Date: February 05, 2024

B S E Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai — 400 001

Security Code- 540565

National Stock Exchange of India Ltd
Exchange Plaza, C/1, Block G,
Bandra-Kurla Complex, Bandra (East),
Mumbai — 400 051

Symbol- INDIGRID

Subject: Transcript of Earning Conference Call of India Grid Trust held on Monday, January 29, 2024

Dear Sir/ Madam,

With reference to our earlier intimation dated January 24, 2024, we hereby provide the Text Transcript of the Earning Conference Call on the Financial Performance of India Grid Trust for the period ended on December 31, 2023, held on Monday, January 29, 2024, at 04:00 PM IST.

The transcript can also be accessed on the website of India Grid Trust as per below path:

(Path: Financial Results - Quarterly Results – Current Year – Q3 - Call Transcript Text)

You are requested to take the same on record.

Thanking you,
For and on behalf of the IndiGrid Investment Managers Limited
(Representing India Grid Trust as its Investment Manager)

URMIL KISHOR SHAH

Digitally signed by URMIL KISHOR SHAH
Date: 2024.02.05 15:28:37 +05'30'

Urmil Shah
Company Secretary & Compliance Officer
ACS-23423

CC to-
Axis Trustee Services Limited
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29, Senapati Bapat Marg,
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"India Grid Trust

Q3 FY '24 Earnings Conference Call"

January 29, 2024

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

MODERATOR: **MR. JITEN RUSHI – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the India Grid Trust Q3 FY '24 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jiten Rushi. Thank you, and over to you, sir.

Jiten Rushi: Thank you, Viren. Good evening, everyone. On behalf of Axis Capital, I'm pleased to welcome you all for the Q3 and 9Months FY '24 Earnings Conference Call of India Grid Trust. We have with us the management team represented by Mr. Harsh Shah, Chief Executive Officer and Whole-Time Director; Mr. Navin Sharma, Chief Financial Officer; Ms. Meghana Pandit, Chief Investment Officer; and Mr. Satish Talmale, Chief Operating Officer.

We will begin with the opening remarks from the management followed by an interactive Q&A session. Thank you, and over to you, sir.

Harsh Shah: Thank you. Thank you, Jiten, and thank you, everyone, for joining the call today. As we have followed in the past, we will go through the presentation and in the end, we'll keep questions and answers.

To reiterate and start with slide three, where we are talking about our vision remains to become the most admired yield vehicle in Asia. And we believe we can do that by ensuring our business model remains focused on long-term contracts, low operating risks and stable cash flows, focus on value-accretive growth and offer unitholders predictable distribution by following an optimal capital structure.

Following these principles on slide four. This is a quick snapshot of how our portfolio looks today. We are present across 20 states and 1 UT, across 80 different revenue-generating elements, which includes around 46 lines, 13 substations and overall 555 megawatts of solar power projects.

On our transmission side, most of our assets remain perpetual assets. However, the residual contractual period for the first tariff is 26.5 years and the solar is approximately 18 years of average residual contract.

On slide number six, coming to the quarterly highlights. This quarter has been a very exciting quarter. In this quarter, we have won 2 greenfield ISTS transmission projects with approximately total capex outlay of about INR1,000-odd crores. Both these projects have won through TBCB mechanism and will be developed on BOOT basis, for which we will have a concession period of approximately 35 years after COD.

Second, on the Battery Energy Storage Purchase Agreement (BESPA) front, we signed the agreements for the first utility scale battery energy storage bid that we had won. And the agreements for that, which is called Battery Energy Storage Purchase Agreement has been signed and executed with BSES Rajdhani for a capacity of 20-megawatt and 40-megawatt hour in New Delhi.

We also signed Share Practice Agreement with ReNew Solar Private Limited, which is to acquire 300-megawatt of AC capacity of solar project for an enterprise value of approximately INR1,550 crores.

Along with the asset growth, we also raised INR670 crores through Institutional Placement in the last quarter, which is largely subscribed by long-term unitholders, which totals our last year capital raise put together approximately INR1,070 crores of unit capital in the last 9 months.

