



“India Grid Trust  
Q1 FY2021 Results & Latest Development  
Conference Call”

August 06, 2020



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**Moderator:** Ladies and gentlemen, good day and welcome to the India Grid Trust Q1 FY2021 Results and Latest Development Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Swarnim Maheshwari from Edelweiss Securities. Thank you and over to you Sir!

**Swarnim Maheshwari:** Thank you Niaz. Hello everyone. I welcome you all on India Grid Trust Q1 FY2021 Results and Latest Development Conference Call. Thanks for giving us the opportunity to host this call. I hope all the participants and their near ones are in the best of their health. From the management today we have with us Mr. Harsh Shah, CEO of India Grid and he is representing the trust over there. So I would like to hand over the call to Mr. Harsh Shah for his opening remarks and post which we can have a detailed Q&A. Over to you Harsh. Thank you.

**Harsh Shah:** Thank you Swarnim. Thank you everyone for joining us today evening. I am just cautioning in case our lines drop, we will dial back soon, the network has not been great in Mumbai. In case, if the lines drop Chorus team will connect me again and we will restart from where we dropped out. Welcome everyone on our call. This is the Q1 call for FY2021 and we have just finished our board meeting and published the results today. I would be taking you through the investor presentation which we have circulated today evening and after that we will take the questions and answers subsequently.

With respect to the documents; today, we have published investor presentation, result sheets, valuation report and other details, so in case you have question we can refer to those documents subsequently once the investor presentation is finished. On slide #5 as we said - our vision is to become the most admired yield vehicle of Asia, we have focused on our business model with long term contract, low operating leverage with stable cash flows, focused on value accretive growth, deliver predictable DPU to our investors and follow optimal capital structure. This has been our vision and we believe we have been living that. In the next slide as you can see, India Grid is India's only power transmission yield platform and some of the statistics that we have provided showcases our AUM which is about Rs.12000 Crores today with 20 lines, 5800 circuit kilometers, four sub-stations and over 7700 MVA transformation capacity. We are rated AAA and our residual contract life is 32 years.

Some key highlights for Q1 FY2021 is on slide #8. Before I go through the key highlights of slide #8 on Q1, I would like to also sadly inform our investors, what we have already done to the exchanges, that one of our board members Mr. Shashikant Bhojani lost his life last month.

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He had been a key member of our board since the IndiGrid was conceptualized and he had played a very crucial role information of IndiGrid as well as building IndiGrid from where it started and where it is today. We are sad to lose him, and I think it will be difficult to fill his gap for us. This happened recently and therefore before we start the business presentation, I would pay my tributes to Mr. Bhojani.

Coming to Q1 highlights, I think our financial track record has remained robust. Our EBITDA has grown 74% year-on-year basis, the quarterly EBITDA and this is on back of the assets that we had acquired last year. Our distribution payout we have announced at Rs.3.00 a unit despite the COVID uncertainty and we are paying Rs.3.00 a unit entirely as interest. Our net debt to AUM remains at 50% and significantly below the 70% cap put in by SEBI InvIT regulations. Our ratings by all three rating agencies were confirmed after COVID times around April and May month, so we remain AAA. There are two announcements that we did during the Q1 for acquisition of Jhajjar KT Transco Private Limited from Techno Electric and Kalpataru. That share purchase agreements are signed and we are awaiting regulatory approvals for that. We also took approval for Gurgaon Palwal Transmission Limited from investors to acquire. On COVID, I think the most important point for us was that there has been no material impact on health of our employees and partners who work with us. There have been zero COVID incidents on our portfolio including that of our vendors. In general, power demand slowed down for the first two, three months but that has recovered, and low collection impact has to be seen, we will cover that in the next slide. Our collection track record while it went down in the first month of Q1, it is starting to recover, and we will discuss these numbers in detail.

On regulatory side, there are two new updates, SEBI issued two circulars. One for induction of a new sponsor in case somebody wants to become a sponsor or an investor wants to cross the shareholding beyond 25% and the second part of the circular covers the process that needs to be followed if a sponsor wants to declassify themselves as a sponsor after the due lock-in period covering the first three years. So these are the regulatory updates that had taken place in Q1.

On slide #9, I would just reiterate on the COVID impact. On the right-hand side is the data published by POSOCO which is our National Load Dispatch Centre. As you can see March and April were extremely low both in terms of peak demand the chart above and overall energy consumption which is energy met in the chart below. However as we can see once the lockdown opened up end May, early June we have seen electricity demand catching up and if we just see the chart of the first week of August or the last week of July data over here, both peak demand as well as the energy consumption has slightly crossed what was there in

the same month in 2019. We will continue to monitor this on a month-on-month basis to see if there is a recovery in terms of electricity consumption. Just to note that our transmission tariffs are not linked to power flow and based on availability of transmission elements; however, in general for the health of the sector, it is important that our demand is a good metric to be kept.

What we have seen and shared also is the impact on the collection. I believe this is the question which has been asked several times in the calls before, so we have showcased the collections that we have received from the pool over the last four months. In April which was the peak of the lockdown we received 40% collection, in May 58%, in June 84%, so gradually it has increased. Overall on a Q1 basis, we received about 60% collection which we had expected and disclosed that we would be expecting about 50% collections in Q1. However, in July month, first month after the lockdown opened up, we have reached 104% of the collections. We believe it is a good sign of recovery; however, we would like to monitor this number on a month-on-month basis, on a quarter-on-quarter basis and we will remain conservative till that time.

The next slide is on operational highlights on slide #10. As you can see from our track record, our availability for most assets have remained at a maximum and we have earned incentives. On the safety side, we have ensured that 100% safe man hours have been achieved, we are investing a lot in cultural and behaviour based safety enablement for our employees as well as our partners. Considering that we operate in an electricity environment in a live grid environment safety is something which is of highest order of priority for us. Besides safety and training for that we have also shared some of the critical parameters for operations and reliability which includes trips per line. On a quarter-on-quarter basis versus last quarter same year, it has improved marginally, and we would look to follow the best global standards to achieve better reliability in this regard.

On COVID, especially, we are putting additional efforts to ensure that all people including our partners and contractors and workers on the ground, about 600 in all, remain safe and ensure 100% compliance with statutory guidelines including that our substation facilities have been substantially quarantine to ensure that those people who operate the substation remain safe. On slide #11 are the financial highlights of this quarter. Our revenue and EBITDA both have substantially increased versus the same quarter last year and this is on the back of the acquisitions that we completed last year. Along with that our DPU as I said earlier, we are paying Rs.3 a unit as interest, this is a 10th consecutive distribution as Rs.3 a unit and since listing we have distributed now approximately Rs.36.56 a unit to investors. DSO days are 101 - as we discussed our collections were low and therefore, we have stretched DSO

days due to COVID delays in Q1. Collection; however, in July month has been encouraging and we will continue to watch that number.

Slide #12 describes our EBITDA to NDCF bridge so on the extreme left is the income and after expenses at SPVs we have reached an EBITDA of Rs.331 Crores, of that SPV level interest is minus, the working capital is improved and will describe that is largely because of factoring. We have chosen to sell receivables of Q1 which is called factoring to ensure that we are able to maintain our NDCF as well as DPU of Q1. Our loan repayment of Rs.5.7 Crores has taken place and we have created reserves at SPV with the factoring support to ensure that we can survive if there are further delays of collection. NDCF of SPVs to IndiGrid is Rs.253.8 Crores. We have majority of the loans at IndiGrid where we have paid Rs.80.7 Crores of interest and there are marginal expenditures done at IndiGrid. At IndiGrid NDCF of console we have Rs.191.5 Crores of NDCF. Of that we have created reserves of Rs.16 Crores and decided to pay Rs.175.4 Crores as distribution, which is equivalent to Rs.3 a unit.

