



POWERGRID Infrastructure Investment Trust
(PGInvIT)

Q2 FY25 Earnings Conference Call

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MODERATOR: **MR. MOHIT KUMAR – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to POWERGRID Infrastructure Investment Trust Q2 FY25 Earnings Conference Call hosted by ICICI Securities. 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. Mohit Kumar from ICICI Securities. Thank you and over to you, sir.

Mohit Kumar: Thank you, Tanmaya. Good morning. On behalf of ICICI Securities, I wish a warm welcome to the new management team to Q2 FY25 Earnings Call of PGInvIT. We are privileged to join today with the management team. We have with us Shri Naveen Srivastava, Chairman, Shri Sanjay Sharma, Director, Shri Amit Garg, Director, Smt. Neela Das, Chief Executive Officer, Mr. Gaurav Malik, Chief Financial Officer and Mr. Shwetank Kumar, Company Secretary and Compliance Officer.

We will start with brief opening remarks by the management which will be followed by Q&A. Over to you, sir.

Naveen Srivastava: A very good morning, everyone. On behalf of POWERGRID Unchahar Transmission Limited, the Investment Manager to PGInvIT, I would like to extend my appreciation to all participants for joining this call despite their busy schedules. Today I am joined by Mr. Sanjay Sharma, Director of PUTL, Shri Amit Garg, Director of PUTL, Smt. Neela Das, CEO of PUTL, Shri Gaurav Malik, CFO of PUTL, Shri Shwetank Kumar, Company Secretary and other senior officials.

On November 7th, 2024, PGInvIT released its financial results for the quarter and half year ending September 30, 2024, along with distribution details for the quarter. These results are now accessible on the BSE, NSE and our websites. A presentation detailing PGInvIT's Q2 and H1 FY 2025 results has been uploaded to our websites.

In the interest of time, I will provide a concise summary of these results. Our investor base has shown steady growth, expanding from approximately 15,000 unitholders at the time of IPO to over 1,70,000 unitholders as on September 30, 2024. We extend our heartfelt appreciation to our diverse investors for their trust and confidence in PGInvIT.

For our new investors, let me introduce the Trust. PGInvIT is an infrastructure investment trust with Power Grid Corporation of India Limited, a Maharatna CPSE and India's largest power transmission utility as its sponsor and project manager. POWERGRID Unchahar Transmission Limited, a wholly owned subsidiary of POWERGRID, serves as investment manager, while IDBI Trusteeship Services Limited acts as a Trustee.

PGInvIT owns five SPVs namely VTL, PKATL, PPTL, PWTL and PJTL. Currently, PGInvIT holds 100% equity in VTL and 74% equity each in of the other four SPVs. These power transmission SPVs which includes 11 transmission lines spanning around 3,699 circuit

kilometres and three substations with a transformation capacity of 6,630 MVA, are operational and revenue generating assets.

The transmission service agreements for these projects have an average remaining life of more than 28 years. These five operational revenue generating interstate transmission system, ISTS assets with a strong track record in availability, reliability and safety were implemented under the tariff-based competitive bidding, (TBCB) mechanism on a build, own, operate, maintain basis. They come with a 35-year contract agreement minimizing regulatory risk on transmission charges and providing long-term assurance to the Unitholders.

PGInvIT is backed by India's largest transmission utility as both a sponsor and project manager which strengthens its position in the sector. Additionally, with availability-based fixed tariff under long-term transmission service agreements (TSAs), PGInvIT offers high visibility on cash flow while maintaining low leverage, a key advantage that supports its debt-funded acquisition strategy for future growth opportunities. With these strengths, PGInvIT is dedicated to creating values for its unitholders.

PGInvIT aims to deliver consistent, stable and predictable returns to its unitholders. Let us now turn to the Q2 FY25 distribution. A distribution of INR 3 per unit was announced on November 7, 2024, for the quarter ending September 30, 2024. This marks the Trust's second distribution for fiscal 2025 and 13th consecutive distribution since listing. Unitholders will receive this distribution on or before November 20, 2024.

Including this, Q2 FY25 distribution, PGInvIT has declared a total distribution of INR 40.50 per unit since listing for an IPO price of INR 100 per unit, totalling INR 36.85 billion. As informed in our previous earnings calls, we aim to achieve a distribution of INR 12 per unit for the fiscal year 2025.

Our quarterly distribution follows our distribution policy and SEBI InvIT regulations, ensuring that at least 90% of the net distributable cash flow, NDCF, is distributed to unitholders. As per the policy, distributions are declared and paid at least once every quarter. Now the highlights for the quarter ending September 30, 2024.

Utilising the latest technology and prioritising safety, our project manager has ensured that the transmission assets are operated safely, without accidents and with high efficiency throughout the quarter. The average availability of each SPV exceeded target levels, underscoring their high performance and reliability.