The internal restructuring process, which we took approval from unitholders to reduce legal entities and to simplify operations for corporate structure and efficient operations, that is underway, which will substantially reduce the, at present, legal entities, which are 38, which we are operating.

On the financial side, quarter 3 FY '24 revenue and EBITDA have both witnessed 28% and 27% year-on-year growth on the back of the acquisition that we did in this financial year. Quarter 3 FY '24 EBITDA includes first 3 quarter of revenue from the VRET assets, which is why we had a jump in the EBITDA performance.

On the collections term, quarter 3 FY '24 collections for transmission assets were at 94% and solar assets at 111%. Our quarterly DPU continued at INR 3.55 a unit, which is on track to meet our FY '24 revised increased DPU guidance of INR 14.10 a unit.

Our AUM at approximately INR 26,700 crores with our net debt to AUM at 61.6%, which keeps substantial headroom for further growth. On the operating side, our operating performance was at 99.68%. Solar CUF AC remained at 18.9%, including all solar projects put together. You may be happy to know that we won the IT Project of the Year - India award at Asian Power Awards for our DigiGrid initiative, which was to digitize our entire asset.

With this in line, we were able to achieve superior growth returns, sustainable increase in DPU and maintaining stable operations.

Going to slide seven on industry update. Peak demand at around 213.5 gigawatts for quarter 3. Year-on-year, power demand witnessed increase of 10%, while the quarter-on-quarter consumption has come off, but year-on-year still remains higher.

In general, broadly, we have seen a substantial amount of thrust from government on the sector. The key development and noteworthy development in the sector that we operate in, the transmission sector is looking at almost 3,000 billion for the power transmission segment between 2020 and '25.

Based on the upcoming tenders or already identified projects, we are expected INR 2,200 billion of expected capex in Power Transmission segment. MoP has also released national framework of energy storage to adopt and create an ecosystem for development of energy storage. And as per NEP 2023, we are expecting the total storage capacity expectation in the country to be 400 gigawatt hours to ensure that the country meets its energy transition goals.

We are pretty excited that with all the development and transmission in solar business, we would continue to get a sizable profitable pipeline for our subsequent growth.

Coming to the next slide on the operational performance of IndiGrid. This quarter, we focused on zero harm on HSE, no fatalities, no LTIs, no FAC, 1 MTC, recordable minor. On the performance side, as we said earlier, we delivered 99.68% of average availability. On solar generation, more than 18.9% CUF with 229 million units. Our reliability remained at our targeted levels of trips/line of 0.11 and substation trips/element at 0.01, which are substantially lesser than comparable benchmarks. And we continue the prudent defect management in reliability centered approach enabling these lower trips.

On the cybersecurity front, we have finished ISO 27001 report and we are expecting the certification to our ISO. In general, there is a consistent track record that we have continued for maintaining the superior availability.

I would now invite Navin to take you through the financial performance. Navin?

Navin Sharma: Thank you, sir, and good evening, everyone. We are on slide number nine. Another good quarter with robust performance as compared to the same quarter of previous year. We have reported a revenue and EBITDA of INR754 crores and INR681 crores, respectively, which translates into healthy 28% and 27% Y-o-Y growth.

NDCF generated for the quarter over INR312 crores and Board has approved distribution of INR3.55 per unit, which translates into DPU growth of 7.5% on Y-o-Y basis. With this, FY '24 DPU guidance stands at INR14.1.

Coming on to collections for the quarter. It stood at 94% and 111%, respectively, for transmission and solar business. For 9 months, collection performance at entity level stands at around 100%. The DSO as of 31 December '23 stands at 63 and 88 days, respectively, for transmission and solar business, which reflects significant improvement in solar business, where DSO was 107 days a year ago.

Coming on to next slide, number 10. DPU for the quarter is INR3.55 per unit. It will be distributed in form of interest, capital repayment and other income which is INR2.95, INR0.56 and INR0.04, respectively. The outstanding units at the end of the quarter is INR78.37 crores and the gross distribution to all the unitholders at INR3.55 comes to INR278 crores. Record date for the distribution is Jan 31st and tentative date prices the unitholder will receive the distribution is Feb 9th. NAV as of December 31st stood at INR130.1 per unit.

