Date: July 31, 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 Thursday, July 25, 2024

Dear Sir/ Madam,

With reference to our earlier intimation dated July 19, 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 June 30, 2024, held on Thursday, July 25, 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 – Q1- 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: 2024.07.31 15:17:20 +05'30'

Urmil Shah
Company Secretary & Compliance Officer
ACS-23423

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Axis Trustee Services Limited
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Maharashtra, India

“India Grid Trust

Q1 FY '25 Earnings Conference Call”

July 25, 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. SUBHADIP MITRA – NUVAMA INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to India Grid Trust Q1 FY '25 Conference Call hosted by Nuvama Institutional Equity. 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. Subhadip Mitra. Thank you, and over to you, sir.

Subhadip Mitra: Good evening, friends. On behalf of Nuvama Institutional Equities, welcome you all to the first quarter FY '25 Results Conference Call of India Grid Trust. We are joined today by the top management of the company, represented by Mr. Harsh Shah, CEO and Whole Time Director; Mr. Navin Sharma, Chief Financial Officer; Ms. Meghana Pandit, Chief Investment Officer; and Mr. Satish Talmale, Chief Operating Officer.

I would now like to hand over the call to Harsh for his opening comments. Over to you.

Harsh Shah: Thank you, and thank you, everyone, for joining the first call for financial year 2025. I will follow the slide numbers and then refer, I will open the call and I'll then subsequently have the management team talk about the business.

I'm on Slide number three to reiterate, our vision is to become the most admired yield vehicle in Asia, focusing on the business model, value accretive growth, predictable distribution and optimal capital structure.

On Slide number 4, based on these four pillars, we have built a large portfolio, which has been spread across India, they are all put together INR29,300 crores of AUM on 49 lines and 8700 kilometers, 15 some substations encompassing 22,500 MVA, more than 1 gigawatt capacity in solar and 400-megawatt hour of battery storage projects that we recently won.

Our portfolio is unique, the transmission assets offering the perpetual contracts, on solar side still having a residual life of 19 years, and a sizable amount of metals, that we own in our portfolio.

On Slide number 6, where I'll take you through the quarters highlights. The first one in the portfolio side we had signed the battery energy storage purchase agreement for 180 megawatt, 360-megawatt hour BESS project awarded by GUVNL in quarter 4, '24. This is significant because this is going to signify that the project is going to be built and each customer is ready to support that and the agreements are signed for it after the bid.

On the financial side, this is a quarter in which we're seeing the full impact of acquisitions of Virescent and RSUPL, which we did last year and therefore, on a quarter-on-quarter comparison, versus last year to this year we delivered a growth of 32.7% in revenue and 35.2% on EBITDA.

On the AUM side, our AUM stands at INR29,300 crores with net debt to AUM at 61.3%, which leaves sizable amount of headroom for us to grow. On the collection, we had a very good quarter. Typically, the quarter 1 is relatively weaker, but in transmission, we had 94% collection and in

solar, we had 104% collection, which has resulted into a sizable amount of NDCF for this quarter as well.

On the DPU, we have distributed the first INR3.75 a unit DPU, which was as per our guidance of INR15 a unit for this financial year, which is almost 7% to 8% higher than the quarter 1 of last year. So there is a significant amount of DPU growth that has been delivered for this year based on acquisitions and growth of last year. On operating side, our average quarterly availability is at 99.4% and solar CUF is maintained at 25.6%.

On the next slide, I'll take you through Indian transmission sector opportunity landscape. We are very uniquely placed in the entire energy transition journey. Energy transition is absolutely critical and imperative for India, considering; one, the climate goals that the country has undertaken and also energy security which allows India to be energy independent if the energy transition is done rightly by 2047.

The goal of 500 gigawatt, which the government was put in by 2030 is certainly steep. But on the path of that goal, there is a significant amount of investment that is taking place in the areas in which we focus, which is solar, transmission lines, which will enable -- energy transition and battery energy storage, which will ensure the renewable energy can be deployed in non-natural resource available hours.

With that, as you see on the slide, there is a rapid increase in power demand that we are witnessing as a country, which the country is responding to, they're putting in greater capacity addition which is resulting into sizable amount of investment opportunity for us for transmission networks as well.

Also on the renewable energy side, the battery energy storage, the country is reaching grid parity levels to ensure that more and more utilities are coming with battery energy storage proposals and we do see this as a significant part of our transmission growth.

On the Slide number 8, as you can look at it, based on the tailwinds that we've seen in the sector, there is approximately INR96,000 crores of transmission and BESS sector bids alone that we are witnessing over next year or two and this is to put things into perspective is, I would say, one of the highest level of bidding activity that we have seen in the last 10 years.

In context in the last 10 years, pretty much total project size that was bidded out was in the range of INR1 lakh to INR1,25,000 crores. So we achieved that kind of activity coming to market in the next couple of years. So that's a significant opportunity for us to find growth opportunities.

