



**POWERGRID Infrastructure Investment Trust  
(PGInvIT / Trust)**

**Q2 and H1 FY'24 Earnings Conference Call**

**November 20, 2023**

**MANAGEMENT: MR. ABHAY CHOUDHARY – CHAIRMAN – POWERGRID  
UNCHAHR TRANSMISSION LIMITED (PUTL) –  
INVESTMENT MANAGER TO PGInvIT  
MR. PURSHOTTAM AGARWAL – DIRECTOR, PUTL  
MR. SANJAY SHARMA – CHIEF EXECUTIVE OFFICER, PUTL  
MR. AMIT GARG – CHIEF FINANCIAL OFFICER, PUTL  
MS. ANJANA LUTHRA – COMPANY SECRETARY AND  
COMPLIANCE OFFICER, PUTL**

**ORGANISER: ICICI SECURITIES LIMITED (MR. MOHIT KUMAR)**

**Moderator:** Ladies and gentlemen, good day and welcome to PGInvIT 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 touchtone 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, Yusuf. Good morning. On behalf of ICICI Securities, we welcome you all to Q2Y24 Earnings call of PGInvIT. We are pleased to host the management today. We have with us Shri. Abhay Choudhary, Chairman, Shri. Purshottam Agarwal, Director, Shri. Sanjay Sharma, Chief Executive Officer, Shri. Amit Garg, Chief Financial Officer, and Ms. Anjana Luthra, Company Secretary and Compliance Officer. We will start with brief opening remarks followed by Q&A. Over to you, Sir.

**Abhay Choudhary:** Good morning, everyone. On behalf of POWERGRID Unchahar Transmission Limited, the Investment Manager to PGInvIT, I would like to express my appreciation to all the participants for taking the time to join this call from the busy schedule. I have with me Mr. Purshottam Agarwal, Director, PUTL, Mr. Sanjay Sharma, CEO, PUTL, and Mr. Amit Garg, CFO, PUTL, and other senior officials. On Wednesday, November 8, 2023, PGInvIT announced its financial results for the quarter and half year ended September 30, 2023, along with the details of distribution for the quarter. These results are available on the respective websites of BSE and NSE and also on our website. A presentation on the Q2 and H1 FY2024 results of PGInvIT has been uploaded on our website, and in the interest of time, I will provide a concise overview of the results.

For the benefit of our new investors, I would like to 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 the Project Manager. POWERGRID Unchahar Transmission Limited is its investment manager, and IDBI Trusteeship Services is the Trustee.

The Trust's investor base has been expanding consistently and has grown from about 15,000 unitholders at the time of IPO to more than 1.23 lakh unit holders as on 30th September 2023. We express our gratitude to our diverse investors for their Trust and confidence in PGInvIT.

Currently, PGInvIT owns five power transmission SPVs with 100% equity shareholding in one SPV and 74% in each of the other four SPVs. These SPVs are operational and revenue-generating projects consisting of 11 transmission lines spanning approximately 3,699 circuit kilometres at three substations with a transformation capacity of 6,630 MVA. The transmission service agreements associated with these projects have an average remaining life of over 29 years. The assets have a strong history of operational performance with an assurance of a 35-year contract period under TBCB mechanism without regulatory uncertainty and backing of

POWERGRID as its sponsor and project manager, and the advantage of availability-based service providing high visibility on cash flows and very low leverage and a sector-witnessing sustained investments.

Harnessing these attributes, PGInvIT is committed to delivering value to its unit holders. PGInvIT aims to provide consistent, stable and visible returns to its unit holders.

Now, I will address the distribution for Q2 FY24. A distribution of INR 3 per unit was announced on November 8, 2023 for the quarter ended September 30, 2023. This is the second distribution by the Trust for the Fiscal '24 and ninth consecutive one since our listing.

The distribution will be made to unitholders on or before November 23, 2023. Including the distribution announced for Q2 FY24, PGInvIT has declared an aggregate distribution of INR 28.50 per unit since its listing, which amounts to distributing over INR 25.93 billion. As previously announced, we aim to achieve a distribution of INR 12 per unit for FY24.

Our quarterly distribution aligns with our Distribution Policy and SEBI InvIT Regulations guaranteeing that not less than 90% of net distributable cash flows is distributed to unitholders. In accordance with our distribution policy, distributions will be declared and made at least once every quarter.

Now, coming to the highlights for the quarter ended September 30, 2023. On the operations front, employing latest technologies and with thrust on safety, our project manager ensured safe, accident-free and efficient operation and maintenance of the transmission assets throughout the quarter. The average availability of the SPVs exceeded the target availability, reinforcing high performance and reliability. The average availability during Q2FY24 has surpassed 99.75% in each SPV, resulting in maximum possible incentive. The data for Q2FY24 is currently provisional, pending the receipt of monthly availability certificates from the respective RPCs for most of the SPVs during the period from July 2023 to September 2023. It is pertinent to mention that these certificates are issued periodically by the respective Regional Power Committees, Ministry of Power, Government of India. As you are aware, one of our SPVs, PKATL, is currently executing a project under the regulated tariff mechanism. The project, titled Implementation of 400 kV 125 MVAR Bus Reactor at Kala Amb Substation, was allotted to PKATL by the Ministry of Power, Government of India, and received a transmission license from CERC. The work is under advanced stage and the project is anticipated to be commissioned in FY 2023-24.

