

## "India Grid Trust Q3FY21 Investor Conference Call"

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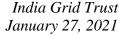
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Moderator:

Ladies and gentlemen, good day and welcome to the India Grid Trust's Q3FY21 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sumit Kishore from Axis Capital. Thank you and over to you, Sir!

**Sumit Kishore:** 

Thank you, Lizann. Good afternoon, ladies, and gentlemen. On behalf of Axis Capital, I am pleased to welcome you all for the India Grid Trust Q3FY21 Earnings Conference Call. We have with us today Mr. Harsh Shah, CEO and Whole Time Director of IndiGrid Investment Managers Limited representing IndiGrid Trust on the call. He is accompanied by Mr. Jyoti Kumar Agarwal, CFO, and Ms. Meghana Pandit, Head M&A and IR at IndiGrid. We will begin with the opening remarks from Harsh on the operational and financial highlights as well as the key updates for the sector. This will be followed by the Q&A session. With this, I hand over the floor to Harsh. Over to you Sir!

Harsh Shah:

Thank you Sumit and welcome everyone to the quarterly results call. I would just like to wish everybody a safe and healthy New Year as we enter into the 2021 calendar year. I would take you through the vision and the business updates slides and later my colleagues, Jyoti & Meghana will run you through the operations and the strategy ahead sections and subsequently we will keep time for questions and answers.

To start with on slide # 5 our vision is to become the most admired Yield Vehicle in Asia we are focused on business model, which is on long term contracts, we have low operating risks and stable cash flows. The second focus area is to ensure value accretive growth, which is DPU accretive, acquisitions on year-on-year basis and create a growth pipeline for the future. The third focus is predictable distribution, which is what we have been doing till now, which is quarterly distribution and minimum 90% of net distributable cash flows is distributed and focus on sustainability of these distributions. The last one is following up the optimal capital structure, which is maintain a consolidated leverage cap of 70%. We have AAA credit rating and will ensure that prudent liability management is implemented and we remain well-capitalized at any point in time.

On slide #6 is a snapshot of what we are today. Today we are an Rs.15,000 Crores of size in terms of assets under the management. We are present in 15 states and 1 UT. There are 30 lines ~ 6,740 circuit kilometers and 9 substations of ~ 12,290 MVA transmission capacity. We are AAA rated InVIT from all three rating agencies - CRISIL, India Rating and ICRA. Most of our assets have perpetual ownership, which means that we do not have to transfer



at the end. SPV contract life of our assets is ~ 32 years of weighted average business and we have 10,540 towers in our portfolio, which along with the conductor includes approximately 399,580 metric tons of steel and aluminum. This includes the latest acquisitions that we did in Q3FY21, which is PKTCL, which we acquired from Reliance Infra as well as JKTPL, which we acquired from Techno Electric and Kalpataru Transmission Limited.

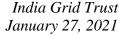
Coming to slide #8 are the Q3FY21 key highlights. We will start with the financials. In Q3FY21 EBITDA has grown by 25% Y-o-Y basis on the back of robust operations as well as acquisitions that we had done in the year of 2020. Our Net debt to AUM remains at 52% as on December 31, 2020, which is substantially lower than the 70% cap of the SEBI regulations. Our rating is maintained AAA by three rating agencies that rate us. In addition to that I would like to add that this is one of the quarters where there is highest net distributable cash flow generation that has been achieved and Jyoti will cover that in detail in his presentation.

The next section is on accretive acquisition. Q3FY21 has been very active and interesting for us. We have signed agreements for the first cost-plus transmission asset called PrKCTL with Reliance Infrastructure and this also happens to be joint venture with PowerGrid, where PowerGrid continues to own 26% of the shareholding. The unique aspect about this acquisition is that this is dividend story. This project will be on a cost-plus basis and therefore it up streams the dividends to IndiGrid and then IndiGrid will pass the billed dividends in the form of dividends to its investors.

We also signed the first SPA for our solar asset with a company call FRV Solar Holdings, which is a Spanish entity, which we are waiting to acquire 100 megawatts of solar assets from FRV and has a contract with SECI with a good operational track record, which meets the criteria. With PKCTL and FRV both put together we will be crossing the AUM of Rs 155 billion.

The third section is on steady operations. The collections have improved. In Q3FY21, we have collected 112%, which reduced our DSO back to 70 days. We have seen a M-o-M stable collection track record and therefore this is a healthy reversal that we are seeing in comparison to the Q1FY21. Our average availability is maintained at above 99.5% for Q3FY21, which is the important measure on which we are accruing revenue and we will get paid. We also signed multi-year collaboration with IBM to develop an AI based digital asset management platform, which we believe over a period of time would result in increasing our reliability, reducing the lifecycle cost of managing these assets.

The fourth, which is the new segment, which we have discussed several times over the last 3-4 quarterly calls, is with respect to our capital raising plans. The IndiGrid Board has





approved up Rs.1,500 Crores of capital raise via rights issue; however, this is subject to regulatory approvals from SEBI and RBI. As and when we receive such an approval, we will look to raise capital via right issue.

The last and the most important one is that of DPU strategy. We have been maintaining the Rs.3 DPU for over twelve quarters and looking at the number of acquisitions that we had done over the 4 quarters as well as NDCF that we have generated in this quarter the board of the management has decided to increase the DPU by 3.3% to Rs.3.1 per quarter. On an annualized basis, this will be Rs.12.4 per annum. We have done this after substantial consideration and after the acquisitions that we have undertaken, we are confident this increase is sustainable with the existing portfolio and pipeline of assets that we have right now. YTD for FY21 this would result in distribution of Rs.9.1 per unit despite the COVID-19 challenges, which we have seen in the first couple of quarters in the year.

I would take a pause and have my colleague, Jyoti who is CFO for IndiGrid to run through the presentation from slide# 9 and take you through the operational details of the results for Q3FY21

Jyoti Agarwal:

Thanks, Harsh. I am on slide #9 now. If you look at it, we are trying to show the COVID-19 impact on the power sector in general and also on our collections. I will start with the right-hand side of the slide first. Like everything else in the broader economy, power sector is also reflecting the normalization post COVID-19 where we have seen a robust pick up both on the generation as well as on the demand side where the peak power demand was at an all time record high of about 186 gigawatts in Jan-21 and while transmission tariffs are not really linked to the actual flow of power, but nevertheless it is important that the overall health of the underlying sector is also robust and to that extent this is a very good sign for the broader power sector and for transmission as such.

Now coming to the collections, we have seen as we expected the normalization of collections on a Q-o-Q basis as well as on Y-o-Y. In this particular quarter, we have seen a collection efficiency of about 112% and this has been a marked increase compared to the Q1FY21 where we saw the collection below 60% and in terms of the average collection efficiency from 9MFY21 respectively and now in line with what we saw last year at about 93%.

Our DSO days also, sequentially they have been improving and in this quarter, we have an outstanding receivable about 70 days, which has been significantly improving over the sequential quarters from 100 days in Q1FY21 and 80 days in Q2FY21 to 70 days. We expect this to sort of trend to continue in line with the yearly normal of around the 64 days by the end of the year.



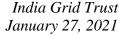
Now I will go to the operational highlights for the quarter. Harsh has already pointed out that our average portfolio availability continues to remain robust at 99.5% and above. On most of the operating parameters in terms of whether it is trips per line, whether in terms of training man-hours, and whether it is near reporting, we have seen a marked improvement on a Y-o-Y basis.

We are also happy to report that there have been zero COVID-19 incidents among all our operating locations. We have ~ 600 people team including the partners and there have been no incidents of COVID-19 in anyone of them thankfully in the quarter gone by. We have been obviously compliant with all the statutory guidelines, social distancing, attendance at work, proper quarantining facilities and also implemented awareness sessions across many of our AMC partners on a proactive basis and all of these efforts are helping us in ensuring that we have a zero COVID-19 impacted operations.

We continue to align our practices with international standards, so we have been improving our operating practices including focus on EHS guidelines, having a higher focus on digital initiatives including the digital asset management that Harsh alluded to and we are well on our way in terms of achieving the vision of being one of the best run investment trusts globally.

I will move to the financial highlights for the quarter. We have seen a robust increase in both the revenues as well as the EBITDA. The revenues grew by almost 27% from Rs.340 odd Crores to Rs.432 Crores on a Y-o-Y basis. EBITDA also improved by 25% to Rs.394 Crores and given the robustness of the operations and the stability of the cash flows that we have seen the business model, we have decided to increase the DPU as Harsh mentioned from Rs.3 per quarter to Rs.3.1 per quarter, which translates into an annual payout of about Rs.12.4 per annum, we see good visibility of being able to sustain this kind of a payout over the foreseeable future. We have distributed ~ Rs.43 per unit amounting to Rs.1,842 Crores of distribution over the time since we have got listed. This particular quarter because of the Rs. 0.10 paisa increase our actual payout will be Rs.181 Crores compared to Rs.175 Crores that we were tracking over the last few quarters. As I have already mentioned, the DSO days are improving and now are down to 70 days compared to 80 days last quarter and 100 days in the Q1FY21 and collection efficiency has been much better than 100% and it is trending towards the long time average.

Now let's move to the next slide, which is the EBITDA to NDCF bridge so we have an EBITDA at the SPV level of about Rs.400 Crores or a little higher than Rs.400 Crores and after accounting for the interest expense, working capital and the capex and a reserve of about Rs.33 Crores the available NDCF at the SPV level is about Rs.294 Crores taking into account the interest at IGT level of about Rs.101 Crores. Other expenses at IGT and the





reserve of about Rs.8 Crores, we do have a distributable NDCF of about Rs.181 Crores, which is what we are paying translating into an Rs.3.10 paisa pay out per unit.

We will move to the next slide, slide # 13 now we will continue to ensure that we maintain a good balance sheet, robust balance sheet while we embark upon our growth initiatives. We are very mindful of the AAA rating and that is becoming very important. It is actually very important for us given that our leverage ratios right now are 52% i.e our net debt to AUM. We continue to term out our repayment profile. We have ensured that all incremental financings that we are doing is beyond 2025 financial year because we see a little bit of lumpiness in the terms of repayment till then.

During the quarter, we did raise about Rs.1,000 Crores of debt a combination of 50% through loans and 50% through NCDs and each one of these did take care of the need to term these maturities out. They were also done at an incremental borrowing cost of about 7.5% so almost about 1% lower of what are average costs of debt is right now. As the book continues to churn and more and more new debt becomes a part of the book and the old debt gets paid out, we do expect the average cost of borrowings to trend down to below 8% in the next financial year and improving sequentially thereafter.

We do carry a robust amount of cash in our books about just a little short of Rs.1,000 Crores and we also have access to short-term capital lines just in case we need to cap into them for any particular reason. Our book has been balanced now, better than it used to be between let us say capital markets, which is now less than 50% and long-term bank finance. We are in active discussions with a few public sector banks to get incremental lines from them so that we will improve or increase the share of the bank loans in our borrowing mix even further. I will now request Meghana to take over and take you through the rest of the presentation.

Meghana Pandit:

Thanks Jyoti. Moving on to slide # 14, our total returns that IndiGrid has provided since the time we got listed in June 2017. The graph if you can look at on a total return basis, the IndiGrid has provided 60% of absolute returns breaking that into 40% of the dividend and 20% change in the price.

Comparing this to on the right-hand side with all the other equity business as well as the pure play transmission players of PGCIL and equity play we have provided significantly superior returns on risk adjusted basis. On an annualized basis this translated to 14% compared to all the other equity investors on one side and on the other side the fixed bond, which has provided 27% on absolute basis and 6.9% on annualized return basis.



On the risk level, as I mentioned again, which is governed by beta, IndiGrid has the lowest beta compared to all the other indices in the market and GSEC bond on the other. We have been providing superior beta risk adjusted returns since the time we have been listed.

Moving on to slide # 15, this broadly provides the global Yieldco overview wherein we have looked at how the other listed yield platforms are performing across geographies. The X-axis talks about the spread that deals with Indian platforms are providing over the 10-year government yields in those particular markets and the Y-axis provides the current dividend yields that the platforms are trading at. The size of the bubble basically talks about the size of the market, the market cap of that particular yield platform. We have seen that there is some narrowing of yields, which has happened in India specifically with respect to IndiGrid also. Indicatively I think this reflects the current interest rate cycle in the country along with the financial performance and robust operational performance of IndiGrid per se.

Slide # 16 depicts the similar matrix, but in a tabular format. As I mentioned, at IndiGrid essentially we have been narrowing the spreads to close to about 350 basis points compared to the other yield platforms across the geographies.

Moving on to the next section on the fund raise and the distribution strategy, I am on slide # 18. As Harsh briefly mentioned in his opening remarks our board has approved equity issuance of up Rs.1,500 Crores through a rights issue. SEBI had come out with the rights circular sometime in January of 2020 and they have enabled both fast track as well as slow track methodologies for the rights issue. As Harsh also mentioned this is subject to our regulatory approvals both from SEBI and RBI. This is an enabling resolution that the board has approved.

The way we are looking at the fund raise is that we have done the last fund raise of about Rs.2500 Crores in May 2019 through a preferential allotment since SEBI had not enabled the right issue guidelines at that point in time. Along with that fund raise we had locked in close to about Rs.12,000 Crores of assets with Sterlite Power across six assets per se. Out of those we have already acquired four assets worth Rs.7,100 Crores through the Framework Agreement and the ROFO agreement respectively across NRSS, OGPTL, ENICL and GPTL. Over and above the framework assets, we have also acquired Rs.1,200 Crores of assets both Jhajjar as well as, Parbati Koldam as well as announced the solar acquisition of FRV. So close to about Rs.1,800 Crores of assets we have acquired and slated to acquire over and above the framework assets that we have talked about.

So the idea is to look at a fund raise in line with these additional assets we have acquired. After all these acquisitions including the balance two framework assets, the net debt to AUM will reach to about 65% - 67% leaving sufficient headroom at play and at the same



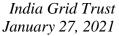
time raising preemptive capital in order to create significant higher headroom and look at building the other pipeline. We remain on track to acquire the balance framework assets that I had mentioned. On the DPU strategy on the back of the acquisitions that we have already done and slated to do, the distribution of Rs.12.4 per annum continues to be sustainable over a considerable period of time and this DPU we will be able to sustain even on the expanded capital base as and when we complete the rights issue.

Now moving on to slide # 19 on the business outlook, we remain focussed on completing the FRV acquisition subsequent to the definite of agreement we have already entered into. In addition to that we are focusing on monitoring the other two framework assets, which is NTL as well as KTL. Both these assets will be close to about Rs.55 billion and at the same time, we are creating a pipeline of other transmission and solar assets. We see tremendous opportunity in this sector and as Jyoti mentioned that maintaining balance sheet strength remains a core area of our focus in addition to raising the equity fund through the right issue, The idea is also to maintain adequate liquidity to ensure that any uncertainties or any unpredictable scenario can be managed with adequate liquidity.

On the debt side also, we aim to diversify the sources so that there is no lumpiness and at the same time we focus on elongating the tenure and reducing the cost of debt. Robust assets management is another focus by maintaining the availability above 99.5% and at the same time investment into technology whether it is through the digital asset management that we have tied up with predictable analytics and other emergency preparedness that we are looking at and at the same time implementing the ESG and the ESMs framework that we have already initiated on.

As one of the first InvITs in the power sector I think we have been spearheading a lot of policy initiatives whether it is producing the lot size from 5 lakhs to current 1 lakh or whether it is increasing the leverage from 42% to 70% and this continues to be another focus area wherein we are working with the regulator on dereasing the trading lot size for good to bring it in line with the equity and at the same time diversifying the debt sources for InVIT whether it is working with g IRDAI & PFRDA to ensure that insurance companies as well as domestic pension funds can subscribe to the debt securities issued by InVIT.

Moving on to the next few slides, I am on slide # 21, which basically talks about our journey since 2017 when we got listed with a 2 assets portfolio and over the last 15 quarters steadily, we have increased our portfolio from 2 - 12 and at the same time did a capital raise of Rs.2,500 Crores. Another major milestone was KKR becoming the sponsor for the InVIT and now we are fully geared to become the most admired Yield Vehicle in Asia and by targeting the AUM of about Rs.30,000 Crores and at the same time maintaining AAA cash flows.





Slide # 22 talks about the portfolio on an asset basis with detailed specification of the number of lines, circuit kilometers, and the COD availability since CoD till date, the breakup of the assets under management and the metal quantity of breakup asset wise.

Slide # 23 provides the corporate structure wherein now we have KKR as being inducted and the sponsor with 23% stake, GIC own 20% and the rest of the unit holders diversified across 57%. On the investment manager side we have KKR, which owns the majority and the other 12 assets in the SPV the three sub holder. The axis bank is a trustee for InVIT.

Slide # 24 it talks about our shareholder base and we have seen a very diversified shareholder base. Today we have 9 insurance companies and mutual content to employ pension fund and the total number of investors we are seeing a significant increase in those also on the back of the lot size reduction and significant improvement on the liquidity part.

Moving on slide # 25 gives an overview of our experience board in detail and I think that brings me to the end of the presentation. We will be happy to host any questions specifically on the Q3FY21 financial highlights or any other questions that anyone might have. Thank you.

**Moderator:** 

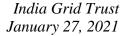
Thank you. Ladies and gentlemen, we will now begin with the questions and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** 

Good evening Sir. Congratulations on a good set of numbers and raising the DPU by 3%? Sir my first question is raising of capital in what time horizon you will take to deploy this money and related to that when you get this the KTL and NER to be acquired and the second question is given that we have a huge repayment, which is due in the FY23 have we started working on refinancing that particular payment and what is the expectation of interest rate for us now?

Harsh Shah:

Thanks, Mohit. The first question was on your DPU increase in rights issue. I think the rights issue as we mentioned is linked to certain approvals. We are awaiting that. It is very difficult to put a timeline on when we will get the approvals because it is in the hands of regulators and as this will be the first public rights issues done by the InVIT, we will be seeking certain clarifications, approvals and as and when that gets done we will be able to guide better because at the moment the time is something, which is not in our control. However, we are well prepared for as and when the regulatory approval comes in. The next question was NER and KTL both the projects are at an advanced stage of commissioning. NER project is already part commissioned so is KTL. As and when they are getting





commissioned, we will look to acquire we are already working very closely with Sterlite power and evaluating these assets in depth so that as and when they are ready to be acquired, we can close the acquisitions. The third question if you can repeat. Sorry I missed that one.

**Mohit Kumar:** 

The funding of the repayment schedule over in the FY23 you have large amounts, have you started working on?

Harsh Shah:

I do not think anyone can prepare two years in advance of a refinancing in future. That is not practical as well as that is not possible; however, what we have done is as Jyoti mentioned we are looking to increase our maturity. Actually, what we are doing is we are not adding any more maturities in FY23-FY24 which enables us to keep that cap at that amount. On top of it, I would say we are opening up different sources of financing, which would enable us better to refinance as and when we have to refinance those facilities. The third question was with respect to cost of debt. I think Jyoti alluded to that kind of marginal cost rather let us say the incremental cost that we have raised certain bonds and loans and come at an average of approximately 7.4% to 7.5% and then some of these bonds, which are locked in, which you see about Rs.1,000 Crores in FY23 are at 8.75% or 9% so there is a substantial in the money option, but when there is cost attached to it if we look to refinance those facilities today, which we do not think is practical today, but as we move closer to the repayment, we will look to refinance them before the maturity date.

**Mohit Kumar:** 

Thank you Sir. I will get back in the queue.

**Moderator:** 

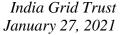
Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

**Swarnim Maheshwari:** 

Thanks for the opportunity and congratulations for the excellent quarter. A couple of questions over here the first really is given more of a macro question? Now if you look at the current interest rate and in the inflation scenario where do you see the 10-year GSEC moving out? Do you see it stabilizing at about 5.9%? I am sure you would have discussed it internally. If you can give your inputs over there?

Harsh Shah:

Thanks, Swarnim. I think it is a very difficult question to address for the management teams today. I think more than guiding on what we feel the interest rates are going to be, I will take the question in two parts. One is what is our view, and the second is what we are doing about it. So, our view is that we come from a simple humble realization that we cannot predict interest rates therefore we do not hold our business strategy on prediction of interest rates. Also, stability is at the core, but I think where the overall global liquidity is where countries priority on growth is, we do not see a spike in interest rates in India itself and the





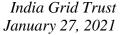
rationale being India has restrained a lot of firepower of liquidity or let us say printing money when the Rest of the World has printed money. I think I would say India has a little bit of fiscal room to print money when required to push growth. I think India has retained the firepower and therefore we believe that we will not see a substantial increase in rates in the near future. However, this is just based on our standing and then we do not try to implement this in our business strategy. So, when it comes to business as you said our internal discussions our focus on the track, we are notin the business of predicting interest rates and therefore as and when possible, we try to do longer term lock in of rates and therefore we have locked in rates at 9% also and we have locked in rates at 7.25% also. Actually, we have a mixed bunch of portfolios and what that results in is that over a period of time our portfolio is more insulated to interest rates movements up or down and when we see the interest rates coming down to 7% - Yes, we do not get the gain of 2% or 1% immediately because we have locked in the interest rates. On the other hand, if the interest rates are going to go up by couple of 100 basis points, we are totally insulated. Our focus is to walk a narrow path of conservative interest rates management and lock in the interest rates when possible and this is owing to the fact that our businesses are stable right. Our revenue is not interest rate linked. It is largely stable and predicable revenue. So as a strategy we like to hedge or like to lock in interest rate as long as practically possible in different interest rates regimes.

Swarnim Maheshwari:

The reason I was asking was I talked about that way that Jyoti in his opening remarks he did mention that from about 8.4% of our blended cost of debt right now we are likely to go to less than 8%? I think that has to do with three things. First, I think the debt of our debt market itself that is actually increasing for us because I believe we are now going from NCDs really to timeline also so I think it is just a matter of time where the IRDAI also give the insurance company, then we will say that will really give us from depth to the market and so that is where I was coming from that this is 8% or less than 8% kind of a yielded debt for us is that really a function of lower interest rate scenario or this is more of a sustainable to nature because of the debt in your market?

Harsh Shah:

It is a very easy question to answer. I think Jyoti will take that. See first it has reduced because we did Rs.1,000 Crores rasing at a lower rate right and I think as we have guided before there are several refinancing opportunities that exist with us. Some of them at SPV levels, some of them at IndiGrid levels and we are looking to acquire new assets as well. If you take all of that put together our incremental cost of debt is substantially let us say below 8%, which averages out the total debt can put the average down below 8% so that is what we feel today that if we keep raising capital at the current cost of debt probably our weighted average cost of debt will come down lower and I think I would say that is a sustainable cost of debt because when the interest rates started reducing our costs will come down as such because we had locked in the cost of debt, but on the other as we do re-





financing in the incremental debt is lower, we will see that impact pitching in. So that is what is at play right now.

Swarnim Maheshwari: Got it. Thank you. The second question is mainly on the collaboration that we have done

with IBM, on this digital asset management how we would really operate and performance

and what kind of cost saving can it potentially bring to us?

**Harsh Shah:** In terms of you mean the cost numbers?

Swarnim Maheshwari: No. In terms of the presentation, we have mentioned that you have done some collaboration

with IBM to develop some Artificial Intelligence, Digital Asset Management so what

exactly is this?

Harsh Shah: At the end of the day transmission is a function of O&M, transmission is a function of a few

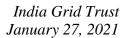
factors; one because there are no moving parts, there are very fewer operating parts and therefore it is slightly different than a normal generation power plant. Point number one is the focused on the assets that we have. Are we monitoring it on a regular basis and whatever fractional changes are happening in the assets are we addressing that in time? What Digital Asset Management or let us say a collaboration with IBM allows us to do is that out of our 10,000 towers today and they are going to be another few thousand towers in the future how do we ensure that what are the risky towers and what are not risky towers, what requires more maintenance, what requires less maintenance, etc., strategy we have done in time, which enables us to optimize on our workforce, which eventually reduces the cost. So that is one and increases reliability. So that is one aspect by implementing digital asset management, we are able to deal with these physical assets of the way that we are optimizing our resources and increasing reliability by being at the right time at the right place. That is one. Second is it may enable us to save costs to some extent because the more assets you have in the region, we are better off dealing with same amount of manpower in that region because you are reducing the frequency of monitoring those technologies whether it is via drone or something else, but if you have digital footprint of each tower it enables you to reduce your frequency and monitoring and eventually give you a better result. On the other hand, there are some critical towers which you know are weak on account of risky locations then you increase the frequency there. So essentially it allows us

to channelise our resources in the right direction at the right time. So that is the high-level input that it causes weak inflation over a longer time and allows us to leverage scale and use

that to reduce our overall cost of operation. That is the real benefit. The second one which Meghana spoke about investment is with respect to our ability to restore tower back fast.

There are several initiatives that are taking for example this year we are investing in ERS,

which is called Emergency Restoration System, which allows us to restore the tower back





in toughest terrains within a few days instead of waiting to create new foundations and towers so adds to overall our reliability factor.

**Swarnim Maheshwari:** Sir the potential cost savings that you would have assessed?

Harsh Shah: I think as we go into FY22 we will be able to comfortably communicate that. Right now,

we are still assessing the overall savings as it is in implementation stage so I would say

even meeting inflation is a large cost savings for this for a 5-year base.

Swarnim Maheshwari: Thank you very much. Sir in this the third one if you can really break up this Rs.17 Crores

of incremental working capital in Q3FY21 between the existing projects and in this quarter also there was some amount that was back, so if you can just break that up the two between

the listing, that would likely will be helpful?

**Harsh Shah:** Jyoti would you have that ready and if you can take that one?

**Jyoti Agarwal:** Yes., the working capital this particular quarter is largely on account of acquisitions because

we acquired two assets JKPTL and GTPL and to that extent almost entirely 90% of the difference in working is because of acquired working capital from these two assets. Otherwise on a steady state like-to-like same store basis the working capital is more or less

comparable.

**Swarnim Maheshwari:** Right so the cash flows you are getting much better then?

Jyoti Agarwal: Yes.

Swarnim Maheshwari: Right. Thank you so much. If I have more questions, I will come back in the queue. Thank

you.

Moderator: Thank you. We will move onto the next question that is from the line of Vishal Biraia from

Aviva Life Insurance. Please go ahead.

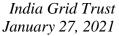
Vishal Biraia: I have just one question on the receivable side? Among the amount that has remained is

here any one more one large amount that is stuck with any particular state discoms? Could

you elaborate a bit on the composition of the receivables?

Harsh Shah: I think our data will be slightly dated because we received this data in a little bit of delay

from CTUs, but we have heard that there is not just one state. There are a few bunches of states, where our receivables may be pending and I think few of the names are like UP and J&K, which have slightly delayed the payment, these two are the delayed ones, but again





the accuracy is difficult to gauge from the time we get that data from some power grid, but this is what we believe right now.

Vishal Biraia:

When you come to portfolio, your transmission assets to solar PE assets is there any key difference that you feel this is okay this is key important difference that you have difference in terms of the risk Sir?

Harsh Shah:

These are different types of assets all together so there is a lot of difference between transmission and solar assets put together. In some cases, transmission is better. In some cases, I would say solar is better. To give you a very high level of view, I think transmission has counterparty as well as a payment security mechanism, which I would say second best in solar but still superior when most of other sectors in the infra sector. On the other hand, transmissions are a chunky asset, so for the revenue of Rs.1,600 Crores we can have 30 elements of revenue generation that is happening in the country and there could be five elements. On an average per element range is Rs.50 Crores to Rs.200 Crores revenue so when that element is down for any reason, we have a material impact on revenue or considering the exposure the cross country, the physical exposure is far more geographically than solar whereas on the other hand in solar your operating exposure is far less because you are in a defined boundary and each panel of your overall power plant generates 500 watts as against overall size of 100 megawatts. So that is a much more diversified portfolio in terms of assets and therefore the operating risk is slightly lower. On the other hand, solar has a counter party, which is SECI and the payment situation mechanism is not as good as PowerGrid. These are the two differences at a high level we see, but when we are factoring in these aspects, we believe that solar is overall slightly riskier and therefore we expect slightly better returns in solar than transmission. It is directionally better if that answers your question.

Vishal Biraia:

Thank you very much.

**Moderator:** 

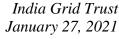
Thank you. We will move on to the next question that is from the line of Dhruvam from HDFC Fund. Please go ahead.

**Dhruvam:** 

Thank you so much. Sir one question was on the debt repayment for the next 2 - 3 years. The last few years, the net debt repayment is not much so any guidance that you can give for the absolute amount of debt repayment that you will do for the next 2 to 3 years? I am asking this is I am building in from the key repayment if that does not happen probably if it can be higher so that way?

Harsh Shah:

Sure. I think we plan to do debt repayment post or as and when we achieve let us say a 65% to 68% of net debt to AUMs and why do I give that number is because that we believe on a





sustainable basisat 65% also there are tremendous security and safety of debt coverages over there. So as and when we reach that I think you will start amortizing the debt so we do not come very close to 70%. Also, when we reach 65% to 70% debt is a function of new assets that we acquire and the capital that we raise. It is difficult to give an exact guidance of two years because let us say with the framework assets we are going reach 66% to 67% and we would have started amortizing debt, but we are raising equity capital and acquiring more assets. It is not possible to give exact correlation of the year in which they were brought, but we can guide on the I would say long term strategy is that we would be not comfortable beyond 65% to 68% of debt and as and when we reach that we would start amortizing debt on a year-on-year basis.

**Dhruvam:** 

Got it. Sir when you acquire new assets say for example even if you have raised equity you acquire a new asset that acquisition can be funded 70% through debt right? Then you are not considering that 50% original limit?

Harsh Shah:

Sorry, I lost your question. Can you repeat please?

Dhruvam:

For example, if you have reached all the equations are done and you have reached the 65% to 70% as you mentioned with DPT? This is 65% to 70% AUM to debt ratio and you acquire a new asset with the rights issue happening after your rights issues happen then the debt portion on the new asset can be 70%? It is not restricted to the 50%.

Harsh Shah:

Yes. It is not restricted to 50%. I am just giving the guidance that in future when do we start looking at repayment. Otherwise, if we are trading at 52% net debt to AUM, it is commercially not wise to move to debt repayment.

Dhruvam:

Basically, I get the point. Sir secondly just probably it is a small point, but a perpetuity question, I understand the AUM to debt ratio that you have is based on the valuation, but the AUM number is based on the valuation report that you get is it?

Harsh Shah:

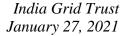
Correct.

Dhruvam:

For example, if 2 years back you might have done the valuation and you add that to the GSEC which you use as a base? That time we will say 7.5%. Now the GSEC has probably moved to 6% and your right changes? The valuation of the AUM increases so does that also allows you to borrow more because at 70% the base number for the 70% has changed?

