that capability. What is difficult is to match the scale, right? For example, battery storage, we are not comparable, we're not even putting 0.5 gigawatt on battery storage. But solar, India's total installed capacity is 90 gigawatt hour right, approximately. China putting 280 gigawatt hour in last 1 year alone, in 1 year. So the scale is different.

Now, will we be able to create the scale is the question? Yes, the government policy on PLI and another policy of putting trade barriers would help Indian manufacturers for a couple of years to build capacity. There are a lot of dedicated battery manufacturers in the country, right, and they are large themselves. So I do see that there is a possibility that we can expand into it. But to stabilize a new plant, to produce out of the new plant, and customers accepting those batteries out of the new plants and implementing, in my mind, is at least a 3-to-4-year cycle. So if the government starts today, let's say, 6 months down the line, I see domestic utility scale batteries and when I say domestic, it is still manufacturing; at least 3, 4 years away. But that's a midterm and I do certainly see that happening and taking place.

Subhadip Mitra: Understood. Lastly, on the diversification that we've seen for IndiGrid, right, we've moved beyond just buying transmission projects -- or mature transmission projects from others, you're constructing, getting into greenfield, there is solar, there is BESS. So in terms of your risk balancing that you tend to do, how much of your AUM do you see moving towards these newer areas? And do you see any incremental risk which can come through the instrument?

Harsh Shah: Yes. I think one of our core value is agility. We are agile. We will keep evaluating opportunities. On the other hand, we are conservative. So I won't call it any of them in the newer areas. I think we have pondered upon, experimented a lot on every business expansion that we have done.

For example, before getting into batteries in this way, we have installed the first battery storage plant in our substation, matched with solar, make our substation grid independent. So we consume during the day solar and in the evening, battery. We have made it work in our own substation two years ago. So we have our own design and engineering and work done on those plants to learn, get our hands dirty before we expand it to this area. So that's on battery.

Same way on solar, we acquired a 100-megawatt plant, operated it for a couple of years before we took it to 1 gigawatt. On the development, we did a INR200 crores capex. We completed it, and now we have INR2,000 crores pipeline. So we've gone strategically first taking a step, proving the concept, capability -- building the capability, learning the ropes and then expanding. So by the time we have really done something meaningful and sizeable, it's no more a new area, right? So that's how we have gone about it.

In terms of risk-reward, it's largely homogenous, most of them are annuity linked. So we don't see that as a material risk. And even in the projects that we have won on our under-construction side are fairly derisked. So we would like to move in that direction, and we are confident that we're not adding a substantial amount of risk because of that.

Subhadip Mitra: Okay. And is there an in-house target or a threshold that you have as to how much would get allocated towards these newer areas, or it's fairly homogenous?

Harsh Shah: See, the battery storage is kind of a core area as part of transmission. On the development side, we have not crossed 10% of capital deployed, that's what is the part of our overall SEBI cap. Renewables will remain around total 25%. So that's the overall guardrail within which we'll operate.

Moderator: We have the next question from the line of S. Agarwal from Max Life Insurance. Please go ahead.

S. Agarwal: Collection efficiency for solar asset has reduced to 89% this quarter vis-à-vis 128% last year same quarter. So is this as per your expectation, better or lower? And is there any specific counterparty where you're seeing the collection efficiency to be lower?

Harsh Shah: If you look at the quarter-on-quarter comparison, it looks like 128 to 89. But on a full year basis, it's still 101, right? So it's still collecting partly. So our quarter 2 and quarter 3 were very good. And basically, what happens in general is when your couple of quarters are very good, the third quarter is down because the customer has paid out of substantial amount of dues. So then we take a breather and subsequently it will increase. So this is -- we don't see that as systemic, we don't see as one particular customer delaying. It is just a normal trend that we have seen that once you have a large quarter, the next quarter or quarter after that is relatively lower.

Moderator: Do you have any further questions, Mr. Agarwal?

S. Agarwal: No. Thanks.

Moderator: We have the next question from the line of Vipulkumar Shah from Sumangal Investment. Please go ahead.

Vipulkumar Shah: So my question is regarding our new acquisition of this solar acquisition. So what type of quarterly revenue and EBITDA run rate we can expect from this asset on a steady-state basis, sir?

Harsh Shah: Meghana, do you want to answer that question? I believe you meant on ReNew acquisition, right?

Vipulkumar Shah: Yes, sir.

Meghana Pandit: So on an annual -- I think on annual basis, the revenue from the ReNew would be about INR200-odd crores in that range, INR190 crores to INR200-odd crores. And EBITDA will be somewhere about INR175-odd crores.

