Date: November 04, 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, October 28, 2024

Dear Sir/ Madam,

With reference to our earlier intimation dated October 21, 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 September 30, 2024, held on Monday, October 28, 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 – Q2- 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: 2024.11.04 15:03:14 +05'30'
Urmil Shah
Company Secretary & Compliance Officer
ACS-23423

CC to-
Axis Trustee Services Limited
The Ruby, 2nd Floor, SW,
29, Senapati Bapat Marg,
Dadar West, Mumbai- 400 028
Maharashtra, India

“India Grid Trust

Q2 FY '25 Earnings Conference Call”

October 28, 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

MODERATOR: **MR. SUBHADIP – NUVAMA INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to India Grid Trust Q2 FY '25 Earnings Conference Call hosted by Nuvama Institutional Equities. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Subhadip from Nuvama Institutional Equities. Thank you, and over to you, sir.

Subhadip: Thank you. On behalf of Nuvama Institutional Equities, I am welcoming you all to the second quarter FY '25 Results Call of India Grid Trust. We are joined today by the top management, represented by Mr. Harsh Shah, CEO and Whole-Time Director; Mr. Navin Sharma, Chief Financial Officer; and Ms. Meghana Pandit, Chief Investment Officer. I would now like to hand over the call to Mr. Harsh Shah for his opening comments, followed by the Q&A. Over to you, Harsh.

Harsh Shah: Thank you, Subhadip, and thank you, everyone, for joining the quarterly call. Before I begin, I would like to extend warm regards and wishes for a Happy Diwali and a very prosperous New Year to you all.

As we have done in the past, we will start with Slide number 3 to reiterate our vision which has been to become the most admired yield vehicle in Asia based on focused business model, value accretive growth, predictable distribution and an optimal capital structure. Based on these pillars, as you see on Slide 4, we have showcased consistent growth. And as we turn today our AUM is INR29,700 crores. We are spread across 20 states and 2 UTs with 83 different revenue generating elements with 8,700 kilometers of -- circuit kilometers of lines and 22,550 MVA transformation capacity. Besides this, we have about 1.1 gigawatt peak of solar generation capacity and 400-megawatt hours of BESS projects, which are under deployment in this stage.

Coming to this quarter on Slide number 6. The key portfolio updates have been that in line with SEBI's advisory, we have decided to change the name. And for that, the requisite approval will be sought from unitholders and SEBI's advisory was with respect to using any name like India, Indian, Bharat, National, etcetera, which in the case of our company, would have been prohibited by registrar for especially private companies. However, in case of trust, such regulation did not exist in the past. So they wanted to remove this anomaly. And therefore, we are recommending to change our name from India Grid Trust to IndiGrid Infrastructure Trust.

The next one is that we have won another 500-megawatt hour of BESS project in reverse auction process conducted by NTPC Vidyut Vyapar Nigam Limited, NVVN. With this project, IndiGrid's BESS portfolio will be at 450-megawatt or 900-megawatt hour capacity. We will be looking to execute these projects in the coming couple of years.

In this quarter, we also signed and announced a partnership with British International Investment BII, Norfund and Techno Electric, where we are collaborating to develop IndiGrid's 3 large

ISTS transmission projects, which we won during FY '24. IndiGrid's sponsor, KKR, also successfully conducted an offer-for-sale process this quarter. This sale and liquidity event has enabled marquee investors like L&T, HSBC GAM, SBI Life Insurance, Aditya Birla Mutual Fund, and others to pick up stake in IndiGrid.

On the back of an overwhelming response from the unitholder, we also concluded a preferential issue done at INR136.43 a unit for approximately INR695 crores. And this added long-only investors like Alberta Investment Management, which is a Canadian pension fund and HDFC Life among others.

Coming to the financial performance for the quarter, FY '25 in quarter 2, both revenue and EBITDA witnessed 16% and 31% year-on-year growth, respectively, on the back of the acquisition we have done in the year. Our AUM and net debt to AUM stands at INR29,700 crores and approximately 58.7%, respectively, leaving a sizable headroom for us to acquire more projects. Quarter 2 FY '25 collections at 103% for transmission and 117% for solar assets has also resulted into boosting the NDCF for this half of the year. Quarter 2 DPU maintained at INR3.75 a unit, and we are on track to deliver the INR15 guidance for FY '25. And this will be the highest DPU IndiGrid has ever delivered.

