# "India Grid Trust
# Q4 FY2022 Earnings Conference Call"

May 24, 2022

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**Moderator**: Good day and welcome to Q4 FY2022 Earnings Conference Call of India Grid Trust hosted by JM Financials. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Subhadip Mitra from JM Financial. Thank you and over to you, Sir!

**Subhadip Mitra:** Thanks, Jacob. Good afternoon friends. On behalf of JM Financial welcoming you all to the Q4 FY2022 results conference call of IndiGrid Trust. We have with us today the senior management represented by Mr. Harsh Shah - CEO, Mr. Jyoti Kumar Agarwal – CFO, Mr. Satish Talmale – COO and Ms. Meghana Pandit - CIO. I would now like to hand over the call to Harsh for his opening comments followed by the Q&A session. Over to you, Harsh!

**Harsh Shah**: Thank you everyone and thanks for joining on this year conference call. I will take you through the deck as we have done earlier and we will take some of the key highlights and subsequently Jyoti and others will participate and then we will go the question and answer. On slide #3, reiterating our vision, our vision is to become the most admired yield vehicle in Asia, with a focused business model, value accretive growth, predictable distribution and optimal capital structure. I think over the last five years as we see through our growth and journey we have certainly tried and lived up to the core pillars of growth that we have professed that we are really seeing the results coming out to be in the same line.

On the next slide just a small snapshot of our evolution in last five years is presented. As you can see not only our portfolio has grown multifold almost like 50% CAGR both in terms of number of lines, substations and diversification to solar and number of states that we are operating into and a number of revenue generating elements, but we have also substantially diversified in terms of our unitholder base over a period of time. Starting since inception in FY2018, the original sponsor Sterlite Power continued to own about 16%. There was almost no insurance company, very limited mutual funds and no pension funds owning chunk of IndiGrid.

As our evolution has evolved in FY2022, we have an institution like KKR being the sponsor and the single largest shareholder. We have nine insurance companies owning about an 8% stake in the trust. Retail holding has increased multifold from 445 Crores to 2,300 Crores standing in this quarter. FPI including KKR and GIC is holding around 54%, which is also a healthy jump from earlier 39.9% and we have done additional capitalization via rights issue, preference issue and added more investors. Incrementally, PFRDA and insurance lending is enabled as well as pension fund started acquiring IndiGrid and PFRDA has enabled them and as you already very well know the liquidity has improved with the lot size being in the single digit.

Along with the size and maturity, I think most of the financial parameters as we can see below have grown in a substantial fashion whether it is revenue, EBITDA, NDCF and AUM, with that in mind we have also consistently focused on the strategy of sustainable growth. Slide #6 is just a snapshot of what IndiGrid is today. IndiGrid is India's first power transmission yield platform and with the assets under management of 21,000 Crores spread across 18 states and one UT, we have almost covered the majority of India and with the residual contracts being ~30 years of life, we are very confident of providing a predictable distribution.

On the next slide which is slide #8, this is a sectorial trend. As we have discussed before, I will rephrase that. We see the power sector into a decadal growth driven by technological disruptions that are taking place in metering, in solar, in hybrid systems, we are expecting demand pattern shifting and electrification of more and more energy needs whether it is EV or other sectors or whether hydrogen, we are going to see more and more demand of electricity on that regard. Fortunately, the government has been showing dynamic steps with respect to whether it is GNA or other decisions that are needed to revive this sector. So, as the core center of all three, we are really looking forward to a decadal growth in the sector.

Coming to slide #9, it is our Q4 highlights and also some of the annual highlights. To start with, there has been a lot of organizational updates and coming to my side, I have decided to move on from IndiGrid. It has been a phenomenal journey with all of you over the last six years since inception, to the extent of naming IndiGrid to listing and to bring it to this scale, it has been a very, very rewarding experience and I am grateful to our shareholders, stakeholders, regulators, team members at IndiGrid to really contribute to the journey and make it worthwhile. To me, it is a very emotional decision considering such a long association with the company; however, I am looking forward to a little bit of by the canvas and more development experience and therefore I have decided to move on earlier this month.

We have been positioning ourselves as a professionally managed platform. We have a substantial leadership pipeline within the company and quickly the board has identified the successor of my role which is Jyoti Kumar Agarwal whom you have met and heard over the last year and a half as a Chief Financial Officer. He has been elevated to CEO and whole-time director in board with effect from July 1, 2022 and Divya Bedi Verma, who has been associated with this business for five years and she was deputy CFO who will be taking over as a new CFO from July 1, 2022, so as you can see the platform is very well equipped for a seamless transition and strong management team in place, so we are pretty confident that this change is not to going to result into any opportunity loss of IndiGrid. Jyoti and Divya have remained in the system and they are tremendous.

Coming to the Q4 highlights and on the performance side as you can on revenue and EBITDA, we have grown about 10% and 29% Y-o-Y. The DPU is increased by 3% Y-o-Y to 3.19 versus 3.10 and that is what we have delivered which was promised for this quarter and the collections have been substantially healthy with 110 per cent, so we are happy with the overall collection trend that we received as well. In terms of capital, we are well-capitalized, we are just about 56% of net debt to AUMs. There is a significant headroom to grow as per the InvIT regulations. In terms of asset management I think our average availability has been maintained at 99.75% for most assets except for one and we will cover that in next slide, there was a force majeure event that took place; however, our revenues are going to be covered under that and we are fighting for that.