I would just take a pause of the summary, and I will take my team through the quarterly performance. I will invite Satish, our Chief Operating Officer to take you through our operating performance.

Satish Talmale: Thanks Harsh and good afternoon, everyone. I'm on Slide 9. I'm glad to share the operational performance for quarter 1. So we had zero incident quarter in terms of safety and as we continue our path on zero harm objective on HSE matters.

On performance, we achieved 99.4% as the overall portfolio availability. As you can see on the right side of the chart, there are 3 assets, which contributed this slight dip. I think two of which like JKTPL and Parbati, those are commercially indemnified because of Force Majeure event and line diversion event respectively.

On ENICL we had a conductor snap and because of that availability is down, but I'm confident that over the year, we will get back to our target of 99.75. On solar generation, we achieved 472.6 million unit, which is almost close to our plan at 25.6% CUF.

On reliability, typically because of the change in climatic patterns, the natural events like lightning, thunderstorm increases and this pattern we are seeing for last couple of years and is changing and because of that, the number of trips have gone up high, but we will kind of match up to our annual target of 0.18 throughout the year.

Substation wise, I think it's pretty much lower compared to the benchmark that we have in the industry. On cybersecurity we like to share that for all our solar assets, which was recently acquired, we completed certification process for cybersecuity risk mitigation measures.

That's it from my side and I would hand over to Mr. Navin.

Navin Sharma: Thank you Satish and good evening, everyone. We are on Slide number 10. Another strong quarter with consistent performance, we have recorded a revenue and EBITDA of INR835 crores and INR767 crores, respectively, which translates into 33% and 35% Y-o-Y growth. NDCF generated for the quarter was INR313 crores and Board has approved distribution of INR3.75 per unit which translates into DPU growth of 9% on Y-o-Y basis.

Coming on to collections for the quarter. It stood at 94% and 104%, respectively, for transmission and solar business. For trailing 12 months, collection performance at entity level stood at more than 100% with both business segments having similar collection performance. The DSO as of 30th June stood at 51 and 45 days, respectively for transmission and solar business. This reflects substantial improvement in DSO in both the business segments on Y-o-Y basis.

Coming on to next slide, number 11, DPU for the quarter is INR3.75 per unit. It will be distributed in form of interest, dividend and capital repayment, which is INR3.19, INR0.21 and INR0.35, respectively. The outstanding units at the end of the quarter is INR78.37 crores and the gross distribution to all the unitholders comes to INR294 crores. Record date for the distribution is July 30 and tentative date by the unitholders will receive a distribution is August 8. NAV as of June 30 stood at INR143.98 per unit.

During the quarter, as part of the standard process, the independent valuer reviewed competitive benchmarks for the valuation of transmission and solar business, to widen the index, they included power grid InvIT in the group of companies used for benchmarking. Consequently, the beta was reduced, leading to a lower weighted average cost of capital and, therefore, a higher value of AUM.

This has contributed to the increase in AUM and NAV during the quarter. With this quarter's distribution, IndiGrid would have distributed INR89.78 per unit with a total distribution of around INR5,240 crores. On the right-hand side, we showcased the trend of distribution on year-on-year basis, which is stable and scalable growth of 6% over the years.

We are on next slide, number 12. This showcase a waterfall from our EBITDA to NDCF generation and distribution. At an SPV level, we have a consolidated EBITDA of INR770 crores. Net of the finance income, working capital movement, capex and tax at SPV level. NDCF generated at SPV comes to INR725 crores. The net of the trust level expenses, finance costs, DSRA, working capital movement, tax and debt repayment, we have generated NDCF of INR313 crores.

In Q1 FY '25, we have added INR19 crores to our reserves and closing reserves stands at INR483 crores, which is in excess of one quarter's DPU basis current guidance. So that's all from my side.

I hand over to Meghana to take on subsequent slides. Over to you, Meghana.

Meghana Pandit: Thanks, Navin. Good evening, everyone. I'm on slide number 13, which reflects the position on the balance sheet. We continue to remain AAA rated by all the three rating agencies. Our average cost of debt for the quarter ended was about 7.74%. The cash balance was at around INR25.54 billion, of this, almost INR10 billion of debt was raised in June and which was already utilized for debt repayment in July, because of which you are seeing slightly higher number on the cash balance. The fixed rate borrowings continue to be almost three fourth of the borrowing book.

The leverage ratio reflected through net debt to AUM is about 61-odd percent and a very healthy EBITDA to interest coverage of 2.03x. The gross borrowing is about INR203 billion, which is split 50-50 between NCDs and bank loans. And both sets of NCDs and bank loans are diversified through various investors, including mutual funds, insurance companies, PSU plus private sector banks.