On slide number 13 is a slide on our borrowings, which we presented last time as well. There is no material change versus last quarter to this quarter except a few borrowings that we have done this quarter. We are, as I mentioned earlier still rated AAA by all rating agencies. Our weighted average cost of debt is at ~8.6%. We have reached 50% net debt to AUM and as per SEBI regulations after crossing 49%, our level of disclosures has increased and therefore you will see valuation report and other reports are being available on a quarterly basis going forward. We have a substantial amount of cash balance. That cash balance includes the sum which we have held for distribution for Q1. About Rs.138 Crores is also for DSRA, which is a debt service reserve account and the subsequent cash, which we have borrowed for subsequent acquisitions.

On slide #14 is just a performance track record since we listed. We have presented on a quarter-on-quarter basis. As you can see there are three important points on this slide. One is the beta. We have remained a very low beta and low volatility stock in comparison to other comparable indices or stocks. We have distributed as a total return 42% to our investors out of which 34% is largely coming as a DPU and the 9% is a price change till the July 31, 2020 that it represents. As you can see, this is substantially higher than comparable indices and investment alternatives to investors and therefore we believe that with a low volatility and stable return, we will continue to provide superior returns to investors.

Slide #15 is about recent development of which we recently announced our disclosures this week. There was an agreement between Esoteric II, which is an affiliate of KKR and SPGVL to transact on 15% of IndiGrid units. This agreement got automatically expired in July 2020

on the long stop date as the transaction could not be consummated by that date. In light of the above, Esoteric II has also withdrawn its intent to be designated as a sponsor of IndiGrid. Similarly, on the right side, we have stated some facts that the equity capital required for the significant asset growth that we are foreseeing, especially the framework assets has already been raised by IndiGrid and that is also one of the reasons that IndiGrid net debt to AUM is just 50%. Esoteric II remains still the largest unit holder at IndiGrid level, and KKR owns 60% of the investment manager and has also contracted to increase it to 74% by June 2021.

The next slide on slide #16 is a comparison with global yield platforms and how IndiGrid positions itself both in terms of size and yield as a spread over a 10 year G-Sec of the local G-Sec and I believe it offers a good risk return reward to investors in comparison to global indices and global opportunities to invest in such new platforms.

Slide number #17 is just describing that data into tabular manner and we can address some questions if there are any on that. Looking ahead, I think our outlook for FY2021, our focus remains on providing superior returns, stable DPU and growth in NDCF. We believe we can achieve that if we execute on our portfolio growth strategy to acquire GPTL, KTR or any of our projects for which we have done framework, also evaluate selective solar opportunities with strong central counter parties for which we took approval and create a pipeline of transmission projects beyond framework asset. While we do this, we will ensure that our focus on balance sheets strength is maintained considering the fact that we are going through COVID environment and slightly uncertain and unpredictable scenarios can pan out, we would look to maintain sufficient cash balance and working capital lines and also we will aim to diversify our debt sources as we look to acquire other projects. Our focus on operations will remain as one of the most important priorities. We will look to deliver 99.5% availability across the portfolio. As committed in our Q4 presentation, we will look to invest in technologies, which enable better asset management including digital asset management, analytics and a better emergency preparedness.

We will look to increase our focus on ESG initiative that we kicked off in Q4 and as we do that, we will follow that lead and ensure that world class EHS standards and O&M practices are followed in our portfolio. We will continue to work with industry participants and regulators to ensure that overall market in which IndiGrid operates, there is increasing investor awareness and regulatory awareness about it and we believe that there are a few policy initiatives, which we have been publicly pursuing, with IRDAI and PFRDA to enable insurance companies and PF companies to subscribe to debt securities of IndiGrid. We will continue to pursue those and we will continue to look if there is an opportunity for reducing the trading lot size to a single unit. While this was reduced last year from five to one lakh

trading lot by SEBI, however it was not made at a single unit in line with equity shares. We would look to focus on that as well with our regulators. With that I would actually stop the initial presentation from my side because I recognize that there are going to be questions around several points so that there is enough time for investors to ask questions on critical matters. So Swarnim I would request you to takeover and open up lines for Q&A.

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

**Mohit Kumar:** Good evening Sir. Congratulations on a good set of numbers. My first question pertains to what the sponsors change is not happening and how does it affect us as a business and do you think that the Sterlite or the sponsors are still looking for anything or can you comment upon that and secondly on the manger does the KKR still listed on the path requires another 14% or is there any other some kind of different understanding?

**Harsh Shah:** Thanks Mohit, so to answer your first question on the recent developments, I think one is there is no impact on the existing business that we expect on account of any of this. This is between the two shareholders where the pact has not worked. So I would say that there is no impact on the business at the moment. Will Sterlite look to exit is something that is probably better directed to Sterlite directly subsequently. On the investment manager side KKR owns 60% and therefore owns majority and at the moment I am not aware of any other developments. It is also a contracted transaction between both parties to increase its stake in the IM by 14% and take it to 74% on a specified date in the future.

**Mohit Kumar:** Secondly on the receivables issue, how the receivables have behaved from March 2020 to June 2020 can you quantify that amount and related to that is there any change in plan for acquisition of the other two assets, which WE are planning to be acquired by the end of FY2021 somewhere? Does the timeline change?

**Harsh Shah:** First on the receivables question. I think we have approximately and I do not have month on month exact number, but we have approximately Rs.120 Crores of monthly revenue and therefore we have collected in Q1 approximately 60%, which is approximately Rs.220 Crores of Rs.360 Crores in terms of cash collection, which is about 60% and I am not counting July month in that right now. So that is a Q1 collection. The second question that you asked was on acquisitions, can you be specific which acquisition you are trying to ask?

**Mohit Kumar:** A large acquisition, which we are acquiring from Sterlite?

**Harsh Shah:** There are no two acquisitions from Sterlite. There is one acquisition, which is with respect to GPTL, which is announced, and we have taken investor approval with respect to that. We do not have a signed SPA at the moment so as and when we reach the closure of that, we will make the necessary announcement. I believe that we had made fair amount of progress in the diligence and that is why we came to investors to take approval for that acquisition. So, that is the only acquisition for which we have announced the acquisition and taken investor approval. The other two projects, which is KTL and NER -both are framework projects where IndiGrid and Sterlite Power has an agreement to acquire. We are monitoring the project progress of both projects. Both the projects have not achieved commissioning at the moment and therefore as and when they achieve commissioning, we will look to start the diligence and follow the process mentioned in the framework agreement.

**Mohit Kumar:** Understood. Thank you and best of luck.

**Moderator:** Thank you very much. The next question is from Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Good evening and thanks a lot for taking my question. So first thing you know this long stop date, which has expired between the two parties so is it because Sterlite wanted to transact at a higher price because it has moved from the initial price to the current market price so why the long stop date has not been extended for KKR by Sterlite?

**Harsh Shah:** Sarvesh, I have not been a party to this transaction expiry. . This decision is between two independent shareholders and therefore I do not have an answer to that and probably you can address it separately to Sterlite and KKR beyond the call, but at the moment I am not aware of that.

**Sarvesh Gupta:** But this is you know very important for the unit holders to understand who is going to be the sponsor because we do not know as of now if KKR does not want to become a sponsor or they have not been given an opportunity?

**Harsh Shah:** What I can explain is that - let us say specifically for IndiGrid it is a manager driven entity and most of the decisions as well as businesses are run by the investment manager where KKR is the majority and it is a professionally managed entity. On the sponsorship, I think the only privilege if I many say of becoming a sponsor under regulations is to be able to own more than 25% of particular units. Yes at the moment, KKR has withdrawn the application and therefore we do not have a financial sponsor who can own more than 25%. However on



the business, will that have an immediate material impact, I believe as we stand today the business is 'as usual' .

