



**“India Grid Trust  
Q3 FY2022 Earnings Conference Call”**

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**ANALYST: MR. SUBHADIP MITRA - JM FINANCIAL**

**MANAGEMENT: MR. HARSH SHAH - CHIEF EXECUTIVE OFFICER - INDIA GRID TRUST**  
**MR. SATISH TALMALE - CHIEF OPERATING OFFICER - INDIA GRID TRUST**  
**MR. JYOTI AGARWAL - CHIEF FINANCIAL OFFICER - INDIA GRID TRUST**  
**MS. MEGHANA PANDIT - CHIEF INVESTMENT OFFICER - INDIA GRID TRUST**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of India Grid Trust hosted by JM Financial. 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. Subhadip Mitra from JM Financial. Thank you, and over to you, Sir!

**Subhadip Mitra:** Good afternoon, friends. On behalf of JM Financial, welcoming you all to the Q3 FY2022 earnings call of India Grid Trust. We are joined today by the senior management team led by Mr. Harsh Shah, Chief Executive Officer, Mr. Satish Talmale, Chief Operating Officer, Mr. Jyoti Agarwal, Chief Financial Officer and Ms. Meghana Pandit, Chief Investment Officer. I would now request Mr. Harsh Shah to begin with his opening comments followed by the Q&A session. Over to you, Harsh!

**Harsh Shah:** Thank you for having us and thank you everyone for joining us in this call. I will take you through the presentation which is available on stock exchanges and our website and I will have my colleagues, Mr. Jyoti, Meghana and others talk about certain facts of the business and we will go for the question-and-answer session after that.

To start with I am on slide #3 where our vision is slated and our vision remains to become the most admired yield vehicle in Asia and we believe we can achieve that if we have focus on the below four pillars - Focused business model which is long term contracts, low operating risks and stable cash flow; Value accretive growth, DPU accretive acquisitions and creating future growth pipeline; Predictable distribution which we are working towards and quarterly consistently provided distributions; and Optimal capital structure, consolidated leverage cap and keeping the platform well capitalized.

Next slide #5, a snapshot of our company. We are India's first power transmission yield platform and also one of the largest power yield platforms in India. We have about 21,000 Crores worth assets under management across most states in India. We have about 7,500 circuit kilometers and around 13,500 MVA of substation capacity. Our projects are peculiar in nature and we have a residual contract life for about thirty years in terms of predictable revenue. Going towards the update on the Q3 FY2022 performance, the first thing I will talk about is on the sector trends. Our sector is becoming exciting with the development that are panning in India as well as across the world. We can put these trends in 3 buckets: technological disruptions that are happening, shifting of demand patterns and regulatory dynamisms.

To talk about how the demand patterns are shifting, I think we have been listening to and following how the peak demand has been growing on a consistent basis in the country and much beyond that as well we see that government narrative has changed. like 5 years ago, we would have heard about “providing electricity” or making “electricity reach” rural India, but with the current programs over the last five years or so the narrative is towards “reliable electricity” as the focus. As such electricity has reached substantial part of the country, but reliability has become the focus, which is why we are going to see more and more consumption growth happening in the sector.

Beyond that if one takes a 10-year trend, EV is going to be a game changer especially for a country like India, which imports its fuel essentially and has a geopolitical implication of being import dependent. If India can make a transition to an EV economy, we believe the consumption is going to be substantially high than we have predicted. Certainly, there are challenges in this story but if one takes a 10-year view, we believe we will achieve it compared to what was 10 to 15 years ago and therefore we are positive about the growth in the sector per say in terms of electricity consumption. The second part of it is technological disruption which is to do with reduction in cost of renewable energy and storage technologies and why that is important is because the variable cost remains to be minimal for these energies, the capex cost have reduced which it has, we see tremendous amount of benefit to the country, and we know we are one of the largest in the world in terms of incremental installed capacity with respect to this.

We believe that this ecosystem will grow, and further cost supports would make the sector become a self-servicing sector in the years to come. The last one is about the regulatory dynamics and one of which is eventually what we need is a GNA, which is general network access rules – the draft rules that were announced recently and we believe that is something which will enable the country to tap in the cheapest power from the cheapest location, it should require tremendous amount of investment in transmission. Second is de-licensing of distribution, I think while it has not been a huge success in terms of execution, directionally the plans, the policy has been used in the right direction to resolve the customer side issues. We believe that with these three things moving in tandem, we are looking at recording a decadal growth in the sector and with the involvement of technology and new age investments, we are really hoping that it will not remain an industrial sector, but it will move towards a technology-based sector.

Currently, our quarterly results for December 2022 have been robust and the highlights are that the EBITDA grew by ~32% year-on-year and DPU increased by ~3% year-on-year, last year it was 3.1 now we are distributing ~3.19 as a run-rate. Quarterly collection - we collected ~103% in Q3 FY2022, which is in line with general season collection trend. One more important update is that KKR through its entity has acquired 26% residual stake in

IndiGrid Investment Managers Limited from Sterlite Power which means that KKR owns 100% of the investment manager and is also the Sponsor of IndiGrid. Coming to the next highlight of the business is we are maintaining our well capitalized balance sheet; our net debt ratio remains at about ~56% versus the CAP of 70% and we have sufficient headroom to acquire assets as and when they are available, and we continue to maintain good, capitalized balance sheet.