The operating performance remains at 98.9% for this quarter, owing to certain trips that we saw in our portfolio. And the solar capacity utilization factor 20.4%. Our operational performance did see a dip on account of seasonal interruptions.

Coming to the next slide on just the industry update. The peak demand have seen in the quarter, quarter-on-quarter and year-on-year decline on the back of the steady monsoon. Earlier this year, during FY '25, India had witnessed a record high power demand of 250-gigawatt.

CEA government authorities are pretty bullish of overall demand that is going to grow and the amount of capacity growth that it will require. And we believe that based on these underlying factors, we will see a sizable amount of investment in transmission as well as renewable sectors, especially the National Electricity Plan for transmission which CEA released is to enable 600 GW of power by FY '32. India will need 6.5 lakh kilometers of line, which is an addition of 1,70,000 circuit kilometers over the next 8 years.

With several transmission schemes that are becoming under construction and pipeline, the overall visibility for investment opportunity in the sector stands at INR9.1 lakh crores till the year 2032.

As you can see on Slide 8, the immediate bidding pipeline that remains available for players in transmission is approximately INR68,500 crores, and we are evaluating these pipeline projects to see how we can ensure that IndiGrid continues to grow.

Coming on Slide number 9, on operating platform -- operating performance. On the HSE front, this remains 0 fatality or lost time injuries and FAC. Our availability, as I mentioned, has been at 98.93% and solar generation is at 20.4%. Our trips per line is at 0.2, which is still at par with the industry. However, our trips per line have increased versus our own benchmark as we are seeing unusual monsoon patterns as well as certain trips that has impacted the availability for

the quarter. In this quarter, we also received ISO 27001 certification for the solar assets like we had acquired from very soon.

Now I'd like to invite Navin to talk through the financial performance of IndiGrid.

Navin Sharma

Thank you, Harsh, and good evening, everyone. We are on Slide number 10. In Q1 FY '25, we recorded revenue in EBITDA of INR806 crores and INR733 crores, respectively that reflects 16% and 31% Y-o-Y growth. Net distributable cash flow for the quarter was INR320 crores. And the Board has approved a distribution of INR3.75 per unit, which reflects a 5.6% Y-o-Y increase in DPU.

For quarterly collections, we achieved 103% for the transmission business and 117% for solar. Over the trailing 12 months, collection performance at the entity level remained above 100% to both business segments showing similar strengths. The DSO as of September 30 stood at 46 days for transmission and 47 days of solar, marking substantial year-on-year improvement across both segments.

Moving to the next slide, number 11. The DPU for the quarter stands at INR3.75 per unit. This will be distributed as interest, dividend and other income amounting to INR3.62, INR0.11 and INR0.02, respectively. With outstanding units totaling 83.46 crores as on record date, the gross distribution to all unitholders comes to INR313 crores. The record date for the distribution is October 30 and unitholders are expected to receive the distribution by November 9.

As of September 30, the NAV per unit was INR147.5. Following this quarter's distribution, IndiGrid will have distributed to INR93.47 per unit, totalling approximately INR5,533 crores. On the right, you can see the year-on-year distribution trend reflecting stable scalable growth of 6% over the year.

Moving on to Slide 12. Here, we have a waterfall chart detailing the progression from EBITDA to NDCF generation and distribution. At the SPV level, we recorded a consolidated EBITDA of INR739 crores. After accounting for finance income, working capital changes, capex and taxes at the SPV level, the NDCF generation comes to around INR780 crores. After adjusting for trust level expenses, finance costs, DSRA, working capital changes, tax and debt repayments, the generated NDCF is INR320 crores.

In Q2 FY '25, we added INR7 crores to reserves, bringing the closing reserves to INR490 crores, which exceeds 1 quarter's distribution basis on current guidance. That's all from my side. I will now hand it over to Meghana to continue with the next slide. Over to you, Meghana.

Meghana Pandit:

Thanks, Navin. Hi. Good evening, everyone. I'm on Slide number 13, which provides a snapshot of the balance sheet. We continue to remain AAA rated by all the 3 rating agencies, CRISIL, ICRA and India Ratings. Almost 3/4 of the borrowing book continues to be fixed rate, displaying significant stability. Our average cost of debt on 30th September we ended at around 7.65% with the net debt to AUM, that is a leverage ratio, at about 58.7%. This number includes the preferential allotment issuance of INR695 crores, which we closed in the first 2 weeks of October. The net debt to AUM on 30th September was 61% currently as we speak to 58.7% as you can see.