**Sarvesh Gupta:**

But it should have been Sterlite's responsibility to get this approval for change of sponsorship, right? I could not understand why we have come to this impasse because right now there is so much of uncertainty because so what will KKR for example do with holding 60% in the investment manager, which is having a revenues of a few million dollars if they are just financial investor in the overall setup? So there are too much of uncertainty regarding who is going to be the sponsor because technically now Sterlite can also sell because their locking period has ended, so if they sell then what is their role, why are they in projects management, and why is KKR on the investment manager, so I think I personally felt that it should have been the responsibility of the Sterlite who has transacted with KKR on which basis funds have been infused, on which basis all the acquisitions have been done primarily for Sterlite for motor entity assets so this clarity needs to be given to the unit shareholders because it is very important for us?

**Harsh Shah:**

Sarvesh I understand. So I think just to clarify the manger controls the InvIT and Esoteric II, which is affiliate of KKR still remains the largest shareholder of IndiGrid's investment manager where the decisions are made, corporate governance is coming out of that and that is where they remain the majority shareholder and therefore I would say investment manager is probably a way to ensure that the business decisions are made in a particular manner and ensured that governance is followed over there and that is where KKR remains a majority. I think I would not comment on whose responsibility it is because SEBI did come with the regulations in July. Could it be earlier? we do not know. So I think at the end of the day there was a lack of clarity earlier and on the responsibility side something which I am not able to comment whether it is Sterlite responsibility or KKR. That is how I would put it.

**Sarvesh Gupta:**

Going forward what is the stance of Sterlite? Are they going to hold this 15% units, which they can technically now sell or not because if they can sell then what is the roles and reasonability of a sponsor going forward because there is a case now that nobody will be a sponsor if they decide to check out as well?

**Harsh Shah:**

Being a sponsor and amount of ownership are two different things. SEBI regulations provides for the sponsor to be a person who forms the InvIT and takes it public and the sponsor has a three-year lock in requirement. After that there is no lock in requirement for sponsor to hold it. However SEBI has clearly specified what are the roles of sponsor, which are largely to do with contributing assets at the initiation and providing disclosures around that. Subsequently it is the investment manager's business to run the InvIT and therefore technically even if

Sterlite says they will still remain a sponsor and the business would run as is because the sponsor per se does not have any role in running the business or any rights with respect to the InvIT. The investment manager is running the business.

**Sarvesh Gupta:** Understood. Now on your receivable side you have collected 220 out 360 the remaining 140 has been factored and if yes then at what interest rate?

**Harsh Shah:** So I think one yes 140 crs has been factored. We have not disclosed the interest rate in the result sheet for the specific transaction and I will just check if it can be disclosed. If it is disclosed then we can talk about, otherwise I can just say interest rate is linked to MCLR of the bank and it is at market term or a fairly reasonable terms.

**Sarvesh Gupta:** Understood. I just feel that if you can take this feedback from unit holders on this call to the sponsors, I think that will be useful?

**Harsh Shah:** Sure. Thank you Sarvesh.

**Moderator:** Thank you very much. The next question is from Nitish Arora from Unified Capital. Please go ahead.

**Nitish Arora:** Sir I just had a couple of questions. On this KKR requiring this balance 14% stake by May 2021 so what is holding them from acquiring now and why do we have to wait till May 2021? Is there is any long stock date or anything to be worried about? What is holding them there? I believe the amount involved is quite small. Then the second question could you let me know what is the FD completion date of any other bigger asset? Is that on time? We were expecting it to be done by November of this year. How is the work progressing? Is that on time? The third question was could you throw some light on your further expansion by beyond Rs.18,000 Crores? What is the plan there? How do you look to raise the fund, etc., timing, regulation, etc., if you could throw light on that?

**Harsh Shah:** Fair enough. So I think to answer your first question again you know it is an agreement between the two shareholders of the manager to transact on a future day and nothing is holding up the transaction. The transaction is structured in a way that it was to be transacted. This 14% was to be transacted 24 months from the date of first transaction and therefore that is how it was structured between the two shareholders of the manager and that is what is going to take place in May 2021. The second question was on NER, so I believe there are two things. One is we do get understanding of what the project progress of NER is, on a time is to time basis. We believe it is on time. However we cannot share it accurately because that is

something which Sterlite Power is executing on a project basis. However, I can say that at least the details that we had received suggests that NER is on time for a COD in November or December that you mentioned, but again it is based on the inputs that we receive from Sterlite Power. Your last question was on growth behind Rs.18,000 Crores so I think our growth beyond Rs.18,000 Crores one is we already capitalized till Rs.18,000 Crores. Growth beyond Rs.18,000 Crores would require us to raise further capital and I think there are a few modes available - both preference issue as well as rights issue through which we can raise subsequent capital. We raised ~2500 cr as a preference issue last year and that is when large investors like KKR or GIC participated. So I think beyond Rs.18,000 Crores, we would have to raise capital.

**Nitish Arora:** That would be via rights issue?

**Harsh Shah:** Nitish, it is difficult to commit at this point in time. I hope you appreciate because you know our shareholder dynamics of overall shareholding mix has also changed, so whether we go for a preference issue or a rights issue has to do with a few things. One is certainty of a capital raise - that which method is going to provide certainty and speed of capital raise. The second is also wide range of investors who can participate and not participate. The third is speed and execution and market. So I think we need to factor in all these few factors to make that decision. At the moment, we do not know that.

**Nitish Arora:** But the regulation allows rights issue now, earlier they did not have I believe?

**Harsh Shah:** Yes regulations do allow right issue.

**Nitish Arora:** Do you have timing and you have vision of Rs.30,000 Crores of AUM what is your timeline there by when because that would also determine the time of the capital raise?

**Harsh Shah:** Yes. So I think I will provide two directional views on that. One is they ask a rights issue or preference issue. I think one important point to check between the two is rights issue has a requirement that we need to have at least 75% of the success and if it is lower than that it any ways cannot go through and therefore we also need to see that whether 75% of the investor base is subscribed or we will be able to raise capital via that whereas preference issues to that extent makes it easier and the thresholds are lower. Timing is something which depends on the asset visibility. As and when we see more assets coming to a concrete stage of acquisition, we will look to do capital raise. Even as and when there is certainty of more assets coming in we would have to look at capital raise, but I think that depends on how overall market plays, how the growth plays, etc., So at the moment we cannot comment on when we are going to

raise capital. Yes, we have given a guidance that we have a vision to be Rs.30,000 Crores by 2022 and as and when we cross Rs.18,000 Crores we would need to raise capital. When we will cross is something dependent on progress of framework asset, acquisition of framework asset, and more opportunities being available. So I think it is linked to many market factors, so it is tough to provide a timeline on that.

**Nitish Arora:** Just on the first question, KKR will buy the 14% stake in May 2021 or it is by May 2021?

**Harsh Shah:** As per the agreement it is in May 2021.

**Nitish Arora:** It is in May 2021?

**Harsh Shah:** Correct.

**Nitish Arora:** That is helpful. I hope there is no negative surprise here like long stop agreement like we had with the current issues.

**Harsh Shah:** Every agreement has a long stop date, but at the moment there is no negative surprise that I am aware about.