Now coming to the financial highlights, during the Q2 of FY2023-24, the total income on a consolidated basis was about INR 3,256.27 million, which included INR 3,181.71 million of revenue from operations and INR 74.56 million of other income. The other income is mainly on account of interest or other deposits. Total expenses excluding impairment for the Q2 of FY2023-24 at the consolidated level stood at about INR 1,112.37 million. During the first half of FY2023-24, the total income on a consolidated basis was about INR 6,466.93 million, which

included INR 6,318.91 million of revenue from operations and INR 148.02 million of other income.

Total expenses excluding impairment for the H1 of FY2023-24 at the consolidated level stood at about INR 2,302.38 million. The NDCF calculated at the SPV level has been included in the consolidated financial results. The Trust receives cash flows from the SPVs in the form of interest income, dividend income, and repayment of SPV debt.

As per the InvIT regulations and the Trust's Distribution Policy, over 90% of the NDCF of the SPVs has been upstreamed to PGInvIT by September 30, 2023. The NDCF of PGInvIT for the quarter ended September 30, 2023, works out to INR 2,735.74 million. The distribution of INR 3 per unit announced for the quarter comprises of interest component of INR 1.97, taxable dividend component of INR 0.34, exempt dividend component of INR 0.21, repayment of SPV debt of INR 0.47, and treasury income of INR0.01.

The total distribution amount works out to more than stipulated requirement of distributing at least 90% of the NDCF at PGInvIT level as per InvIT Regulations and our Distribution Policy.

As on September 30, 2023, PGInvIT had an outstanding external borrowing of INR 5,712.68 million. This is against the INR 5,755.85 million raised from HFDC Bank to part finance the acquisitions in March 2022. The loan is a floating rate loan linked to three-months T-Bill. Average cost of debt for H1 FY24 was 8.18%. The spread on the loan has been brought down by 33 basis points in July 23, which is in addition to 34 basis points reduction in January 2023, leading to savings on interest costs. Net debt as a percentage of AUM as on September 30, 2023, works out to about 1.22%, which provides significant headroom for funding future acquisitions entirely through debt. The Trust continues to enjoy the highest credit ratings AAA with stable outlook from all the three rating agencies, namely ICRA Limited, CRISIL Ratings, and CARE Ratings.

Billed trade receivables as on September 30, 2023, stood at INR 1928.30 million, equivalent to 56 days of billing. On the acquisition of the balance 26% equity shareholding during the quarter two more SPVs, namely PWTL and PPTL, completed five years since the date of commercial operation. With this, all the four SPVs except PJTL have completed five years since the date of commercial operation. PJTL shall be completing the same in January 2024.

During FY2024, PGInvIT intends to acquire the remaining 26% stake in these four SPVs. Considering that, it would be a consultative process with the selling shareholder and various activities involved, we envisage concluding the acquisition process towards the end of the financial year.

Lastly, coming to the outlook part, our growth is envisaged through acquisitions of operational power transmission assets in accordance with InvIT Regulations, statutory requirements and unitholders' interests. While we do remain fully committed to the interests of unitholders, limited availability of assets available for acquisition at present has always been highlighted by us.

As of now, operational power transmission assets that may be available for monetization by the developers are quite limited. However, with significant investments expected to flow into the sector in the coming years, and many projects being taken up for bidding under the TBCB route, we believe that once these projects get commissioned, they should create opportunities for investment vehicles such as PGInvIT looking for revenue-generating assets.

Considering that around 42, comprising of 20 of POWERGRID and 22 non-POWERGRID projects under ISTS, which are presently under construction, we expect a good pipeline of acquisition opportunities to be available after one to two years i.e., after their commissioning. We are also keeping a watch on the development status of on-going projects, although very few in numbers, to keep track of opportunities emerging in the near term.

Further, if some states decide to undertake monetization of their operational transmission assets to raise capital, it too would provide a new opportunity. This though is expected to move rather slowly and would require significant policy advocacy with the states.

By virtue of having significant headroom for acquisition of new assets through debt, competitive strengths and being a ready investment vehicle with a large pool of institutional and non-institutional investors, we believe PGInvIT would stand to benefit in various upcoming transactions in the sector.

We want to emphasize that all assets being considered for acquisition will undergo a thorough evaluation process comprising their operational history, compliance with InvIT Regulations and statutory requirements, adherence to Trust's corporate governance framework, interest of our unitholders to determine their suitability for inclusion in PGInvIT. Now, as far as the guidance, as mentioned previously, we would like to maintain that our distribution guidance of INR 12 per unit for financial year 2023-24 still stands.

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

- Moderator:** First question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.
- Nikhil Abhyankar:** Thank you, SSir. Thanks for the opportunity. In the opening remarks, you mentioned there are around 44 projects which are under construction, but they will be coming up after some time. So, can we assume that there won't be any significant asset addition in the next 12 to 18 months?
- Abhay Choudhary:** Yes, in the next 12 to 18 months, what we have seen from POWERGRID Earnings call is that, once all the four assets complete the five years, they will be considering further selling their assets. But for the other ISTS assets, only a few of the ISTS assets will be completing the one year after commissioning in the next 12 to 18 months. So, they have to first commission the projects, complete the initial period of one year, then only then 74% or whatever as per the InvIT Regulations they can transfer. So, in the next 12 to 18 months, there will be, I think, very few in the pipeline.