The cash balance was about INR1,500-odd crores, which includes 1 quarter of distribution plus the DSRA, which is the amount. Interest cover ratio continues to be very strong at 1.91x.

The total gross borrowing is about INR19,300 odd crores, which is split almost equally between NCDs and bank loans. All the NCDs and bank loans also are fairly distributed and diversified with all classes of investors, be it mutual funds, banks, retail, HNI, insurance companies, pension funds and so on.

The repayment schedule that you see at the bottom of the slide showcases refinancing schedule, which is coming up over the next few years. And as we have maintained every single quarter that we try and ensure that there isn't any bunching up of maturities that take place. And in any particular year, our refinancing percentage does not cross beyond 12% to 13% of the gross borrowings. So it continues to be a termed out borrowing profile.

Move on to Slide number 14. IndiGrid continues to deliver superior risk-adjusted total returns, total returns being composite of price change and distribution. Distribution is about 93% since the time we got listed to 30th September and price change about 44%, so the total returns on an absolute basis is about 138%, on an annualized basis about 13%, which compared with pure-play debt indices and equity indices, we displayed superior returns, especially on a risk-adjusted basis which is displayed through the beta, which continues to remain low, very close to 0, that is 0.08.

Moving on to Slide number 15 on the business outlook for us. On the portfolio strategy perspective, we continue to focus on ensuring that the operations remained very predictable and stable as well as we continue to maintain sustainable distribution by focusing on value-accretive acquisitions and the bidding opportunities that we are seeing coming up both on the transmission, solar and BESS project.

On the greenfield development, we are focusing on executing the augmentation work, which we have received in our existing projects, plus the 3 new transmission projects as well as the BESS project that we have won to ensure that we deliver these projects on time. At the same time, we are proactively looking at partnering with the right kind of investors for synergistic greenfield opportunities across transmission and BESS. All of that to ensure that we deliver the DPU guidance of INR15 for this FY '25.

Improving balance sheet strength continues to be another very important focus area by ensuring that we keep on optimizing the interest cost and try and elongate the tenure, which matches with our long-term concession agreements. And at the same time, maintain a healthy balance by managing the leverage ratio and ensuring there is enough headroom for the business growth that we're witnessing.

Asset management, again, is the third pillar that we are focusing on by looking at maintaining at least 99.5% availability across the portfolio and maximizing the incentives. And at the same time, focusing and building on the digital tools to help us in analytics and proactive decision making. And at the same time figuring and ensuring that world-class EHS and ESG practices get delivered in the portfolio.

Industries stewardship or proactively working within the industry, both on the power sector as well as on the InvIT side, again, remains a very important focus areas to ensure that private sector participation continues to improve. And for IndiGrid as well as InvIT, there is much more investor awareness that gets created.

Moving on to Slide number 16. This showcases how on the back of value-accretive acquisitions that we have done since the time we got listed, we have kept on increasing the DPU. The various colors that you've seen here are essentially to depict the acquisitions that we have done. And on the back of these acquisitions, you can see how the DPU has increased and the longevity of the DPU has also extended over at least 9 to 10 years, and that is what this slide depicts.

We'll take a pause here and open for questions on Q2 performance and other questions on the business. Over to you, sir.

Moderator: Thank you so much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, if you wish to ask a question, you may press star and one on your touchtone phone. We have the question from the line of Mr. Subhadip from Nuvama Institutional. Please go ahead.

Subhadip: My first question, Harsh, is with regards to the large HVDC projects, which are under bidding and I understand that in one of the projects you have also been bidding. I just wanted to understand that the size and scale of such a large project, how do you see your own capacity to invest in such a large project as well as capability to get into HVDC technology, which is something that you've not executed so far?

Harsh Shah: Thanks. So Subhadip, I think that project that we have bid for is still under bidding. Reverse auction, etcetera, has not yet happened. So it's kind of a difficult to comment on that. But I'll tell you, does IndiGrid have the capacity to invest in the project? Answer is yes. And as we have already done with earlier projects with respect to partnering with DFIs and large financial institutions, which ensures that IndiGrid's capital at stake is substantially lesser. So that strategy implemented at a larger scale, certainly enables IndiGrid to participate in such projects.

In terms of capabilities, I think we have pretty much the team in-house, who have executed a sizable amount of projects in transmission in the country. Yes, we have not executed HVDC projects. And therefore, we would work with the limited vendors, who can work on this, but we would work in support with some vendors, who have executed the same technology as well as they have the solutions ready. So our strategy over here would be to partner with the right set of financial investors, some of them we've already started as well as partnering with right set of vendors and global partners who fill the gap on the technical know-how, especially on the HVDC side.

Subhadip: Understood. Secondly, we're clearly seeing a lot of activity on the BESS side. You've already won a couple of projects. I believe there are a few more in the offing. So are you continuing with

the strategy of looking at BESS related projects, which are probably synonymous with some of the transmission or the solar projects in terms of the business model? And any risks or any bonuses that you're setting looking at over there with regard to potential further fall in battery prices?

Harsh Shah: Okay. So, I think, yes, we started doing battery almost 3 years ago with a very small proto. And then last year and this year, we have won many projects. Those projects are in form of execution. And yes, we have gained a little bit because of the battery prices coming down. And I don't know if we can predict the battery price will continue to go down in the future. But at least we did based on what we have currently available, and we would like to close and execute these projects first.

Honestly, I mean, 900-megawatt hour is a significant pipeline. I would say, I think it is the largest pipeline in the country today with somebody having that size of battery storage projects. So, I think, our focus is on execution. And we do think that storage is not just the growth area, but also the way the contractual framework is structured into transmission, and we are pretty comfortable with that risk and cash flows. So as long as we are comfortable with the cash flows and the technology, we are pretty bullish on the sector. Yes, and we will -- but our primary focus will remain on execution of the current one that we have got...

Moderator: Ladies and gentlemen, if you wish to ask a question, you may press start and one on your touchtone phone. As there are no further questions, I would like to now hand the conference over to management for closing comments.

Harsh Shah: Sorry, there is one question.

Moderator: We have another question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Hi, good afternoon and congratulations on a steady set of numbers. So I had one question regarding the increase in the AUM. So I think now after the pref, we still have a headroom of around INR12,000 if I'm not wrong, to grow the AUM from maybe INR29,000 to INR41,000 crores. So I mean given how we stand and also the limits that you want to put on our solar assets as an overall AUM percentage, what kind of addition are we seeing in this AUM on a yearly basis?

Harsh Shah: See, I think historically, we have never commented on the, say, AUM growth and even right now, difficult to comment, because we focus on more like value-accretive growth, and that sometimes comes, sometimes doesn't come. So we have to wait for the right set of opportunities. So I mean the projects that we have already won will get executed. So that itself will add around INR3,000 crores of AUM. And that's kind of an assured growth. But the incremental projects as we win and execute a bit for it will be wait and watch. Just one correction, as you mentioned, I don't think the headroom will be INR12,000 crores, because the number will get added both in denominator and numerator. Our estimate is that INR8,000 crores, INR9,000 crores is a safe number to assume for headroom for growth.

Sarvesh Gupta: Understood. And secondly, on your liability side. So like now, we don't know how the stance of the RBI would be. But given your overall liability profile, because most of it is fixed, you would not necessarily benefit out of a lower sort of an interest rate going forward, right? I mean, have you done any sensitivity of maybe a 0.5% increase in the repo rates, how much the overall impact to us is?

Harsh Shah: We haven't done the same analysis because of 2 reasons. One is not all the debt is linked to repo rate. It's not immediately transferable rates. There is a velocity which will take place in transition of rates. We have approximately 77% fixed. So let's say 23% is floating. So directionally speaking, you can add 23% and if there is 50 bps – there is in 2 years, you'll have about 25 bps, 30 bps of immediate impact, and that will translate into whatever, INR19,000 crores debt corresponding addition in your DPU.

But that's, I think, it's too simplistic. So -- but one can do that math. But we feel that if the rates are substantially down, not just the repo rate, in general, liquidity spreads and all of it, then it will take about 2 to 3 years to really have major impact on transmission of the rates. So probably, we can refinance reprice about 30% to 50% portfolio in 2, 3 years.

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

Harsh Shah: Thank you.

Moderator: Thank you so much, sir. Participants, if you wish to ask a question, you may press star and one on your touchtone phone. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Harsh Shah: I think, I would not take much time just wish you all a very, very happy Diwali and look forward to the quarterly results call for next quarter. And I hope we have a great experience owning IndiGrid units and earn the superior risk-adjusted returns.

Moderator: On behalf of Nuvama Institutional Equities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.