**Nitish Arora:** Okay thank you.

**Moderator:** Thank you. The next question is from Hemant from Baring Advisors. Please go ahead.

**Hemant:** Good evening. Thanks for taking my call and I hope you have been safe. Since the last time we spoke I had only one question on prospect of asset acquisition? You have made great progress over the last year and given the long term trajectory of reaching of Rs.30,000 Crores versus where we are today how long are you looking at asset acquisitions because the investment managers and structure is tied somewhat to maximizing AUM whereas the unit holders incentive structure is tied to maximizing distribution per unit so how are you looking at the asset acquisition landscape and are you getting assets which will be acquired at or above the prevailing distribution unit?

**Harsh Shah:** Thanks Hemant good question, I think. I would just clarify from investment manager perspective - at least from the executive perspective, our incentives are not linked to the AUM growth. Largely our incentives are to do with operating performance and NDCF of IndiGrid. In addition to that even a long-term incentive structure is largely linked to IndiGrid value creation and not with respect to asset size growth right so that is just the kind of a clarification on that. Yes the investment manager as a corporate entity, if the AUM grows, EBITDA

grows, earns higher fee however you will see that our investment manager fees are very small and we cover our cost with that . At the end of the day for the assets that we acquire, large assets that we acquire we need to raise capital as well, right, so as and when you raise capital we will have to prove the business case to investors to enable such capital raises or asset acquisitions and there is enough checks and balances in the overall frame work to mitigate that. The second question do we see assets, which will add to the yield I would say yes, but I think overall growth depends on finding the right quality asset at right price and also having ability to have access to capital at the right time so I think at the moment I can say that we have visibility on the Rs.18,000 Crores of AUM for which we have raised equity. The capital visibility is there, and we have some kind of agreement with Sterlite now to have visibility on those assets. Beyond that we will have to see. At this point in time, yes, our vision is to go there. We will look to acquire assets. We have already announced two acquisitions, which are not from Sterlite Power so we will look to evaluate, but to give anything concrete as a guidance on that is difficult for us today.

**Hemant:** Excellent. Thank you for clarifying that. It is very helpful and one question on the financial given the low rate environment that is revealing everywhere today and given the AAA credit rating, are you sort of thinking about raising capital in non-INR currencies?

**Harsh Shah:** See we are exploring all the capitals as an option while non INR currency bonds have happened, the market was dislocated over the last couple of quarters as you would appreciate because of COVID and other things and also we need some more regulatory clarity regarding in which to be able to do I would say off shore bonds right, so we are exploring that like any other borrowing options that we do. We keep exploring that.

**Hemant:** Got it and one last question from my side and this is one on the POC mechanism with Power Grid as a counter party. It is very nice to see collection sort of ramping up in the last three months, but assume there is a relapse of COVID and collections fall what are the protective mechanisms in place, which will ensure that the collection period does not extended beyond the 100 days that you mention?

**Harsh Shah:** It is a very difficult question. I would say that you know COVID is uncertain and you asked the question what if uncertainty extends beyond the point and collections do not meet, so now I would say it depends on the balance sheet of the company and we have been conservative and we would need to watch our balance sheet and cash balances available and if the collection were to go bad, we will have to watch our cash balance and use from our balances to kind of survive. Whether collections will go bad or not all the mitigates are there already, so transmission charges are very small pool of the distribution customers and therefore we

have not seen such delay, even COVID kind of scenarios over the last five years in terms of collections dropping to 40%, so this is a black swan and if the black swan expands to a year I think it will be less to do with POC, but more to do with balance sheet and how much cash and head way we have to continue that.

**Hemant:** Excellent and on that note, I wish you well and a great progress over the past year and I look forward to great progress in the future as well. All the best.

**Moderator:** Thank you very much. The next question is from Kunal Agarwal an individual investor. Please go ahead.

**Kunal Agarwal:** I hope you are doing well so I had a couple of questions and I know you talked a lot about what has been going on at Sterlite and your limited ability to comment on it, but just on that note again you know we understand that there is a pledge that Sterlite created on the IndiGrid stake and that pledge I believe is with a well known NBFC and it is up for payment rather soon? Now if Sterlite has canceled their agreement with KKR what is their plan to liquidate their stake? They are going to have to pay this money pretty soon so are they are going to be selling this in the open market? Will this not create a pretty large overhang on share price or our unit price and you know and generally I do not know to what extent you can comment is price is the only reason here that we have seen a disagreement between KKR and Sterlite?

**Harsh Shah:** Sorry Kunal, lots of questions. I would simply put yes; the units are pledged. We have made adequate disclosures last year on this for the loan. IndiGrid is not privy to the maturity date so it is not possible for me to comment on when is the maturity of this loan so I am not able to comment on whether it is soon or late and what is Sterlite's strategy is again something I cannot comment on, whether they are going to sell it on the market or otherwise. It is beyond my knowledge and I think probably best answered by Sterlite privately on that. The next question also what you asked is again between two parties- KKR and Sterlite power who were to transact and they have decided not to transact. Now at least the intimation that we have - we do not have any rationals or reason provided to IndiGrid, so difficult for commenting on that for me.

**Kunal Agarwal:** And just on the point on the investment managers you know I believe the board is quite balanced and the manager I think there is one appointee from KKR and one appointee from Sterlite and the rest is independent and yourself and I was just trying to understand what is the new dynamic going to be at board level there assuming KKR and Sterlite are not necessarily seeing eye to eye is there any concern that we have of indecision or anything like

that come out at a board? Can you give us some comfort on the fact that each of the decision levels the business will keep functioning normally?

**Harsh Shah:** See Kunal, I think all the board members including me have fiduciary role to make decisions in the interest of the InvIT and therefore it is a professional board and we look to continue to do that so I would not comment on it . On dynamics is good or bad, I do not think dynamics play a role over here. All of them are accomplished professionals and we have a fiduciary role to perform. And we have done it for long period and would continue to do that.

**Kunal Agarwal:** Got it thanks and last question is it the right time for you to be giving us any DPUs guidance going forward or is this sort of an evolving situation and we should sort of wait and watch over the next few months or quarters?

**Harsh Shah:** We have refrained from giving guidance this year. We just want to wait out the collection scenario and how it pans out. As we showcased the July collection has improved. We would like to monitor it for a quarter more before being confidently providing the guidance.

**Kunal Agarwal:** Understood and by the way congratulations on this factoring agreement or mechanism that you guys have worked out it is a very innovative structure that you guys have thought off in this time? You know I there is limited stuff you can comment on it, but what is the duration of the factoring that you do? Is it like 180 days, 210, 270? I mean what is the period up to which we become bound to pay and are we factoring in 90%, 100%, 80% and is the cost of the factoring lower than the overdue fees that we will receive for these payments?

**Harsh Shah:** Okay simple answer factoring typically is low duration. So it is starting from 30 days to 120 days factoring of receivables. We have not done all our receivables factored. We have only done in two legal entities called JTCL and NRSS and therefore we have not done it in all legal entities just adequate to kind of pay NDCF and last question sorry I missed your last question if you can repeat?

**Kunal Agarwal:** I just wanted to make sure that the cost of the factoring is lower than the sort of overdue fees that we get or the overdue interest that we get on late payments?

**Harsh Shah:** Oh yes certainly. So the overdue late payment factor is substantially higher than the cost of discount.

**Kunal Agarwal:** Okay got it. Thank you.

**Moderator:** Thank you very much. The next participant is Dhruv Muchhal from HDFC Asset Management. Please go ahead.

**Dhruv Muchhal:** Thank you. Somewhat related question to the earlier one. Just wanted to probably understand the basic structure of the investment manager if you can help understand that? I believe the key role of the IM is to get and approve new deals and present equity goal is it right?

**Harsh Shah:** There is a much bigger role because in this case there is a very long schedule of responsibilities with the investment manager. It is not just the new deals. For example for ensuring that the assets run in order, ensuring the financials get reported in time, investor relations, capital raising, so in a normal parallel if I were to communicate if you take out the management team of a company and house is it in a separate legal entity is the investment manager as a parallel. So it is like any other company the senior management team is housed in the investment manager and they need to do all the functions, which are required to run.

**Dhruv Muchhal:** In our current structure the majority will be from the KKR side 60% of the representative will be from the KKR and in the current structure?

**Harsh Shah:** Yes that is the shareholding. At the moment, KKR has the right to nominate two directors. They have chosen to nominate only one right now, but it will be proportionate to the shareholders.

**Dhruv Muchhal:** I am just trying to understand currently Sterlite owns 40% probably it will go to 15% if the deal happens so what is the skin in the game assuming that the 15% also comes in the market if they are forced to sell, so what is the skin in the game? What is the reasonability to act in a particular fashion?

**Harsh Shah:** So as I said earlier, let me repeat, the people who need to act in the interest of IndiGrid is the investment manager whose role is to ensure that IndiGrid runs well in the manner provided, disclosed, and in a good governance manner and therefore whether Sterlite Power owns 15% of IndiGrid or owns zero, investment managers role remains the same and we keep doing our role, so I think these two are distinct items and there is probably no linkage to that and this is something, which is for all InvIT. It was very clear that a sponsor is required to lock in 15% of the units only for the first three years, which took into account that the role of sponsor is limited and the role of manager is superior and in case the majority investors believe that the manager is not doing their role well they have right to replace the manager as well. So the skin in the game would be for the managers to ensure that they perform in a good way so that



IndiGrid and the trustee retains you as the manager and if they fail to perform then IndiGrid unit holders and the trustee put together can decide the manager.

**Dhruv Muchhal:** So a clarification to this is firstly in terms of compensation to the investment managers or probably to Sterlite if it owns 40% after assuming it has disposed off 15% not remaining the sponsor and not owning anything in the trust just as an investment manager if we see that it gets as an IM the representative is it or there is something else also there is other kind of compensation in terms of probably I am not sure is that the only compensation that we give?

**Harsh Shah:** Yes that is correct, so I think one is that Sterlite is 40% shareholders of the investment manager and that is one economic interest. The second economic interest is that Sterlite charges or rather IndiGrid pays Sterlite 10% of the overall O&M expenditure that it does as a project manager and this is again part of the SEBI regulations, which required a project manager and sponsor being a project manager has better relaxations that the project manager is supposed to supervise the O&M and investment manager is supposed to supervise the project manager and therefore Sterlite Power is today a project manager also and we pay a 10% on our overall O&M spends to Sterlite Power however these sums are fairly small in overall size of things. To give you a perspective our annualized revenue is approximately Rs.1200 Crores and our annualized O&M cost would be somewhere around Rs.70 Crores to Rs.80 Crores and therefore Sterlite gets approximately Rs.8 Crores to Rs.10 Crores for providing this service.

**Dhruv Muchhal:** So the economic interest in the IM is not the key driver to own any stake in the IM?

**Harsh Shah:** I will not jump to that conclusion because it is a different legal entity and there is an economic interest in that now, which one is higher or lower is something which is not to be discussed.

**Dhruv Muchhal:** The IM from governance structure the IM reports to the board of the InvIT?

**Harsh Shah:** So board of the InvIT is the investment managers board. So the board that we represent is the investment manager board and whatever decisions we take as a board comes to either unit holders if it is material decision like related party transactions, etc., and also most of the decisions are ratified by the trustee that this is in line with the governance requirement of the InvIT regulations.

**Dhruv Muchhal:** So assuming a scenario where the IM is to be changed say for instance for not performing to the mark whose responsibility is it? Who does it? Is it the trustee who initiates it or it is the shareholder do it?

**Harsh Shah:** So let me first clarify I am CEO of the IM right so let us say if it all we are not doing a good job about 20% of the unit holders may align and call for a AGM via trustee and then call for a vote. Then based on that vote it can be decided that we want to change the investment manager. This is the procedure I am explaining.

**Dhruv Muchhal:** Understood. I think that is it. Thanks a lot.

**Moderator:** Thank you very much. The next participant is Vipul Shah an individual investor. Please go ahead.

**Vipul Shah:** Good evening Sir. I have a question suppose there is a deterioration in the COVID situation, and your collection fall will there be a reduction in the DPU going forward?

**Harsh Shah:** So I would say that it is again a forward-looking statement. Our business is based on collections largely, so if there is a fall in collection that would impact our ability to pay DPU. Now will it fall or not fall is again dependant on the collections that we get right. So if you say if there is zero collection then that scenario obviously where are you going to pay from so, I think it is a hypothetical question. If collection falls will DPU fall, I will not say it is a direct proportion but if beyond a point collection falls in that scenario there can be a risk of DPU falling. Having said so as I have said July collection seems to be healthy so at the moment, I think we are looking forward to monitoring over the next couple of months how the collection pans out right.

**Vipul Shah:** So if I ask you differently to maintain a DPU of Rs.3 for the next three quarters what percentage of your receivables you should receive?

**Harsh Shah:** Okay I think that will require some math of a financial expert.

**Vipul Shah:** No just a rough estimate Sir?

**Harsh Shah:** See we accrue Rs.360 Crores of revenue a quarter and collect about Rs.360 Crores of cash. We pay about Rs.175 Crores of DPU right if we were to pay Rs.3 and our outstanding borrowing and the interest calculations are showcased in the quarterly results, I am not able to get the exact interest outflow, but you can just multiply and see our collections minus interest payments minus O&M cost minus collection will give you that number so I think I am just showing a way it can be calculated. I do not have the exact numbers right now with me to be able to make that scenario for you.

**Vipul Shah:** Sir I think this question also has been asked previously, but I am curious to know about the terminal value of this units beyond the 35-year agreement so what will happen beyond 35 years? I am an individual shareholder so please bear with me, but I am very anxious know what will happen after 35 years?

**Harsh Shah:** Fair enough, . I understand. So if you go to slide #6 of our presentation and this is something that you can see in all our disclosures, we have started from last couple of quarters to help investors evaluate this. In the overall portfolio , there is 3,43,000 tons of steel and aluminum okay and so I will come to where this argument goes so let us say we fast forward and reach 35th year either the government or rather the country would require us to be used as a transmission line right. If it is the case, there are two scenarios one the government will provide us probably a cost plus mechanism. There have been few past circulars where there are directional judgments of CERC however again we need to see what is the commission that decides on that day and therefore probably we would be able to work on a cost plus basis to extend that contract if we were to be continued as a transmission licensee. The second scenario is that there is something that has happened that these lines are not required any more after 35 years right. In that scenario this material, the metal, is ours okay. Now what will be the value of this size of aluminum and steel is something again I cannot predict 35 years down the line, but it is a fairly significant value today itself right. So if you forecast that in 35 years down the line with whatever inflation assumption you may want to take probably that will be the scrap value that will be available to us right and that is a significant number. You can run the math based on the price that you want to assume, but that is a significant price and therefore either way there is going to be a significant value of some kind whether in form of metal value or in the form of extended contracts either ways there is a sizeable value, which one would turn out how will it take place I will not be able to comment because it is way too much in future and the impact of that today on NPV terms again is going to be small.

**Vipul Shah:** Okay that will be the only asset with the unit holder, right? In the event of the contract not being extended.

**Harsh Shah:** That is correct.

**Vipul Shah:** What is the expected lifespan of this asset generally?

**Harsh Shah:** So generally the lifespan of these assets is approximately 50 years, so we do build these assets for the developers who build these assets for design standards, which are longer than 35 years.

- Vipul Shah:** So there will not be any value except scrap value because after 35 years residual life will be 10 to 15 years only that is what you are trying to say?
- Harsh Shah:** Either you will get cash collection for 15 years at the new tariff right, which you will get and the second is while the “scrap” word looks I would say minimal or bad I would urge you to do the calculation on the metal price right so it will be a significant scrap value.
- Vipul Shah:** Okay is there any precedent in the developed countries where these 30 to 35 years have been run down and what has happened to those trusts can you elaborate on this?
- Harsh Shah:** So I think every country is different based on regulation. I would just say that it works on what is the need of the hour for the country or regulator at that point in time right. We believe energy highway is very important and maybe they will continue to be used as energy highways and you will continue to get paid tariff right. That is the simpler way to look at it, so the scrap is a concept to take you to the extreme and say okay transmission is not required what is the value? If transmission is required, then you will continue to get paid.
- Vipul Shah:** Okay Sir. It was very helpful. Still I have some queries I will address it to your investor relation department. Thank you very much Sir and all the best for the future.
- Moderator:** Thank you very much. The next question is from Pradyumna Dalmia from Lansdowne Investment. Please go ahead.
- Pradyumna Dalmia:** Good evening and thanks for all your clarifications thus far. I just have a few questions. Number one on this transfer agreement between Esoteric and Sterlite Power expiring can you share the price at which this transaction was supposed to have happened and was that a price that was fixed?
- Harsh Shah:** Yes so this was a public announcement and the price was fixed. This was to be transacted at Rs.83.89 a unit and this price was fixed for the contract period or till the long stop date.
- Pradyumna Dalmia:** Okay so that mean I guess may be one of the reasons because obviously the price had significantly increased so that could be one of the considerations? You know my next question is on our borrowing and factoring can you please share your average borrowing rate at the moment?
- Harsh Shah:** It is there in the investment presentation. Our weighted average cost of borrowing today is 8.6%.

**Pradyumna Dalmia:** Okay 8.6%. You know can you talk a little bit about this factoring thing, and you know what are the entities and how have you done this factoring? Is it through banks, the NBFCs or other financial institutions, etc?

**Harsh Shah:** So we have done it through banks, and we are done it for legal entities called JTCL and NRSS, which are our subsidiaries and the amount of value factoring we have done is about Rs.140 Crores.

**Pradyumna Dalmia:** And this being done entirely through banks?

**Harsh Shah:** Yes correct.

**Pradyumna Dalmia:** And my last question one of our objective is ultimately the growth in the NDCF so as the NDCF rises and grows over the years then is it not logical that the DPU should also increase and follow that growth because you know so far we have maintained a very constant DPU of Rs.3 per unit every Qtr since inception, but as the NDCF grows should not the DPU also grow in some manner?

**Harsh Shah:** No it is a very valid question and I think once NDCF will grow, we will look to grow to DPU. This year we will have to see so just to give you a math's Rs.3 DPU on our investor basis are approximately Rs.700 Crores of NDCF that is what is required for IndiGrid to be able to pay that and we acquired last year the assets mid quarter and therefore we distributed what we earned and this year COVID has come so we would like to wait and watch and see where we end the year in terms of NDCF right to be able to pay higher amount. In any case SEBI has put in InvIT guideline that we have to anyway distribute minimum 90% right. So in any case beyond the point if NDCF increases substantially DPU increase will have to happen.

**Pradyumna Dalmia:** Okay understood and just again just last question again on this 15% Sterlite stake so you said there is at present no indication as to whether they are going to retain the stake or sell it or whether there any other institutions who might be in the fray of acquiring this stake from them?

**Harsh Shah:** Correct. I mean it is not for me to answer on behalf of Sterlite and it is completely their decision on that.

**Pradyumna Dalmia:** And as and when there will be any disclosure then either Sterlite as well as your management will?

- Harsh Shah:** Yes that is the compliance requirement so we will have to do it.
- Pradyumna Dalmia:** Great. Thank you so much.
- Moderator:** Thank you very much. The next question is from Devam Modi from Ardeko Please go ahead.
- Devam Modi:** Thanks for taking my question. So we are currently at around 50% net debt to AUM and I understand that we can probably take it higher up to let us say around 70% so are there any rating challenges, which should be there because of which we would have to cap it at a particular threshold and we would probably need to raise capital at that point of time?
- Harsh Shah:** At the moment, the way our business plan is structured is that we have taken rating rationales or rather it is called advance rating rationale that if we buy assets - all the frame work assets, which will take us up to approximately 68% to 67% in that scenario we would remain AAA. Having said so all ratings remain valid and their issued when we borrow right so today ratings are considering today debt and potential future debt right which is about 68%. As and when we raise that debt the rating agency will make a revise assessment looking at several factors so I cannot forecast that what is going to be the ratings however I can say that today's ratings already accounts into our business plan of acquiring the framework assets.
- Devam Modi:** Sure so then next was that let us say because of whatever development let say the IndiGrid unit price drops and the yield IRR rises to a particular level, which is at attractive from our perspective would there be there a case for a buyback and what will be the corpus available for such a buyback and if at all what is the key regulations that are applicable for us to do the same?
- Harsh Shah:** At the moment buyback regulations are not public and not announced by SEBI so I cannot comment on that. At the moment there is no way we can do a buyback.
- Devam Modi:** Okay and the other thing was that you have mentioned in your presentation that there are eight Asian yield platforms and that you would like to be probably among the most admired vehicle, you have mentioned only eight platforms in your presentation and that you will want to be one of the most admired vehicle? Right now if you see you are trading at a higher scale and obviously, we have some way to go in terms of size? So what are like the top three to five sectors in your view that would be key to achieving this and any particular platform that you feel is aspirational that you would like to compare yourself to in Asia going ahead?

**Harsh Shah:** So I would not say any particular platform, but I would definitely address what are the key factors probably which may help us. One of them is investor awareness right and therefore it is extremely important, and we spend disproportionate time and effort to explain our business right. We recognize that InvIt is a new and it is just three years of existence in track record so we go a little bit extra and explain that what do we stand for, what is our business and help people understand better right so that is one clearly is there. The second is the examples are for mature markets right. Today InvIt as a market itself is very nascent in India. It has been three years. So we believe that with the track record it would nationally also become comparable right and I would say the third one is if we can continue to grow and become a larger size right so I would say these three items are important besides the fact that we deliver our results and performance as planned for.

**Devam Modi:** Okay sure and finally from what we can know there are a couple of decent chunks of acquisitions still remaining from SPGVL to be done so given the current situation that has developed would there be any concerns surrounding these acquisitions that are in the pipeline?

**Harsh Shah:** There is a framework agreement signed. It is not with KKR and Sterlite Power. It is between IndiGrid and Sterlite Power and that framework agreements are there to provide sufficient clarity and both parties have its rights and obligations under that, and both are professional firms so we would look to work online of those agreements and give it effect.

**Devam Modi:** Correct and finally just one last thing that is let us say we understand that right now we are not having debt repayments to be done as a part of our cash flow because of the current structuring so going ahead let us say we have a gross debt of around Rs.6800 odd Crores and if we normalize right now the interest payments also we are probably paying a little less because of some of the structures of the MLD and all so we have to normalize all the interest and debt payments how do we continue to ensure the current DPU, would it mean that probably you will take more debt or refinance more debt at a particular level if you do not add any more assets?.

**Harsh Shah:** Okay there are two to three questions that you asked so to let me try to address that in a simple manner. Will we refinance debt, yes, we will refinance debt to ensure that the tenures are pushed ahead and longer. Can we refinance debt, or can we take more leverage and distribute to investors to put in a simple question that can we tomorrow raise Rs.500 Crores debt and pay DPU, we cannot pay that. As per regulations if our leverage is more than 49%, we cannot lever more to just pay DPU so that is the natural protection or rather natural regulation around that so we can only pay effectively DPU from the cash that we have earned.

- Devam Modi:** Okay that is from my side thanks.
- Moderator:** Thank you very much. The next question is from Sunil Shah from Turtle Star Portfolio Managers. Please go ahead.
- Sunil Shah:** A commendable performance from the entire team of IndiGrid. Thank you very much for doing a good job in such times. Sir I am just doing a followup on the previous question in terms of framework assets GPTL, KTL, and NER. Sir is the valuation in place, the acquisition prices which will be acquiring those assets, which will take us from Rs.12,000 Crores to Rs.18,000 Crores is it in place or it is going to be done, you are not sure about our acquisition price as well right now?
- Harsh Shah:** No I think if you look at the disclosures last year when we did in May 2019, it included the disclosures around the base value on which we have decided to transact however there will be adjustment both upwards and downwards with respect to several critical factors including interest rates or any other diligence findings, but the base value on which we have signed the framework agreement is captured and disclosed also.
- Sunil Shah:** Sir, any upward or downward revision of price would also be triggered on a formula base, would not be a subjective valuation from the seller side. That is the only clarification, I wanted to seek.
- Harsh Shah:** We have tried to capture in the framework agreement whatever can be done with the formula. However, we let us say the diligence finding cannot be addressed in a formula, so that is something which we will have to take case by case but whatever the number up or down is we endeavor to address it before we come for unit holders' approval in the EGM. So, we try to capture the updates in the approval of investors. So, we do release even for framework assets and AGM notice for investors to vote for and therefore that is the closer date of any finer adjustment also that gets disclosed, both upwards and downward.
- Sunil Shah:** This acquisition will take us to 18000 Crores of AUM, correct?
- Harsh Shah:** Yes.
- Sunil Shah:** Just one more point, hypothetically assuming the assets are required whenever previous guidelines or the guidance that is there that we retain the DPU of Rs.12 for eight to 10 year period barring the coming quarter, long-term sustains because if the acquisition happens then at 18000 Crores also we are eagerly certain about going to be DPU for the eight years period?



**Harsh Shah:** Yes that is what we had guided last year, but again you need to factor in the events like COVID if it happens, obviously year-on-year, quarter-on-quarter there can be changes because of such black swan events but other than that directionally, you are correct.

**Sunil Shah:** Thank you very much and congratulations for a super, super job. Thank you.

**Harsh Shah:** Thank you.

**Moderator:** Thank you very much. The next question is from Sudhir Bheda from Right Time Consultancy. Please go ahead.

**Sudhir Bheda:** Thank you Sir for taking my question. Sir, SEBI listed guidelines giving the exit option to the investors so can you throw some light on that? That is number one. Second question is we have worse brains, and everything is going, barring this COVID situation, assume that the things will be normal in the next one or two quarters, so what are the chances of growth in the UPI itself? Again as an investor, we are looking for that. So these are the two questions.

**Harsh Shah:** To answer your second question first it is a very forward-looking statement assuming things will be okay. I think we will need to wait for the time. Today we are in an uncertain environment and therefore I think it is not appropriate for us to give a comment that things will be okay and what will happen if things are okay, so we will have to wait and watch how things improve over the next two quarters and if it does and we will be in a better position to provide our guidance at that point in time.

**Sudhir Bheda:** No, my point is whether when we are growing our business whether these things might go, that is what.

**Harsh Shah:** To answer you very simply as we grow, if our NDCF grows which will grow then there can be growth, but we will have to factor in events like this and if there is uncertainty the asset acquisition is delayed or the working capital cycles are extended on account of even COVID like scenarios in that scenario there can be impact on the DPU. The first question you asked?

**Sudhir Bheda:** SEBI guidelines for exit option.

**Harsh Shah:** So, I think first it is a liquid trading instrument. So, if at all retail investments want to sell, they can sell on the exchange as well, but besides that the exit option is only applicable when there is an incoming sponsor who is or somebody crossing 25% units were taken approval and has not been able to garner 75% of the investment approval. Only in that scenario,

investor has been offered an exit option, if the incoming investor somehow is able to garner sufficient votes then there is no exit option, but in any case this is listed for retail investors in case if they want to sell, they can probably sell it on the exchange anytime.

- Sudhir Bheda:** Congratulation and you are really doing good work, Sir.
- Moderator:** Thank you very much. The next question is from Sunil Kothari from Unique Asset Management. Please go ahead.
- Sunil Kothari:** Good evening Harsh and congratulations on the performance. Harsh, my first question on the permission which KKR had to receive to become a sponsor from the SEBI have they received this even say post July 15? KKR when they acquired the stake it was mentioned that they also need to get permission from SEBI to become a co-sponsor along with Sterlite, there is also prerequisite for them to take a pickup from 23% to 37%-38% so had they received this permission from SEBI?
- Harsh Shah:** SEBI published the guideline on how somebody can become a sponsor in July. So, I would not say there is a permission from SEBI but, there is a process that SEBI has clarified in July 2020 and anyone who wants to become a sponsor, will have to follow that process. So, there is no one shot approval that is required from SEBI, there is a process to be followed and which means InvITs need to take approval of approximately 75% of unitholders and if they cannot achieve that they still want to become sponsors, they need to provide exit to the declining unit holders. So, there is a process which is laid down by SEBI.
- Sunil Kothari:** One of the requirements also mentions that we need to have more than 25% stake, correct?
- Harsh Shah:** The requirement is not to have more than 25%. If one wants to cross 25% one needs to do it. You can try to become a sponsor even if you are not crossing 25%. Again, I am just reiterating regulations.
- Sunil Kothari:** Fair enough, but then why the removal of intent from KKR side to not become a sponsor anymore because earlier it was dependent on SEBI's regulations, etc., now that it is received, so KKR is now dependent on acquiring this additional 15% stake to become a sponsor. They can become a sponsor right now be it on whatever holding that they have, so why this change in intent from KKR?
- Harsh Shah:** I would say all these transactions are linked in May 2019. KKR applied or expressed their interest of becoming the sponsor and they also signed the agreement to acquire 15% and to

give effect to acquisition of 15% they would have to become a sponsor. And if the 15% transaction is not happening, in that scenario, it is KKR's choice, it is not a requirement of SEBI that you need to become a sponsor to acquire that and therefore they have exercised. Can they do it? Technically yes. Why did they not do it? I cannot answer on their behalf.

**Sunil Kothari:** Fair enough. My second question is on the interest cost that we have. Two years back since you came to the market, I think, our average cost of funds has been in the similar range whereas the yield has gone down today in the RBI policy meeting the governor also said that the differential between a AAA corporate yields and GSEC has gone down from some 250-BPS to 50-odd BPS but for us that yield has, the differential in yield has rather gone up so maybe from 150-BPS to about 250, 300 BPS right now and given that our loans will also be asset backed, any scope of improvement and why the yield differential had gone up?

**Harsh Shah:** A year back or two years back, people used to ask that interest rates can go up and down, do we hedge our interest rates risks, we used to say that we have fixed the interest rates so substantial portion of our portfolio has got fixed interest costs with a lock in interest rates, as we acquire projects starting from three years to five years to 10 years, different range and different transactions. So, when we lock in an interest rates, when we acquire a project, after that interest rates can go down or it can go up, assuming that interest rates are going down right now, you are seeing a higher spread but our business is not of speculating or interest costs going up and down and creating that much extra return, we see interest costs as a risk and therefore we need to try to mitigate that risk by managing it and therefore as and when we have got ability and chance to hedge the risk for longer, we have tried to fix our interest costs. Now if after such fixation, if interest rates have gone down, I do not think we as management team look at it as an opportunity lost because it could have gone up as well and it is extremely difficult or challenging for somebody to fix it and take decisions on that basis on a fixed revenue kind of business. So, we would like to hedge our interest costs most of the time.

**Moderator:** Thank you very much. Sir, the line for the participant dropped. We move on to the next participant. The next question is from Ravi Chandra, an individual investor. Please go ahead.

**Ravi Chandra:** Good evening Harsh. It is an excellent presentation. I want to ask one simple question. In the slide #12, I can see there are two reserves; one is the item at SPV level basically, you answered that question. In terms of second reserve could you please explain once again the second reserve.

**Harsh Shah:** I would first explain the SEBI regulation. SEBI regulations require us to distribute 90% from SPV to InvIT and InvIT through investors, we need to have another 90% distribution, minimum. These are the minimum requirements. So we have ability to create reserves at both SPV and at InvIT level depending on the cash flows that get accrued at both entities. So for example, to simply explain this we could create a reserve of 28.8 Crores at SPV level and still remain complied by distributing 90% of DPU from SPV to InvIT and after that we could create reserve of 16 Crores at IndiGrid and pay 175 Crores. So, SEBI regulations provide us ability to create reserves at both level, and these are not accounting reserves etc., these are just the cash reserves which are the 10% of the NBCF that the company can retain for either growth of a further volatility. So at this level there is an ability to do approximately 10%. Does that address your question?

**Moderator:** The line for the participant dropped. The next question is from Sharad S from Avendus Capital Private Limited. Please go ahead.

**Sharad S:** Thanks for the nice presentation. Just want to understand because of the new regulations on new tax changes which has happened where the Indian base tax free in the hands of investors are, we looking at changing cash flows work not immediately, but maybe now a couple of years, three years kind of timeframe?

**Harsh Shah:** Sorry can you repeat that question, I missed that Sharad?

**Sharad S:** In terms of distribution currently registration in the time of interest whereas the tax favorability is towards the grid are we working towards some of these cash flow coming to the investors, unit holders, you will give more dividend and less of interest?

**Harsh Shah:** So, I think we look at the overall tax liability on starting from SPV to investors on a full basis. So, we know that even if we look at the dividend paying platform, we will have to pay a corporate tax at the SPV to create profitable reserves and then pay dividend out of that. If we go for a new tax regime, the dividend will also be taxable in the hands of investors on a marginal rate. So, with the new tax regime the distinction between dividend and interests is actually completely narrowed for most investors. I would not say for all, but dividends are taxable at a normal rate and to go back to the old tax regime, we would remove a substantial tax loss at the SPV level itself, so I think what we attempt to do is if we have Rs.100 we can maximize what can each investors on a post-tax base from InvIT after that different investors have got different tax treatments and therefore we at this moment what we are doing is focusing on distributing maximum as interest which major shareholding mix today seems to be most optimal thing to do and considering the new tax role where the dividends are also

taxable that is something, which we do not see in the foreseeable future to be followed by IndiGrid.

**Sharad S:** Thank you. Just want to understand what are the risks from the receivables side, is it the State Electricity Boards or is it something else?

**Harsh Shah:** Is it the receivables part?

**Sharad S:** Yes, which are the receivables from which are under risk?

**Harsh Shah:** I cannot give you which are the specific receivables and the risks, but our customers include State Distribution Companies, Private Distribution Companies, State GENCOs, Private GENCOs. It is a mix of customers.

**Sharad S:** Thank you very much.

**Moderator:** Thank you very much. The next question is from Neeraj Shah from Dalal & Broacha. Please go ahead.

**Neeraj Shah:** Congratulations on the results. I would like to understand one part in the portfolio that we have going ahead. So from my understanding we have three different assets to be acquired and one is under share purchase agreement that is GPTL, right?

**Harsh Shah:** So we have three assets from the framework agreement to be acquired, GPTL, NERSS and KTL.

**Neeraj Shah:** And for these the capital raising is not done, that will happen in the future after we monitor the assets for construction, right?

**Harsh Shah:** Yes, the equity capital that is required to acquire these assets and to be able to remain within the leverage ratio has already been raised. The debt capital will be raised as and when we look to complete the acquisition.

**Neeraj Shah:** Any timeline on these acquisitions?

**Harsh Shah:** It is directly dependent on the completion of the assets. So, as and when they come to completion, there is a process mentioned in the agreement. The moment we reach completion-then we follow the framework agreement and make the proposal and offer and then we go to acquire that. The process starts when the asset is completed.

- Neeraj Shah:** Sir, the JKPTL is the asset that has been recently acquired, right?
- Harsh Shah:** We have signed the SPA for that, but we require approvals from the regulator, so we are awaiting that approval.
- Neeraj Shah:** So, the capital raising for that is done through debt?
- Harsh Shah:** Yes, this will be a debt acquired asset, but we have not raised the debt yet. So, as and when the regulatory approval comes in, we will look to acquire.
- Neeraj Shah:** So, basically there are four assets in line that is JKPTL, GPTL and the NERSS and KTL, right?
- Harsh Shah:** Correct.
- Neeraj Shah:** That is it. Thanks a lot.
- Moderator:** Thank you very much. The next question is from Sanjay Gupta, an individual investor. Please go ahead.
- Sanjay Gupta:** Thank you for taking my question. My question is more on the operational side. Whenever these receivables are overdue, is there a rate of interest that they pay for the overdue or that is part of the price, and they do not pay for the overdue interest?
- Harsh Shah:** No, they will pay late payment surcharge and the late payment surcharge is approximately 18%, so per month it is 1.5% if they pay after the due date which is 45 days and during the COVID time from March end to June 30 that late payment surcharge was reduced from 18% to 12%. That is also one of the reasons that people chose to not to pay because there is lesser late payment surcharge. So post July 31 it was the old late payment surcharge, which is 18% that is being levied and therefore there is a substantial deference to delay.
- Sanjay Gupta:** Some amount of delay has been there for the bottom line, some amount?
- Harsh Shah:** I would not say that because late payment surcharge is not easily recoverable and therefore, we recognize only on cash basis.
- Sanjay Gupta:** Next question which is a small question on if there is delays and is there no right in the agreement to just stop the equity flow?

**Harsh Shah:** I mean that is an extreme way of putting it, but there is a regulation called the regulation of power supply, which expresses the procedures to be followed in case of transmission licensees not paid but it is not as simple as that that it cannot be assumed. It needs to go through procedures, the regulators.

**Sanjay Gupta:** Thank you very much.

**Moderator:** Thank you very much. Ladies and gentlemen that was the last question for today. I will now hand over the conference over to Mr. Swarnim Maheshwari for closing comments.

**Swarnim Maheshwari:** Thank you so much Harsh. Any closing comments from your side?

**Harsh Shah:** Thank you Swarnim. I think the closing comments is that we are focused on our business and the Q1 was a challenging quarter considering the COVID scenario both from operations, health and safety and collections and I think we are happy that we have been able to maintain our portfolio assets at a higher availability and address to the O&M requirement rather than it getting affected during the COVID scenario as well. We are also happy about our robust business model that our revenue remains intact and this was the first time when the collections went so low in this quarter and we are pretty confident that we have a strong balance sheet than we started the COVID scenario with a strong cash cushion with us and therefore we could survive and keep the balance sheet strong. In addition to that we also did factoring ensure that our track record that we have built by paying Rs.3 DPU continues and our investors earn the expected yield out of that so I think overall it was eventful quarter from markets and company's perspective and look forward to continue the same and hope the overall COVID situation improves in the country and wishing everybody safety.

**Swarnim Maheshwari:** Thank you Harsh. Wish you all the best.

**Moderator:** Thank you very much. On behalf of Edelweiss Securities Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.