- Nikhil Abhyankar:** So, is it fair to assume, Sir, that next year our distribution will definitely be lower than INR 12 or do we have sufficient cash to keep it at that?
- Abhay Choudhary:** I mean, that call, I think, we will take when we address the earnings call for the end of the financial year. So, it's a bit early now to take this call.
- Nikhil Abhyankar:** Okay. So, just a final, how much is the cash as of today on the books?
- Amit Garg:** Actually, it is INR 471 crores. Out of that, INR 273 crores is for making the distribution announced for Q2. So, effectively, it will be approximately INR 198 odd crores.
- Nikhil Abhyankar:** Okay, understood. So, I've got a few follow ups, but I'll get back in the queue.
- Amit Garg:** Thank you.
- Moderator:** Thank you. Next question is from the line of Sagar Tanna from Alchemie Ventures. Please proceed.
- Sagar Tanna:** Sir, you mentioned that we would look to acquire the balance 26% in these four projects. Any ballpark number in terms of how much outflow will be required for funding those projects and how do we intend to fund them?
- Abhay Choudhary:** See, that will be a strategic question. I mean, we don't want to because that will depend on the valuation that time. And that will again be on the, what is the market forces and what are the rates that time. So, it will be a bit early to take, to divulge this right now. Funding will be through debt. That is definitely, we have a large headroom there.
- Sagar Tanna:** So, Sir, with the acquisition of these 26% in these four projects, will we be able to maintain DPU at the same rate or in absolute terms next year?
- Abhay Choudhary:** See, again, it will be a bit early now, but we'll be taking the call at the end of the year, when we have an earnings call by May, we'll let you know that time, even the acquisition of the valuation of the balance 26%. And that time we will calculate and let you know. I'll ask the CFO; CFO may further add to this.
- Amit Garg:** Yes, just to add to what the Chairman was mentioning that, if you see the distribution breakup for this quarter, I mean, only INR 34 paisa was against the taxable dividend, which was from these four companies in which 26% is still to be acquired. So, as was mentioned on your funding part, that majorly it is envisaged to be funded through debt. So, obviously the Trust will be gaining probably this INR 34 paisa, which we paid, you know, as a taxable dividend for the 74% stake. So, for corresponding 26% stake Trust will be getting additional dividend. But to service that dividend, obviously Trust will be taking the loan, and the requisite servicing of that additional loan will consume a major chunk of the distribution. So, do not foresee a major increase in DPU per se.
- Sagar Tanna:** So, what will be the cost of debt, Sir?

- Amit Garg:** Currently, the average cost of debt is 8.18, as was mentioned in the Chairman's speech. So, obviously what will be the cost of debt at the time of acquisitions will be factored in while valuing and then obviously the valuation, the price at which the valuation is happening will ultimately yield to, you know, whatever plus or minus can be there. So, roughly as of now, it is somewhere around 8.13.
- Sagar Tanna:** So, assuming, Sir, the cost of debt remains same and not goes down, right, we will still make a positive spread, isn't it?
- Amit Garg:** Ultimately, it depends upon the deal price.
- Sagar Tanna:** Fair point. Got it. Thank you, Sir.
- Amit Garg:** Thank you.
- Moderator:** Thank you. Next question is from the line of Vinod from BOB Capital Markets Limited. Please go ahead.
- Vinod:** Thank you very much, Sir. Sir, POWERGRID has been mentioning that incrementally in the last year or so they have been doing more of securitization and less of InvIT. First, I would like to understand why securitization is better than InvIT and second, would that mean there won't be further asset addition from POWERGRID per se?
- Abhay Choudhary:** See, this is a question to be asked to POWERGRID, not to PGInvIT. POWERGRID being a PSU has to go by the policy of the Government of India. So, why securitization and why not InvIT is a question I think people may have asked in their earnings call. So, I think we should not make comment on that.
- Vinod:** So, incrementally say the pipeline of assets for us would be non-Powergrid assets for the next couple of years at least?
- Abhay Choudhary:** No, it depends on the policy, as such. First, Powergrid assets will be these four SPVs' 26%, and then whatever Powergrid assets are there, if there is a slight change in the policy and the Government of India permits, then definitely POWERGRID assets also. Otherwise, as of now, we are looking at all the options, POWERGRID as well as non-POWERGRID.
- Vinod:** Okay, okay. I just want to understand why Powergrid is doing securitization rather than transferring it to InvIT. I mean, I don't want a specific answer, but any opinion on why it is?
- Sanjay Sharma:** I think it has been elaborately explained in POWERGRID's Analyst Call, and you can just go through the Analyst Call. In the recent one also you'll get the details around that. We would not like to comment on what the seller wants to say on as far as what strategy they are following.
- Vinod:** Okay, thank you.

**Moderator:** Thank you thank you next question is from the line of Bhupendra Meel from Deutsche Bank. Please go ahead.

**Bhupendra Meel:** Hi, Sir. Thanks for the update. I have two questions. One more as an update or clarification to be honest, you mentioned that the debt cost is 8.18 and you also mentioned that you have been able to cut down the cost by 33 basis points. Would it be fair to assume that incremental costs at this point of time would be closer to 7.85?