As per the provisionally available data, the Q2 FY25 average availability has surpassed 99.75% across all SPVs, maximising the potential incentives. Currently, this data is provisional, except the VTL, as we await the monthly availability certificates from respective regional power committees (RPCs), under Ministry of Power, Government of India, covering July to September 2024.

As you know, one of our SPVs, PPTL, is currently executing a project under regulated tariff mechanism. This project titled 'Implementation of 400 KV line bay at 760 /400 KV, Parli new substation for RE interconnection'. This was allotted to PPTL by CTUIL. An order has been

issued by CERC for grant of transmission license. This project is expected to be commissioned in December 25 with an approximate cost of INR 250 million.

This is in addition to an earlier project under RTM in PKTL, which has been commissioned in February 24. The project cost is approximately INR 30 crores, which is also adding to our top line.

Financial highlights for year for Q2 FY24-25, total consolidated income amounted to approximately INR 3,290.35 million, which includes INR 3,199.64 million from revenue from operations and INR 90.71 million from other incomes primarily from interest earned on the deposits. Total expenses including impairment for the Q2 FY24-25 on a consolidated basis were around INR 1,123.22 million. In the first half of financial year '24-'25, total consolidated income was about INR 6,557.15 million, comprising INR 6,355.48 million from revenue from operations and INR 201.67 million from other incomes.

Consolidated total expenses excluding impairment for H1 FY24-25 were approximately INR 2,250.25 million. The net distributable cash flow (NDCF) calculated at the SPV level has been included in the consolidated financial results. The Trust receives cash flow from the SPVs in the form of interest income, dividend income and the SPV debt repayments.

PGInvIT's NDCF for the quarter ending September 30, 2024, amounts to INR 2,699.79 million and INR 5,228.20 million for the half-year ending September 30, 2024. The announcement of INR 3 per unit distribution for this quarter includes the interest component of INR 1.91, taxable dividend component of INR 0.60, exempt dividend component of INR 0.26, repayment of SPV debt of INR 0.22 and treasury income of INR 0.01.

The total distribution amount exceeds the stipulated requirement of distributing at least 90% of the NDCF at the PGInvIT level as per Invit regulations and our distribution policy. As of September 30, 2024, PGInvIT's outstanding external borrowing was INR5,683.88 million. This is from the INR 5,755.85 million loan raised from HDFC Bank in March 2022 to partially fund acquisitions.

The loan is floating rate loan linked to the three-month T-Bill with an average debt cost of INR 8.12% for H1 FY24. Net debt as a percentage of asset under management AUM was approximately 0.13% as of September 30, 2024, allowing ample room to fund future acquisitions entirely through debt.

The Trust maintains the highest credit rating AAA with stable outlook from ICRA Ltd, CRISIL Rating and CARE Ratings. Billed trade receivables as of September 30, 2024, stood at INR1,321.17 million, equivalent to 38 days of billing.

Acquisition of balanced 26% equity shareholding, we are expecting to complete acquisition of remaining 26% stake in our four SPVs namely PKATL, PPTL, PWTL and PJTL during the financial year subject to Unitholders' approval of transaction.

The Sponsors Board has approved the proposal to sell the balanced 26% share, Investment Manager's Board has also approved the proposal to acquire this 26% stake subject to approval

of Unitholders. We emphasize concluding the acquisition process towards the end of this financial year, provided the Unitholders approve the transaction.

Now the outlook, our growth strategy focuses on acquiring operational power transmission assets aligned with the InvIT regulations, statutory requirements and Unitholders' best interest. While we remain committed to the Unitholders, it is important to note that the limited availability of assets for acquisition presents an inherent risk for the PGInvIT which we have consistently communicated. Currently, operational power transmission assets available for monetization are limited.

However, between 2022 and 2027, the country plans to add approximately 1,14,687 circuit kilometres of the transmission line, 7,76,330 MVA of transformation capacity at 220 kV level and above. From 2027 to 2032, an addition of 76,787 circuit kilometres of transmission lines and 4,97,855 MVA of transformation capacities are expected to be added. With these substantial investments in the sector, we expect that these projects reach commissioning, they will present acquisition opportunities for investment vehicles like PGInvIT seeking revenue generating assets.

We are closely monitoring the progress of these ongoing projects to stay attuned to near term opportunities. Additionally, should any states choose to monetize their operational transmission assets to generate capital, this would open up a new opportunity for us. This process, however, may be gradual and would require sustained policy advocacy with the states.

With significant debt headroom for acquisition, our competitive strength and our position as an established investment vehicle with a large pool of institutions and non-institutional investors, we believe PGInvIT is well positioned to benefit from various upcoming transactions in the sector. We emphasize that all assets considered for acquisition will undergo a rigorous evaluation process.