Moderator: We have the next question from the line of Anirudh Singhi from Dalal and Broacha. Please go ahead.

Anirudh Singhi: Just correct me if my understanding is wrong, our NDCF for the year was around INR1,240 crores, right? And we have to pay out 90% of that, which is around INR1,120 crores. But we paid only INR1,050 crores. So how do we account for the missing INR70 crores?

Harsh Shah: Yes. So to clarify, the NDCF formula has two legs, and it has changed with the new SEBI regulation. NDCF formula requires us to distribute minimum 90% from SPV to IndiGrid and from IndiGrid to investor, another 90%. So it is a 90% threshold at SPV level and 90% threshold at IndiGrid levels, therefore effectively it is 81% mandatory. And therefore, that's the math that we need to run, that 90% at both levels.

Having said so, SEBI here has implemented a new NDCF formula, applicable from April 1st 2024 onwards, whereas they have put in an obligation of minimum 90% at a consolidated level, the way you calculate it. So, the formula is slightly changed from this quarter onwards.

Anirudh Singhi: Coming from next year?

Harsh Shah: Yes, from this year onwards. But otherwise, it was 90% of NDCF.

Anirudh Singhi: Right. Okay. Thanks. And just that now that we have a sizable solar portfolio, are we also looking at wind and hybrid projects? Or do we not have the capabilities for that?

Harsh Shah: At this point in time, we are not looking at it. We do have expertise for that, Satish, our Chief Operating Officer, has done a lot of wind projects. He was, earlier, GE Wind's COO. So he's done a lot of wind projects in his life. But at this point in time, we are not looking at hybrid projects or wind projects.

Anirudh Singhi: So is that the economics that it doesn't add up or why is it that we're not looking at it?

Harsh Shah: I think the wind projects -- first of all, wind projects, to manage it efficiently require scale. And if you have a large amount of wind projects that may add variability to our business, which we don't like. So, I think that's one. And second is our right-to-win is not very clear on hybrid and wind projects. In whichever area we enter, whether it's solar, whether it's battery storage, whether it's development of transmission; at least internally, we have been able to clearly identify and convince ourselves of our right-to-win in the market.

In the wind and hybrid side, I would say, even though a lot of us have worked with it independently, we're not sure our right-to-win exist so clearly at this point in time and the risk appetite. So that's what has kept us away.

Anirudh Singhi: Okay. And lastly, do you have any update on the monetization, the power grid monetization?

Harsh Shah: No update has really come up.

Moderator: We have the next question the line of Shyam Karwa from Karwa Investment. Please go ahead.

Shyam Karwa: Yes. Congratulations to the team for excellent operational and financial performance as well as the growth in guidance given for the coming financial year. I have one or two small queries here. First one is regarding delaying the quarterly results. We are generally seeing the IndiGrid declaring results in the first or second quarter of May. But this time it is delayed by, say, some 15 days. Any specific reason for this, sir?

Harsh Shah: No specific reason. We plan our quarterly and annual Board meetings in advance. So our directors availability as well as the annual audit takes time. So, I think between both these factors, we are well within a statutory timeline. So that's how we follow on those.

Shyam Karwa: No, it is definitely within the statutory timeline sir. But as far as IndiGrid is concerned, we expect something more, and we are habituated to that -- so it will be better if in future time limit taken for the duration of quarterly results is as per the previous practices. It is just our suggestion.

Harsh Shah: Thank you. Thank you for your suggestion.

Shyam Karwa: Okay. Next, this year, we are always talking about stable and sustainable DPU, sir. I just want to know the risk factors -- the major risk factors which may dilute our -- this commitment.

Harsh Shah: No, I think it's a very, very deep question Mr. Karwa. I think see there are a variety of risk factors. The first one, I would say, which can have a major impact, is cost of financing, right, which we run -- our net debt today is around INR17,000-odd crores. So, cost of financing can have a sizable impact. While we do everything in our power to hedge and lock in and do different types of instruments, eventually, it's market. While we have seen ups and downs of the cycle over the last six, seven years, we have done everything possible to keep our costs within 7.5% to 7.7%, pretty much in that ZIP code for a long period, even though during extreme volatilities or interest rate hike. Having said so, it's not -- I think it is still the biggest risk factor, right? It can change, like you all saw, while we believe that RBI guideline that has come up as a draft, it is not applicable on us, it's applicable on project financing. But the regulatory actions can go any direction, right? And that can have a major impact.