**Amit Garg:** So, Bhupendrajai, actually, presently PGInvIT has only one loan on its books, which is from a commercial bank and this loan is linked to a 3-month T-bill. So, if you look at the movement in the three-month T-bill, the cooling-off is still to take place. So, 7.85 is not something which will be possible on a T-bill linked loan per se as of now, that is what we feel. But there are other options available to us.

Actually, this loan, if you see has a door-to-door maturity of 16 odd years and almost 50% is back-ended. So, obviously, all these parameters do influence the cost of the debt and we have to take all the things into consideration while deciding upon which source of funds to go for and obviously whether to go for a loan or a bond. So, closer to the transaction, we will be evaluating the market scenario and then taking a call whether the NCDs are cheaper or whether a MCLR linked loan is cheaper or a T-Bill linked loan is going to be more beneficial. But for the current loan, obviously, 7.85 is not feasible.

**Bhupendra Meel:** Understood Sir. The second question is follow-up to the previous question which Sagar had put up. This is regarding the acquisition of the remaining four SPVs, the remaining stake of 26%. So, in your half yearly report and also in the con call, you guided that you are envisaging completing these acquisitions within this financial year.

And what we understand is out of the four SPVs, three SPVs have already completed their lock-in period in July 2023. And you also inferred that it will be a consultative process and may take time. So, my question is, is that consultation process not yet started with Powergrid?

**Sanjay Sharma:** It would start upon the completion of the balance fifth asset, which will be completing its five years on 31st of December 2023.

**Bhupendra Meel:** Understood. And would it be fair to assume that it could be an accretive acquisition from an investor's standpoint? Because the cost of debt would be closer to 8%. Would it be fair to assume that it will result in some kind of aggregative distribution to investors?

**Sanjay Sharma:** I think with respect to Sagar's query our CFO Amit very elaborately explained this question and he mentioned that as long as some positive spread is available to us it would give you some value accretive, but again looking at the very small amount of DPU contribution of dividend to this entire dividend profile, this would not be a significant uptick for the unitholders.

**Moderator:** Thank you. Next question is from the line of Danesh Mistry from Investor First Advisors. Please go ahead.



**Danesh Mistry:** Hello. Good afternoon and thank you for taking the time out to talk to us. I had two questions. The first is that, Sir, how confident are we of sustaining cash flows from specific SPVs like VTL, PPTL, PWTL and PJTL for the next, let's say, two or three years, maybe up to FY26 or FY27? That's question number one, Sir.

**Abhay Choudhary:** Cash flows are already defined in the TBCB. For the next 35 years, the cash flows are defined. It is not a regulatory asset where every four years these are changing as an RTM. So there will be definitive cash flows and we know what are the cash flows. And that is, in the valuation report that is already available.

And above that, because of the highest availability these are being maintained, we are getting the incentive over that. So, it is already very clear that there will be a positive tariff coming out of all these assets.

**Danesh Mistry:** Understood. Thank you, Sir, because I was referring to the valuation report only. So it's good to know that we are comfortable with those estimates. Sir, second question is that, Sir, in the absence of any new asset additions, which can take time, in the interim, are we taking any steps to control Trust level expenses, essentially that would result in more cash flow which can be paid out to the unitholders via the NDCF, Sir?

**Amit Garg:** So, Daneshji, if you happen to read our financials, the expenses are already on a very, very low side. And you may compare it with any other Trust, we will not be commenting, but the expenses at the Trust level are very very minimal.

**Abhay Choudhary:** And the revenues are the maximum possible. Because after maintaining 99.75% plus, that is the maximum incentive what we can get.

**Danesh Mistry:** Got it, Sir. And Sir, last one, if you may allow me, Sir, you know, September 2022, we saw a large impairment. And this time, Sir, in September 2023, we have seen some reversal of an impairment, which is there. So, if you can help us understand, Sir, what has happened and can we expect more reversals of that large impairment that happened in 2022, Sir?

**Amit Garg:** So, Mr. Danesh, actually, this impairment or reversal of impairment, this is in accordance with the Indian Accounting Standards, Ind AS per se. So, how it works out is that, you know, we get the valuation done every six months as mandated under the InvIT Regulations. And this valuation is obviously nothing but the discounting of the future cash flows by a certain WACC.

Now, this WACC may undergo a certain change or the cash flows per se may undergo a certain change. So, cash flows are more or less, you know, constant per se as per the estimate. It is only the WACC which is fluctuating.

So, last September 2022, there was a huge rise in the, you know, global interest rate market per se, which resulted into the higher WACC and corresponding reduction in the valuation. Now, we have started to see some kind of reversal on two fronts. One is, you know, cooling off in the interest rate, though not very substantial. But what is happening is that, you know, the risk

premium, which the country used to pay has reduced comparatively because there has been quite turmoil in the US markets and other world markets. So, the Indian equity risk premium has reduced to some extent, which has led to the reduction in the cost of equity per se. So, correspondingly, there has been a reduction in the weighted average cost of capital and which has been captured in the valuation report. But having said that, kindly note that this impairment or reversal, it is totally a non-cash item, per se, it is not going to affect your cash flows.

**Danesh Mistry:** Yes, Sir. I agree, Sir. No, I was just seeing the results and I was quite pleasantly surprised to see that something has been reversed. So that was the only question, Sir. That's it from my end, Sir. And best of luck for the coming quarters ahead. Thank you very much.

**Moderator:** Next question is from the line of Pradeep, who is an individual investor. Please go ahead.

**Pradeep:** Thank you, Sir. Congrats on the results. Just two questions, Sir. First question, basically, is that now we are planning to start the negotiation with Powergrid by December. So, the question is, will we still be on track to complete it before this financial year, given the fact that the negotiations are going to take long?

**Abhay Choudhary:** You can, time, three months is more than enough, but it will be more dependent on the global financial factors, basically, so that it is a win-win situation for both Powergrid and PGInvIT. So, it is only the valuation time, and then we have to talk to Powergrid. So, time is not a problem as such.

**Sanjay Sharma:** Yes, as of now, if we start the discussion in December, if things move at a faster pace, they can very well be concluded in this financial year, and that is what we are targeting and we are envisaging. But as things will unfold, we'll only come to know later.

**Pradeep:** Got it, got it, Sir. The second question is, if Powergrid is going via the securitization route and not via the InvIT route, then will we be looking more aggressively towards non-Powergrid assets to increase our growth potential?

**Abhay Choudhary:** Yes, you can say so.

**Moderator:** Next question is from the line of Vipulkumar Shah from Sumangal Investment. Please proceed.

**Vipulkumar Shah:** Hi, Sir. Thanks for the opportunity. Just confirming, what will be the cash left over after paying the distribution for this quarter, Sir?

**Amit Garg:** INR 198 crores as of 30th of September.

**Vipulkumar Shah:** And second is, what is the tenure of the loan, which we have taken, which is at 8.18%?

**Amit Garg:** Door to Door, it is 16 years.

**Vipulkumar Shah:** Sorry?

- Amit Garg:** 16 years.
- Sanjay Sharma:** 16 years, starting from March 22.
- Vipulkumar Shah:** 16 years. Okay. So, because if you compare our interest rate with one of your peers, they are paying around 50 basis points less?
- Amit Garg:** So, Sir, Vipulji, it depends upon the kind of loan that we have taken. I mean, the markets have really climbed in the last, say, one to one and a half odd years. And, you know, we expect the interest rate not to remain that high for, you know, infinity. So, obviously, a floating rate loan can cut you both ways. So, our loan was on the floating rate basis because it was a very, very small loan per se, compared to our book size. So, going forward, when they will be mixed up, you know, floating as fixed, the rate on an average basis is bound to come down.
- The point you are referring to, kindly, not fair for us to comment upon, but that has been into the business much prior than we were, wherein the loans were cheaper at that point in time. So, obviously, the fixed rates loans will, you know, tend to pull down the overall interest cost.
- Sanjay Sharma:** I'll also add one thing, that you are seeing the present rates, Mr. Vipul, but if you just look at the average cost of debt for last financial year, it was 7.2%. So, as Amit rightly mentioned, once it is a floating rate loan, you get the benefits of it also.
- Vipulkumar Shah:** So, hypothetically, if RBI cuts by 50 basis points, we will get an entire 50 basis point reduction or it doesn't work like that way?
- Amit Garg:** I didn't get you. Can you come back again, Sir?
- Vipulkumar Shah:** No, no. Suppose if RBI cuts rates by 50 basis points, so we get the proposed net reduction in our rate or formula doesn't work like that?
- Amit Garg:** Probably, you are referring to reduction of RBI, you are mentioning a repo.
- Vipulkumar Shah:** Yes.
- Amit Garg:** So, our loan is not linked to repo, it is linked to 3 months T-Bill. But generally, what happens is that if there is an overall reduction scenario in the economy per se, then generally, T-Bill also aligns along with the market scenario. So, if the RBI is reducing by 50, obviously, there is some macroeconomic level change which has led to this kind of reduction. So, market is going to capture it and a few basis points here and there, there will surely be an impact on the T-Bill also and corresponding impact on the interest cost of the Trust also.
- Moderator:** Thank you. Next question is from the line of Keshav Biyani from SBS. Please go ahead.
- Keshav Biyani:** Sir, congratulations for the good result. Sir, I have two questions in mind. I am new to this product, so I just wanted to understand what is redemption premium SPV debt, redemption of SPV debt, the INR 0.47 paisa which is distributed?

**Amit Garg:** So, Keshavji, actually, we have, the Trust has lent out some money to the SPVs. So, as loan. Okay. And these SPVs repay that loan back to InvIT. It acts as a cash, you know, it is a cash flow to InvIT. And that cash flow on account of this repayment of loan by SPVs to InvIT will be distributed to the unitholder. So, this is basically what the repayment of SPV level debt is.

**Keshav Biyani:** Okay. Thank you so much, Sir. And just one more question in the five components of our distribution, which according to you would, going forward, there is a chance that that could come down or that would be at this level.

**Amit Garg:** Interest is a contractual level obligation. So, obviously, it will, the rate of interest is same as of now. But if the loan outstanding reduces in the books of the SPVs, there will be corresponding impact on the interest amount per se.

Right. And obviously, the dividend is dependent upon the profitability and opening reserves, whatever the reserves and whatever the profitability is. So, if you happen to go through the valuation report, when the, you know, the revenue is making a dip, there will be corresponding reduction in the profitability. And obviously, then there has to be a reduction in the dividend payouts also.

**Keshav Biyani:** Okay. So, dividend both taxable and exempt. Both dividends would be affected going forward?

**Amit Garg:** Yes, yes. If the profitability decreases, this exempt or non-exempt is, you know, just, you know, what kind of tax regime the SPVs have chosen to be in. So, obviously, the basic fundamental, the profitability remains as it is.

**Moderator:** Thank you. Next question is from the line of Aseem Nirula, an individual investor. Please go ahead.

**Aseem Nirula:** So, the question is, if I remember correctly, for the previous quarter in June, you had to dip, I guess, INR12 crores to INR13 crores in cash to make the DPU. So, for this, the DPU payment of only for this quarter, how much have you got to dip into the cash?

**Amit Garg:** So, Aseem ji, I think you need to take a, the consolidated view on the dip in the opening reserve. So, if you see, we started, when we started the InvIT in May '21, we had the opening cash of INR 216 crores. So, currently, the cash position is INR471 crores. And if you reduce INR273 crores to be capped against this quarter distribution, then the closing cash will be INR198 crores odd. So, from INR216 crores, we have landed up to INR198 crores, reducing how much? INR17 crores- 18 crores.

So, and be mindful also of the fact that out of this INR17 crores-INR18 crores odd of reduction in cash, about INR10 crores of rupees have been utilized for funding the RTM project of PKATL. So, all in all, since the inception of the InvIT until 30th of September, only INR 7.5 crores to INR 8 crores odd have been eaten away. Because this, it's a function of cash flow, it's a function of debtor position also, which happens to improve by the end of the financial year.

So, instead of comparing it on the quarter-to-quarter basis, it will be useful that if we compare, if we take a holistic view. So, all in all, we distributed how much? more than INR 2,500 odd crores since inception. And if eating away the INR 7 crores – INR 8 crores odd during that period is not an amount, to make any substantial difference per se.

**Aseem Nirula:** Thank you so much.

**Moderator:** Thank you. Next question is from the line of Rakesh Kumar from KRC Advisors. Please proceed.

**Rakesh Kumar:** Good morning, Sir. Sir, congratulations on a good operating performance. And thank you also for the speech. I really loved the words mentioned in the speech relating to certainty, visibility, and I think I would add one there saying disclosures. My questions relate to these topics only. I have two questions. The first is relating to the point you made about certainty of cash flows.

And this is actually what we look forward to when we invest in a InvIT, long term investments with certain outlook. But if you look at the price of the InvIT, it's quite volatile. In fact, the volatility of PGInvIT units has been more than the index itself. You have also shared the InvIT Index in one of your publications. So, the PGInvIT volatility beta is much more than the index. And considering that this is more like an annuity, do you have some kind of feedback on why PGInvIT is so much more volatile?

**Sanjay Sharma:** So, I think as far as the price movement is concerned, the Trust can only vouch for its performance. The price is a factor of market forces. We have been giving a guidance and we have been sticking to it. Our performance has been on the operational side, the performance has been at the benchmark, the best levels. So, we would not be able to comment on the pricing part.

As far as certainty of when you said cash flows, I would like to say the transmission service agreements that these SPVs have, they have a very clear certainty of revenue profile over the 35-year contract period. So, that is what Chairman, Sir, was referring, when he was mentioning about the certainty of revenues.

**Rakesh Kumar:** No, that's true. And I appreciate it's not an easy question to answer. And my question is not relating the unit price itself, it's about the relative movement. The movement of PGInvIT units vis-a-vis what's happening with the other InvITs. So, the volatility seems to be much, much more in the case of PGInvIT. And that's why this question arises as to why PGInvIT is so much more volatile.

Of course, all of these InvITs are subject to market forces. All of these are subject to interest rates in the economy. But still, if you don't figure out why PGInvIT is more volatile, we'll let it be. My second question is regarding visibility. See, cash flows, you have about 27%... Sorry?

**Abhay Choudhary:** Yes, please continue.

**Rakesh Kumar:**

So, around 27% of investors in PGInvIT are retail investors. There is not much of analyst coverage really to go by, unlike in the case of other investments like equity, for example. So, we rely entirely on the disclosures which are made by PGInvIT. Now, in terms of cash flows, there are two things which I wasn't able to gather very easily.

The first is, how is the operating performance? Let's talk only about distributable cash flows. So, how has the performance with respect to distributable cash flows been till now, vis-a-vis what was mentioned in the IM? I think in the IM, it was up to 2024. This is something that we are not able to get very easily.

And the second is about future cash flows. Here again, the only thing we can go by is the valuation report, which shows future cash flows for each asset separately on a standalone basis and not on a consolidated basis for the InvIT itself. So, do you think it's permissible and easy for you to also disclose the consolidated cash flow statement, which can allow us to take a reasonable call on whether to make more investments or not? Right now, you are disclosing it in a piecemeal manner. So, this is something that you can do for your retail investors.

**Amit Garg:**

So, Rakesh, actually, whatever is mandated as per the regulation, be it InvIT regulation or be it any other regulation, we are making the requisite disclosures per se. And since we are publishing our financials on quarterly basis as well, various investors get a fair idea of as to what are the expenses and revenue at the standalone InvIT level, So, we expect that the investors obviously can, the more complicated part of it, the cash flows at the SPV level are already captured in the valuation report. And the miniscule part, which is on the standalone Trust level, has to be projected upon by the respective investor and call has to be taken accordingly.