This process includes assessing each asset's operational history, compliance with InvIT regulations and statutory requirements, adherence to the trust corporate governance framework and alignment with the unitholder interest to ensure suitability for inclusion in PGInvIT. As mentioned previously, we would like to maintain our distribution guidance of INR12 per unit for FY24-25.

Thank you and now I would like to hand over the moderator for further proceedings. Thank you.

Moderator:

Thank you, sir. We will now begin the question-and-answer session. The first question is from the line of Aniruddha Arondekar, who is an Individual Investor. Please go ahead.

Aniruddha Arondekar:

I have a couple of questions. First one is, what are the basic regulations or rules that PGInvIT has to follow before acquiring a new transmission project or power generation project, if we can? Because IndiGrid recently launched a platform under which they are also going to acquire transmission projects, and they are also investing in green field transmission projects. So can we do similar investments? If yes, why are we not doing it currently?

And the second question is, we have given guidelines of INR12 per unit for this financial year. So how much of this DPU is actually being funded by cash resource of the InvIT? Thank you.

Management:

Aniruddha, coming to your second question first, the guidance of INR12, well, as per the InvIT regulation, minimum 90% of the NDCF is to be upstreamed, taking into consideration cash at both the levels, the InvIT as well as the SPVs i.e. at the overall level. These are the changes. This is the new guidance, effective from 1st of April 2024. So if you see, we began our InvIT journey way back in May '21 and we started with the cash balance of INR216-odd crores.

Now, presently, we have the cash balance of INR578-odd crores and if you remove the DSRA and the distribution for this quarter of INR273 crores, roughly, we will be landing at a figure of INR305 crores. So net-on-net, there has been increase in the cash position. This is primarily due to the reduction in the debtor days, that has occurred since IPO till 30th of September.

So there is no major dip from the opening cash reserves that has been eaten away to give the distribution. So that reserve is intact as of now. So that is the answer to the second question. With respect to the InvIT regulation, there is no bar, as per the regulation, we can invest in any of the infrastructure projects. The infrastructure projects are governed through the harmonised list of the Ministry of Finance, Department of India.

So as per which, we can invest in any project which has been qualified under that harmonised list. So you are very correct that our counterpart, IndiGrid, has been investing in transmission as well as in RE generation assets. So maybe the chairman, sir, can further...

Naveen Srivastava:

Now I will reply to the first question Aniruddha. And we are thinking in going in a monetisation of transmission assets of the states with the policy at the state level that has come out in the various -- They are coming with a definite timeline to investment and as far as Greenfield project is concerned, this is, I feel, is coming out with the construction risk, which we feel that --which includes the risk to the investor also. However, in case of RTMs and all, we have already, in the speech, we have already told you that one, already we have commissioned. And secondly, we have got it. And in future also, whenever these -- any assets which is required by CTUIL in these areas, in our SPVs, they will come as an RTM. Thank you.

Moderator:

Mr. Anirudh?

Aniruddha Arondekar:

Hello. Sir, one more question because the state asset acquisition may or may not happen. So, competitors or the IndiGrid. Like the -- they are seeing the opportunity to acquire new assets. But at the same time, we are not doing any new acquisition. So, why? I want to understand why it is so. Because if the competitors can acquire new assets or they are seeing the opportunity, but we are not doing the same.

So, if this continues, the DPU level will not be maintained. So, can you clarify anything more on this?

Naveen Srivastava:

Of course, I understand there is a limited opportunity at present which is there. But I can say one thing that it's a policy guidelines which involving various factors and we apprehend that this procedure is time-taking. We are in touch with few states in this regard that assets. And the assets

coming up in the acquisition are limited. And we will see that in the next future so that some assets which we are thinking, and it will be acquired. We are in the process of acquiring the assets.

Aniruddha Arondekar: Sir, one more question if you may allow. That is regarding the 26% remaining stake that we are going to acquire by the end of this financial year. You said that in earlier conference call that -- entered a purchase agreement with POWERGRID. So, we have to acquire remaining 26%. But today or also in the previous publications you mentioned that this needs unitholder's approval. So, whether it is mandatory or not, we have to repurchase remaining 26% or is it not that mandatory or optional for the InvIT?

Naveen Srivastava: No, it's mandatory. Unitholder approval is mandatory. And for that we are -- after this, it will be open for us.

Moderator: Thank you very much. The next question is from the line of Abhinav from ICICI Securities. Please go ahead.

Abhinav: Yes, sir. Thank you for the opportunity. So, my question is what will be the distribution guidance for FY26? And also, if we can expect any new acquisitions by-- in FY26, this is over and above the 26% stake that we'll be acquiring from the sponsors?