So, I think factors like that impact on cost of financing, can be about big operating risks. The second risk is we are in 22 states, right. If you look at the presentation, total number of assets are 49 line, 15 sub-stations, plus about 16 solar projects, so 80, adding new locations that we go to, so around 85 to 90 locations in the country across 22 states UTs. So there is always something happening, right? We are social assets. There can be floods, there can be heat wave, there can be flash floods, there can be riots -- there's something or the other happening. And when we have a large portfolio, there is always something that can happen to our assets, right, because we are a vast country. So that's the biggest -- second biggest risk, right, to impact on our assets because of natural calamities, man-made calamities, different things.

Now, we are very diversified. So, no one asset has ability to move our business particularly. But even after that, it is a second biggest risk that I see to the business.

Third risk, I do see into our business is collections, as I think many of the fellow investors have asked, if a collection gets stretched from customers. that also can have an impact. But we have cushions in our cash flow. We have sizable cash balance and all that. But I would say that as a

third risk. So I would say between these – generally we would have got high-level significant risk of the business.

Shyam Karwa: Yes. As far as the finance cost is concerned, I think the interest rates are at their peak. So in future, if the interest rates go down, whether we are going to get benefit out of that?

Harsh Shah: Your question was on risks, so I described the risk. When you uphold the risk, it becomes opportunity...

Shyam Karwa: There is a silver lining in every cloud, sir.

Harsh Shah: Correct, Yes. So it can become an opportunity, for sure. I don't want to predict it. But it can be an opportunity.

Shyam Karwa: Yes, as and when it happens. Okay. Regarding the solar assets, I have a small query, whether there is any seasonality aspect in this solar generation? This quarter, okay, it was good. In future quarters, whether it will be plus or minus or something like that? Any such seasonality factor is there, sir?

Harsh Shah: There is, there is seasonality in solar aspect, it is not as much as wind. Satish, you want to give that answer, please?

Satish Talmale: Yes, sure, Harsh. Yes, there is certainly seasonality the way seasons are changing. And also, of late, we are noticing a bit of shift in climate patterns as well. A good part of wider portfolio is we are diversified across various geographies. So if one state has a problem, another state can compensate for that. So that's a benefit we get with the diversified geography.

Shyam Karwa: Okay. Just one last point, Mr. Harsh. Regarding natural calamities, I think you must be having some insurance coverage for that?

Harsh Shah: Yes, we do.

Shyam Karwa: Because I was seeing in the profit and loss account, the insurance expenses are substantial, INR24 crores into the financial year, it was there. So this insurance cover, whether it is only for the assets or for the operations part also?

Harsh Shah: No, I think insurance is the biggest cost in our P&L. And yes, we took a very comprehensive insurance. So it has covered all natural calamities. Many at times, revenue loss also is covered. So it depends on what event took part. But yes, the sizable amount of insurance protection is there.

Shyam Karwa: So segments, we are taking covers and precautions for all possible risks. That is my impression.

Harsh Shah: Yes. That's what we are trying.

Shyam Karwa: Okay. Because why I am asking so many questions is, I am now -- I'm having good confidence on IndiGrid. So, I am suggesting my friends and relatives also to invest in IndiGrid units. That's

why I asked so many questions. Okay. Hope you will do better and better in future, and we will get the fruits out of it.

Harsh Shah: Thank you.

Moderator: Thank you. We have the next question from the line of Suneel, an individual investor. Please go ahead.

Suneel: Congratulations on an excellent quarter and consistent performance over the last 6 years, 7 years. Given that you have increased your solar assets -- the mix quite substantially over the years, I just wanted to know whether all those solar assets, the land that they are on are in the owned category or the leased category or rental?

Because given that land acquisitions and everything that goes on in India, I think it would be -- no matter how remote -- there would be of value going forward. And are there any scope for brownfield expansions or -- in that area that you already have in your solar assets, whether it's for BESS or adding some more of solar assets? That's all my questions.

Harsh Shah: I don't think there's very sizable expansion opportunity in the current assets. There's not much free land. They very limited. On the land side, we -- I think we'll have to check, give or take around 15% or 20% of capacity will be in the own land. Rest all will be, either in a solar park, or leased or rental land. We don't see beyond that the capacity 20% of the capacity being in the own land.

We have seen that even in the rental and lease land, especially in the tariffs which are competitive, right, like INR2.5 to INR3 tariff; we do see there is a sizable extension possibility, because, let's say, 18 years down the line, most of the lease agreements are also extendable. And we do see, depending on the power tariffs at that time, if the INR 3-3.5 is competitive, we might be able to extend the lease and extend the contracts or even sell it on the exchange. So that opportunity does exist in most of those contracts.

Suneel: Thank you very much.