Because this is something which is not mandated by any regulation. So, currently, what is required as per any regulation, we are making the requisite disclosures. So, that is one part of the story. And the other part was the comparison vis-a-vis what was given in the IM and what we are actually getting. So, I mean, you can make a comparison. We feel that for the limited period, what was given in the IM, the performance has been on the similar path.

**Rakesh Kumar:**

Sure. Thank you. So, just following up on the future cash flow part, see, I really appreciate the fact that all disclosures are being made, at least at the minimum level, which is mandated, regulated. But we need not stick to what is the bare minimum required to be disclosed. If you look at your peers, they do disclose much more than this. They also disclose expected DPU for the next 10-years. And this is a business which is an annuity business.

You have long-term concessions, the cash flows are clear, and you are disclosing them via the valuation report maybe. My only suggestion is, since more than a quarter of your investors are retail investors, and you are not covered by any, there are no analyst reports in the public space. So, if retail investors have to come in more numbers or have to look at increasing their exposure, you would be helping them by making them understand in a much more easier manner, the consolidated picture.

Eventually, the price, the unit price is linked to the consolidated cash flows. Why should we have to look at each of the SPVs separately, add it up, maybe make some mistakes? So, I agree that you are doing the bare minimum. My request is, can you do a little more, which is not very difficult, and this will not be against any disclosure norms.

**Abhay Choudhary:** Okay, we'll certainly look at your suggestion. And maybe if you wanted to have a consolidation of all the SPVs, then we'll look at it and see to it that we come out in the near future.

**Rakesh Kumar:** Sure, thank you so much. There was one suggestion last time about transit...

**Moderator:** Mr. Rakesh, may we please request you to rejoin the queue as several participants are waiting for their turn. Next, we have our next follow-up question from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

**Nikhil Abhyankar:** Sir, one of the private competitors has also tied up with the EPC constructor to develop the assets and later they will transfer it to themselves. So, are we looking at some of these arrangements in the long term?

**Sanjay Sharma:** Nikhil, as we mentioned, we are looking at all the options and we are keeping the options open. And yes, we are also keeping a track of what is happening in the sector.

**Nikhil Abhyankar:** Okay. And Sir, any concrete plans on getting into renewable assets?

**Sanjay Sharma:** No, I think we have touched upon this in the past as well. As of now, we are focused on power transmission assets and we believe that the strength of power transmission is something that is in the strength of the project manager, the asset maintenance and the regulatory framework around the power transmission asset is very suitable for us. In the near term, we continue to stick with that.

**Nikhil Abhyankar:** Okay, sure, Sir. Those were my questions. Thank you.

**Moderator:** Thank you. Next question is from the line of Bhavesh Doshi from Dalal & Broacha. Please go ahead.

**Bhavesh Doshi:** Thank you, Sir, for giving the opportunity and congratulations on a good set of numbers. My one question is which I was looking to your individual cash flows for all the five projects which we have undergone. So, from March 27 onward, that is from the financial year 27-28 onward, there is a substantial reduction is happening in the revenue side. So, could you throw some light on that and in the context of that, what could be our payout policy will be there at the time?

**Sanjay Sharma:** Yes, the assets.

**Bhavesh Doshi:** Parli project and Jabalpur and Warora transmission line, okay?

**Sanjay Sharma:** Yes, yes, Mr. Bhavesh, these revenue profiles are very much defined as per the TSA and as you are mentioning, there is a dip post FY'27.

- Bhavesh Doshi:** Yes.
- Sanjay Sharma:** So, definitely, if there are no asset additions, the distributions and the returns of the cash flows would be impacted and the only way to keep them up is look for acquisition which we are doing.
- Bhavesh Doshi:** And what could be the impact? Because I think most of them, I think there are 30% drop in the revenue which is happening, 27% 28% drop is going to happen. So, do you see the proportionate drop in our distribution also will happen accordingly if no new takeover has happened, suppose, for example?
- Sanjay Sharma:** Yes, I think it is not only about top line, it is also about the expenses that are going to have an impact at that point of time. So, we would not hazard a guess as of now, like what would be the numbers to look out because this would be too much looking into the future. But yes, the distribution would definitely be impacted if no new assets are added.
- Bhavesh Doshi:** Okay, fine. Thank you, Sir.
- Sanjay Sharma:** Thank you.
- Moderator:** Next question is from the line of Varan Kumar from Darashaw. Please go ahead.
- Varan Kumar:** Hi. So, you just spoke about this inorganic growth opportunities and PGInvIT's open for acquiring, what you can say, other companies. And my question here is, are they open to purchase cash flows from other companies if they are not purchasing, what you can say, entire company?
- Abhay Choudhary:** Please repeat the question. Are we going for what purchase?
- Varan Kumar:** Are you open to purchase cash flows from other companies?
- Abhay Choudhary:** Cash flows from other companies?
- Varan Kumar:** Yes.
- Abhay Choudhary:** No, I don't think so, PG. We are a Trust. So, whatever within the ambit of the InvIT regulations, we will be going by that.
- Amit Garg:** Can you elaborate on your query? Yes, I mean, this is something new. Varanji, can you elaborate?
- Varan Kumar:** In case the target company is not, what you can say, if you are not able to acquire the target company, at least if you can purchase cash flows, in the sense, what I can say, investing in other companies, basically fund of fund?
- Amit Garg:** So, Varanji, actually we are regulated by the InvIT regulation.