Naveen Srivastava: For FY25, I can say that we are emphasizing a DPU guidance of INR12. And going forward distribution with the line with the InvIT regulation and distribution policies but the guidance for FY25-26 will be provided at the later stage. Mostly in the earning call for the annual result when FY24-25 will come. Thank you.

Abhinav: Okay, sir. And on the acquisition part, by FY26, if we can expect some new assets to be added in our portfolio?

Naveen Srivastava: As I already told in my -- this thing, in my speech also, yes, we are in the forward direction in that way. And we see a good thing in the near future. That's it.

Abhinav: Okay, sir. And, sir, are we looking to acquire any assets from private players or, like, how is it?

Naveen Srivastava: We are open. We are open because now the new policy which Central Electricity Authority has come out with this thing. So, anything which come out to be here, we are open, and we'll surely put in that. But I can say very well there is a little limited assets are there, but we are open. We are going in that direction.

Abhinav: And, sir, I mean, you said that limited assets in terms of quantifying it, how many if you can just throw a number or anything?

Naveen Srivastava: That we cannot at present tell you, but we are -- we'll put it in that way. We are moving in that direction. For forward in this direction, we are open. We'll do it.

Management: I would just like to add on this, Abhinav. If I'm right. See, when we say limited, you can yourself, if you are tracking the power transmission sector in the country, you can yourself see these assets

are housed in three, four major players. Apart from that, there are very sporadic cases where one or two assets are available with some developers.

So, that's why we mentioned very limited. The details, we have not gone into the numbers, but you can see this is public information available on CEA website and everywhere. So, I think you can do some study on that. But when we say limited, because not everybody is willing to monetize, not all are willing to monetize through the InvIT route. So, there are conditions to that.

That's why we say limited.

Moderator: Thank you very much. The next question is from the line of Sarvesh Gupta from Maximal Capital Private Limited.

Sarvesh Gupta: So, first on this acquisition. So, what is the approximate cash outgo or debt that we'll have to take for this acquisition?

Naveen Srivastava: Okay. the Board of Sponsor, and IM has already given the approval and we are in the process of unitholder approval. We cannot disclose details right now, but we'll see that it will have a positive part in that.

Sarvesh Gupta: Sir, I need a ballpark number. As you are saying, it will go for unitholder approval anyway. So, I will need a ballpark number.

Naveen Srivastava: We'll communicate as soon.

Sarvesh Gupta: But why it cannot be communicated now, sir, when you have already approved? Why it cannot be communicated on a public call with the investors? You can give a ballpark number, sir, whether it is INR1000 crores or INR5000 crores or INR10,000. Whatever it is, give a ballpark range.

Management: Mr. Gupta, this information will be available with all the unitholders probably today itself or before the end of the day. We will be floating for the approval of the unitholders. So, that figure will be available in the public domain today itself, rest assured. Coming to the second part of the question, what will be the funding look like? It will be majorly debt funded. Only a limited part will be through the internal accruals.

Sarvesh Gupta: What will be the IRRs given your cost of funding as of today that you will be accepting?

Management: IRRs, you know, this is what IRRs we are looking at is a part of the strategic decision making. It is not something which can be disclosed in the public. My cost of funding is something which will be available in the public domain. You can have a look at it. Presently, my cost of debt is around it is sub 8, 7.75ish sort of a thing. So, obviously, there will be some margin over my cost of debt, and it will be priced accordingly.

Naveen Srivastava: Mr. Gupta, I also want to add into that objective, and I said give some bumper only for the returns to the unitholders and elongate the life of the consistent return over the some years. So, you should see that we will be in something give the bump up to the returns that is clear cut.

- Sarvesh Gupta:** So, 10%-11% might be the range for which on your cost of debt of 8%
- Naveen Srivastava:** As our director has already told, it will be known to you today itself.
- Management:** The pricing will be known to you today itself. IRR part, we would not like to discuss in any public forum.
- Sarvesh Gupta:** So, the expected cash flow is anyway known for these assets. So, pricing is the only thing that you are going to disclose right now?
- Management:** Sir, actually, what is Power Grid getting out of this holding 26% they are getting the dividend against their holding in the SPV. So, basis certain assumptions which are much in line with our valuation report. We worked out what can be the future expected dividend payouts for Power Grid portion and accordingly it has been discounted and a price which was agreeable between both the parties has been offered and accepted.
- And it is ultimately flowing to you the unitholders for the final approval. So, if it comes the deal will go through if it doesn't obviously it will fall.
- Sarvesh Gupta:** Yes. Okay. Understood. And secondly in terms of your current NAV what is the number right now?
- Management:** Must be around 83.07.
- Sarvesh Gupta:** Okay and this acquisition of these assets so they will be done by end of this financial year and assuming that unitholder approval will come.
- Naveen Srivastava:** Yes, sure.
- Sarvesh Gupta:** So, next full year you will at least have 100% in all these five assets assuming unitholder approval.
- Naveen Srivastava:** Yes.
- Sarvesh Gupta:** So, given that is there a ballpark guidance that can be given for FY26 because let's say these acquisitions go through which is very much possible what can be the FY26 sort of a DPU?
- Management:** No, I think Amit just mentioned in his previous response also I think for the next financial year guidelines I think we will have to wait till the annual results of the invitations and as you can see in the last 2 years also we have been consistent in informing you about our guidance along with the annual results. So, please request you to be patient till that time.
- Sarvesh Gupta:** Now, on the state transmission assets that you may want to acquire so anything which is already there in the pipeline number one and secondly what is the kind of counterparty risk that you assess on these assets as compared to the usual non-state ones. These are intra-states I am assuming?