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

Sarvesh Gupta: So, my first question was that now that we operationalized our first greenfield project after 2.5 years and -- so what are some of the learnings, both positive and negative, that we were able to understand about our own capability in the project side?

Harsh Shah: Nothing new. I think most of the core team that has come down, including me, have executed INR25,000 crores projects in our roles in Sterlite before. So, we already have learnings from there that we carry forward. So I don't think there are incremental learnings for us. Probably, in the IndiGrid setup, we are doing it for the first time.

And for us, it is -- we have started small, proving that this works for you guys, right, before really making a larger bet. So, I would say individually, professionally, no material learning per se, because we've already lived through this cycle.

Sarvesh Gupta:

Okay. But generally, in case you are putting any projects anywhere, there's a lot of management which needs to be done at the local level to be able to deliver on time and make sure that what the intention is, actually being executed on the ground. So how are we able to successfully sort of do it?

Harsh Shah:

So, I think point one, we need to have people on ground, and that's something which we're aware and we put the people on ground upfront. So that's one. Second, the project that we chose, so once we acquire land, we work within the perimeter that makes it relatively easier and that is only a 14 kilometres line, because not a big, long stretch.

However, we worked in Maharashtra, so it was difficult in terms of generally dealing with some of social aspects. But I think the main point is that if we can plan it early, we keep our contingencies and people accordingly, then it is a matter of - like any other projects - managing man, machine and money - is as simple as that. And same things applies to our project. So I think we are able to do it, and I think we can repeat it.

Sarvesh Gupta:

Understood. And you mentioned that you have got the right-to-win, as per your understanding, in some of the other businesses apart from projects like battery as well as solar. So I mean, apart from the cost of funding, have we established other rights-of-win also? I mean, what are the things that we have learned about ourselves which are helping us probably do better than what our initial estimates for in these 2 areas?

Harsh Shah:

I won't say cost of financing as the only unit because that can apply to hybrid and solar also, right? I think the point is about discipline, about doing what we know and knowing what we don't know. And that's why we don't know how the hybrid projects will work for India. So we do not want to take a bet.

On battery storage side, there is enough work that our teams have done over the last 3 years. So while the news has come now, right, in this quarter, but it is a hard work for our teams of - 3 years of hard work of research, engaging with partners, visiting China, seeing plants, doing experimentation of projects. A lot of - we think are the ones that give us insight and experience, right? And then we finally go and build. So it's much beyond cost of financing, these kinds of things also add to that.

Certainly, there are advantages of the tax and financing that helps us in any businesses. But eventually, knowing the business, its risks and opportunities and where one can save money and reduce risk is the key. And I think if we are - if we have done it somewhere, it's easier to repeat. For transmission, as I said, all of us have the experience of doing it. So for us, it was repeat.

For solar also, most of us have professionally at work for solar business elsewhere. And when we do bid over here, we just got the basics right for that. So I think the focus is on discipline, knowing the business, knowing its risks and opportunities, and then bidding. That's how we go about it.

Sarvesh Gupta: Understood. And lastly, when we look at our portfolio, do you also see some opportunities for exits primarily because now that you have been running these assets for a long time, you would have made some differentiation that some of these assets may not be as good as others or may create some problems later down the line? So is that thinking existing? Or all the assets are more or less commoditized or similar, and hence, we feel that everything should be run until the tenure of these assets?

Harsh Shah: Okay. I'll tell you; we have not thought about it. In any case, SEBI regulation do not allow sale of assets with less than 3 years of holding period. Second, our own strategy is buy and hold. We are not a buy and flip kind of trader, we are a utility, we buy projects and keep projects, earn yield and deliver to unit holder. So we haven't given thought strategically or tactically to really monetize assets.

But that's not part of our business and operating model. We haven't really operated that way. And if somebody comes and approaches, and say they will give some obscene value for some assets, then we'll take a look at it at that time, and we'll do what is right for the unit holders. But at least on our side, our strategy is not to really monetize assets. Our strategy is to juice assets and give yield to our investors.

Moderator: Thank you. I would now like to hand over to Mr. Harsh Shah for closing comments.

Harsh Shah: Thank you. Thank you to all our investors for joining the call today and asking very, very intelligent and deep questions. We are working for you, and we are pretty happy as the level of questions have improved and you're taking deep interest in the business and asking the right set of questions. We are always there to address them.

We will continue our path of delivering stable DPU and growing it. Especially now that we are working on the organic growth, we do look at a 10% capital, we can continue to deploy and do many projects, which provide the yield kick-off to our unit holders. Thank you.

Moderator: Thank you. On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.