- Purshottam Agarwal:** As per the InvIT regulation, we can't invest entire money in this investment. So, investment is limited to 10% of your enterprise value. So, it is a limited room available as per the InvIT regulation. Sure, we can do it, but in a very limited percentage.
- Varan Kumar:** Okay, got it. Yes, thank you.
- Moderator:** Thank you. Next question is from the line of Mansi S, an individual investor. Please go ahead.
- Mansi S:** Hello, Sir. Good morning. Just wanted to get a sense on what is the reason for decline in the top line on the revenue from operations that we see on a year-on-year basis?
- Amit Garg:** So, this is primarily due to the reduction in the tariff of the SPVs. Actually in two of our SPVs, Vizag and Kala Amb, there is a reduction in tariff as per the Transmission Service Agreement. So, there has been a corresponding reduction in the top line due to that.
- Mansi S:** Okay, and so as you touched upon earlier, the major reduction that we see in the top line would be in FY -- in March 27, right? Not before that.
- Amit Garg:** Before that, you can refer to our valuation report. From 27-28, there will be substantial dip. So, if you go through our valuation report, your query will be answered that which SPVs is dipping when as far as the top line is concerned, year-on-year.
- Mansi S:** Okay, fair enough, Sir. And Sir, the last point that I wanted to get a sense on, what is the additional amount of cost that we need to incur towards the under-construction substation at the Ambala line?
- Amit Garg:** As per the investment approval, it is roughly INRv42 crores. And it has to be funded in the ratio of 70/30, 70 debt 30 equity as per the CREC regulation. So, this is the investment approval amount, but obviously, the actual amount will be known once we complete the project.
- Mansi S:** So, as of today, what has been the, like the equity already infused and what is the equity that is pending to be infused? So, as I understand, the equity pending to be infused would be taken from this existing INR198 crores of cash balance, right?
- Amit Garg:** So, Mansiji, actually, we will be accruing cash going forward also. So, this INR 198 crores was the cash available as at the 30th of September. There is constantly revenue generation happening in all these five SPVs. So, we will be funding it accordingly.
- Mansi S:** Okay, Sir. Just to get a number out of INR42 crores of total project cost, how much has been incurred so far? And how much is yet to be incurred?
- Amit Garg:** I think till September 30th, it was INR10 odd crores. And there has been some other expenditures post 30th of September. So, till 30th of September, it was INR10 crores, which was funded in the ratio of 70/30.
- Mansi S:** Okay, Sir. That's all from my side. Thank you.

- Amit Garg:** Thank you.
- Moderator:** Thank you. We will take our last question from the line of Akshay Kothari, who is an individual investor. Please go ahead.
- Akshay Kothari:** Yes, thanks for the opportunity, Sir. While a lot of questions have been asked on business and valuation side, I would like to ask more on the management front. So, who is the -- first of all, the sponsor owns around 15% of the inventory, right?
- Sanjay Sharma:** Right, yes.
- Akshay Kothari:** So, who is the decision-maker regarding appointment of CEO, CFO and CS?
- Anjana Luthra:** Yes, we have a committee in place, a committee of directors in place, which decides all the appointments. And the recruitment of CS and CFO is done through a proper process, the transparent process through Power Grid Corporation. And so far as the CEOs, there is no CEO as such. There is an MD in these companies.
- Amit Garg:** **Are you** talking about the SPVs or the PUTL or are you talking about the investment manager or the SPVs of PGINVIT, that is Vizag and Kala Amb.
- Akshay Kothari:** I am talking about the PGINVIT structure as a whole. Who is responsible for the InvIT?
- Amit Garg:** So, responsibility lies with the investment manager as per the regulation, which happens to be PUTL, POWERGRID Unchahar Transmission Limited. Under this PGINVIT, which is managed by PUTL, we have five operating SPVs or the five operating companies. The board of these five companies, the directors on the board of these five companies is appointed by the board of the investment manager.
- Akshay Kothari:** Okay, understood. So, lastly, I have last two questions. One is, so do the CEO, CFO, CS also hold units of the InvIT?
- Sanjay Sharma:** None of them.
- Anjana Luthra:** You can find this in our half -yearly and annual report also, we give a statement to th is effect.
- Akshay Kothari:** Okay, so you don't own any of the InvIT units?
- Sanjay Sharma:** Yes.
- Akshay Kothari:** Okay, Sir. Okay, Sir. That's it from my side. Thanks, Sir.
- Management:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand over the conference over to the management for the closing comments.

**Abhay Choudhary:** Thank you very much, Mr. Mohit and your team. And also a heartfelt thanks to all the participants for joining us on this call. We genuinely value your active involvement in PGInvIT's earnings calls and we eagerly anticipate continued interaction with our investors through these calls.

At PGInvIT, we remain committed to providing consistent, stable and visible returns to our valued unit holders. Once again, we express our deep gratitude and anticipate your ongoing support and confidence in PGInvIT. Thank you once again.

**Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you all 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 proceedings.*