Harsh Shah:

Yes, technically you are right, but you need to also factor the time period. Two years before you had a 35-year cash flow. Now you have what 33-year cash flow. So, the interplay between both counts, but if you keep everything else on the same day and change back the





valuation will increase and the ratios are linked to the valuation. However, for most debt investors, our covenants are not necessarily linked to debt to AUM. They are also linked to DSCRs, how much debt service coverage we have, how much interest service coverage we have, etc., I would say from debt credit perspective.

Dhruvam:

Got it. There are benefits as such if you see. If the interest rates keep declining is that AUM increases that allows you to borrow more and probably give high returns for a small portion of that and the interest cost also declines?

Harsh Shah:

But Dhruv our strategy is not to keep borrowing more. Our strategy is to keep the platform well capitalized. We are still at 52% and we are talking about raising incremental capital to ensure that we are capitalizing ourselves well for the future. So, theoretically what you are saying is right, but our strategy is not to keep leveraging more and more and run the platform at 70%. Our idea is to keep the balance structure and monitor the other ratios as well.

Dhruvam:

Actually, I am coming more from a modeling perspective because I model? I get the point. Thanks so much.

**Moderator:** 

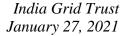
Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta:

Good evening Harsh and congratulations on a good set of numbers. Sir the first question is I am referring to slide # 18 where you have referred to the DPU strategy and said that the increase in DPU to be sustainable even on the expanded capital base course right issue? So now given that right issues are typically at a discount basically essentially you are saying that you are building and increasing the yield from the current levels?

Harsh Shah:

Let me answer based on what I understood. So most if not all business class in which our MLP as they are called across the world are based on yield plus growth. There is typical internationally a formula they use is D+G. That how much is the dividend and how much is the growth and typically that is how they value a business class, which has a track record. Now in our case, the way to look at it is that we have been doing Rs.3 a unit a quarter. Let us say on an annual basis we are doing Rs.12 a unit and considering the acquisitions that we have done has resulted into increase of NCDF, which will result or can result in increase of DPU and therefore we are going ahead with increase this year, which will let us say on an annualized basis is Rs.12.4 a unit, which will mean going back to the original message that we had communicated during IPO that we plan to deliver to Rs.12 a unit DPU and 3% to 4% growth on Y-o-Y and if you look at since IPO when we did IPO at Rs.11 a unit and now at 12.4 run rate, we are ~ 3.5% - 4% growth on the cash environment distribution itself. It is





on the DPU basis and not on the share price on DPU basis, which is exactly how we are planning our strategy to focus on Rs.12 rock solid prediction plus grow at 3% - 5% as and when we get attractive acquisitions and we are able to raise capital. Over the last 3 years we have done one capital raise and several acquisitions, which have enabled us to deliver this Rs. 12.4 DPU journey right which is about 3% - 4% Y-o-Y. Now going forward as well when we say sustainable basis, our idea is to communicate that this is not interim or this is not one time right. As we acquired 4 assets over the last 12 months and signed one more. We would have acquired 5 assets in this financial year, which has added a substantial amount of NDFC to our portfolio and the increase that we are doing is not one time . As per our plan is to maintain this 3.1 DPU for a considerable future and we believe we have got enough assets, which were acquired as well as which are in the pipeline, which will enable us to project Rs 12.4 DPU over a longer period of time even after raising capital because see raising capital, the cost of carrying is not so diluted because as I said instead of raising capital we would borrowed let us say at 7% - 8% and we would have raised capital, the cost of carry difference between them is hardly a few percentage point let us say 3% - 4%. It is not as value accretive to us because the alternative was to raise debt, which on the balance sheet level, may not be healthy. So, we are creating capacity of future growth and even after creating that capacity of future growth, we are able to project that with the existing asset as well as pipeline assets, we will be able to maintain 12.4 DPU for a considerable period of time.

Sarvesh Gupta:

Essentially, if I am holding 10 units for example today and hypothetically if I am given an opportunity in the right issue to subscribe to three rights say at Rs.100? You are saying that on the 13 shares that I will have post right issues, I will get 12.4 DPU on each of them and that increment you will be able to sustain?

Harsh Shah:

Yes correct.

Sarvesh Gupta:

So, that is you said in a way exactly correct. Understood and Sir second is this waterfall that you have mentioned for Q3FY21? Now if I see that waterfall for Q1FY21, Q2FY21 and Q3FY21 combined essentially around Rs.100 Crores sort of a result has been created at SPV plus IGT level is that the right understanding?

Harsh Shah:

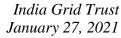
I think Jyoti can come in. Directionally I can say that is the right understanding. That is the right one Jyoti?

**Jyoti Agarwal:** 

That is right. About Rs.108 Crores of reserves have been created over the nine months yes.

Sarvesh Gupta:

Would you have the cumulative figure for the same as on FY21?





**Harsh Shah:** Cumulative is also the same.

**Sarvesh Gupta:** So, there were no reserves essentially prior?

Harsh Shah: That is correct. See we did capital raise in FY19, which means that there was an expanded

capital base. The assets of that expanded capital base are coming in FY20 right many of them. So therefore, the impact is coming in FY21 now and that is where you see this excess

capital getting created.

Sarvesh Gupta: This FY23 repayment and refinancing schedule on side # 13, which is around Rs.2,500

Crores so now that this is like may be somewhere around 18 months from now is there any possibility of sort of preponing the refinancing and because the rates are lower right? I mean today the rates have come down and given that you mentioned that you do want to have a review on the GSEC as such so if you do not have a view then any absolute low number as long as it is making sense with respect to your positive IRR should be sensible way of doing

it early right?

Harsh Shah: You are right. The only point is that this is a traded instrument right. So, while the cost of

the debt on instrument may look 8.59%, but it is trading at 110% right so if you buyback or if you repay you end up giving that much of penalty or let us say that much of money that

gets out of pocket right so you borrow Rs.100, but you prepay Rs.110. That is the impact.

Sarvesh Gupta: We will have to follow the original refinancing schedule is what you are saying because net

of all the cost, which will incur?

**Harsh Shah:** When you say, it depends on the residual tenure of a particular bond. If it is only 3 months

left then you can refinance. The impact is negligible of the bond differential right and you

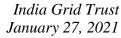
can prepay. If the impact is 2 years, it is going to be magnified. The impact can be higher.

**Jyoti Agarwal:** If I may just come in on this one, I think Harsh did mention about all the various tools in the

kit to tackle this FY23 sort of tower that you see on the repayment bar. One of them this as well almost the entire amount is NCD. It is not the loan amount because 96% of this amount is NCD and because it is a mark to market impact for an average 18 - 20 month of maturity when we explore a refinancing it is not stacking up at this point of time, but as we are nearing maturity it is lesser. Now this will be another thing that we will be proactively looking at to take up some of the loans prior to the maturity. Apart from of course the other

thing that we have talked about in terms of having proactive discussions and expanding our

sources of borrowing.





Sarvesh Gupta:

Jyoti, if you just can help me with one more thing since you mentioned that you are looking to increase your bank loan portfolio as a percentage of your liabilities so what kind of tenure and what kind of fixed rates because our focus has always been on getting fix rates to maintain the sanity on the DPU side also so what kind of tenures and what kind of fixed rate are we getting these days?

Jyoti Agarwal:

On the tenure side you know these are long dated typical projects finance type of loans upwards of 10 years to 15 years let us say average door to door tenure of these loans. In terms of the pricing, they are available at 7.0% or the 7.5% pricing on a floating basis. Now there are many types of discussions we are having with the banks. Some of them are for let us say a 3 year fixed and a floating thereafter and some of the other discussions we are exploring would be to take floating rates loans and do an interest rate swap on top of it for at least a foreseeable future, but given that a bulk of these will be with the public sector banks a more likely scenario will be that they will come in under 1 year floater as typically what the public sector banks do and we can explore on a proactive basis a hedge on top of it from interest rate risk mitigation point of view.

Sarvesh Gupta:

Understood. Thanks a lot for patiently answering all the questions and all the best for the coming quarters.

**Moderator:** 

Thank you. The next question is from the line of Abhilasha D Satale from Dalal & Broacha Stock Broking Limited. Please go ahead.

Abhilasha D Satale:

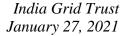
Thank you for giving opportunity and congratulations for the good set of numbers. I have a question on collection. Our collections have improved that 112% during the quarter and this is on base of 56% so I just wanted to know that how much was it at the end of Q3FY20 and usually Q4 our collections are better so are seeing that trend affecting even this year also? Like do we expect our collections to be better in Q4FY21? This is my first question. I will throw the second question also. As you made one comment in terms of the payment that is of PGCIL against SECI so could you just specify in terms of the number of days or is it the entity's overall rating or in that perspective could you just specify that point? Thanks.

Harsh Shah:

Last quarter we ended the quarter with 80 days of DSO days as on slide # 11 and this quarter we have ended it with 70 days so that is the change that has taken place in balance sheet basis. I think on percentage collection the last quarter, Q2FY21 was like 120% because Q1FY21 was very low right and therefore the Q2FY21 and Q3FY21 the overall collections is kicking in between these two quarters.

Abhilasha D Satale: I am just

I am just asking on Y-o-Y basis like how was it in Q3FY20?





**Harsh Shah:** Okay I am so sorry.

**Jyoti Agarwal:** In Q3FY20 it was 89% versus 112% this year.

Abhilasha D Satale: Because Q4FY20 was again we ended up at around 110% the total like on this 112% how

are we seeing Q4FY21 because that has been the trend, Sir?

Harsh Shah: Coming to that question, it is prediction right. I think all for the last 3 years Q4 has been

typically good rather high, but this year is unique where Q1FY21 was 60% and then Q2FY21 and Q3FY21 has been a catch up. We do not know how it will pan out in terms of Q4FY21. Usually, Q4 has been great but we will have to see on how it goes in terms of for collection. In addition to that in Q4FY21, there is a new sharing regulation that is implemented where CTU is separated from PowerGrid and the new billing then the collection mechanism is put in place so there have been procedural discussions happening that who will bill whom, etc., so again this is the first time billing a new guideline that is taking place so it is very, very difficult to predict Q4FY21. I would urge you to have patience. We will communicate the results of Q4FY21 after it is done, but typically it has been better. To your second question, see my commentary was not based on the track record. Even SECI track record is extremely good and rather some of the outstanding are lesser in SECI as well, but my commentary was more from perspective of that SECI being

rated a AA entity versus PowerGrid being a AAA entity more as a general perception is what we were eluding to not necessarily their track records. SECI's track record has been

equally good like a PSU track record in terms of payment.

Abhilasha D Satale: Thank you.

Moderator: Thank you. The next question is from the line of Mahek Shah from Edelweiss. Please go

ahead.

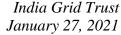
Mahek Shah: Just a couple of questions. The first one was in terms of raising equity right now.

Considering your interest rates are low would you not have referred to first raise that and may be look at equity a couple of years later? Will the leverage you probably could stretch it 50% - 65% before you do that and the second question was in the solar assets so solar

assets are also perpetually owned similar to power transmission assets?

**Harsh Shah:** To answer your second question first, solar assets are not perpetually owned. It depends.

Solar asset like is not solar because there are panels, there is glass, and there are silicon cells, so even their life is not more than 25-30 years. In many of the cases the companies own the land, which is a perpetual asset, but in many of the cases if the project is on solar power, we do not even own the land. In Tamil Nadu in such cases should be considered





zero right because we do not own the land as well. So usually there are 25 - 30 years assets we are owned by the asset life itself may not be beyond that, but in some cases we do own land, which is result into appreciation of the value over there, but this is state by state in solar.

Mahek Shah:

The asset that we have got currently how is that considered?

Harsh Shah:

The SPA asset that we have signed is in the solar park. The land is owned by the solar park. So, at the end of the concession period, we will have to return the land to the solar park. The first question that you asked was on capital. As you put it rightly, I mean in excel it is correct, but you should raise equity when the interest is at peak debt capacity, but unfortunately, I think from an experience perspective as well as business category perspective we believe that we should not wait till that level because what is important is that we do not link our growth, which has happened acquisitions through capital raising ability because those two markets do not move in tandem let me tell you that. For example, when the interest rates are low and the liquidity is abundant even the asset prices may get inflated and therefore you are buying asset at an inflated price. Now if the cycle is to reverse means if the interest rates are higher and the capital flows are lower that is the time when platforms like us can purchase assets at good price right. So, at that price if we are ready recent acquisition can capitalize our hands then we can get stuck in a cycle that your capital term extensive asset becomes expensive or rather when the asset is ready and the capital is not ready and vice versa. I think from our experience, I think at IndiGrid as well as the study of successful entities across the world in the yield platform business is that you should raise the capital when you are not necessarily capital starved, right, so from our perspective we are raising the capital to create future growth capacity, but even if it is going to be let us say quarter delayed we are not going to be, you know we are at 52%, so we will still survive, so we do not want to link these two because if we are raising, we have debt at 65% to 68% and next there is a macro event, capital event of the world, you do have the ability to raise equity capital at that time and you might be rather saving the credit crisis at that time, so we believe in managing balance sheet upfront to ensure that we always are capital available to grow.

Mahek Shah:

Thanks, Harsh. Best of luck for the next quarter.

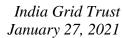
**Moderator:** 

Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss.

Please go ahead.

Swarnim Maheshwari:

Thanks, for the opportunity again. Sir, 2 bookkeeping questions, if you look at the operational availability for this quarter, you might feel was that 98%, so was that from plant shutdown or what was that exactly?





Harsh Shah: I think ENICL had certain plant shutdowns because we acquired these assets in April last

year; however, these shutdowns are not paid by us because there were certain conditions precedent, which was supposed to be completed by Sterlite Power so they are indemnified items, so the plant shutdowns are taken to correct certain parts of the assets, which may continue for shorter time or as and when they take the shutdown even the revenue loss is

paid by Sterlite power partially.

Swarnim Maheshwari: Alright, the second is on really was, what are the incentive income during the quarter?

**Harsh Shah:** Jyoti can you come in on that exact thing, incentive income?

**Jvoti Agarwal**: It was about Rs. 12 Crores.

**Harsh Shah:** It is 12 Crores.

Swarnim Maheshwari: The last one really is that if you look at our cash reserves, okay we are at closer to about

Rs.800 Crores odd, and out of that Rs.180 Crores needs to be attributed for Q3FY21 and then another Rs. 200 Crores odd for the deferral that you will be maintaining, now if you were to exclude about Rs 400 Crores odd and I believe the next two assets they are broadly going to be 100% leveraged and then we have this Rs.1500 Crores of rights that will also actually give strength our balance sheet, so this Rs.400 Crores of cash reserve, do you think that if is a big really on the hindsight and we might really not need so much cash really for such sort of contingency or some other things also, so how are we looking to utilize this

really?

Harsh Shah: I think you are right. I think this includes a couple of things, one this also include part of the

capital, which we repaid on the first week of January, so we had borrowed part of the amount for refinancing, which got done after the quarter end, so there is a part of the cash of this, which got prepaid to certain loans in January plus some of the cash reserves also include interest payable, but I think that get included because the Rs 200 Crores deferred number is slightly higher, it is lower than Rs 200 Crores, but I think the key reason of a large cash balance is on an account of our loan refinancing that we had done, which we

borrowed at the end of the quarter and paid at the beginning of the next quarter.

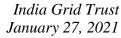
**Swarnim Maheshwari**: No, that is fair, but I think still actually sitting bit higher really is there case for some sort of

a prepayment?

Harsh Shah: Yes, exactly, that is why we have done substantial amount of prepayment in January. The

prepayment happens post quarter that is why you see the cash in the books, but the

prepayment took place in first week of January, happened already, so we have prepaid.





Jyoti Agarwal:

But Swarnim to answer your question, your Rs.300 Crores – Rs 400 Crores of cash that we would carry look at the size of the balance sheet, we are today at about Rs. 8,000 Crores of overall debt, right, so I think about 4% - 5% of cash is not that high as well if you look it from that point of view and we obviously continue to aim to optimize the negative carry right because this still have 3% - 3.5% yield, now we have also as part of our initiative to expand our borrowing lines we have set up some short-term working capital lines including CP facility, so once we get better comfort around our ability to tap into short-term, we may want to optimize this even further, but I guess with Rs 8000 Crores – Rs 9000 Crores of debt today about Rs.300 Crores – Rs.400 Crores cash is also not that higher would like to bring that perspectives.

Swarnim Maheshwari:

Fair enough, right I understood. Thank you so much and wish you all the best.

Moderator:

Thank you. The next question is from the line of Sunil Shah from Turtlestar Portfolio

Managers. Please go ahead.

Sunil Shah:

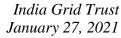
Your commendable performance to the entire team of IndiGrid, really great job done. Sir, I just have few things I need to understand, when we did the preferential with KKR and GIC, we had targeted about Rs.30,000 Crores of AUM and we are almost there, now with this proposed rights issue of about Rs.1,500 Crores, what is our target in terms of the AUM that we foresee that once we get the rights money and we shall get that we can be on the rights capital, how much we reach to that area because long-term our target is Rs.30,000 Crores, so will we reach that number or we will be somewhere in that range?

Harsh Shah:

I would just revise the question, and as I said before, we do not have asset targets because we have targets on let us say aggressive growth, so asset itself is not the target for any of us, so I would reverse the question in saying that with this, let us say up to Rs.1,500 Crores of capital, how much more can we do, right. If I take the question in that manner, with the current capital base, we could have gone up to Rs.17,000 Crores – Rs.18,000 Crores, with this we can add another Rs.4000 Crores – Rs.4,500 Crores of capacity, so this would put us somewhere  $\sim$  Rs.23,000 Crores – Rs.24,000 Crores of capacity, it does not mean that, that is our target, our target is to acquire when the time is right, the business is right, the target is right, so we are not looking to acquire based on size targets, but to give you a capacity we can reach up to  $\sim$  Rs.24000 Crores if we raise this much amount of capital.

Sunil Shah:

Fair enough. Sir, one more when you get into the amortization phase when you reach that stage, we can take that point in time will also not be affected?





Harsh Shah:

I think it depends on the business plan overall, so right now we are seeing after this capital raise that stage to be at least for a considerable period of time and we are having with them the earlier itself substantially, period of time we do not see any impact coming on this.

**Sunil Shah:** 

Just one point if I can, most of the people they are just talking about the refinancing, so at this point in time only risk perhaps in the books of IndiGrid we should be on the bunch up refinancing in FY23, FY24, FY25, and FY21 was the real slowdown worldwide even in India everywhere, now the world and everybody, everything is coming out in FY22 in terms of improvement, so if then FY23, FY24, FY25 economical everything is robust and if the interest rates increase at that point in time, so majority are worried about the refinancing risk, which we carry, so if your marginal cost is at 7.4% today, do we lock in that 7.75% or something even higher then that would be the risk is what I think most of us are worried about, just want to get a sense from that side?

Harsh Shah:

No, I think that is a very logical way of looking at things and as Jyoti mentioned we do keep doing this calculation, let me put it the other way round, let us say there are a bunch of prepayable loans or bonds in a portfolio, which we can do today, right, instead of worrying about the FY23, so at this point in time our focus has been on that that whatever is the nearer terms say for example, let us say we had a facility in an OGPTL SPV with the cost of debt of 9%, and we focused on that first and we replace that with the cost of debt of 7.6% with the same bank, so our focus is to ensure that we reduce the cost of debt as well as the refinancing of what is near term and right now we can do it and we are still keeping an eye on this FY23, I think it is a matter of cost economics, I mean Rs.2,000 Crores – Rs.2500 Crores and if you see the differential of 1.5% on an average we are talking about providing 3% of margin to debt investors, which would be Rs.75 Crores in cash, which is a very, very sizable amount to take that refinancing; however, as we come closer to the date we will see those numbers coming down and making it more allocable, so we are working on that, bit I think it needs to make some commercial otherwise it will make a big hole on a future call.

Sunil Shah:

Fair enough, Sir. All the best and thank you very much for this performance.

Moderator:

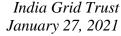
Thank you. The next question is from the line of Devam Modi from Ardeko. Please go ahead.

Devam Modi:

Congratulations on decent performance. I would just want to start by asking on, what is the cost of the IBM collaboration that we have highlighted and how does this help our optimization in terms of both cost and operational efficiencies?

Harsh Shah:

I think the first is cost wise, these are different costs starting from hardware, software implementation as well as a long-term service contract, so on a 10-year basis, if I look at it





because this is a long-term agreement, we are spending ~ Rs.22 Crores, but this is on a 10year basis let us say annually Rs.2 Crores kind of a cost that we are spending, first year maybe Rs.3 Crores because of the implementation cost, but subsequently on a 10-year basis about Rs.2 Crores per year, the synergy or the efficiency that we are seeing because of this as I said to the earlier question, you would be able to do targeted maintenance in a much more reliable way and therefore a wide I would say that is not a wide, but reduce the overall cost of maintenance that we are implementing on a Y-o-Y basis because let us say for example, for inspection activity we deploy a particular number for people for a particular line and for a higher risk line we deploy more people, but again, that is based on not exact Artificial Intelligence and right data, which is available on a digital platform, it is available based on experience as well as what people have seen on ground, but those knowledge transfer can keep changes so a digital asset management like IBM and Maximo allows us to one keep and manage of the asset in-house in the company instead of the people and the maintenance team, second it allows us to analyze the data for 15 states in different geographical terrain what is happening and then deploy the right maintenance strategy across asset base, which eventually will reduce our operating cost and increase reliability.

Devam Modi:

So, what kind of cost, I understand there will be a lot of operational efficiency synergy in the downtime will be reducing significantly or that would be the expectation, what would be the cost in terms of today versus let us say 3 years down the line because of the IBM collaboration?

Harsh Shah:

I think it is a future prediction right now, but I can tell you it will be beating inflation, so that itself is a saving. Basically, we had factored in 5% - 7% increase in AMCs in the past of all the people related cost, right now our goal is to beat inflation first, so we are focusing on that cost do not increase, that itself is a big saving assuming you know let us say the cost is today Rs.50 Crores and 2 years down the line it is going to be Rs.50 Crores plus instead of that we will maintain it at Rs.50 Crores so that is how once limited.

Devam Modi:

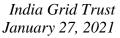
That would be a very big thing, you are saying that you will be able to maintain cost that caters to you over the long-term probably be much lower rate of interest and what is the models would have been?

Harsh Shah:

That is an easier way to evaluate that, yes.

Devam Modi:

Just on this, we are doing a rights off Rs.1,500 Crores and we have also mentioned in the PPT that we have around Rs.15000 Crores current AUM and another Rs.5,500 Crores of acquisition lined up, so let us say if we compile all this information we get that we will be reaching something around Rs.21,000 Crores odd AUM with broadly close to 59% leverage bring apart from the Rs.1,500 Crores equity raise you use that for the remaining portion of





acquisition, so firstly would that be roughly correct understanding that you will be close to 68% or something like that on around Rs.21,000 Crores?

**Harsh Shah:** Yes, I think you said about 59% to 60% right close to the recent acquisition?

**Devam Modi**: Yes, out of the Rs.5,000 Crores of asset turnover.

Harsh Shah: Yes, that seems accurate for calculation, I think obviously AUM keeps changing, but if we

add current AUM plus Rs.5,000 Crores, Rs.21000 Crores and we made in the equity it

would be approximately 60% debt to AUM.

**Devam Modi**: No, in fact it is 68% because you will at around Rs.5,200 Crores plus, so when you look at

rights issue of Rs.1,500 Crores we can necessarily assume that the whole amount can be

definitely going one go right?

Harsh Shah: No, it would not be 68%, I doubt it will be 68%, I think there is some error there, we would

be approximately 60% - 62%, so the way to look at it is, today we are at let us say Rs.1,500

Crores of AUM and our debt is~ Rs. 9,000 Crores.

**Devam Modi**: You are talking of net debt?

Harsh Shah: Net debt, yes.

**Devam Modi**: Okay.

Harsh Shah: So, it is approximately Rs.9,000 Crores, so the incremental asset that we will add is

Rs.5,500 Crores debt, if we were to do Rs.5,500 Crores that would bring our debt at Rs.14,500 Crores, but if we raise about Rs.1,500 Crores equity that will reduce the debt to Rs.13,000 Crores, so this Rs.13,000 Crores over the days of whatever Rs.1,500 crores or

Rs.1,700 crores, so it would be around 62% to 63%, not 68%.

**Devam Modi**: What is the good yield to consider in terms of revenues yield on the entire AUM in the

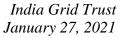
long-term considering that currently you will probably only have little bit of solar in this and I understand that the yield will change from Y-o-Y because of the various trends that will be having different transmission assets, but generally is it good to say something like

12% - 13% ballpark to be a good revenue yield on the entire AUM?

Harsh Shah: I am sorry, we have never done evaluation based on revenue yield that is a tough one, I

think we have to think about it on a revenue yields because operating cost are different,

there are curves in tariff, so it is tough to evaluate this business of revenue yield basis.





**Devam Modi**: That's it from my side.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please

go ahead.

Mohit Kumar: Thanks for the opportunity once again. Sir, I have one question, how much you have paid

for the acquisition of Parbati Koldam.

**Harsh Shah:** Sorry, can you repeat the question?

**Mohit Kumar**: How much have you paid for the acquisition of Parbati Koldam?

Harsh Shah: Meghana, can you come in and share the exact numbers for the acquisition value?

Meghana Pandit: Though implied EV including debt is close to about Rs.900 Crores on the acquisition.

Mohit Kumar: No, my question was how much you have paid for the equity consideration?

**Meghana Pandit:** That will be close to about Rs.360 Crores.

**Mohit Kumar**: And what is the regulated equity for the particular asset?

**Meghana Pandit:** Mohit, let me come back to you on that one.

**Mohit Kumar**: Sure, what is the timeline for acquisition for solar asset?

Harsh Shah: I think, we have signed the agreement, we are doing the closing related work, so it will take

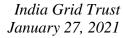
I would say couple of months for us to close in.

**Mohit Kumar**: Last one is the right issue, what kind of approvals, are required?

Harsh Shah: With respect to right issues, we are evaluating between the fast track and slow track

process, in a fast track process we will not need SEBI approval and there are certain criteria to be complied in the fast track issue and in the slow track approval if we go we will need SEBI approval besides that there are certain I would say clarification approval needed from RBI especially from InvIT perspective because that is the first time rights issue of the public in it, so RBI approval in both cases and SEBI approval is depending on whether it is

fast track or slow track.





Meghana Pandit: Mohit, there are certain procedural related aspects also because this is the first rights issue

in InVIT, so will need to evaluate exchanges processes with the exchanges and as Harsh

mentioned the approvals from the regulators.

Mohit Kumar: Understood. Thank you.

Moderator: Thank you. The next question is from the line of Danish Mistry from Investor First

Advisors. Please go ahead.

**Danish Mistry**: Good evening. Thank you for taking my questions. I have been on the call throughout and I

just had one question, you have mentioned that you are looking at a Rs.1,500 Crores rights issue, the capital raise through rights, so that implies about 16% post money dilution and if I heard correctly you also guided saying that post dilution also you will continue to maintain the Rs.3.10 paisa distribution per quarter, so I just wanted to hear whether I heard that

correctly or did I misunderstand it?

**Harsh Shah:** Yes, I think first point I would correct slightly, we are not saying we are raising Rs.1,500

Crores because it is up to number, so depending on the price and rights ratio that number can manually change here and there that one is yes, the guidance is post capital raise also

the Rs.12.4 per annum will continue.

Danish Mistry: So, it does see that you have enough of visibility to give you that comfort when you are

assuming this kind of value essentially?

Harsh Shah: Yes.

**Danish Mistry**: Alright. Thank you so much.

Moderator: Thank you. The next question is from the line of Rushabh Sharedalal from Pravin Ratilal

Share & Stockbrokers. Please go ahead.

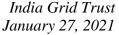
Rushabh Sharedalal: Thanks for the opportunity and congratulations on good set of numbers. Just wanted to

understand on the price of rights issue, if you can put on some colour what sort of price will

it be, will it be more than or less than NAV?

Harsh Shah: I think tough to give a colour on that right now Rushabh. We have not yet finalized the

rights issue detail as we said that we are though the board approved today the capital raise, which is an intermediate in principle approval, the pricing as well as the final sizing is going to take place once we have the certain approvals in place, so we don't have





predictability on that front, so unfortunately, we do not have the answer for that right now, but I think directionally it is rights issue so people would get a chance to participate.

Rushabh Sharedalal:

Right, and just wanted to understand one more thing on your corporate structure where I am referring to slide #23, a couple of quarters back you were also in consultation with the NCLT to remove IGL1 and IGL2 from the structure, so that you can give the distribution in the form of dividend, which is better for the investors, so any progress on that front if you can just highlight that?

Harsh Shah:

I think Rushabh, these are different points, one we are evaluating intermediate holding companies as well as merger of assets, but that is a very large merger of Rs.10,000 Crores to Rs.15,000 Crores assets with regulatory approvals, tax impact, etc., so we are evaluating that right now; however, that is not with the objective of creating dividend out of the portfolio that is with an objective of making a simpler operation, simpler compliances and overall governance structure having IGL1 and IGL2 has no impact on the dividends. We are paying interest on the majority part of our distribution or all part of our distribution because the majority capital is invested by IndiGrid in the subsidiary directly as a debt even if we were to merge we have assets into one together that capital structure is not changing that would still remain the same, so these two are different aspects altogether and as you know we have explained in certain earlier calls let we start providing the dividend there is going to be a 25% at the InVIT level first of all it is actually difficult to reverse this capital structure, but even if it was to be done there is a 25% tax that will be there at the SPV level and then the dividend would be provided to investors and that will be in hands of investors also taxable, so I do not think that dividend arbitrage, which people talk about in the past exist after dividend stock has been taxed.

Rushabh Sharedalal:

Thanks a lot. I think that is very useful. Thank you, Harsh.

Moderator:

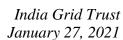
Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Sumit Kishore for the closing comments.

**Sumit Kishore:** 

On behalf of Axis Capital, thanks a lot for giving us the opportunity to host this call. Harsh, do you have any closing comments?

Harsh Shah:

Thanks, Sumit. I will just thank everyone to join the call. Our focus is as I mentioned earlier is to focus our strategy on simple business models, which is on stable predictable operating cash flow and increase, increase it over a period of time and maintain a healthy balance sheet and I think this quarter marks another term of event in our history when we have increased the DPU on a quarterly basis as well as decided to announce a capital raise in the coming future, which is closely in link to our strategy of providing predictable DPU to our





invertors and grow, which is distribution and growing the distribution and supporting that as a healthy balance sheet by raising capital at the right time. So, we are a path to success what we had envisaged few years ago and I would like to thank all the investors and stake holders for participating in that. Thank you.

**Moderator:** 

Thank you. Ladies and gentlemen, on behalf of Axis Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.