Management: Yes, Sarvesh ji you are right that these are intrastate assets number one. Number two regarding the counterparty risk that is one of the major things in the intra-state assets and as and when the opportunity arises we will definitely ensure that there are sufficient safeguards built in the manner in which we end up acquiring these assets towards the counterparty risk as far as the payments are concerned. As regards the states, at what stage we are so see as we mentioned earlier also in the reports also we have always mentioned that this particular thing is something new for the states.

The Government of India issued some guidelines. The States are trying to work on it being the first InvIT and from the CPSU background we are trying to policy advocate with them. We are trying to share our experience with them. So as and when they are ready, and they are willing to monetize we will be there to participate in any which way they want to come up with. But as of now which States we are talking about will be more generic. We have been called by various States. We would not like to name few, but we have been called by various states to share our experiences and have done that.

Sarvesh Gupta: Understood and my final question is Power Grid policy of not giving any further assets to us as of now that stays as it is and they status quo on that?

Management: At present it is as it is.

Sarvesh Gupta: Okay sir. Thank you and all the best.

Moderator: Thank you very much. The next question is from the line of Krishnan PS from HNI Investor. Please go ahead.

Krishnan PS: I have two query. I would like to why fair value assets decrease from INR10,268 crores in Q1 to around INR1032 crores in Q2 FY25 and we also the NAV from NAV per unit has dropped from 85.28 in FY24 to 83.07 in Q2 FY25 and it is also the impairment of INR166.89 crores linked to the drop in the fair value assets and if you can also explain the impairment in detail. This is the first query.

And the second query is how much of total cash reserves have we utilized since the IPO? I mean, I know this question has been answered in part by you, based on the questions from the previous participants?

Management: Yes. So Mr. Krishnan, actually this impairment is nothing, but is accounted for in accordance with the Indian accounting standards and it is basically derived from the valuation that the valuer does in accordance with the InvIT regulation. So basically, I mean, you view it like an annuity structure where in transmission, this interest rate transmission for the TBCB SPVs, the top line or the revenue is fixed, almost fixed till the end of the life of the project.

So we estimate or the valuer estimates the expense portion of it and works out the cash position of each SPV. Now it applies a WACC, the weighted average cost of capital, basis certain assumptions with regard to the cost of debt, with regard to the cost of equity, the market scenario, EBITDA and the things like that and ultimately discounts the cash flows to arrive at a value.

If you have noticed the valuation report, the weighted average cost of capital increased to 8.95% from 8.72% - 7.9% from March 24 to September 24. So as the WAC goes up, the value on the NPV method is bound to come down. That is one part of the story, in the decrease in the enterprise value and the second part is that since the cash flows are for a specific period of time. So as and when you eat into the given time frame, the value left over is lesser.

So since 6 months have already elapsed from March to September, for which the cash flows are already out of the system, so the value any which way, even if the WACC remains constant, is bound to come down. So these two factors ultimately resulted in decrease in WACC and ultimately basis whatever the value was earlier, whatever the value is now, the difference was routed through in accordance with the Indian accounting standards as an impairment. And the same thing resulted in decrease in WACC.

So this is one part of the story. Regarding the cash utilization, I mentioned earlier, so we started with the cash of round of about INR 216 crores, May 21, and we stand at INR578 crores now, which includes the INR273 crores of distribution, which includes INR273 crores capped for the distribution, and some amount of roughly around INR12.5 crores for DSRA and other things. So, net-on-net, I'm having a cash balance of INR305 crores against INR216 crores.

But this is one part of the things. The other thing is that the debtor days have also decreased since May 21 to September 24. So net-on-net, nothing much we have eaten away from the opening reserve.

Krishnan PS: Okay, thank you. I mean, just a query on the impairment part. So are you saying that with the interest rate going down, there's a possibility that the NAV can also go up going forward?