Post this quarter distribution, IndiGrid would have contributed INR82.41 per unit with a total distribution of around INR4,667 crores. On the right-hand side, we showcased the kind of distribution year-on-year basis, which is stable and scalable growth of 4% over the year. We are on track to meet the year's guidance on distribution of INR14.1 per unit.

Coming on to next slide number 11, which showcase the waterfall from our EBITDA to the NDCF generation and distribution. At an SPV level, we have a consolidated EBITDA of INR681 crores. Net of the finance costs, working capital movement, capex and taxes at SPV level, NDCF generated at SPV comes to around INR668 crores.

The net of the trust level expenses, interest cost and tax, we have generated NDCF of INR312 crores in the quarter. In this quarter, we have replenished our reserves by INR34 crores and closing reserve stands at INR337 crores, which is an excess of one quarter DPU basis, current guidance.

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

Meghana Pandit: Thanks, Navin. Hi. Good evening, everyone. I'm on slide number 12 on the balance sheet position. IndiGrid continues to be a AAA-rated entity by all the 3 rating agencies and our average cost of debt at the end of the quarter stood at 7.6%. The cash balance, which includes one for the distribution for the third quarter as well as DSRA stood at about INR13.82 billion.

The mix of debt in terms of fixed rate borrowings stood at about 79-odd percent and balancing the floating part. With the equity raise that we did and the debt that we paid in the quarter of about INR1,050 crores, the net debt to AUM stood at 61.6-odd percent, leaving significant headroom for future acquisitions.

The EBITDA to interest coverage ratio stood at about 1.94x. The pie chart that you see on the right-hand side talks about the gross borrowing of about INR17,700 odd crores, which is largely 50-50 split in NCDs and bank loans, 52% on NCDs, to be precise, and 48% on bank loan. All have been subscribed by variety of investors across mutual funds, insurance companies, retail HNI and even on the bank side, the bank loans have been provided by PSU banks as well as private banks.

The repayment for refinancing schedule that you see the bar graph at the bottom of the chart talks about how the schedule pans out over the next 10, 12 years. FY '24, as you can see with the debt being paid during the quarter, the balance amount for refinancing is very small. And over the next few years also, we have a smoothened curve in terms of refinancing to ensure that there is not more than 10% to 12% that comes up for refinancing in any particular financial year.

Moving forward on slide number 13, we are talking about the risk-adjusted total returns to the investors. As you can see, IndiGrid continues to be outperforming on a risk-adjusted basis, risk being provided through the beta. With the run-up in the equities, we are seeing a lot of equity indices providing slightly higher returns, but as I said, with risk adjustment, you can see that IndiGrid is still outperforming both on the debt side as well as on the equity side.

Moving forward on slide 14 in terms of the business outlook. On the portfolio strategy, our focus will continue to be on ensuring that the operations continue to be stable and distributions will also continue to be stable, obviously, with looking at value-accretive acquisitions.

The ReNew solar asset SPA that we executed, we are targeting to close this transaction in the coming quarter.

On the greenfield side, the project Kallam, which we had won almost 18 months back, we are looking to achieve COD of that project in this quarter as well as looking at focusing on the execution of the augmentation work that we have won across our existing assets as well as the 2 new transmission projects that we won in the last month.

Similarly, the battery energy storage system projects that we won, we are also looking at executing that. Plus continue to look at other greenfield bidding opportunities across transmission as well as battery energy storage. And with that, look at ensuring that we meet DPU guidance of INR14.1 for this fiscal year.

Parallelly, balance sheet strength and ensuring that interest costs as well as tenures remain long enough remains a focus area for us as well as maintaining adequate liquidity.

Asset management, again, a very important part of our portfolio. So we are looking at maintaining a minimum 99.5% availability across the portfolio and ensure we maximize the incentive as well as look at bettering the O&M practices across the portfolio.

Increasingly, our focus on the EHS and ESG practices across the portfolio are also gathering steep on the industry stewardship is something that we proactively work with various industry bodies and the regulators to see how we can maximize the private sector participation in the electricity sector for both greenfield projects as well as the national monetization pipeline and parallelly work on increasing the awareness and education about InvITs with various stakeholders.

Moving on to slide number 15. This depicts the way on the back of value-accretive acquisition, how we have increased the DPU and at the same time, elongated the sustainability of that DPU. The various color bars that you see, depict every acquisition that we have done since the time we got listed. And with every acquisition, how we have increased the DPU as well as elongated the sustainability of that increased DPU going forward.

I'll take a break here, and we can move on the specific Q&A session, please. Thank you. Jiten, over to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Hi, Harsh, congratulations on a good set of numbers. Just two, three questions. So one is, of course, we are hearing a lot on the solar and renewable side. At the same time, we are closer to the upper limits of what we would like to do in this segment. So given all of that, do we have some sort of an overall AUM growth target for the coming year, given all these changes and the thrust on solar and renewable that we are seeing in terms of various news items. So that is question number one.

Second is on the solar piece, again. You have mentioned some of the numbers like collection percentages, CUF, etcetera. So if we were to benchmark ourselves with the peers on the solar assets across various important metrics, if you can give some color on how does our asset look like compared to the peers in terms of some of the important matrices given that we have now spent some time developing these assets into our portfolio.

And final question was that what should be the sensitivity of our NAV to, let's say, every 25 basis point decrease in the interest rates?

Harsh Shah: So I'll try to address in some sequence. So question number one, first, let me clarify, there is no special thrust on any particular sector, whether it's solar or battery storage or transmission.

As we've said earlier, we do not work under target of a particular AUM to be achieved. We believe that we are in a business on one side utility and the other side, capital deployment and investments. So we like transmission, we like solar, we like battery storage equally. And how are the return thresholds maybe different for different set of projects, so we don't have a particular goal of a solar percentage that we are chasing.

We look to acquire assets which provide us superior return on a risk adjusted basis, whether it's transmission or it's from a battery storage. And depending on what is the offer in the market, we evaluate a particular transaction of bidding. So yes, we don't have a goal of a particular AUM, which I can say. We don't have a particular preference of solar over other. Yes, we have an overall cap. If we are at that cap, we'll not acquire incremental assets. So that's the answer to the first one.

And second one is a little more complex, because while we have 555 megawatts and we acquired ReNew, it becomes larger. They are spread across 16 to 18 sites. So to compare them and they are of different vintage. Some plants are 1 year operational, some plans are 12 year operational.

So it's not one number that probably we can just compare and share this passionately with investors or otherwise. Internally, we do keep track of the nearby plants, for each plant and how we are performing against them. But I would say, impossible to showcase 20-plant performance versus other 20 plants in between regions for us to really compare because it won't be apple to apple.

So we are working on it, let's say, if we come across some simpler transparent number to communicate that, that would be more appropriate because it's not a homogeneous set of plants, right? It is across country and different types. So difficult to provide, but to be honest, let's say, this quarter, our performance was a bit lower than what we expected from the plants, because this quarter, there were a lot of cyclones in Western India, which is Rajasthan, and there were some rains in Southern India, during the winter monsoon. So we lost some of the generation. But it wasn't something which is alarming. But I think we do keep track of plant by plant. But at a portfolio level, if we come across something suitable, we'll surely count.

On the next question you had on NAV, unfortunately, there is no one simple answer and because as the time passes, some of the assets lose value, right, for example, limited-life assets like solar may reduce value so there's dual impact. Also, cost of capital does not have a direct impact on

NAV. There's in between EBITDA. So the formula is public. You can look at the valuation report. But for us to give a sensitivity table, won't be accurate.

But all the ingredients are there, right, how the WACC is calculated, how the beta is calculated is there in our report. I would suggest to build a model and probably bounce back if that works well. But for us to give a sensitivity how the NAV will move won't be fair. Sorry, I'm not be able to help you, but all the data is available for somebody to construct, but that guidance coming from companies at part 25 bps impact wouldn't be appropriate. So that's why kind of we are refraining. But the data is there for you to create that.

Sarvesh Gupta: Understood. Just a follow-up on the second question, which was related to the benchmarking of the solar assets. So obviously, we started this only meaningfully maybe a couple of years back itself, right? So when we started, then we would have envisaged a certain delivery in terms of operational and financial performance coming out of this segment.

And we would have envisaged at the portfolio level because in a way, you are a portfolio manager as well, right, in terms of financial operational performance. So till now, have you been able to get something which is better than what we thought we would get a couple of years back or we are at par or we are getting at the overall level something which is lower than what we had expected. So just to get a sense of...

Harsh Shah: Yes, we are getting better than what we had expected broadly, including the FRV acquisition which we first did in 2019. The plants have performed very well, better than our expectations, both at our unit generation level, degradation level and also, I would say, collections, across parameters of technical and commercial, they have done very well. I won't say it is only to our credit because the overall industry has also improved, collections have improved for all. There are many factors, but we are happy with the plants that we acquired and pretty good with the performance.

Moderator: The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Just going on to the first question, set of questions on solar assets. Especially in context of a AAA-rating, your transmission assets are stable and they provide take-or-pay as long as you have availability, whereas solar assets, have this issue of revenues, depending on radiation patterns, etcetera, sir, to maintain earnings stability, would you restrict solar assets to a certain percentage of total assets or these variable income assets to a certain percentage of total assets? That's my only question.

Harsh Shah: Yes. Yes. We plan to do, plan to restrict approximately 25% to solar. That's the plan.

Vivek Ramakrishnan: Okay. Great. So I guess that is in line with maintaining a AAA-rating, right?

Harsh Shah: I mean, it's just a linking with rating commercial securities that you all put together, right? I mean there are variety of purpose, but yes, I think, yes, rating plus -- it's not -- I mean we are not working for ratings, we're working for stable cash flows. So it's a mix of both.

Whereas rating might indicate that it is stable, but the underlying is that we do want to maintain a state business. Having said so, to be honest, over the last 3 years, solar industry has seen substantial amount of improvement in both predictable generation as well as collections. But let's see how it pans out in the next few years. And eventually, we do believe that overall credit of central counter-parties will improve. But for now, we are focusing on not more than 25%.

Moderator: The next question is from the line of Saurabh from Avendus. Please go ahead.

Saurabh: Just 1 question. Recently, you have signed an SPA with ReNew Solar Power, which is for the acquisition enterprise value of INR1,550 crores. So how this funding would be planned, through debt or equity? And also, is there any other pending commitment from the past acquisition, which needs to be met?

Harsh Shah: So to answer, it will be both. ReNew acquisition has ECB, which can only be refinanced at the SPV level at a fully hedged basis, which can only be refinanced in 1 year from now for regulatory reasons. So good part of the INR1,550 crores, would remain in debt that is continuing. And we would be looking to fund it between our internal accruals and additional debt. We already have raised capital, as I mentioned earlier. So it will be few sources, we'll be looking to close ReNew.

On the past acquisition, if you look at our balance sheet, there is an item of capex payables, which is largely around certain earn-outs or certain holdbacks of different acquisitions. That number comes to give or take around INR150 crores to INR200-odd crores across portfolio based on different yields. And most of the time, it is back to back. So if we receive cash on certain upside terms, we have to pass it on to the sellers. Or in some cases, we have held back the money which will be paid to the sellers when certain conditions are met, like completed. So yes, that number would be in the range of INR150 crores to INR200 crores.

Saurabh: Thank you. And in this quarter, you have breakup of INR1,150 crores, how much is debt and how much you would have to fund it?

Harsh Shah: Sorry, 1,150?

Saurabh: The ReNew solar power enterprise value is INR1,550 crores. So how much you need to...

Harsh Shah: Yes. Meghana, would you be able to answer how much is the ECB amount that...

Meghana Pandit: Yes, yes. The ECB is around INR1,000-odd crores and balance would be full equity consolidation.

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comments. Over to you.

Harsh Shah: Thank you, and thank you all the unitholders for joining at this quarterly call. It's been an exciting quarter, and we are looking forward to the year-end and providing the guidance for the next year DPU. And as these positive moments continue, we will continue to update you on the projects and further acquisitions that we do. So looking forward for your support. Thank you.

Moderator: On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.