Coming to the third part which is resilient asset management which has been our focus from the beginning. Our average availability is ~99.53% in this quarter, which is lower than the maximum availability however in this quarter we have done a few reliability related planned outages because of which our availability is down for this quarter but on an annual basis we are going as per plan. Resilient asset management with respect to DigiGrid that we spoke about a few quarters ago which we are implementing as a digital tool with IBM. We have implemented this across 8 SPVs and balance we are expecting by this fiscal end which means we will move to a completely digital way of asset management by the end of this financial year. We acquired ERS (Emergency Restoration System) this year and we have deployed it across different parts of the country as well as trained our team members to be able to restore the lines in case any untoward incident was to happen. With respect to our CSR projects across the portfolio we have following themes - education, healthcare, rural development projects and in a big way green initiatives.

Last one is a strategic decision that we took in the last quarter where we won our first TBCB bid to establish Transmission system for evacuation of power from RE projects (1GW) in Maharashtra on a Build Own Operate and Maintain ("BOOM") basis. It is about 16.7 Crores of levelized tariff, relatively small project. However, it just allows us to exhibit our execution capability and creates an organic growth pipeline for the platform. We believe that such organic growth opportunities by utilizing our excess NDCF and reserves plus using our debt headroom capacity we would be able to create compounding of additional cash available by channeling this towards the development side of the business. We intend to keep it limited in size; however, we intend to grow this eventually to ensure that we create an organic growth pipeline. The next part of the presentation is about the operation highlights of the quarter. I would like to invite Satish Talmale, who is Chief Operating Officer, of India Grid to take us through.

**Satish Talmale:**

Sure, thanks. So, I would like to share the operating performance for the quarter, so on availability performance we achieved 99.53%. Again, this is a consistent performance quarter over quarter and then we will always have an effort to improve it better, but as Harsh has rightly said we planned couple of scheduled outages to take care of few annual shutdown activities further in this quarter. On the reliability again in the previous quarter, you might have noticed that indicator was same at 0.10, which means how many number of

trips happened across the portfolio, so we are consistently maintaining, and we are stabilizing here and again efforts will be put to improve it at next level, but this is the best in class record reliability index what we are monitoring for the asset.

Digital Asset Management platform - it has gone live for 8 assets and seamlessly got implemented for these 8 assets and by the end of March, I think we are going to complete all the assets under portfolio to manage all our day-to-day operating activities in a digital manner. Emergency preparedness - ERS has been already inducted and teams have been trained to take care of any such emergency event, so now there is a huge amount of confidence in case any *force majeure* kind of events happen, we will be able to restore the system within the time limits as advised by regulations. On EHS, again, as a culture very proactive reporting and closure of timely unsafe act and conditions having continued. We had very minor two injuries in the portfolio in Q3 and those have been mitigated quickly and lot of corrective actions and preventive actions are being planned around that, but the focus on zero harm is being continued. Just a quick bit on COVID, as we all know, Q3 we had a lot of stringent restrictions, the way the operations have to be carried out with respect to the number of people, lot of outages were planned but all the outages were carried out very safely without any much larger COVID impact.

All the business continuity like substation operations, which happens 24/7 continued and there was not any impact due to COVID issues. Last, we have 100-megawatt solar power plant, that has also delivered the generation though not as expected because of bit of cloud cover and local events in that area, but I am very hopeful that we will catch up in the coming quarter on the solar performance. That is it Harsh, back to you.

**Harsh Shah:**

Thank you, Satish and as you go from the financial performance, Jyoti, can you please elaborate on that.

**Jyoti Agarwal:**

Thanks, Harsh. I will take you through financial performance for the quarter. So, in this quarter, we clocked revenues of ~INR 571 Crores and EBITDA of ~INR 518 Crores, these were healthy ~32% higher compared to corresponding quarters of the last year on the back of acquisitions that happened during the intervening period. We also generated an NDCF of ~INR 259 Crores, which was ~17% higher on a year-on-year basis and as already mentioned by Harsh, we are in line with our guided DPU of INR 3.1875 and the board has declared that for the quarter, which is higher than the corresponding quarter of last year by ~3%. If you take a slightly longer-term trend of the last 4 and 5 years, then we do demonstrate a very healthy revenue as well as EBITDA growth of more than ~50% over that period, this is largely on account of very value accretive acquisitions that we have done over this period and this trend, hopefully will continue going forward.

The collection trend for the quarter has also been in line with expectation. Collections are at ~103% and while this is slightly lesser than the corresponding quarter of last year on a year-to-date basis, the collections are very much in line with what happened in FY2021. So, these are actually better than last year at 54 days this year compared to 70 days the corresponding period of the last year. I will move to the distribution update, as already mentioned, the board has declared the distribution of INR 3.1875 per unit, which is in line with our DPU guidance for FY2022 of INR 12.75 per unit for the year. The breakup of this distribution is it comprises of ~INR 2.66 as interest and ~INR 0.52 as capital repayment. The record date for this distribution will be February 2, 2022, and the tentative timeline for distribution will be around February 11, 2022.

The NAV for the quarter is a little bit higher than INR 132 at INR 132.53 including this quarter distribution in degreeed has distributed in excess of INR 55 a unit amounting to more than ~INR 2700 Crores of money to investors and based on current visibility, we should be in line for quarterly DPU run rate of 3% or 4% year on year growth. I move forward to the bridge between EBITDA and NDCF, so, EBITDA this quarter of ~INR 520 Crores adjusted for the finance cost at the SPV level, marginal debt repayments and working capital movement and capex and tax, this translated to an NDCF at the SPV level for an amount of about INR 492.4 Crores. Adjusting this for the expenses at IGT level, finance costs and tax, the gross NDCF generated which is available for distribution in this quarter, at the Trust level is ~INR 259 Crores and we are distributing ~INR 223.2 Crores as guided for this particular quarter leaving a reserve of ~INR 35.4 Crores to be added to the existing NDCF Reserve.

With this addition our NDCF Reserve would stand at ~INR 152 Crores and given that there is one quarter remaining, we are well in line to meet if not exceed the reserve amount that we started the year with. You might remember we started the year with a reserve ~INR 170 Crores. We are already at INR 152 Crores with one quarter to go so we should be based on current visibility exceed the opening reserve at the end of this financial year. We move to the next slide which talks about our balance sheet composition. I mean we do have a very robust balance sheet, AAA rated, well diversified debt book between the capital market as well as the loans and each of these constituents well diversified between the various players. ~76% of our borrowings are fixed rate, so we are sort of immune to any interest rate risks that might be there out in the market. The marginal cost of debt for us in this quarter was ~7% and this is well below the average cost of debt of ~7.81% at the end of the quarter and given the marginal cost continues to be lower than the average cost, there is sufficient headroom to see a further declining average cost curve for the coming few quarters.

If you look at the repayment profile, we have been able to extend the repayment profile quite a lot as well as even it out and it is well within ~INR 1,500 Crores for each of the

years other than FY2023, but here again out of the INR 2,400 Crores, which is coming for repayment, we have been able to tie up already through an advanced loan facility almost INR 650 Crores almost 25% is already tied up at very attractive rates and for the balance, we are at very proactive as well as advanced discussions with a variety of lenders both in capital markets as well as in the loans and see no challenge to be able to refinance this particular amount at rates which will be sufficiently lower, significantly lower than the legacy rate at which these loans are being carried. Now, I will hand it over to Meghana to take through the next part of the presentation.

**Meghana Pandit:**

Sure, thanks Jyoti. I am on slide #14. Culmination of all our efforts in terms of acquisitions and robust asset management, we can see, we have been delivering consistently superior risk adjusted total returns. Our total returns here consist of distribution that is already INR 55 per unit over the last 19 quarters, and the price change of about 58%, which leads to a total return of 114% since the time we invested in June 2017, on an annualized basis it translates to 18%. This if we compare with pure debt instruments of G-SEC bond 10-year as well as 30-year, it has outperformed and at the same time, if we compare it with pure equity portfolios like NSE, Infra index, BSE utilities or even individual stocks within transmission sectors, you can see that IndiGrid has significantly outperformed. An important metric to also look at is the beta which provides what is the volatility that the stock has vis-à-vis the market and you can see that our beta is the amongst the lowest - 0.05, which translates into a very significantly superior risk adjusted return for the investors.

Moving ahead, as we look to FY2022 last quarter, our pillars of focusing on portfolio growth continues. We are seeing significant pipeline getting added with respect to the bids, which are coming up, already 400 billion worth of tenders have been notified by CEA. In addition, all of us are aware about the national monetization pipeline, which talks of almost around INR 450 billion worth of transmission assets likely to be monetized. In addition to that, on the Kallam Transmission Limited, which is recently Greenfield asset that we acquired, we are focusing on timely execution over the next 15 to 18 months.

The last of the framework assets - Khargone Transmission Limited, has also achieved COD in December, so we are looking to acquire that project as well from Sterlite Power, in addition to other operational solar and transmission assets. Jyoti already mentioned we are very much looking to cover the DPU guidance of INR 12.75 for FY2022 including the fourth quarter. On the balance sheet part, the refinancing opportunities in FY2023 and otherwise, we are to proactively looking to elongate tenures as well as to reduce the interest costs and are comfortably placed there, in addition to maintaining adequate liquidity measures in place. On asset management side, our focus on maintaining more than 99.5% availability continues to be there with focusing on certain self-reliant O&M practices. DigiGrid, we have already spread across 8 assets, we are looking to cover that across all our

portfolio by end of this fiscal and at the same time ensuring world class nature EHS and ESG practices.

On the policy advocacy front, we have seen reduction in lot size, we have seen expansion of our debt sources. In addition to that, we are now also working on certain policy initiatives to remove the tax anomaly between equity and InvITs in terms of holding periods for capital gains or also including InvITs and REITs as part of various indices. So, we are working with the exchanges on that matter. All in all, essentially our focus remains on providing superior total returns and at the same time maintaining the sustainable growth in DPU without losing focus on operations per se. With that we close the presentation and I think we will open for question-and-answer session, please.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

**Swarnim Maheshwari:** Thanks for the opportunity and congratulations for a decent performance. My first question is for Jyoti, so if you see, there has been a very sharp spike in the 10-year G-SEC and interest rates are likely to go up, so I mean, do we still expect our blended cost of debt to come down from current 7.9% or do we expect some sort of reversal over the next 3 to 4 quarters?

**Jyoti Agarwal:** Good question, Swarnim, you are right, I think the interest rate environment is towards the hardening side, but given that there is a sufficient headroom available, in terms of our marginal cost of debt being significantly lower than the average cost, we still feel that we will have headroom to lower our average cost of debt over the next 2 or 3 quarters. You must also remember that the debt which is coming for refinancing is not at the average cost but a significantly higher rate because they were locked in at a time when the interest rate in a very different trajectory, so if you look at the net delta, the existing rate at which the debt is getting refinanced versus the new rate at which we are borrowing, there is a significant delta, just to give you an example, there is a INR 1,400 Crores NCD facility due in June this year, which was locked in at 9.1%, and our marginal costs this quarter is at ~7%, so even if you see a little bit of headwind and it goes up a few basis points, still there is significant room to continue to optimize on the average cost of debt, so to answer your question, we would have been able to do a much lower rate of financing if the interest rate environment was more benign, but nevertheless, even with a slightly more adverse environment, there is sufficient headroom to continue to reduce our average cost of borrowing over the next 3 or 4 quarters.

**Swarnim Maheshwari:** Got it, that is clear, right. Thank you. Secondly, we have already forayed into the Greenfield transmission assets now, so what is really the benchmark for us that we would be targeting,



what should be the percentage of AUM for this under construction assets as a percentage of the overall AUM, do we have any kind of benchmark, so can under construction be about 5% of the overall AUM?

**Harsh Shah:**

Swarnim, Harsh here. I think we are looking at it as a strategic path, we do not necessarily have a percentage in mind at this point in time. As you already know, SEBI has put in a cap of 10% but that is going to be a maximum percentage that we can reach at any point in time. However, our plan is to focus on two principles, one is that there are certain projects that we like because of the risk-returns for that project, so certain risks are lesser and we feel they are digestible to us and if the returns are interesting, we will go for that. If it means that there is a very good opportunity which allows us to take lower risk project for better returns, yes, we may reach 5% or even cross 5%, but on the other hand, if we see that there are no such opportunities available, we remain at 1% or so. So even 5% a sizable number for us today, 5% would be around INR 1000 - 1200 Crores of overall development AUM, so at this point in time, we do not have a goal to reach there, we are looking at it incrementally, if we find opportunities which are interesting, we will go for it and if we think it is not worth, we will not go for it. We will remain at low percentage, so looking at it in an opportunistic manner, but also strategic because we want to develop our assets into the capability that we can do it right, and that is how the process is done, but opportunities are assessed which makes sense to us without doubt.

**Swarnim Maheshwari:**

One more last question, so when we had acquired FRV the valuation framework was very different and I think over the last 12 months or so the valuation framework for renewables has changed, so do you see that any kind of acquisitions at the current valuations that you will start that would be value accretive for us and we still searching aggressively for renewable assets, that is it from my side, thank you?

**Harsh Shah:**

I will just address the last one, we are not searching aggressively for business, we are not an aggressive company, we are not an aggressive entity, I think our focus is to do the right capital allocation and play the capital cycle in an efficient way with the right vision, we were never searching aggressively for assets. Having said so, I think your assessment is right, in renewable space especially in solar, the valuations at which transactions were happening are, I would say expensive and we keep looking at assets, but if the valuations do not stack up we are happy to walk away for example, we decided we will do solar, we acquired FRV a year before and since then we have not found valuations to be attractive and we are okay with it. If you do not find the asset in the right value we are okay with it because at the end of day we are in a capital allocation business and capital cycle will turn around and we are seeing part of it playing out in the monetary cycle and costs of inputs as well so eventually we will feel it will prevail if one is able to take a five year view and fortunately at our scale as well as the stable business that we have in transmission, we are

not in a hurry and we can take a five year view and say let us wait on cycle turning around, consolidation will start and we may look at assets which are available at a better price, so we are happy to wait. To address your question, yes, asset prices have inflated substantially in solar, and we have not seen something interesting and that is the reason we have not acquired anything yet.

**Swarnim Maheshwari:** Fair enough, Sir. Thank you so much and wish you all the best. Thank you.

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

**Sarvesh Gupta:** Good afternoon, Harsh and congratulations for another steady quarter. So, first question is for your DPU growth as such, one of the levers is reduction in the cost of fund, but in the absence of that given the commentary on solar assets, we may not find any interesting assets for a while and somewhat slower execution in terms of the newer deal based project because that is started with and percentage allocation would be lower, so do you see any other lever for DPU growth apart from deals because it looks like an environment where you cannot increase AUM much, so that is question number one. Second is more of a long term question, have you done any analysis on EV adoption in India rise to a particular level, let us say 30% or 40% and in that case what kind of electricity demand and hence what kind of additional transmission capacity will be required and you see any action on the ground towards that which may help us being larger, do you see any additional investments being made to come up to that, I mean first of all one needs to understand the delta itself because the EV adoption is going to be large, so is the first part of that question and secondly do you see anything related to that on the ground?

**Harsh Shah:** So, I will take your first question first, today we are distributing at INR 12.75 a unit, which comes to around INR 892 Crores or 900 Crores of NDCF figure on yearly basis. A 3% growth on that is what we are looking for and what we have done in the past is about INR 30 Crores odd of NDCF growth, right, and if you look at our YTD NDCF we are substantially higher than the 3-4% growth that we are promising and that is one of the reason that our reserve itself today is about INR 160 odd Crores and if we continue with this run rate on collection our reserve will be higher at the end of financial year. So, this enables us to, or rather let me reverse it, we can increase DPU this year itself if you wish to do it just based on the current assets, we are not dependent on new assets necessarily to increase DPU, the assets that we have already is sufficient to provide the DPU growth. So we do not need to worry about what will happen if we do not acquire new asset this year, how will the DPU growth take place and that is the whole strategy from IndiGrid side, that we do not look at the business in a one year horizon, we look at the business over a longer horizon, it enables us to take long term decisions for example, when I said that if the assets

are not interesting, we do not buy assets for one year, we still have a sizable DPU that we have earned in the last few years and provide DPU growth still. So, the cycles are longer in infrastructure, and one should look at every year acquisitions which will result in every year revenue and DPU going forward.

Second, as Jyoti answered, our marginal cost of borrowing is still substantially lower than our average cost of borrowing and if you look at our FY2023 there is about INR 2,400 Crores of refinancing taking place in FY2023, which is at least 150 basis points more expensive than the incremental cost of borrowing, so even if we were to execute just INR 2,400 Crores refinancing that itself will result into 3% to 4% DPU growth for FY2023 theoretically. In addition we are insulated from interest rate increase to some extent because our FY2024, FY2025, FY2026 repayment is substantially lower as you can see, so even if the interest cost was to go up from here, we are still talking about less than 10% of our cost of borrowing going up, so we have a balance sheet which is interest rate resilient today even if the cost was to go up in a year's timeframe and we have a shorter term opportunity to refinance, which will result in a substantial NDCF accretion, so your hypothesis is that interest rates are going up that will result into lack of NDCF is incorrect because we are on the other side of the curve where DPU growth itself might happen from interest rate reduction because the interest rates where we are refinancing are higher cost capital structures and we are getting into a much lower cost in relation to that. And the third is we still have substantial headroom for acquisition, so we are today at 56% and we want to go to 70% we can buy assets worth INR 5,000 Crores to INR 6,000 Crores at a substantially cheaper incremental cost of capital, which will give us sizeable growth. Now at what IRR we acquire the asset is the decision that we make depending on type of assets and what is available, but as I said we are not dependent on a particular asset to acquire or something to happen to provide DPU growth, we have sufficient reserves based on the current assets which creates a waiting capacity for the right time and in addition to that we clearly see the next INR 2,400 Crores yielding a NDCF bump because we are refinancing higher cost debt with substantially cheaper cost, so we are conveniently placed on that.

On the second question on EV, we have not done any study, but it is a vision to be honest. Directionally we do not know how much EV adoption will happen, the key driver remains the cost of vehicles coming down and that has nothing to do with electricity, electricity costs are substantially cheaper to make it viable, but the cost of battery, cost of vehicles coming down is manufacturer's play and while the government push is there, we need to wait and watch if cost of vehicles come down materially by 35%, but let us say 35% is phenomenal, even if we work 30% to 40%, imagine at 20% / 30% oil and gas sector getting added to electricity sector in terms of value, so that is the size we are talking and if that much of size is getting transferred to electricity sector then about 10% of that investment will come from transmission more or less, so that is a very high level rule of thumb one can

look at, but we have not done a specific study around that and it would take at least five years it is not 10 to really reach that 30% / 40% penetration.

**Sarvesh Gupta:** Understood. Just one more follow-up, so I think the percentage of our borrowing which is coming through fixed debt that can become lower than what it was a couple of years back and is there any policy or a rule at the board level that we will not come below certain number because revenues are fixed, so how do you manage that risk and has that number come down?

**Harsh Shah:** We do not have a rigid policy number on a particular percentage over there, I did not think it is prudent to have too, and if I see on the borrowing side, we have diversified that means we want to maintain a healthy mix between capital market instruments which provide long term fixed rates and banks which have a restriction of fixing rate for a longer period of time, but on the other hand they have made capital available for really long period of time, 15 years, 17 years. So we strike a balance between the two and today also I would presume we are about 76% fixed rate borrowing which is sizeable and 25% is floating based borrowing which is largely from banks which is really a long term capital and substantially cheaper capital as of today, so very obviously I will add between the interest rates moving up or moving down with respect to bank cost borrowing and we will leave that 25% as a healthy mix, because this when we say floating it does not mean it is short term, it was a long term capital at a floating rate and there is a tremendous value in having long term capital even if it is floating rate which ensure that you are less prone to shocks in the capital market, because capital market the way it is in India, you can save for a quarter or two sometimes whereas on the bank side, it is a far deeper and stable market, so it is a healthy balance that we maintain and our focus is more on maintaining balance at balance sheet level for risk management rather than optimizing cost for a particular time.

**Sarvesh Gupta:** Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Subhadip Mitra from JM Financial. Please go ahead.

**Subhadip Mitra:** I had a question with regarding to the TBCB landscape, so we keep hearing about a new surge in TBCB related ordering that is going to happen and we hear TBCB pipeline being as high as INR 24,000 Crores in the current year, just wanted to understand your perspective of how you see this resurgence and transmission capex and do you see this kind of trajectory continuing for two to three years?

**Harsh Shah:** My outlook is that transmission market again, it is not a year-on-year market, every three years what happens is one year there is a peak ordering of INR 50,000 Crores other year,

there is a gap and suddenly there is the mid-year of INR 20,000 - 25,000 Crores, it does not work in a linear fashion unfortunately, so one needs to take a two to four year outlook of this sector. I think current year is great because as you rightly said, there is INR 20,000 – 24,000 Crores of tender that we clearly see, which is I would not say a phenomenal year but a decent year in terms of pipeline. I think even for FY2024 and FY2025 this momentum will continue, I do not know suddenly if there is a INR 50,000 Crores plan, but this momentum will surely continue and the directional inputs that we see is that Ministry of Power is incrementally reducing the layers which were delaying some of the bids to come out, there were two layers at NCP earlier, now there is a one layer of a committee and all that so that it makes the process faster. In addition to that, GNA draft is out and the ministry really wants to make GNA a success. GNA can only succeed if there is more investment in transmission, there is no other way. GNA is like just to have more transmissions, so that we can evacuate power more efficient. So clearly at a policy level, the direction is to make GNA work which is the right decision and to make GNA work, the investment in transmission is to be required and I think all the power sector planners understand that very well and therefore may be for one year there can be a lag, you know bureaucracy and pipeline make take time, but it will catch up in the next year, so eventually if it is three year horizon, I am pretty optimistic that there will be number of bids that will come out.

In addition to that, for player like IndiGrid we also are looking actively at state monetization routes, so we are seeing after NMP tremendous amount of emphasis from the Ministry of Power to state to look at monetization of their state transmission asset as well which honestly is a very, very large market. However, we do not know when that will come out specifically; however, the committees are formed, CEA is looking into it, there has been a lot of debates and discussion with private sector guys as well, so the intent is in the right place. And if that is the case, I don't see why should there not be an Odisha like auction that happened in distribution, in transmission as well, so we are optimistic on that part, which is coming in large chunks, so for us we have a wider set of targets as opportunities.

**Subhadip Mitra:** Thanks Sir. This is very helpful. Lastly also we hear of PGCIL coming to the market, they are to also offload their TBCB project I think the number that they are touting is every year you look at INR 10,000 Crores to INR 15,000 Crores, can that also potentially be a market for us?

**Harsh Shah:** Sorry, can you repeat that?

**Subhadip Mitra:** What I meant is Power Grid's TBCB assets as they mature, they are also looking at offloading those into an Invit platform and as I understand that PG Invit does not have ROFR, so is that potential market that you can look at?

**Harsh Shah:** Certainly, we will be looking at that and I hope Government of India runs a transparent bidding process as it should be run, because at the end of the day Power Grid is owned by taxpayers money and for a government owned assets it is important that the international transparent bidding process is run and if the transparent international bidding process is run, we would be very active and happy to compete for this.

**Subhadip Mitra:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Kayur Asher from PNB Metlife. Please go ahead.

**Kayur Asher:** Congratulation for a good set of numbers and thank you for the opportunity. I have a couple of questions. Just on the foray into Greenfield solar, if you could talk about our internal capability in executing them and what kind of IRR are we looking at in this particular segment?

**Harsh Shah:** We have substantial amount of capability internally and I think between the leadership team, many of us are people who built some of the assets that we have acquired from Sterlite as well and many of us are also people who built assets and are continuing to do O&M at an operating level, so we have teams which is built thousands of kilometers of line, designed them, build them on their own, etc., in their earlier roles. So, in terms of people capability, we have substantial amount of capability in-house to develop assets. We also have a separate vertical within the company to ensure that our basic O&M function is not mixed with the construction team, so development team is built in the company, we have sufficient capability on the front of development side of the business. On the IRR, we avoid giving specific numbers, but we look at least couple of 100 bps higher than operating projects IRR in a development stage, but again it depends. If it is a risky project, we would like to do higher return project, but we do not plan to do riskier projects in IndiGrid so about 200 to 300 bps higher IRR is the optimum IRR is what we look.

**Kayur Asher:** Thank you. This was helpful and secondly on the availability performance in this quarter, specifically on the outage seen in one of the assets, can you help us understand the impact of this on the financials, I understand there are penalty involved if it goes below 98% so some light on that?

**Harsh Shah:** Actually there is not material impact on the financials on account of this because the incentives and penalties are on a cumulative basis typically and while we are presenting Q3 number, the cumulative numbers from Q1 to Q3 is decent, so we are not really impacted materially, so there are very limited financial impact in single digit rather very small real impact, it does not impact us in a material way and some of the issue that we are seeing in

penalty, we are also looking to recover from insurance, so honestly it will be a very, very small impact.

**Kayur Asher:** Understood and lastly any expected timeline on KTL?

**Harsh Shah:** KTL (Khargone Transmission Limited) is commissioned and that is what we understand, we will be following the framework process and as per agreement we would start due diligence soon and then we will be able to communicate when we will be acquiring.

**Kayur Asher:** Thanks.

**Moderator:** Thank you. The next question is from the line of Mitesh Shah an Individual Investor. Please go ahead.

**Mitesh Shah:** Congratulations to the management team for good set of numbers. There is a 97% availability for NER transmission line so I think it is also covered under the insurance, so just any color on what can be the cash flow shortfall and by when generally it can be recovered. Second question is basically is there any disruption in the sector from a long-term perspective which we could be looking at for example wireless electricity transmission or something on those lines. My next question is that IndiGrid InvIT units are not allowed to be pledged as margin, other exchange traded instruments like shares of Reliance or self-fund etc., are allowed to be pledged as margin, so this has not yet done it and I think in the last conference also this question was brought up, if the management team can explain? Thank you.

**Harsh Shah:** Coming to your first question, we just addressed it, as I said it is a very, very little real impact like single digit impact, so we do not really see it as larger impact. The second question is wireless, I think for a decade people have been talking about it. The transmission is driven by physics in terms of transmission of electricity and it has not changed over the last 50-60 years, does not mean that it will not change but I think the technology that can disrupt this is at the early stage is what I believe and I will give you a parallel, we have heard about 5G rollout and 5G rollout is nothing but a microwave in the air and we all heard about the environmental issue, issue on the birds, issue on the flights in the latest discussion. Transmitting electricity in the air is going to be a million times more powerful waves in the air because energy is not changed if you want to transfer 100 megawatt hour of energy then it said that much of energy needs to transfer via wires in wireless which is the millions of times more heavier waves than 5G waves that we have been talking about so the widespread use of wireless is at primitive state in an extremely narrow, shorter distance manner, so we are not really worried about that kind of disruption in the sector today. The real disruption that people are thinking about on the ground is a

microgrid that you do not need transmission altogether which is a business model disruption rather than technological disruption, but again electricity is the cheapest form of transmitting power, so it will always be cheaper to produce electricity where fuel is best so there will always be Rajasthan which will be cheapest source to produce electricity and transmitted to rest of the country, so the microgrids will co-existed with the main highway or the main grids, but other than these we do not see a material amount of disruption in the business per se on that front. Also, I missed the third question.

**Meghana Pandit:**

I think that was on the margin.

**Harsh Shah:**

What we would request is Mitesh, why don't you write to us. See as a company or as a InvIT we writing to exchanges and SEBI, we do not get the same kind of response because as a company cannot say that allow our shares to be pledged, so investors need to write to us, we are happy to forward those mails if we receive formal requests to SEBI and exchanges. InvITs standalone does not have a locus standi to go and say allow our shares or units to be pledged, it looks very awkward so we would request investors to write to us that will enable us to write to exchanges that look this is what our investors are looking for, can you work around that so we would request you to write to us.

**Mitesh Shah:**

Thank you.

**Moderator:**

Thank you. The next question is from the line of Nimish an Individual Investor. Please go ahead.

**Nimish:**

Congratulations on good numbers and thank you for the opportunity for me to ask a question. I am also from long term investor point of view just as a previous investor, what I just wanted to look for any attractions or pointers for investments or incentive at this market price given that our right issue was at 110, what is the target AUM and target DPU in next maybe two to three years FY2024 or FY2025 and any other attractions which you can give incentivize the long-term investors? Thank you.

**Harsh Shah:**

Thank you. So, I will give you a very small answer on that. As you can see we as management cannot give incentives, we cannot predict prices, it is not our role, but I can tell you we have been guiding for a stable DPU and if you look at our track record over the last five years, we have grown quarterly DPU from INR 2.75 to 3.19 which is now 3% growth on a year-on-year basis and as we have guided in the past also whatever DPU we have forecasted for the year, we keep it in a way that it is a stable DPU for a long period of time and on annual basis, we will give a forecast of DPU growth at the last quarter so we have provided for DPU growth guidance for FY2022 and we are on track to achieve that over the last three quarters. For FY2023 we will be giving guidance in Q4 with full financial year



results. However, as we have said our DPU of 3.19 is stable so that will continue and the growth guiding specifically will give in Q4, beyond that it is inappropriate for me to guide on incentives for long term investors.

**Nimish:** What is the target AUM Sir for FY2024 and FY2025 will be?

**Harsh Shah:** We do not work on it target AUM basis, we work in a way that if we get a good business we will acquire, if not, we still have stable DPU from this, so we have not really worried about target AUM even in our evaluation matrix, so we believe AUM as a target is not a right target and the key role is to do capital allocation so we are just waiting for the good opportunity to acquire assets but we do not have a specific target in AUM.

**Nimish:** Thank you.

**Moderator:** Thank you. The next question is from the line of Arpit from HSA. Please go ahead.

**Arpit:** Thank you for the opportunity and congratulations to the management team for a steady DPU this quarter again. So, my question was with respect to the foray Greenfield so given that in other projects we have seen delays for many TBCB projects to achieve COD and finance cost is one of our levers to maintaining the DPU, so how do we mitigate this risk of project delays affecting the DPU going forward. I understand that this piece is very small currently, but I am sure going forward it may increase.

**Harsh Shah:** It is a very, very valid question. We keep evaluating this risk in a big way and tremendous amount of focus is on it. Like any other businesses, our strategies are measured and conservative, we choose projects which has relatively lesser inherent risk. So, for example the project that we have acquired right now – Kallam Transmission Limited does not have forest clearance, does not have wildlife clearance, does not have railway clearance, does not have defense clearance and does not have environment clearance. It has majority of substation every project, it has a small land acquisition and a very small line, so we mitigate this risk by first choosing the projects which we feel are less risky, so it starts from our choice. Second point is that we have freedom to choose, unlike many of the businesses that are completely dependent on new bids to come in and they have to bid every year, they have no option but to bid for all projects and they cannot be as selective as we can be and therefore we have an advantage in terms of selecting the projects that we want to bid and getting out of them, so we bid for only projects that we like and not bid for the others, so that is the advantage that we have, so we are firstly choosing projects which are less risky which we do not have material causes for delays. Second is as you rightly said these are small projects and even if we do those projects it will remain small in the balance sheet, so the impact of this project if at all that was to get delayed by a quarter, it is going to be

limited on the overall balance sheet of the business, so these two big principles we are keeping with us which allows us to mitigate it besides all the project related risk mitigation that we take, but these two are the strategic filters which allows us to remain conservative.

**Arpit:** I just had a follow-up. Once this COD is achieved for the Kallam project, what would be the AUM that it would add to our portfolio, would you be able to share that?

**Harsh Shah:** I will give you an estimate, it is going to be around INR 170 Crores to INR 180 Crores something like that it is a small size.

**Arpit:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ravish Chandra an Individual Investor. Please go ahead.

**Ravish Chandra:** Thank you. Congratulations Harsh and team for the consistency in results. I have two questions. One is I would like to know what is the total percentage of our AUM today as compared to whole India? Are we at something like 25% of total asset transmission lines we are having in India?

**Harsh Shah:** It is a very difficult question to answer, but I will try to give it. There are two types of transmission assets, the interstate sector and the intrastate. The intrastate network is not well mapped so I do not have an estimated that, but interstate asset which is the TBCB portfolio and ISTS portfolio which is the larger line, we would be approximately 6% to 7% of country today approximately and this we know because of our revenue from the overall pool but that is what we are looking at approximately 6%.

**Ravish Chandra:** Okay, I just want to know the exposure, I know Power Grid is going in a big way and getting into a lot of transmission lines.

**Harsh Shah:** Sorry to interrupt, Power Grid is around 80%-85% of the portfolio not because they are doing more of incremental work, they have the legacy portfolio with them because they built 20 years exclusively so that is why their share is only going to be very, very high in the overall pool.

**Ravish Chandra:** Okay, I do not know, recently I read one article, Power Grid has taken some project internationally to build transmission lines like that in the future down the line may be a decade later whether IndiGrid also can do the similar activity internationally, because we get foreign revenue?

- Harsh Shah:** We have not thought about it, but as on date from SEBI regulation we are prevented to do, so we cannot do business outside India.
- Ravish Chandra:** Okay, PPP participation in Africa anything on building transmission.
- Harsh Shah:** We do not plan to do it; we have not even thought about it and in fact we are not allowed legally.
- Ravish Chandra:** Thanks. The last point what I observed is in presentation slide #19 I was under impression KKR and GIC put together is having around 54%, but in the slide, it shows 44% may be type error.
- Harsh Shah:** KKR and GIC own 44%, okay, it mentions including FII, so 11% in other FII.
- Ravish Chandra:** Thank you. It is a good growth and congratulations for everybody to maintain the same and best wishes. Thanks.
- Moderator:** Thank you. The next question is from the line of Mitesh Shah an Individual Investor. Please go ahead.
- Mitesh Shah:** I am just curious that now that KKR is the sole promoters and now that Sterlite is not there, would there be any impact on bidding for Sterlite projects, actually IndiGrid has first right of refusal on many of the projects, so any color on that?
- Harsh Shah:** The first right of refusal (ROFR) of the framework assets is not based on Sterlite being the Sponsor or the Manager, at the end of the day, why would somebody sell us cheaper if there is best price available and why would we buy somebody at higher price if there is a cheaper asset available, so all transactions are typically arm's length pricing transactions and if they decide to monetize, we would continue to participate and I am sure they will invite in a good way. So, nothing changes on account of KKR being manager or sponsor. We have done put together INR 15,000 Crores, INR 16,000 Crores of transactions with Sterlite, so we understand how the business works, they understand how the business works, so where they want to monetize asset, I am sure we would be invited, and we would like to participate in the business.
- Mitesh Shah:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Mr. Subhadip Mitra for closing comments.

**Subhadip Mitra:** On behalf of JM Financial I would like to thank the management for giving us this opportunity to host the call. Harsh, any closing comments from your side?

**Harsh Shah:** Thanks a lot Subhadip and I am very, very encouraged with the kind of questions investors have asked for and I am very happy because in the last 20 quarters of results I think we started with explaining what InvIT is and now we are talking about the real business questions and we are very, very encouraged with continued support of our investors and participation on the call, look forward for all of you to continue to remain invested and we would keep our focus on superior risk adjusted return, so thank you for joining the call today and wishing you great time ahead.

**Moderator:** Thank you. On behalf of JM Financial that concludes this conference. Thank you for joining us and you may now disconnect your lines.