Management: Yes, most certainly, sir. I mean, there is an inverse relation between WACC and the value but be mindful of the fact that this is only a book entry. I mean, there is no cash involved as far as the impairment goes. This entry is passed only in accordance with the Indian accounting standards. It does not impact the cash flow of either the SPVs or of the Trust. So it is only a book entry. Even if there is a reversal of impairment, it will be reflected in the books of accounts, NAV will go up, but the distribution, there will be no impact.

Krishnan PS: But did you also expect this to go down quarter-on-quarter of the impairment based on?

Management: The interest cycle have reversed off late and expecting it. I mean, I don't know. There's too much going on in the markets currently, but if there's a rate cut from RBI, say during December or January any time during the fiscal, it may reflect in the lower interest costs and the lower WAC.

Krishnan PS: Okay. All right. Thank you. That's it for my end.

Moderator: Thank you very much. The next question is from the line of Parag P, who is an Individual Investor. Please go ahead.

Parag P: Yes. Good morning, everybody. My questions pertain to the market price of the units, which are around INR 86, INR 87 at present. The NAV has fallen to INR 83 and if I look at your projected cash flows, the cash flows distributed with cash flows are projected to fall almost 30%, 35%

compared to the current value. Clearly, the performance compared to any other InvIT has been poor.

You will understand that investors like us are highly disappointed due to this poor performance. Earlier in this conversation, you were talking about a focus on acquisition. Could I understand from 2021, when this InvIT was launched with much fanfare, how many numbers of sponsored third-party assets have you actually evaluated with some approximate value?

Management:

As far as what we have evaluated is something that cannot be disclosed, but yes the transactions that have happened in the market, we have definitely tried to look at them, but if you look at not many transactions, otherwise also have happened in the sector, except for the transactions which were a part of the ROFO of the other assets, other InvITs.

Parag P:

Sir, even if you cannot disclose the number of assets, I don't know why, because every other InvITs is disclosing these things. Could we at least know as investors how the number of such assets that you have evaluated, 5, 6, 7, 10, how many in the last 3 years?

Management:

We have evaluated three such assets in the past.

Parag P:

In 3 years, you evaluated three proposals, sir. Is that not a reflection on the kind of importance the parent and the management attaches on improving investor value? Second question I have is, have you ever considered a buyback? If not, by the InvIT because I understand it is not allowed currently under SEBI guidelines. Have you presented to SEBI? That's the question.

Second is, your sponsor, which is a government-owned organization, if it is not able to part with any assets to its own InvIT, it could consider is buying them back from the market from the retail investors like us. If you look at it, the retail investors today are 34% of the unitholders, and they have consistently been loyal to you, whereas the institutional investors have taken their money and gone. We are left holding an asset which is decreasing in value. Is there any possibility of a buyback that has been considered or can be considered to help us recover our value and also perhaps improve the pricing of the unit?

Management:

On the buyback part, as far as the InvIT is concerned, you have rightly mentioned that it's currently not allowed as per the regulations. And as far as the sponsor's call to undertake a buyback is concerned, I think we would not be in a position to speak on behalf of the sponsor. It's the sponsor's call. And as and when the opportunity arises, you may kindly discuss the same with the sponsor.

Parag P:

We do. But as the management, we expect the unitholder's interest to be taken care of. And we expect you to take those steps. Third is, any plans to have representatives of the unitholders as a director on your board?

Management:

I think there is already InvIT regulations on this behalf.

Management:

There are already regulations with respect to the unitholder nominee director on the board of the investment manager, which says that either individually or in consortium, any unitholders holding more than 10% can nominate a director on the board of the investment manager. Now,

kindly appreciate the fact that we have been writing to the unitholders to give the nominations as mandated in the InvIT regulations. And being a CPSE, the nominations and the appointment ultimately requires the approval of the central government. So in line with those guidelines, we have been writing to the unitholders and acting accordingly, sir.

Parag P: My only request as an individual investor is, please try to take steps to protect our interests. We have suffered in the last 3 years. And we don't see any hope as of now, based on even what is mentioned in the current calls. Please look at our interests. Thank you so much.

Management: Surely. Thank you.

Moderator: Thank you very much. The next question is from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: Hi, thank you so much for taking my question. My question is basically on the assets that we are planning to acquire. I understand that you are waiting for, that you will put in for unitholder approval soon. So as per expectations, what is the timeline by which once the approval comes in, we can expect to have these assets completely acquired, that is the first question?

Naveen Srivastava: Once the unitholders, this decision comes out, we'll surely within 1 month or within 1.5 months we will be able to do it. In this financial year, we'll surely do it.

Nidhi Shah: All right. And with the acquisition of these assets, is it that we will be able to maintain the current DPU guidance that we have of INR12 per unit over the next couple of years or is this going to give us incremental DPU where we can probably move to a 13, 14, 15 number?