At the bottom of the slide, you can see the repayment schedule, which, again, we have ensured that there is no bunching up of maturities happening. And in no single year is the refinancing going about 12% to 13% of the gross borrowing, which is what we have been communicating all throughout. So overall, a well diversified and termed-out borrowing profile, which continues for the quarter as well.

Going to slide number 14. In terms of our total returns reflected from the distribution, which is the dark blue part and the price change. So the total returns on an absolute basis clocked is about 125% since the time we got listed in 2017 as reflected in an annualized return of about 12% compared to all pure-play debt instruments and pure-play equity, if I look at the risk-adjusted total return risk being reflected by beta and IndiGrid beta being very close to 0.08, you can see that IndiGrid continues to outperform all the other indices on a risk-adjusted basis.

Coming to slide number 15 in terms of the business outlook that we are looking at. From a portfolio strategy perspective, we continue to focus on ensuring that the operations remain stable

and we are able to provide for predictable and sustainable distribution and at the same time, looking at value-accretive acquisitions, which we have been doing.

On the greenfield side, as you all know, we have won three transmission projects plus certain augmentation works in our existing projects. So a smooth execution on those projects continue to be our focus. In addition to that, the two battery energy storage projects, which also we have won in the last quarter, those remain on stream and we are looking to execute that.

Parallelly, we are also exploring partnership opportunities for these greenfield projects to ensure how we will be able to minimize risk and at the same time, achieve scale. Of course, start participating in other greenfield bidding opportunities, which we have seen in terms of the tremendous transmission bids coming up continues to be an area of focus, both on the debt side as well as transmission side. Also look at delivering DPU guidance of INR15 for FY '25.

On the balance sheet side, like always, we will focus on ensuring that as and when there are refinancing opportunities or opportunities for acquisition, how we are able to optimize the interest cost and elongate tenures and at the same time, consciously manage the leverage ratio to ensure that enough headroom is available for growth purposes.

Asset management continues to be a very important area by ensuring we maintain 99.5% availability across the portfolio. Looking at self-reliant O&M practices, which we have imbibed across the portfolio and continue to optimize on the digital tools, which will help us on analytics and decision making. EHS, ESG, again goes hand in hand with the asset management practices, and we are increasing our focus areas on this.

Industry's stewardship again remains an area of focus in terms of figuring out what more private sector participation can happen in the electricity sector, both on the greenfield side as well as on the national monetization pipeline. And parallelly, specifically for InvITs, how do we increase awareness and investor education again remains an area of focus.

Moving on to slide 16. This basically showcases how on the back of value-accretive acquisitions, which we have been doing since the time we got listed has enabled us to consistently increase the DPU and also increase the longevity of the DPU. So the various color graph that you see reflects the acquisitions that we have done over the last 6, 7 years, and on the back of these acquisitions, how we have increased the DPU and you can see the DPU longevity, how that has extended on the back of these acquisitions and the growth on DPU that we have provided for.

I will take a pause here and leave the room open for Q&A now. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Ravish Chandra, an Individual Investor.

Ravish Chandra: Yes. Good evening Mr. Harsh Shah and team, congratulations for the excellent revenue, P&L and DPU increase. In fact, I'm observing from INR11.75, INR12 to INR15 it's a good achievement, congrats. And also, I think the management team has purchased the units very recently in this quarter, it's actually excellent for the investors confidence we are getting a lot on this handle. But my question is, it's maybe a repetition in every reason.

Now we have AUM of around INR29,000 crores, so potential is very high, INR96,000 crores in 2, 3 years. So we have headroom only to go up to 70% debt. Right now, we are at 61%. So if you have a huge asset in the bidding process, if you get, then immediately we now have to do something like a rights issue or something like that, Harsh Shah, how we can work this situation?

And second point, recently, Finance Minister told that asset demonetization will not be only selling, I think it looks like that last year, we had a discussion that the asset sale might not happen, asset lease might be there in the pipeline. Is it true? Any thoughts on that.

Harsh Shah: Thank you, Ravishji. I think to answer your first question. You're right. There is a significant size asset that we are looking to acquire we need further capital issue. However, that number is in the tune of INR7,000 crores, INR8,000 crores. So I think we don't foresee any one acquisition of INR8,000 crores in the near future, which can really necessitate the need to raise capital.

We are looking at several growth opportunities, but none of that to the size of the tune of INR8,000 crores, which is a capital at which we would need to look to raise capital. Having said so, we have raised capital in the past thru rights issue, preference issues, QIP a variety of methods. And our unitholders like yourself have been kind enough to support us in different capital raise processes. So if at all, and I hope we do get opportunities of INR8,000 crores and more, we would come back to market where we have to, and that will be a good scenario as we grow further.

On your next question on monetization, I think in general, government's monetization program has been on and off with mixed reactions from several quarters. And certainly, on transmission side, it's been, I would say, lukewarm to say the best. And there are structural issues with respect to that.

Having such a risk, the government already has published a policy of monetizing transmission assets and lease model. We will be keen to participate on that. So as and when that takes place, we would really look forward to participate. However, the timing of it will remain in the hands of the government.

Moderator: The next question is from the line of Pradyumna Choudhary from JM Financial.

Pradyumna Choudhary: Pardon if some of my questions are a bit basic, I'm a bit new to the company. So my first question is regarding the assets that we've been acquiring lately. So you've been acquiring solar assets and now embarking on greenfield BESS projects as well as transmission assets. So this is while we talk about a huge transmission opportunity. So when do we see this acquisition pipeline come on stream for us to be able to acquire some of the already operating transmission asset?

Harsh Shah: Great. So I think there are -- I would answer this in two parts. One, transmission projects typically have a lifecycle or rather the construction cycle of 24 to 36 months. And usually, the monetization takes place 6 to 12 months after that. So it's like a three-year cycle. So that's all the pipeline that gets bidded out eventually, if it is to players and developers who want to monetize come to market about 3, 3.5 years from the date of the bid.

Having said so, as you can see in the outlook slide, which Meghana described, and also we have been acting on it, we are bidding for transmission assets on our own, which means that we don't need to depend on the sale of transmission line because we control the quality, we control the returns, and we build on the asset upfront.

Having said so, we have limited capital that we can deploy on the under construction side. And therefore, we are also exploring partnership opportunities at the development projects, which minimizes the risk at IndiGrid because we are sharing the risk capital with other investors, and which enables us to do much larger and more projects, right?

So we would look to participate on transmission side, on greenfield on our own in terms of ensuring that we get the assets after completion. However, we are mindful of the fact that there is going to be limited capital that we can deploy on the development side, we would look to partner with developers who would partner with us at development stage and provide us risk capital. And after completing, we will buy those projects and add to our pipeline.

So it depends on what is going to be our success in the bidding and eventually execution, that will define how much of the pipeline. But in either of the cases, the pipeline that we are seeing today of around INR1 lakh crores takes bid to bid – bid and bid out around a year, year and half and then subsequently around three years to monetize. So I would say it will start giving in sizable amount of results in anywhere from three to four years.

Pradyumna Choudhary: Okay. So now, at least in terms of transmission assets, getting into our operational portfolio could be a little on the lower side, right?

Harsh Shah: Depends. See, we already have around INR2,000 crores of assets that we are already building, right? That may come in next -- actually that will come in the next 12 to 18 months to fruition. So we'll start generating EBITDA. Those projects we already won last year, right? So they will start generating in next one year and start hitting our NDCF line. And also, there are projects, which are bidded out earlier, which may come for monetization, but we don't control the time for it, right? And therefore, it's difficult to guide. But we ourselves already have around INR2,000 crores of assets, which we are executing right now, which will come for us to yield NDCF out of.

Pradyumna Choudhary: Understood. And secondly on the solar asset side, I just wanted to understand, would you -- given that all of us are aware that solar tariffs are linked more to the production, which tends to be little variable and also there are questions regarding the productivity of these solar cells keep going a little down to maybe wear and tear. So how does one solve for this operational variability on these solar assets would be higher than on the transmission asset? That's one. And second, what is the kind of IRR we end up making on solar assets?

Harsh Shah: Sure. So I think, one, you rightly answered the question, there is very little variability. It's not variability, which you need to worry about especially if we are able to -- we are assuming the right assumption at the time of acquisition, we are buying projects which are built well, and we are, I would say, doing the technical diligence well, there is limited variability in the solar

projects. I would compare it with any other renewable energy projects, whether it's hydro, wind. Solar has the least amount of variability.

Second, solar generation has a very, very long track record now in India. I've been tracking this sector since 2008 when solar plants came in. It's been 16 years and I think the worry that we carried in 2008 till 2012 are all gone because the solar generation is one of the most predictable resource. Yes, there have been variations on account of cloud cover, on account of unseasonal rains, but they are not the ones which can really impact the end result massively unless the developers are extremely levered where 1% lesser generation and you have to default, right?

So I think we aren't taking a sizable amount of risk in solar. We have about 20%, maximum 25%, 30% will be on that line. And 1% or 2% solar variation, that is what we have seen in the past in varied years, does not impact us on the bottom line. So we are fairly secured on that. Having said so, you've got to check that you are buying the right modules, you are investing in that, you're cleaning it well and all those parameters. So I think the reliability of solar modules and panels and delivery results are fairly proven now versus what it was 10 years ago. So there is a high degree of confidence in that that we foresee.

Pradyumna Choudhary: And the IRR on the...

Harsh Shah: IRR depends on the situation, right? I mean I'll tell you -- IRR has changed materially depending on the interest rate, depending on the desperation of the seller, so it is dependent on the macroeconomic cycle in which we buy the asset. So we would have bought the asset at 13% also and we bought the asset in which you make 20% also, right? So it is subject to the opportunity that we received.