In terms of DigiGrid that we have spoken about which is the digital asset management platform across all projects, across all states, this has been implemented and we are looking forward to reap the reward from FY2023 onwards and I am sure with Satish as a COO, we will have a substantial benefit of scale in the operating costs. As we discussed last time, we purchased two sets of ERS towers which allowed us to put 400 kV and 765 kV powers and systems in case of the emergency use. We have also been training our teams and we have a set of people who can really operate that in India seamlessly. In line with our ESMS framework, the CSR initiatives were taken across environment and climate, healthcare and rural development across the country and we will see as we speak in our detailed reports, what are the details around the same. In general, with all these updates, our focus remains on the righthand side is superior total return, sustainable increase in DPU and steady operations. With that, I would invite Jyoti or Satish to really take on the operating performance side.

**Satish Talmale**: Thank you Harsh, this is Satish here and happy to share the Q4 performance. Typically, Q4 is the month wherein we planned a lot of annual maintenance activities and that is why it is slightly reflecting in the availability numbers for each of the effect. On an annual basis, as Harsh said, majority of the assets have achieved target availability of 99.75%. One asset which is NRSS is showing 90.22% availability that is due to a force majeure event, rather we proactively took steps to avoid a tower collapse situation, which was created due to the reasons beyond our control and we are working with all the regulatory bodies to consider it as a force majeure event and get that in the availability certificate and once we get that we will be back to our availability target. On EHS, we had again zero harm quarter and no major incident or injuries happened and the reporting culture on such acts and conditions continues.

On reliability, this quarter no. of trips was lowest by far. As far as record is concerned it is at 0.07, which is a trips per line indicator. Defect correction activity is helping us to achieve this record trip per line indicator. More than 99.5% of substation equipment are defect free. On DigiGrid which is the IndiGrid digital asset management platform, we are happy to share that all the assets including solar are live and fully using all our operating activities in a digital manner. On emergency preparedness, emergency restoration system is well in place along with a very unique weather forecast platform, which will help us to provide swift response and restoration during any unplanned events.

On third wave of COVID, there was a limited impact and all our critical activities continued in Q4. On a couple of important metrics I spoke about trips per line which is 0.07. Training effort continued on EHS aspect. LTI was zero which is loss time incident. Unsafe conditions reporting was close to 1900, so those indicators are looking good. On utility solar, we achieved 58.11 million units of generation, which represents 19.50 CUF and availability of 99.79%. Thank you, I am handing it over back to Harsh or Divya probably.

**Jyoti Kumar Agarwal**: I will take it forward from here Satish, thanks a lot. We will move to slide #11, we will go through the financial performance of Q4 as well as for the year. On the back of acquisitions, we have seen quarterly revenue growth of 10%. EBITDA growth is higher at 29%. There are two reasons here, one is there is an operating leverage in the model, the expenses are as far as semi-fixed or semi-variable in nature and so that is benefiting the EBITDA growth, but there were some one-off expenses which were booked in Q4FY2021 which are not there in this quarter, so on a like-to-like basis the growth in EBITDA adjusted for that would be about 13% to 14%. The NDCFs generated grew by about 5% as our growth was largely funded through debt, so adjusted for the interest cost, NDCF generated was higher by about 5% and DPU in line with our guidance was higher by about 3%.

For the full year, again on the back of a few acquisitions we saw a part of the benefit last year but had seen full benefit this year. Our revenues grew at about 33% and EBITDA because of the operating leverage grew at about 40% and NDCF generated about 3%. Collections were a little bit short of expectation in January-February, but more than made up in March, ended this quarter at about 110% collection and with the DSO days of about 49 days. If you look at the distribution breakup, this quarter in line with our guidance is giving us Rs. 3.1875, Rs. 2.55 out of that is in the form of interest and 64 paise is in the form of capital repayment. The record date for this distribution is going to be May 26, 2022 and the tentative date of distribution is June 4, 2022. We ended the year at an NAV just short of Rs. 132 which is Rs. 131.71. With this distribution, we would have paid close to 3,000 Crores to the investors since listing. We have been maintaining a steady state of DPU increase over the last few years in the range of between 3% to 4%. In line with that trend the board has decided to keep the DPU outlook for the next year higher by about 3.5%, so from the current Rs. 3.1875 we are guiding DPU per quarter of about Rs. 3.30 adding up to Rs.13.20 for the full year, so this in sort of in line with what Harsh mentioned earlier, superior returns and sustainable increase in DPU backed by stable operations and a prudent capital model, I think this is in line with all of that and we do expect to be able to meet this guidance relatively easily.

If we move to the next one, this is nothing but an EBITDA to NDCF bridge, essentially for the quarter we had a net accretion on the back of good collection of about 70 Crores to be gross NDCF reserve and for the full year we have added about 52 Crores to the NDCF reserve. We started at about 171 Crores and we are ending this year at about 221 Crores, so just a little bit short of the quarterly DPU more or less in line, so we have almost one quarter's DPU as a reserve should there be any headwinds in terms of collections or mismatch then there is a healthy DPU reserve to sort of dip onto and continue to maintain a predictable and sustainable distribution profile.

Our balance sheet, which is the next slide, continues to remain robust. We raised money in this quarter, in Q4 at about 6.91%, which is way lower than our average cost of debt of about 7.76%. Even despite the headwinds of a higher interest rate environment, we have been able to tie-up a substantial part of the refinancing needed in FY2023. We sort of almost done 2,200 Crores of the 2,400 Crores, which is coming for refinancing and all of it is tied up in the zip code of about 7% and this is coming to replace debt, which was earmarked at about 9%. This is sufficient room available for us to continue to reduce the average cost of debt, which will add to further cash flow generation in the coming year.

We carry a healthy cash balance of about 1,700 Crores, but part of it almost 700 Crores was for repayments which were due to be made immediately after March. Rest of it is a combination of the DSRA and NDCF as well as DPU. Our EBITDA by interest full year is more than two times and we do have enough headroom to grow because our net debt to AUM is about 56% and given the regulatory cap of 70% there is room enough for us to continue to pursue growth opportunities. A large majority of our borrowing is fixed-rate, more than three-fourth is fixed, so we should be able to withstand the near-term headwinds that we are seeing in the interest rate environment.

If we look at the refinancing profile other than the FY2023 which is a tall bar, rest of them are in the comfortable zone of less than 1,500 Crores which is about 12% to 13% of our book and even for this 2,400 Crores which is coming for repayment in FY2023, we are tied up like I mentioned almost 80% of it at a pretty attractive rate, so we do not see any challenge in terms of our ability to refinance the debt coming for maturity. Our book continues to remain well-diversified across both NCDs and bank loans and across a wide variety of investors including mutual funds, public and private banks, insurance companies, etc. I will let Meghana take you through the slide #15. Meghana!

**Meghana Pandit**: Thanks Jyoti. I am on slide #15. In the 20th quarter since listing, we continue to provide superior risk adjusted total returns. The graph essentially talks about total returns which is a combination of distribution plus price change and we compare ourselves with, on one side, pure debt 10 year GSec as well as 30 year GSec and on the other side pure equity instruments like NSE 500, NSE Infra, BSE utility indexes plus pure play transmission entities also and as you can seen on total return plus the annualized return for that matter we have outperformed all of them. More importantly on the risk side, which is depicted by the beta, our beta continues to be amongst the lowest compared to all the other indices as well as companies.

Moving on to slide #17 in terms of FY2023 business outlook, it continues to remain very strong. The topmost priority is portfolio growth that we are focusing on. We are seeing a significant pipeline being created on the transmission side with a lot of tenders being floated for greenfield projects as well as national monetization pipeline coming up essentially monetizing the existing assets, which of course remains a pipeline for us. More importantly, we are looking at acquiring the framework asset Khargone Transmission Limited, which is the framework asset which became operational in December 2021. In addition to the other operational solar and transmission assets, there was one greenfield project that we bid for in January, so we are evaluating other bidding opportunities in the power transmission sector with partners, as well as we are exploring couple of opportunities on adjacent spaces like utility scale battery storage, which are again backed by very strong counter parties like SECI, NTPC.

As Jyoti mentioned we have increased the DPU guidance for FY2023 to 13.20 and we remain focused on delivering on that. In addition to portfolio growth our other areas of focus continue to be improving and maintaining the balance sheet strength by whatever refinancing opportunities in addition to what has already been refinanced, look at that in terms of elongating tenures and reducing the interest cost and at the same time maintain a healthy mix of liquidity to mitigate any headwinds that will come across. Satish rightly mentioned on the asset management side we continue to focus on ensuring that availability remains robust, more than 99.5%. We have started O&M practices inhouse, so we are looking at that along with stabilizing the DigiGrid that has been adopted across all the assets now.

On the other hand, industry stewardship is something which we have been working on right since we have listed, working with various regulators and industry participants on various policy initiatives, some of them being streamlining the tax anomalies between equity and InvITs, looking at enabling index inclusion for InvITs and REITs and at the same time continue to increase awareness about IndiGrid as well as about the InvIT in general. So, with that, I think we will stop here and Subhadip over to you, we can start with Q&A now.

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

**S. Maheshwari**: Thanks for the opportunity, first of all congratulations for yet another stable and strong quarter and raising the guidance again. I have two, three set of questions. First, if you look at over the last 12 months our AUM has hardly move from 205 billion to about 210 billion, so it is just about 2% kind of a growth and even though KTL is a confirmed acquisition just wanted to understand more on the growth perspective and what kind of AUM are we targeting by FY2023-FY2024 end?

**Jyoti Kumar Agarwal**: Thanks Swarnim for this question, you are right and the AUM has been stable. It was partly by design. If you look at the growth in the immediately preceding year there was a very, very steep 70% AUM growth and a large part of it came because of NER acquisition which happened towards the fag end of the last year, so essentially if you look at that AUM we can very well count in FY2022. It was important to sort of stabilize the portfolio on the back of that kind of a growth and that is what we were focused on this particular year. As we speak, there are a few opportunities in the transmission side, one is of course framework asset which is KTL. There are one or two assets that we are looking on the inorganic space and should fructify, we will announce in due course. There is also an under-construction asset as you may be aware, we have taken that up and it is important to get that up and going, and we are also discussing with a few players for replicating the framework agreement that we have with Sterlite, hopefully we should be able to get similar frameworks done. We are also looking at some adjacent spaces we have talked about in the last quarter around utility scale battery storage. It is a bit evolving situation on technology on the commercial and regulatory framework, but we feel given our substation presence and our connectivity to the grid, we should be in a very good position to be able to play a role here. So net-net, the point I am trying to highlight is that the growth agenda is very much on and it is important to stabilize the portfolio and now we are on a very good trajectory as far as the portfolio is concerned we should be able to see reasonably good growth in the coming few quarters. In terms of any target, there is a headline number of about Rs.30,000 Crores or $4 billion by the end of this calendar year that we have been highlighting at some point of time, but this not a hard target. Idea would be to grow to that figure even if it happens a little bit later down the road then that is fine. The important thing for us is to ensure that whatever we do for both reasons is in line with our objective of ensuring that it is sustainable, value accretive and is in line with our focused and predictable distribution model, even if it takes a little bit longer than that is fine.

**S. Maheshwari**: Right, thank you. Sir, just as a followup on that, I really wanted to understand this, when you are acquiring the new assets and I am talking more on the acquisition side we have seen some sort of heightened competition due to the entry of new players, so what is really the hurdle rate over here and just wanted to better understand that whether we give a preference for the DPU growth really in the near term side or really it is the HTM that we look at?

**Jyoti Kumar Agarwal**: On the competition bit, I would split the market into two categories, the renewable side of the business is seeing intense competition, you are right. On the transmission side, I would say that there are not that many assets you may be familiar with, but where there are assets I do not think the competition is that intense compared to renewable. When we look at an acquisition, we look at the overall life of the asset, the asset has to sort of fit into our strategy of predictability of revenue, accretive clause, NDCF to DPU for a reasonably long period of time. The hurdle rates are not hard casted, it is a function of how does the new asset fit into our funnel of ensuring that it is value accretive at the end of the day and accretive on the DPU for some time. We are a little bit flexible, little bit here and little bit there on the IRR of the asset, but it is important that the predictability of the cash flow is not in question and at the same time it is accreting to the unitholders for a reasonable period of time, I do not know whether that answers your question.

**S. Maheshwari**: Yes, that answers. Thanks for that and just one question, just bookkeeping, was there any penalty amount for NRSS in FY2022 given 98% availability?

**Jyoti Kumar Agarwal**: There is no penalty, but obviously there was a loss of incentive, that means there was an opportunity loss, but no penalty that we had to pay.

**S. Maheshwari**: Got it, thank you so much. Before I just sign out, I would just like to thank Harsh who has been really instrumental and played a pivotal role in IndiGrid's growth journey, so I would just like to congratulate you for that and wish you all the best for your new venture and Jyoti all the very best for you also for your new role in IndiGrid, thank you.

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

**Mohit Kumar**: Congratulations on the 5th year anniversary Sir and congratulations to Harsh and the entire team for bringing IndiGrid to this scale. It has indeed been a wonderful journey for you all.

Sir, first question is does the DPU guidance of 13.20 include the acquisition of any new assets and can we expect the DPU to grow further because I understand the leverage is still around 57% or 60% odd, 10% additional space in my opinion provides roughly 2,000 Crores further worth of asset, am I right?

**Jyoti Kumar Agarwal**: Mohit, let me address your question. The first one is whether the DPU guidance of 13.20 is making any assumption, the answer is not correct in the sense that we have a business model and that bakes into any new acquisition that we take that irrespective of any asset growth the organic NDCF generation must be able to sustain that DPU for a foreseeable future including a potential increase along the way, so there is no M&A dependency on this 13.20 guidance that we are giving. In terms of whether this DPU will increase further, we cannot obviously guide you for beyond FY2023, but if you look at our positioning and if you look at how we have performed over the last five, six years, we have been steadily increasing the DPU in the zone of 3% to 4% every year and our endeavour is to ensure that we not only have a sustainable DPU, but also a sort of predictable stable increase in the DPU at every point of time, so when we do an acquisition or when we look at our business plan over the medium term there is a little bit of an increase in DPU that is built into the modeling. Obviously, what will be that increase if at all for FY2024, we will have to wait for one year, we will come and guide the market at that point of time, but for now we can tell you that this 13.20 we feel very confident and comfortable to be able to meet this guidance by FY2023.

**Mohit Kumar**: My second part was how much the space we have for the acquiring of new assets if you can tell us the number, is it 20 billion, is that a fair assumption?

**Jyoti Kumar Agarwal**: A little bit more than that I think we have debt of about Rs. 13,000 and against that we have an asset of about Rs. 21000, so I think we can do easily about Rs. 5,000 Crores to 6,000 Crores of asset acquisition, but like we have been maintaining we do not want to go right up to the 70% that is too close to comfort especially in the light of the current volatility in the interest rate, once we are reaching the 65% +/- at that point of time we would look at bringing this level down through equity raise, right now there is no such plans and we have a sufficient headroom and we feel that we should be able to grow comfortably at least in FY2023 without any further equity raise required from the market.

**Mohit Kumar**: KTL acquisition requires the size of roughly around 13 billion to 15 billion, is that number right?

**Jyoti Kumar Agarwal**: We would not be in a position to guide you.

**Mohit Kumar**: Broadly below 13 billion, right?

**Jyoti Kumar Agarwal**: Yes, it will be around that mark, even if you take KTL and one or two others and I think we will be still within the 70% mark, I would say within the 65% mark itself.

**Mohit Kumar**: For clarification, the total headroom is around 65 to 70 billion headroom available for us?

**Jyoti Kumar Agarwal**: At 5,000 Crores we will be hitting the 65% mark and that is where the benchmark our internal guidance because you do not want to go too close to the 70%.

**Mohit Kumar**: Lastly, Sir, how do you think about under-construction asset, are you willing to do more of the only transmission and battery storage or are you also looking at some construction asset in the renewables where you want to participate and improve the yield for us?

**Jyoti Kumar Agarwal**: Yes, it is a good question. We want to do the first project and based on the learning of that project we want to take a call in terms of how aggressive we want to be. So far, we have won one asset which is Kallam and which is looking pretty good. It was a deliberate choice to pick an asset which was not very complicated in terms of a long transmission line or any sort of forest or any complicated approval. There is a lot of learning in project mode and we are already seeing that. We feel that once we have implemented this project if not fully maybe 70% down the road at that point of time we will use the feedback and use to take a call as to whether we want to go ahead and do more bidding on the under-construction route. There is anyway the regulatory cap as you know we cannot do more than 10% through this route and there is anyway sort of a check as far as this is concerned, but obviously we would like to explore more under-construction assets through the framework route where we can also play a role in terms of how the project is being put up by a framework partner and that we are more keen to look at. At this point of time, we do not want to spread ourselves too far on this front, so any sort of under-construction asset will primarily be in transmission other than the asset which depending upon how we are exploring, I think on the pure renewable of solar and wind there is no such plan to enter into any kind of bidding ourselves.

**Mohit Kumar**: One more question I may squeeze in, what is the proportion of our debt which is linked to variable rates?

**Jyoti Kumar Agarwal**: So, our fixed rate is about 77%, so 23% of our debt is in variable or floating rate basis.

**Mohit Kumar**: Understood, thank you and all the best, Sir.

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

**V. Ramakrishnan**: Good evening. There are two questions I have, one is on the collection efficiency, what dictates the inflow of collection efficiency for your sector, we have seen a tip down and go up, so I just wanted to understand that and the second question is on the under-construction projects, with capital cost going up because of higher raw material cost what is your key learning there and how do you see it affecting your ROE? Thanks.

**Jyoti Kumar Agarwal**: Thanks Vivek for your question. On the collection, there is a pattern that we have seen over the years as far as collections are concerned. Generally the first quarter of the year is the lowest and the last quarter of the year is the highest. It is usual general pattern across a variety of DISCOMs that use the transmission lines for power offtake. It varies a little bit month-on-month. There is no real science to this, but generally you will see March collections to makeup for any sort of shortfall that was there during the year, but it tends to be the weakest in the first quarter and the highest in the fourth quarter. Thankfully, the collection pattern for the industry as a whole as well as for us had been reasonably stable in the high 90%, 97%, 98%, 99% and that is largely because of the CTU pooling mechanism which exists in transmission and we have seen that work very well even during the depths of COVID and that is one of the reasons why we feel transmission as a business should be able to do very well in terms of predictability of cash flows and consequent predictability on the DPU side. In terms of the project cost we did tie up an LSTK contract with a reputed EPC company, KEC actually, and most of our costs are sort of hedged. There is obviously going to be some bit of impact because of the inflation on both the project cost as well as on the marginal cost of borrowing, but we do not think it will be material enough to affect the project in terms of being valuable accretive to DPU as far as unit holders are concerned.

**V. Ramakrishnan**: Thank you and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Rahul Marathe with ICICI Prudential Pension Funds Management. Please go ahead.

**Rahul Marathe:** Congratulations on a very good set of numbers and thank you for the opportunity. I would like to ask more on the strategic side as we see that competition is quite hitting up in the transmission space would we be looking into newer asset classes like data centers to grow our AUM.

**Jyoti Kumar Agarwal**: Good question. We have been debating internally and also with our key stakeholders the board and investors around adjacent cases or even non-related diversification but if you look at our strategic intent which is enshrined in our vision that we want to be true to our positioning that we have built over the last five, six years with the market and our stakeholders of having a very focused business model based on predictable distribution. As part of this soul searching for lack of a better word we have pivoted over the last few years for example the foray into renewable came in as part of that deliberation we have also sort of delved a little bit into under construction and now we are exploring the BESS space we do look at all kinds of opportunities we have explored data center as well, we explored a few other areas, but it has to filter through our funnel of ensuring that it is a focused approach with very stable and robust cash flow, operating risks ensuring that we have a big line of sight on cash flows to be able to guide the market on DPU. As of now I do not have anything to talk about but in case there is a development where we feel that based on our analysis foray into any particular business, maybe adjacent maybe not so adjacent, then obviously we will inform the market. We may also depend upon what that is to the unit holders and take their approval but as of now we want to pretty much be focused in terms of what we have outlined which is transmission, renewable, transmission including under construction there and maybe depending upon how the whole BESS space evolves given the synergies with our substation assets maybe foray into that. Other than this at this point of time I do not think there is anything that I can talk to you about.

**Rahul Marathe:** Thank you.

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

**Sarvesh Gupta:** Hi! Good afternoon everyone. Harsh thanks a lot for being in this very good journey for creation of wealth as well as creating this platform which is unique and congratulations on creation of this and all the best for your future journey. I had two questions one is if I look at this refinancing of the debt that itself should save you around 45 Crores a year which is like maybe 65 paisa sort of accretion in your DPU so compared to that the DPU guidance looks a tat bit lower than what I would have imagined because from 12.75 to 13.20 that is like 45 paisa against that 65 paisa you will gain just from this refinancing of the debt of 2,300 Crores and then we are also talking about some of the other yield accretive, DPU accretive acquisitions. So could not get a hang of how we have arrived at 13.20. So that is one, second while I agree that there are adjacent opportunities but let us say over the next three years what is the kind of pipeline of assets that are available to us in terms of operational transmission assets that we feel that we may be able to add to our AUM and if you can give some color on how we are thinking around that. So just these two questions.

**Jyoti Kumar Agarwal**: Very good question. The first one on the DPU guidance when you look at the DPU for a particular year there are a variety of factors which go into it and one of the most important factors is sustainability and the longer-term trend of that DPU growth. As I had said earlier our longer-term ratio of growth has been between the 3% to 4% and we would love to increase this to beyond this zone so long as we are confident that over the medium-term we will be able to sustain that kind of an increase. The board took a judicious call, management as well given the at least perceived headwind that we are seeing across the broader market interest rate, overall inflation, overall economic sluggishness it is better to sort of have a higher cushion of higher NDCF reserve which has been a historic high almost one quarter of DPU to tide over any challenges that we might see and ensure that the DPU increase is more in line with whatever we have sort of guided in the past. Higher than normal increase would have meant that based on our current outlook the sort of runway of maintaining that higher degree would have been shorter and frankly we felt that better to sort of have a longer runway of a more predictable DPUs increase then to sort of move to a higher gear and reduce the runway. So it is a trade-off at the end of the day and one of our core pillars which we have been highlighting is sustainability of our cash flows and whatever we do and we took a call more in favor towards having a longer sustainability then sort of moving up the margin as far as DPU is concerned. As far as the opportunity space is concerned, I think we did touch a little bit in the presentation beyond the immediate opportunities which we are already looking at there is a fair bit of tenders which have been announced almost 40,000 crores plus of tenders for which bidding is going to happen some of it has already happened and we believe that once some of these projects are ready not all of them but let us say the projects which are not going to core asset keepers will be available to us in the secondary market once they are ready and typically these projects take anywhere between 18 to 36 months so we do see some developers coming into the market and will be a very active player very competitive when it comes to some of these projects. There is also almost 45,000 Crores of monetization pipeline which has been announced under the NMP which is based on just the transmission sector. We want to play a very active role here and we have been in touch with the various authorities regulated as well Ministry that it has to be an open process including PGCILs asset monetization so we believe that whatever we have seen in NHAI should also happen for PGCIL and that set of assets will also be available for us to sort of play a role into so combined these two add up to almost 80000 to 90000 total assets which all of it will happen over the next three to five years this is a fair bit of pipeline on the transmission side. What we are also doing as I have mentioned is in some of these biddings there are some EPC players who are foraying into transmission and we are actively in discussions with them to help them gain their understanding of the transmission space given the expertise that we have and to sort of look at framework agreements as they participate in the biddings. It is a win-win as we get a sort of a captive looking to an asset and they based on a takeout can be a little bit more certain and aggressive in the bidding as well as benefit from better financing and better overall project execution. So we will be using this as a good mechanism to tie up some of the assets which are coming up already over the next three or five years. So this is on the core transmission side. Of course on the renewable side it is a different ball game. We have a very different filter in terms of what kind of assets pass must they have to be complete, must have a good track record of cash flow generation, PPA's have to be with counterparties like SECI, NTPC and that is a very narrow space and the market is quite heated right now. So there at all honestly I do not see a lot of opportunities sort of filtering through to come either way but on the transmission side, we are very, very positive that we will be seeing through framework of the inorganic opportunities coming our way over the next two or three years. On the battery it is in early stage in terms of the evolution both globally as well as locally but the government is very intend and we have seen a couple of large tenders in NTPC and SECI sort of being floated. There are lots of positives as far as the space is concerned for IndiGrid as counterparty risk is minimal, these are all AAA quasi government, the government counterparties and there are lot of synergies with our business especially the substation land that we have in the lot areas where we can benefit and have a competitive advantage. We are connected to the grid and one of the biggest challenges with BESS is to do ensure that we have an LTOA, STOA access so that is not so much a challenge for us. Obviously there are some other types of issues around the technology as well as the regulatory cum commercial framework. It is an evolving framework and so far we have sort of done a lot of diligence and we are getting comfortable around some of the aspects and know what to do with the other aspects. Whatever we do we will have to ensure that it fits into our strategic intent on having a stable DPU profile over the foreseeable future but we feel that this is an area we can play.

**Sarvesh Gupta:** So broadly I mean we are on our way to maybe achieve Rs. 30,000 Crores AUM in the next two-three years is that something which is possible with most of it being the current operational transmission assets.

**Jyoti Kumar Agarwal**: We feel very confident that, that is the number that we should be able to get over the next two or three years.

**Sarvesh Gupta:** And one more question is on DigiGrid so is there a plan to or can it be sold as a service and get us ancillary revenues because maybe if you have done some proprietary stuff there and there are a lot of independent assets who may not have such sort of a service available or the resources available to do it properly.

**Jyoti Kumar Agarwal**: So we have not really thought it like that but maybe I will let Satish answer first and then I will come in. Satish you want to take a stab at this.

**Satish Talmale:** Basically the DigiGrid is an aspirational platform which remains for IndiGrid purpose only right now it is more like an enterprise risk management platform so as Jyoti has rightly said we have not thought like that it could be as a service to other clients or other utility customers. As of now there are no plans like that. So it is purely meant for internal purposes.

**Jyoti Kumar Agarwal:** Number one, this is not the only solution as different sort of operators use different type of solutions some use captive. So I am not too sure how widely replicable this is plus purely from a size of the opportunity I do not think it will add out. It will be a surrounding error so I do not think this is an area that we have thought about or will think about but one interesting sort of an adjacent space that we are looking at and we are seeing good traction is that given our transmission network there are lots of change of the transmission line that needs to happen because of infrastructure development, may be a road project is coming so we have to divert the line for a few kilometers etc. Given our in-house capability now both on the project as we have maintained internally, we are looking at doing this project ourselves and seeing reasonably good margins available on this project, beyond the returns it also helps us to be in better control of these projects which are right in the middle of our transmission network. This is an area where we have seen a lot of traction and we expect given the amount of infrastructure development that we are seeing in this country or likely to see this is an area that can contribute a little bit more meaningfully to our top line and bottom line besides there are strategic advantages of being more in control of your assets. DigiGrid I am not very sure.

**Sarvesh Gupta:** Thanks Jyoti and congratulations and all the best for the new role. Thank you.

**Moderator:** Thank you. The next question is from the line of Abhilasha Satale with Monarch Networth. Please go ahead.

**Abhilasha Satale:** Thank you for giving me opportunity. Just I had a couple of questions. Seeing the interest rate scenario very obviously we are likely to see the increase in the industry, so how are we seeing the IRRs for the new projects are we seeing there is an incremental pressure on IRR or whatever the new projects we are bidding for and secondly like we have refinance debt for the creditor however as we move forward do we see this refinancing cost also increasing over a period of time.

**Jyoti Kumar Agarwal:** The first question is being too recent in terms of the uptick in the rate environment in India and globally. So we are not seeing that much impact directly, but definitely there is going to be an extra consideration both in terms of the cost of doing the project as well as the cost of financing in the way people are going to bid probably from the hard-lining point of view in terms of equity return expectations. I am not so sure that will change that much maybe a little bit here a little bit there. But yes in terms of breaking in the cost of debt as well as breaking in the higher cost of the project given the inflationary environment we hope that that will translate into the way people will pay. On the interest rate cost there is a lot of tailwind that we still have in terms of our refinancing which are coming for maturity over the near future. Our marginal cost of borrowing in first quarter of this financial year has been around 7% so not very different from what we did in the last quarter. Our average cost is at about 7.76% and the maturities which are coming up are even higher than our average cost. So even with the interest rates going up there is still net benefit or net accretion which will happen to the bottom line into the cash flows out of this refinancing. But compared to prior to the rate increase cycle I mean that number will be lesser I reckon that we do have about 18 to 24 months to go before the average sort of converges to our marginal cost of borrowing after which the benefits will probably stop. At this point of time our marginal costs have gone up not so much as the broader market but definitely has gone up in line with what is happening in the border financial world but we should not have a negative impact at the end of the day on the bottom line because whatever incremental that is coming, it is still much lower, even at a higher cost, is much lower than the debt that is being refinanced with that.

**Abhilasha Satale:** Can you just tell me the number out of this Rs. 30,000 Crores how much debt is at 7%.

**Jyoti Kumar Agarwal:** We do not give that kind of a detail but all the debts that we sort of refinanced over the last two years would be in the zone or let us say between 7 and 7.30, 7.40 prior to that it used to be a higher watermark and some of the debt which has come for refinancing in the first quarter is as high as 9% just it is prior 7% so substantial saving which will flow through in FY2023.

**Abhilasha Satale:** So we can comfortably take the cost of debt remaining in the range of 7.5% to 7.7% average cost of debt over say next two to three years.

**Jyoti Kumar Agarwal:** I would like to say that in the immediate near-term you will see the average cost trending down over the next two or three quarters and then probably stabilize there before sort of inching up but that how function of how the interest rate environment is over the 18 to 24 months period.

**Abhilasha Satale:** Thank you.

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

**Ravish Chandra:** Thanks for the opportunity. Jyoti congratulations and best wishes for the results and Harsh, actually, I think it is a long 5 years we are hearing from Harsh and congratulations on building excellent team and sustained growth and best wishes for Harsh for your endurance. Coming to the question I have two questions one is it looks like in future power grid may come with the AMs lease instead of directly selling. So right now all 21,000 Crores we are having our own asset. So we might go for lease any thought about it. if so what all the problems or issues on the lease and the second question is do you have any asset where we have inflation adjustment rent increase. Thanks.

**Jyoti Kumar Agarwal:** Thanks Mr. Chandra for your good wishes. As far as the first question is concerned there are some discussions more in line with NMP model to sort of explore a transfer of the rights of the asset without transferring the asset. I guess you are talking about that, it is a bit complicated given power is a very regulated business and there is an Electricity Act which sort of overrides how the business will be conducted in this particular sector. There is also a GST constraint on leasing, leasing attracts GST levy despite power being out of GST levy. So it is a bit complicated and we are not sure that complications can be solved so easily and so quickly but be that as it may if an asset is available whether it is through an asset transfer basis or through a leasing model a model that works for the industry we will be an active player because we are in the transmission business at the end of the day any transfer will have a risk reward of flowing through the transfer it not be an asset transfer but we will be very keen to sort of look at the new model. We are already in discussion with some of the interested parties. It is a little bit more complicated than it seems firsthand but if there is a model available then we will also be an interested party as far as that particular model is concerned and if you can just repeat your second question.

**Ravish Chandra:** Yes, the second question is this inflation adjustment do you have any asset out of this 21,000 Crores any asset are we having any inflation adjustment rent increase or something like that to take care of operation cost so that it will not hurt DPU.

**Jyoti Kumar Agarwal:** We do not have an inflation-adjusted sort of asset in our portfolio there is only one asset which is the PR KTCL asset which is a section 62 asset where it is because of section 62 there is an interest cost pass through. So to that extent the inflation is going to interest rates that flow through will be pass through in the tariff but again it is a very marginal asset of the share of overall portfolio other than that all our assets are our section 63 including our solar assets where there is no inflation impact in terms of the revenue trajectory.

**Ravish Chandra:** Maybe one final if you have time that regarding operations. I think the project management is totally with us now not with any partner so all are controlled through DigiGrid software. I think all projects controlled at our level not subcontracted to somebody else?.

**Jyoti Kumar Agarwal:** Yes Sir.

**Ravish Chandra:** Okay thank you. Thank you and best wishes.

**Moderator:** Thank you. The next question is from the line of Pratik Kothari with Unique PMS. Please go ahead.

**Pratik Kothari:** Hi! Thank you and congratulations to you Jyoti and Harsh. My first question is in terms of we spoke about that instead of maybe constructing a transmission asset ourselves we might take the framework group with a third-party developer from a risk perspective is there a major difference between that, I mean, is there a benefit if we go with a third-party developer.

**Jyoti Kumar Agarwal:** Given that we cannot do more than 10% under direct sort of under construction plus our main strength is around operating and maintaining transmission assets not really developing and whereas for EPC developers the main business is actually in developing assets we feel that better synergistic combination could be that we enter into a framework where we benefit from their core capability of developing an EPC of the asset and once the asset is ready we can then buy it from them provided all the parameters that we agree and the framework have been taken care of. That would be a better model, it will not limit us in any way from a regulatory point of view as well as we commit capital only when the project is sort of ready and some of the key project risks are already addressed whereas if you do it yourself and you are also facing direct project risks within the infrastructure as you know could be tricky at some point of time so that is why we would prefer if we have a framework model. In any case as far as under construction is concerned we want to sort of like I mentioned a bit earlier stabilize the first asset, learn from that, feedback loop before we sort of commit more resources or capital into that.

**Pratik Kothari:** So basically we do not take any construction risk when we go ahead and sign a framework with someone.

**Jyoti Kumar Agarwal:** The model can be of many types I mean there can also be a model where we take a small capital risk of let us say a 25%-26% over equity to have skin in the game depending upon the asset or the counterparty but yes predominantly the construction risk is not taken by us but by the EPC contractor and also we work very closely with them in terms of our inputs in terms of how the bidding etc., is happening but once the project is up and running and pass through the construction of project cycle then the asset comes to us on a pre-agreed basis.

**Pratik Kothari:** And internally would we set a benchmark or a cap in terms of getting into this assets be it solar, battery management, data centers or under construction something which I would call as non-core or non-operating transmission asset.

**Jyoti Kumar Agarwal:** So first of all there is no plan to enter into data center I want to make that point very clear but when we pivoted into solar we did guide about not having more than 25% of our assets in this particular space of course we are way short of that right now we are only about 3% or 4% so I would say that unless we be in critical mark in some of these what you call as non-core and based on how these evolve under construction of the assets I would say combined together they would be within that 20%-25% of our portfolio mark. We would not like to exceed that unless and until along the way we get better visibility and confidence to exceed that threshold.

**Pratik Kothari:** And my final question is I think to one of the response to earlier participant you had mentioned that one of the criteria that you would look at when acquiring any asset in terms of you define accretive as where you would want stability and growth in a medium-term DPU and you are not very focused or IRR might not be the first consideration so can you just explain this rationale.

**Jyoti Kumar Agarwal:** No, see ultimately the IRR translates into the DPU. The point I was trying to make is that it is not just an IRR based approach that we take when we look at either inorganic, organic assets we also sort of factor in predictability of that IRR or cash flow sustainability of it and value accretion nature of it, it should be able to extend the runway of our DPU including the accretion to the DPU over a reasonable period of time and that is an important metric and we are just going to look at an asset probably on an IRR basis so that is the point I was trying to say. IRR is important eventually but it is a slightly more comprehensive way to look at an asset acquisition and not just a single metric that is the point I was trying to make.

**Pratik Kothari:** Just for clarity if an asset that we acquire might not be IRR accretive to whatever portfolio of assets that you are holding it might give us a short-term boost in DPUs but ultimately would you be shying away from such assets?

**Jyoti Kumar Agarwal:** It depends what is short-term if it is only a one or two years a few years of accretion then probably we may look at it very differently because at the end of the day we have to look at a medium-term approach and where that medium-term is 7, 10 years that depends on asset-to-asset but, yes, idea is to have a slightly more medium-term outlook on our business and not have a short-term vision.

**Pratik Kothari:** Fair enough great all the best and thank you.

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

**Mohit Kumar:** Thanks for the opportunity once again Sir. One question I have what are the reforms you are looking forward to which SEBI discussing right now which you are aware of which can help our industry.

**Meghana Pandit:** Since that we are working with one is as I mentioned getting InvITs and REITs included in various indices which essentially promotes liquidity ultimately for investors so that is one thing. We are actively working on couple of other things including removing the tax anomaly, like the long-term capital gains tax for InvIT is after 36 months whereas for equity it is 12 months, so we want considering this is also an equity like instrument we are trying to say that it should be provided the same status. So, these and then a couple others on the regulatory aspects from rights issues regulations or fundraising regulations to remove the anomalies between pure play equity revision as well as on the InvIT so these are a few more that we are working on.

**Mohit Kumar:** Thank you. All the best.

**Moderator:** Thank you. Our last question is from the line of Sunil Shah with Turtle Star Portfolio Managers. Please go ahead.

**Sunil Shah:** Thank you everyone for this opportunity. First of all I would like to congratulate Harsh on being the pioneer to get InvIT into India and for all of us as shareholders it has been a great journey. So thank you very much Harsh, Jyoti and Meghana for all the things that you people are doing there for all of us, happy that the DPU has gone up as well and Jyoti I heard all your comments in terms of how you want to see the company forward in terms of accretive DPU cash flow focus on the quality of earnings framework assets all of it. So very happy to still go on as an investor in the journey going forward and look forward to a long time invested in the company as well. So most of the questions have been answered just one point which I would like Harsh to take it up. Harsh as we all know you are moving on, any unfinished agenda in your diary if you could let us know and just share that with us as well in terms of IndiGrid.

**Harsh Shah:** Thank you first of all, thank you for the wishes. I will not call it an unfinished agenda which is I think it is moving inline. There is a principle that a prudent country, as a policy we have government assets which is a taxpayer owned asset be monetized on a bilateral basis. So I think this question comes up on many a forum and equally important for us if at the end of the day PowerGrid or state transmission assets get monetized we strongly believe that it needs to be via transparent option and any other process chosen by the government would be against the government or the competition uprising that we have set for ourselves in the country. So, I think people understand that we see NHAI also coming out clearly after the InvIT that they will call for an auction for the further NHAI asset monetization. We are expecting that same kind of message coming from PowerGrid or the state power however we have not yet received so I would say people are moving in the direction but yes I would say that as long as the government follows and calls for an auction that is something which I would really like to see I am hoping that it comes up soon.

**Sunil Shah:** Fine thank you very much Harsh and welcome to Jyoti on the new role you have always been part of IndiGrid but we look forward to welcoming you on the new journey as well. Thank you everyone thanks for the opportunity for me to ask the question. Thank you.

**Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Subhadip Mitra from JM Financial for closing comments.

**Subhadip Mitra:** Thank you. On behalf of JM Financial I would like to thank the management for giving us this opportunity to host the call. My congratulations to Harsh and Jyoti and best wishes for the new roles. Any closing comments from your side Harsh, Jyoti.

**Jyoti Kumar Agarwal::** Thanks Subhadip we are well on our track to our stated vision and guidance of running the platform in a stable and predictable manner. Harsh has done a tremendous job in setting this platform the way it is and having all the systems processes as well as people in place ensuring that the balance sheet is well capitalized so while it will be a big loss personally to me and to most of us here at IndiGrid but it is what it is. We wish Harsh all the best in his new role but as far as IndiGrid is concerned I can assure you that it is a very equipped for a very, very smooth and seamless transition in the coming next few years.

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