Naveen Srivastava: As far as the incremental part is concerned, there will be a nominal increase in NDCF. As you can see from our previous distribution, we declare INR3 per unit distribution. And after that, INR 3 and average taxable dividend come out to be around INR 30 paise. So it is around 10%. So now you realize the fact that this dividend, which is INR 30 paise dividend, which is currently flowing to Power Grid InvIT which is 74% holding the four SPVs. What will happen?

That balanced 26% will also start acquiring this to PGInvIT in the form of dividend. And if you take this balanced 26% state, however, having said, we have to take either the additional loan to fund this distribution. And that loan will have to be serviced. There will be an interest cost attached to it and there will be a capital repayment also. So loan repayment is to be done to the financials. So all in all, financially, there will be not any very significant gain.

It's only from the control perspective that you will be 100% owner for that now, which we have already told for all the SPVs.

Nidhi Shah: All right. Thank you so much.

Moderator: Thank you very much. The next question is from the line of Vipulkumar Shah from Sumangal Investment. Please go ahead.

Vipulkumar Shah: Hi, sir. Thanks for the opportunity. So my question is IndiGrid takes up battery storage projects. They take up Greenfield renewable projects. So why we are not taking it? Are we lacking any

management bandwidth? So what is the reason which is preventing us from taking such type of projects? And we strongly feel that sponsor, Power Grid has totally abandoned us. Means the units were issued at INR100 and now they are hovering around INR85, and you are asking us to put this to Power Grid. I don't think this is a sign of good corporate governance on the part of Power Grid, which is India's premier utility. They have a responsibility towards unitholders. So I would like to clarify these points?

Management:

Thank you for the question, Vipulji. As far as the other assets, other sectors are concerned, we believe that InvIT as a structure, as an instrument is not supposed to bring in more risk. Even if you look at the regulations, they also permit only a very small portion of the overall asset value to be put into construction assets of the Greenfield projects. So we as the entire InvIT right from day one, we have believed that we should look at operating assets. That is the first part. And we are continuously looking at operating assets wherever the opportunity comes up.

We are not close to any of these things, but such opportunities are coming up - on another question regarding the involvement and saying that Power Grid governance issue. I think Power Grid is a separate listed entity. So it would not be proper for us to comment anything from their behalf. However, rest assured, your views would be conveyed to the sponsor.

Vipulkumar Shah:

Yes. Of course, Power Grid is a separate entity. But it is your duty to convey the views of the minority shareholders and the value erosion which they have done to the -- minority shareholders. Then who is responsible?

Management:

No, sir. As I just mentioned, your views would adequately be conveyed to the sponsor. But I must just also add a little bit that, see, we Power Grid or PGInvIT, as the management setting here, we do not have a control on the way the price of the unit moves. It's driven by market movements and how they perceive different things.

So if you look at the performance of the with these assets, the performance has been in line and consistent to what has been showcased right from the time the assets were taken over by this InvIT.

Vipulkumar Shah:

No, sir. I beg to differ, because the unit is moving southward because it foresees that distribution will be reduced substantially in the near future. It is as simple as that, sir. And management is not addressing that fundamental issue. How do you fill that gap?

Management:

Vipul ji, your all the points are very well taken. I kindly appreciate the fact that all these facts were published in our offer document, final offer document. And we can assure that whatever projections we gave in our offer documents filed with SEBI for your consumption and the regulator consumptions are being maintained.

It is only -- I mean, look at from the perspective that we issued the units at 100. We already have paid more than 40, 40.50. So logically, the price should have been 60 or sub 60, but it is still 87 odd. So there is still premium. Debating that whether this -- I mean, this product per se is not equity.

We have to be very, very fundamentally clear about it. Why the price shot up from 100 to 140 is it was not something which was in our hand. And why the price has fallen from 100 to 87, 86, 85, 83 is also not in our hand. What is in our hand is maintaining the assets, maintaining the cashflow, which we are doing.

However, the point well taken for the growth perspective, there has not been any growth since '21 till '24. That's a fact. And rest assured, we are seriously pursuing on the growth part. Hopefully, there will be something good to break to the unitholders in the times to come. That is only I can submit, sir.

Vipulkumar Shah: Yes, sir, that is only our expectation that take care of growth, price will automatically move up. That is our only submission. And regarding your argument that we have received 40 -- so, sir, you have to calculate interest also, annual interest. It is more than 3 years. So you yourself, AAA rated, still you are paying INR8.5, INR9.

So that argument is not valid. Anyway, we sincerely, I don't want to be in the argument. Please look after growth. Price will automatically recover. That's my only humble request, sir.