And I think with IndiGrid and for that matter, anybody who wants to make a differentiated return, got to have patience. And with our size, scale and assets, we have patience, we are in the market. We don't get desperate when the prices go back. And we're there to acquire each asset as long as the pricing is right. And that allows us to have windows of opportunities to acquire reasonably good IRR projects, right? So I give you a range, it can be 13%, it can be 20%, that depends on the situation. Our focus is on making a differentiated IRR.

Pradyumna Choudhary: All right. And my last question before I join back the queue. So I believe around 78% of our debt is fixed rate, right? So how -- like would the benefit of lower interest rates going forward in case there's an interested cut, would it not so much to us like how do we stand on...?

Harsh Shah: It is opportunistic, right? If interest rates are reduced by 1%, we have about INR20,000 crores of gross borrowing, does not mean that our interest will come down by INR200 crores in the next month, right? There is a transmission process that will take place, about 28% or 22% is immediate pass-through so which would be immediate pass-through. And subsequent one, as the things get maturity and refinancing when the reset window comes in, we can exercise certain options to really take advantage of that.

And certain debt is such that we can never refinance because we are -- we prefer to have long-term fixed borrowing. So we have taken certain calls, which are anyways very good rate. So we will never refinance. So the exact math we haven't calculated, but my guess is that if the interest

rates are 1%, it will take around a year or two for us to have a 50% of benefit on the portfolio on that.

Moderator: The next question is from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Congratulations on a good set of numbers. Just two questions. One is on this asset pipeline visibility. So you mentioned INR2,000 crores, which is going to come up next year. But apart from that, from the bid pipeline or something, if you can sort of give some estimate of what is the visibility that we have at the moment about the addition in our AUM? So that is one.

And secondly, this jump in NAV, so I'm guessing this is because the beta of PGCIL -- sorry, Power Grid InvIT was much lower than the other. So what is the rough number of -- or the amount of beta that has been used for these calculations? And what was it roughly before that?

Harsh Shah: Sure. So I think to your first question, we don't forecast on growth. We don't give projections on what number of assets they are buying. We buy, we bid, we win and we communicate. But just to give you a picture, it's been seven years since we listed, we are 7x in size, right, from the time we listed. So give or take, every year, we have grown by now INR3,000 crores, INR4,000 crores at any point in time and sometimes more.

Now why I said that is that we are dependent on opportunities that are there in the market on M&A side. Also on the bidding side while we do bid for it does not mean we have to bid to win. Our focus always remains on -- are we getting differentiated return? Are we getting risk adjusted return which is superior to where we are trading at and if so we have a larger appetite to bid.

And I think the dependence for you as well as we management the core belief is that as long as we follow that philosophy there are going to be businesses in the market for us to acquire and grow. Beyond that, I think it is -- I won't say impossible, but it is something which as management we do not guide on that this year we are going to acquire INR5,000 crores of assets or INR8,000, we are evaluating INR4,000 crores in BD and variety of things…

So we don't like to project that, but if at all history is any measure we have grown every year by INR3,000 crores. So we are confident that the market is huge. There is tailwind in this sector, there is investment happening across sector, across every aspect of electricity value chain that we see. We think we have the right team to fuel acquisition growth, and engineering capability.

So I think when all of this mix we will end up growing the portfolio. I think that's the belief under which we operate. So I think that's what is more prudent to follow. On the beta front, I think I'll invite Navin to brief the exact number. But I would urge you to look at the valuation report which will have exact methodology and the numbers and everything so that in case we heard on the phone on some numbers etc you can check on the valuation report itself, what is done. Navin, over to you.

Navin Sharma: So broadly PGCIL beta -- levered beta was close to 25 bps which was taken in the month of March. And Power grid InviT this has reduced to around 0.19 or 0.20.

Sarvesh Gupta: So 20% reduction in that.

Navin Sharma: Yes close to 20% reduction, but on overall working this has an impact of around INR10 on NAV.

Sarvesh Gupta: Understood. So Harsh just on the answer to the first question. I think the transmission sector we were seeing some -- I mean it was challenging in general to sort of acquire new assets. So are you seeing any positive or negative changes to that in the environment which was existing before maybe a few quarters back. Are there any changes in that environment or is it broadly the same as of now?

Harsh Shah: No, I think in the last four quarters if I compare what is changed is there is tremendous pipeline, sale of assets and the bids are happening. As we speak every month there are a few bids and it is all public bids so bids are happening. So in general the capex of the sector has gone up. Is it competitive? Yes, it is competitive. So I think that competitiveness remains so one needs to find out assets where we have more better place than others. And we bid for it. So I think it remains a competitive place. Having said so the market has become large. So that offers opportunities for everyone.

Sarvesh Gupta: And if the bid pipeline is much higher for the newer assets as well then wouldn't it also mean that the guys who are having the assets on their book because they would be now forced to embark on newer Greenfield developments, the propensity of them to sort of download these assets to third parties like for sale should increase ideally in such an environment?

Harsh Shah: Yes. I would wish so on paper yes, but things move -- things take time to happen. But I think I would have similar hypothesis as you are suggesting.

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

Moderator: Thank you. The next question is from the line of Shubhadip Mitra. Please go ahead.

Shubhadip Mitra: Harsh, I have a two part question. First part is that in continuation with the previous participant on the same lines are we looking at possibly seeing a bit of a lean period for the next couple of years in terms of ability to acquire more assets or what I should say maybe the opportunity to acquire more assets since most of these newer transmission assets are probably in the bidding or under construction phase today.

And secondly when one looks at the kind of bidders who are probably bidding for these new large ISTS assets, especially a large component is PGCIL followed by some of the larger private names. Some of these large private names also seem to be more of hold to maturity kind of holders who may never end up downloading the assets. So are you seeing some kind of shrinkage in terms of the transmission ISTS opportunity and hence you may need to diversify into other areas more?

Harsh Shah: Okay. Yes and no. Yes, there are players who are hold to maturity players so that is one type. But the only thing that we have learned over the last 7, 8 years since we listed in the market is that things can change in a variety of ways. So our job is to wait and wait for the right time and assets to come. We don't look at our business in a year-on-year manner let us say this year is

lean, next year is active. So we are okay for lean years for 2 years or 1 year. There is sufficient assets that we have acquired and even if we don't do anything. We don't acquire any assets.

Our DPU is not going to drop for whatever 8, 10 years. It's going to continue to yield results or rather it goes up when interest rates go down. So there are enough that we have done over the last 7 years that allows us to I don't know how to put it, but let's say time the market or what is the right time to acquire assets. So that's one. So we don't need to acquire something just to grow year-on-year to deliver a pack. That's going to come from our current assets.

Second, what we are doing is instead of being a reactive player in the market where the projects are bidded out, then subsequently dependent on strategy of developer that comes to monetization. As we've already done, we are trying to bid for projects ourselves. We already executed the first project. This year, we'll be commissioning 2, 3 more projects. So we're already putting in projects in place on our own and adding it to -- we can probably call it organic growth, right? So over last 7 years, at least the first 5 years, we did not talk about or we did not do any organic growth. However, 2 years ago, when we started on the first under construction bid was the beginning of our organic growth.

And as we have done in the past, we start small on anything new. And when we deliver it, we grow big. That's what we did for solar from 100 megawatts, we waited for 3 years and we did it 1 gigawatt. For BESS, we put in a proto in a substation. And then last year, we increased it to 400-megawatt hour and probably this year will increase more. And for transmission, we did a small project of INR200 crores and now we are doing INR2,000 crores. And they will come in line in the next 12 months as we complete the projects. So that leaves us for doing more on this space on greenfield especially if the size is large.

Having said so, we completely, as I said, understand that we are not going to deploy entire risk capital on under construction projects. But with a pedigree and track record there is tremendous amount of development capital waiting on the sideline to partner with developers. So we are working to see if we can put something like that thing in place, which enables us to do or rather ensure we actively participate in the large transmission market.

Subhadip Mitra Understood. And with regard to the solar and the BESS related projects, what quantum of your AUM would you say would at max be or what you would look at in those types of investments...

Harsh Shah: Yes. So the BESS -- is transmission. And we are following MOP guidelines. As long as the BESS is co-located with transmission assets, it is considered transmission. Second in BESS, the asset nature is also like transmission and substations. The contract is like such the transmission, take-or-pay contract, capacity-based contract, O&M is like substation. So it is more like transmission as an asset versus renewable. So there is a tremendous appetite on there on our end. We are building a lot of scale capabilities to both execute and manage those projects.

So I would say, basically, this is part of our base plan we can do as much as we want as long as the returns are good. On the solar side, we will maintain around 25% ratio at this point in time. And again, opportunistically, if people ask prices, it does not make sense, we may not acquire.

And if there are assets, which are returning us substantially good returns, we may acquire so it's something which will break out.

Subhadip Mitra: Understood. Lastly, any opportunity that you think is coming up on the intrastate transmission side?

Harsh Shah: Maybe on the greenfield side but they are very puny in comparison to what we are seeing in TBCB on ISTS. The ISTS opportunity is very big. On the intrastate side there are opportunities but they are small. So we would look at it but they are relatively small right now.

Subhadip Mitra: Understood. Thanks so much.

Moderator: Thank you The next question is from the line of Krishna Kumar Nalambar an Individual Investor.

Krishna Kumar N: I'm not conversant in good English. Just try to understand me, I'm senior citizen. I want to ask that transmission assets based on big operate own and maintain model. And what happens after completion of agreement say, one project is for 15 years, some projects are 35 years. So what happens after that? I want to ask, sir.

Harsh Shah: Yes, sure. So I'll give a perspective I would not say what happens because there are not any project which has gone through the cycle but I'll try to predict what may happen. So our contracts are take or pay and when the contracts are completed the asset belongs to the company and the company belongs to IndiGrid. So the asset belongs to you. However, the transmission assets have a very long time, long life, 40 years, 50 years, sometimes more. And we believe that the replacement cost of these assets at the end of the concession period is going to be very high.

So there will be a very logical sense for the government, for regulators, for utilities to continue the contract and compensate the current licensee, which is the SPVs to continue the projects and pay them on a regulated tariff mechanism or any other mechanism that is being fixed. In the absence of that, I think this is what most likely going to happen that we'll continue to get paid and I don't think there is any alternative to extra high voltage transmission that has been found yet and we are confident that there is none. So we'll continue to have relevant meaningful place even after 25 years or 30 years.

Krishna Kumar N: One more question sir. What this assets NAV is there. So that is after completion period but that assets becomes 0, it is while calculating NAV, what is happening with this thing sir?

Harsh Shah: So asset does not become zero. There are 2 methods to compute the NAV or other value the asset after life after the concession period. The one is in which we follow is that we follow a regulated tariff mechanism model that after the concession period is finished and the capex of the project was let's say INR100 crores, INR30 crores as equity, on INR30 crores, we earn around 15% ROE in the current regulated tariff mechanism. And we feel that, that is what the model is justified after completing the original concession so we continue to get paid on 15% on 30% of equity that is deployed and the rest is appreciated. So that's something which we believe will happen.

Krishna Kumar N: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Ketan Jain from Avendus Spark. Please go ahead.

Ketan Jain: Yes. So I just want to understand from you the basics of the BESS project, like where are we procuring the battery from, at what cost, what would be like the replacement cost meaning at what point in the future will there be a requirement to replace it? And what could be the cost of battery 1 or 2 years from now?

Harsh Shah: So very difficult. I'll start the last question. I do not know the price of battery 1 year from now. If I could predict I would be trading. So I don't know -- so our business is of certainty. So we want to finalize our orders and order the battery soon. So our economics are retained. In terms of where are we going to order battery from, we are going to import the batteries because India does not have capacity to manufacture utility scale battery storage batteries right now. There are a lot of investments happening and hopefully in a year or 2 from now, we'll be able to procure locally.

What is the cost of battery, I'm sorry but I cannot share that considering it's confidential information competitively bid processes take place, so it's a difficult information to share but there are widely available public resources to look at that. I can tell you we'll be in a similar range or better than that. But we have not concluded the order yet. So it's difficult to disclose the price as well as disclose where we are going to end up at but I can tell you, we are ordering very fast and we are planning to commission our first project in this financial year. Once we commission this data will become public. So I will urge you to wait for that.

In terms of replacement typically, we factor in that there is no replacement, we do all the capacity augmentation upfront. And projects that we have won are not 20-year projects, which requires augmentation, the projects are 12-year projects. And all the bid processes allow certain degree of degradation in the battery, which is in the allowable range. So when we set the battery, we figure out in a way that we don't have to augment it in the future.

Ketan Jain: Okay. So what you're getting is for your case, you are not assuming any degradation or it will operate for 20 years without replacement?

Harsh Shah: No, not 20 years, we have a 12-years contract.

Ketan Jain: Sorry, 12 years, yes.

Harsh Shah: 12 years. And we do augmentation upfront. So what that means is that whatever the extra battery we needed, we invest it upfront. So, if it's for 100-megawatt hour battery instead of 100, we would have to do 110. So we do it upfront instead of waiting that we'll do it in 3rd year, 4th year, 5th year because the scale or logistics of 2 megawatts hour each year is far more complicated than buying 110 at one go. So basically, put over capacity upfront.

Ketan Jain: My second question is on transmission. Now the national monetization policy gave guidelines to some large players like Power Grid to monetize their assets. They had plans to do it through

their own InvIT. But due to some policy reasons that was put on hold. So our bid potential pipeline in the future for transmission? Would it include these assets of Power Grid, which would eventually come up to be monetized? And if so, when will that happen?

Harsh Shah: So I can tell you we are interested. We have also written to Power Ministry that when you monetize, we'll be interested to participate in a competitively bid transparent process. So when will they do it is in the hands of Power Grid board and Ministry of Power and Government of India that we don't control. But yes, as and when it happens, we will remain interested.

Ketan Jain: Sir, what was the policy level challenge that happened, which prevented the Power Grid from monetizing it through their own InvIT, will that be a constraint for our, say, assets which we are bidding on our own in the future?

Harsh Shah: No, not really, they are different things. At least what I understand, again, this is secondary knowledge, the Power Grid in the call said that they do not want to do a competitively bid process for their assets, which I don't know why because they are a public company, and they are supposed to call for an auction for monetizing. And they never called when they decided not to monetize instead of calling for an auction. This is what I know from their transcripts, right? I don't have any other direct knowledge of that.

Ketan Jain: Okay. That answers my question. All the best.

Moderator: Thank you. The next question is from the line of Pradyumna Choudhary from JM Financials. Please go ahead.

Pradyumna Choudhary: So one was a follow up to a previous question, regarding -- basically what happened after the contract comes to an end. So don't you think given that this is a regulated equity model where we've already earned a 15%, 15.5% equity on the project cost? At the end of the contract, like the government would substantially reduce the tariffs because whatever we earn extra would be bonus, right, after the contract term?

Harsh Shah: So it depends on how one calculates that. The contract, in this case, was very clear that the assets belong to the transmission licensee. So official licensee have an option of not performing and not doing that. If you don't give the right tariff, and that's how we disclose the amount of metal that we have on the investor deck.

If you look at that number on Slide #4, there is about 5,30,000 tonnes of steel and aluminium, which is real metal outside the ground, which you can really realize. If you just apply the price of the metal today, right, obviously, we would have met our net obligations and everything, it will come to a 50% of our market cap today.

So that is the size of the metal that we have in IndiGrid. Now what will be the price at the end of 35th years or 30th years, I don't know, but it will be significant, right? So if that amount of size of capital is deployed, one says that you take very less return on that, why would you operate that asset and you would say I would rather liquidate.

Having said so, the principle within the regulated tariff mechanism, it is very clear and equity is never depreciated, there only debt is depreciated. So if you have invested INR100 crores, as long as INR30 crore continues to be deployed because the INR70 crore debt you amortized at the end of the concession period, the INR30 crore equity has right to earn the ROE forever.

That's the principal enshrined in the RTA mechanism, regulatory mechanism. So the equities never depreciated. And therefore, if one gets 15.5% or 15% of ROE on the equity after paying all the tax, all O&M costs, everything put together, I think it's a reasonably good return. So we are fine with that continuing forever.

Pradyumna Choudhary: And second was, can you give an idea regarding how much like in rupees, how much transmission assets today are operational in India, as to get an understanding of the industry...

Harsh Shah: That's a very difficult question because there are depreciated assets and it becomes very complex. I'll tell you the high-level number would be somewhere in the range of INR3 lakh crores at the interstate level. And intrastate level numbers are not collated. So it's very difficult to calculate, but probably, it will be again INR2 lakh crores, INR3 lakh crores at least, and this is my estimate based on my experience what I've read through, there are very limited publicly available resources where everything is prepared. But I think it will be in the range of INR5 lakh crores, INR6 lakh crores including state transCos and central and everything put together.

Pradyumna Choudhary: And how much would be with the private players?

Harsh Shah: Very limited, I think will be less than at least around 10%, maybe 15%, somewhere in that range, yes.

Pradyumna Choudhary: That was helpful. Thank you.

Moderator: Thank you. The next question is from the line of Tanvir Sure, an individual investor.

Tanvir Sure: So with the recent change given the LTCG period now dropping to 12 months. Does that bring any tailwind in terms of -- to IndiGrid more Mutual Fund participation from the equity side now coming?

Harsh Shah: Thanks, Tanvir for asking that question. I was surprised that nobody asked that till now.

Tanvir Sure: Yes, same, I was waiting for that.

Harsh Shah: So this has been a policy ask for the last 5 years. And we are pretty happy that this has come up. So I think one big thing for unitholders is that a lot of liquidity can come in because people can actually monetize after a year if they think the timing is right and then liquidity will increase.

So the second is that we have been working with regulators and exchanges for inclusion in the index. Because the size -- at least, I don't know exactly, but we will come into top 200 or 250 entities probably or even utilities index. But there are structural issues for inclusion of InvIT into indices because of this 3-year holding period, which makes it difficult for funds of funds and mutual funds to really allow that.

So the exchanges were not ready to -- I would say, include us in the index and the inclusion of index would have led to more passive flows. So probably that is a good thing. While this is done, there are a couple of other policy hurdles which is with the regulator. So when done, I would certainly believe that this will have tailwinds because of more liquidity from being included in the index. So this is the first step in that direction. We truly hope that we are included in the index.

Tanvir Sure: Yes, that's wonderful because I think globally a lot of REITs and InvITs are included in frontline indices. So that is a big plus. And now I think another checkmark is just the interest rates. I think once that also drops, I think the unit for REITs and InvITs should take off.

Harsh Shah: Yes. We also believe so.

Tanvir Sure: Thank you all the best.

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

Harsh Shah: Thank you, everyone, for joining the call and asking all the important questions. We are pretty psyched about the growth opportunities that exist in front of us. And will continue to deliver what we promised and look forward for meeting you in the next investor call. Thank you.

Moderator: Thank you. On behalf of India Grid Trust that concludes this conference. Thank you for joining us, and you may now disconnect your lines.