Naveen Srivastava: Vipul ji, I just want to add into that. Really, yes, we are also concerned because I just want to add some certain data, which is you have seen the NEP, National Electricity Plan, October 24. It is telling that INR9 lakhs crores are going to be invested in transmission sectors. So this is clear cut is that these are going to come, and it was also that states are going to monetize their assets.

These are the areas that in the transmission sectors also, there are areas where we all start. We'll see that we'll move into that. And of course, we are with you, and we'll see that your points are well taken. Thank you.

Vipulkumar Shah: Thank you very much, sir. Last one small clarification with the acquisition of 26% of these four SPVs, how much our DCF will increase annually?

Naveen Srivastava: This reply we have already given last time also, there will be a not measure, but nominal increase in NDCF that I can say that way.

Management: Vipul ji, in the previous question, I think the Chairman had given a very detailed reply to this. If you want, we can repeat that.

Vipulkumar Shah: Okay, sir. Thank you so much.

Management: Thank you.

Moderator: Thank you very much. The next question is from the line of Aniruddha Arondekar, who is an Individual Investor. Please go ahead.

Aniruddha Arondekar: Sir, when I look at your valuation report, the calculation for weighted average cost of capital mentions that one internal rate of debt or loans to the SPVs, which is around like 14 or 16, and then considers another post-tax debt rate, which is around 6.75. So there is no clear description or rationale given for this zone.

So, can you throw a light on this, or is it I have to put this question to the valuer? Another question is that if the approval for unitholders for this 26% fails, what then happens? If unitholders don't approve this 26% acquisition? Thank you.

Management:

We didn't get your second question regarding 26%. What is it, sir?

Aniruddha Arondekar:

Sir, if the acquisition approval doesn't go through, like your unitholders didn't approve the acquisition, what happens then?

Management:

Nothing, the deal will not go through. As simple as that. We'll continue to own 74% of the sponsor.

Aniruddha Arondekar:

Sorry, sir, in that case, we don't have to acquire this remaining 26%, right?

Management:

Yes, we will not be able to acquire.

Aniruddha Arondekar:

Okay, okay. And regarding the sub questions?

Management:

Yes, I mean, in the valuation report, I mean, the actual debt downstream from InvIT to the SPVs is at the rate of 14.5%. This is the part of the structuring exercise that has been done. But what Valuer has done, that it has given a notional cost of debt. Post-tax, 6.75% or something.

Management:

On top reduction of tax of 25%, we will get the benefit of 6.25%

Management:

So, the Valuer generally calculates WACC in an idealistic manner. So that is why; while calculating the cost of equity also, it takes certain assumptions which are in line with the market practices. But it may differ, rather they are subjective. The two persons may have two point of views regarding the same concept. In the same manner, the Valuer assumed a post-tax cost of debt of 6.23%. So this is what the Valuer felt will be or could be the rate at which the SPVs can borrow.

Aniruddha Arondekar:

Okay, but there is no benchmark or reason why the jump from 14 points something to 7.5. Because for other calculations like cost of equity, there are certain assumptions. But for this, there is no rationale given because this weighted average cost of capital, at least on paper, affects our value, right? So I expect now a little bit more explanation why this jump because ultimately it affects NAV.

Management:

Just give me one minute, Anirud ji. So in the valuation report, it is written that they have been in order to arrive at the fair value of the enterprise. We have considered this, that means the cost of debt as 6.23% as post-tax cost of debt for the company as a reasonable basis in normal course of business without posing any advantage or disadvantage due to the special arrangement.

So what the Valuer is saying that 14.5% is something for the structuring part. So in a normal course of business basis, what he has observed in the other kind of companies, the real cost of debt should be around this 6.23 post-tax. So what kind of reasoning other than this do you want? I mean, maybe we can connect offline and maybe we can communicate your thought processes to the Valuer.

- Aniruddha Arondekar:** ok. Thank you. So how does it go through? If I want to connect offline, how should I proceed? I don't know the procedure.
- Management:** So there's a mail ID given on a website, investors @pginvit.in. You can write over there and that mail will be landing to our compliance officer, and he can accordingly arrange for a call or something.
- Aniruddha Arondekar:** Okay, thank you. Thank you, sir.
- Management:** Thank you, Anirud ji.
- Moderator:** Thank you very much. We will take that as the last question. I now hand the conference over to the management for closing comments.
- Naveen Srivastava:** Thank you very much, everybody, especially Mohit Kumar and your team and also the heartfelt thanks to all the participants for joining us to this call. We generally value your active involvement in PGInvIT earnings calls, and we eagerly anticipate continued interactions with our investors through these calls. As PGInvIT, we remain committed to provide consistent, stable, and visible returns to our valued unitholders.
- Once again, I, on behalf of my whole team, express our deep gratitude and anticipate that your ongoing support and confidence in our PGInvIT. Thank you very much.
- Moderator:** Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceeding