



Potential of InvITs in India and Best Practices At IndiGrid



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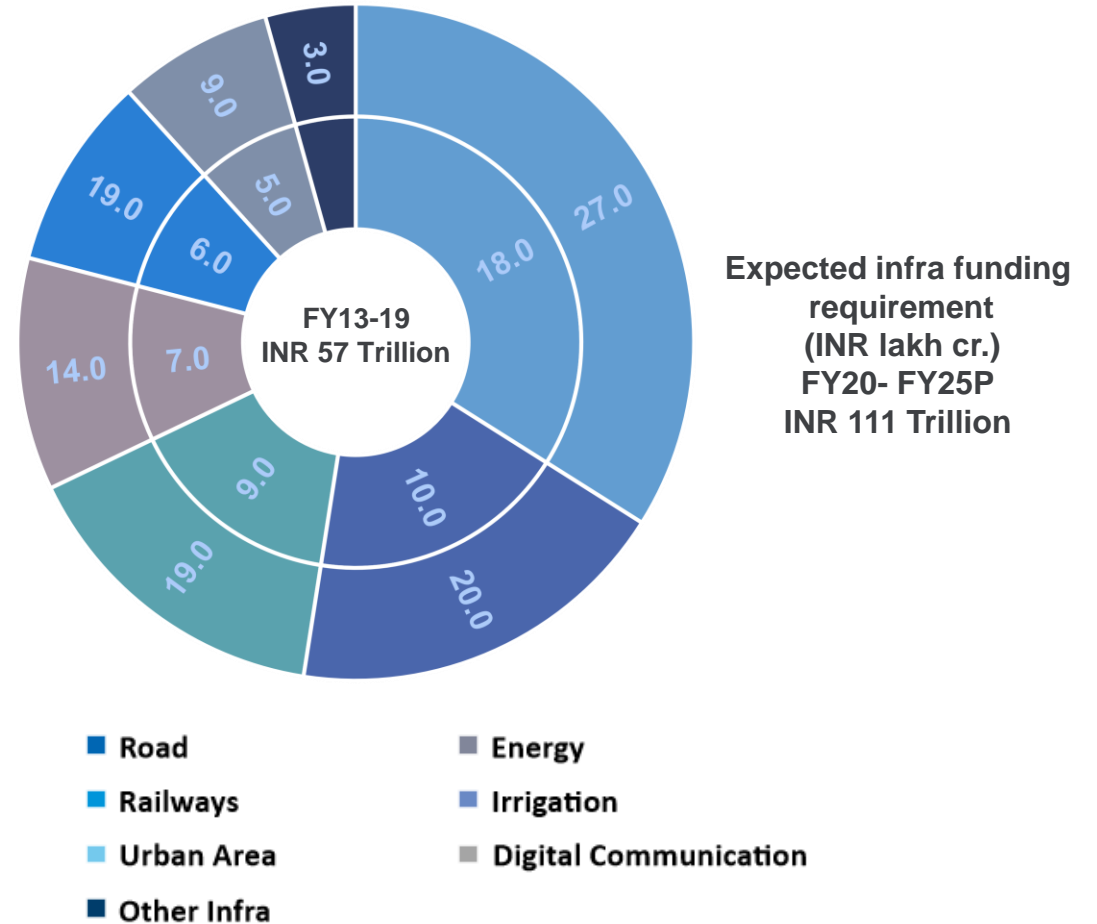
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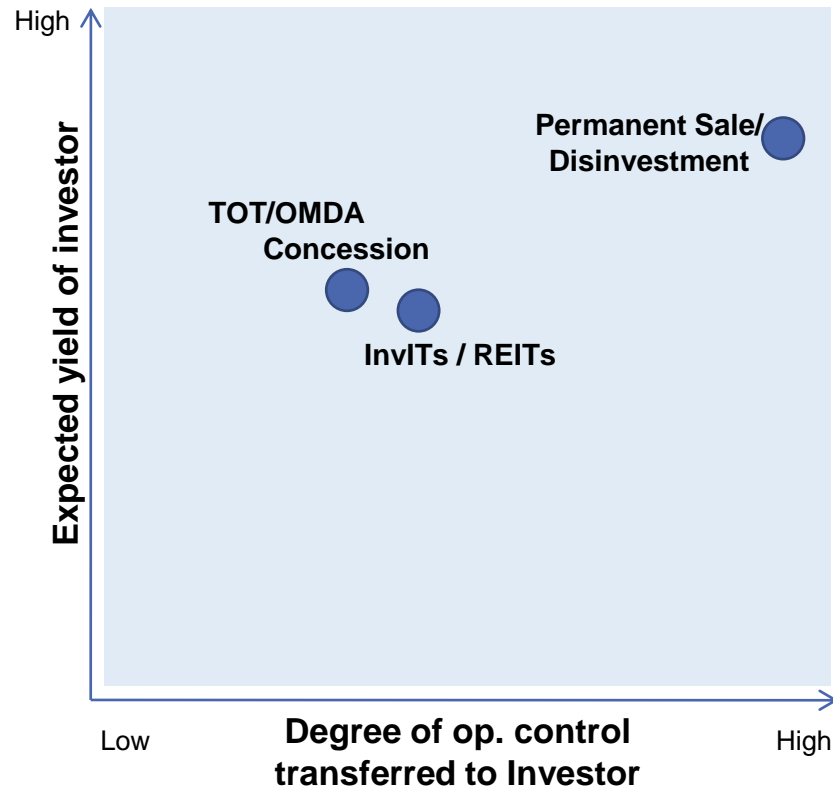
India has Huge Infrastructure Development Requirement

- ⚡ India's economic goal is to become a \$5 trillion economy by 2025
- ⚡ National Infrastructure Pipeline estimates ~\$1.5 trillion of infrastructure investments over next 5 years
- ⚡ According to estimates of NITI Aayog, the country would need around US \$4.5 trillion for investment in infrastructure by 2030
- ⚡ NIP emphasizes on need for rapid asset monetisation and attracting foreign and private capital into infrastructure



Traditional sources of banking inadequate to meet the gargantuan infrastructure financing needs

Asset Monetization: To contribute ~5-7% to financing of the NIP



Multiple monetization structures are available

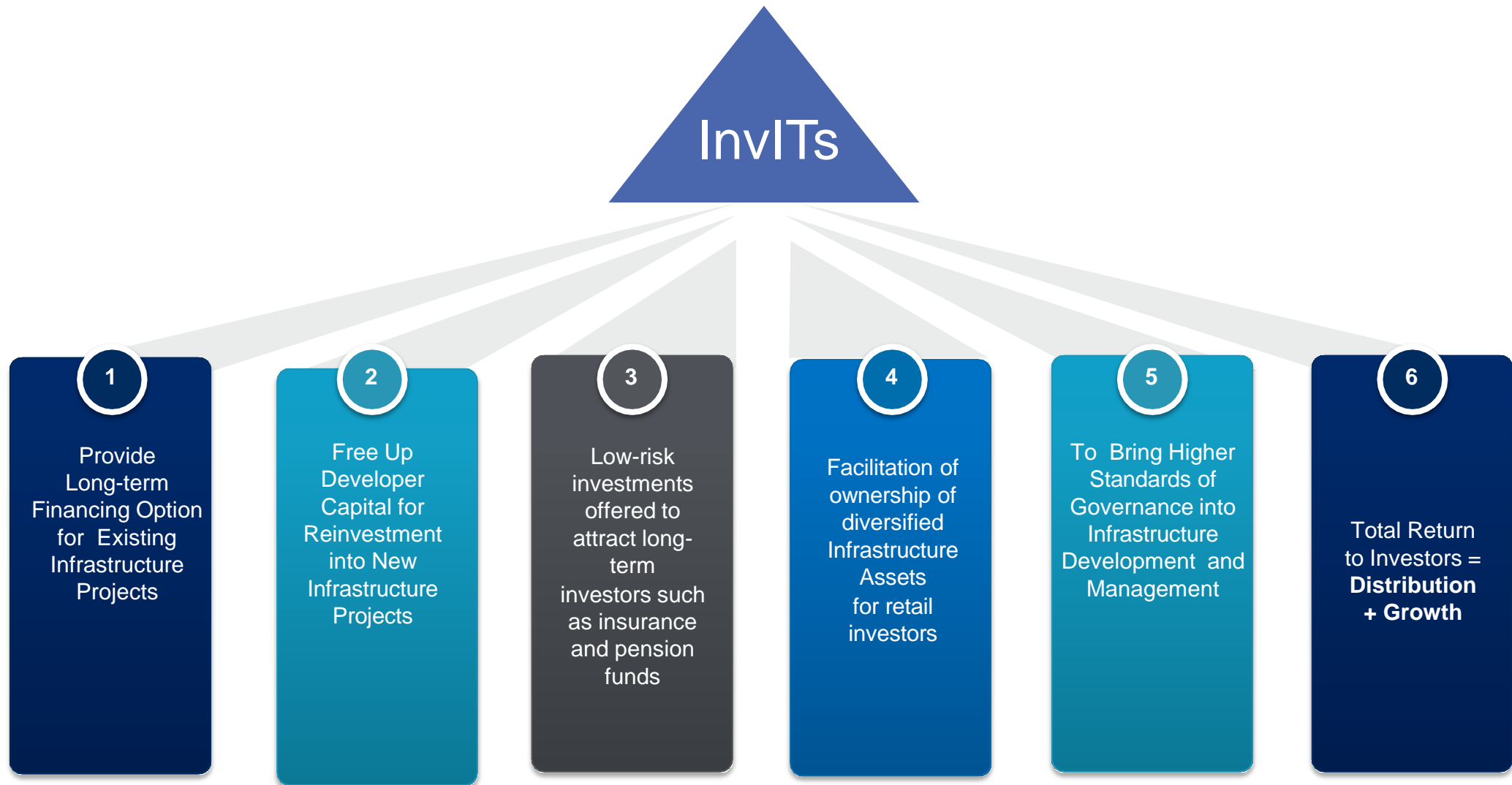
Optimal monetization structure depends on asset characteristics & investor interest

Key investor considerations:

- Robust Corporate Governance
- Transparent Bidding Process
- Steady Regulatory Framework
- Pipeline Visibility
- Level of Autonomy
- Returns and Growth Opportunity

Core Infrastructure Assets & Structures are conducive for stable yield seeking long term institutional investors

InvITs Are Well Positioned To Meet Infrastructure Financing Needs



InvITs facilitate creation of infrastructure assets by providing better financing & ownership opportunity while generating healthy returns

InvITs: Significant Potential over Next 5 Years

- Total **7 InvITs & 3 REITs** in India till date* : Total Asset Value of over **INR 2 trillion** with equity raise of over INR 600 Bn
- **InvITs new normal for infrastructure financing**
 - Potential to channelize significant long-term capital (like pension and insurance funds) and domestic savings into the infrastructure sector
- **InvITs-REITs have enormous potential of ~INR 8 trillion in India over the next 4-6 years**
 - Expect new asset classes such as stable cash-flow generating HAM roads, renewable energy and hospitals
- **Stable regulations, efficient taxation regime, and a conducive macro environment will be required to support investors' appetite**

A huge potential to monetise commercial and social infrastructure

Existing Asset Classes	New Asset Classes
Toll/ annuity roads	HAM roads
Power transmission	Renewable
Commercial real estate	Hospitals
Gas pipeline	Hotels
Telecom infra	Railways/ metros
	Airports

* Two more InvITs underway

**OUR
EXPERIENCE
AT
INDIGRID**



IndiGrid – India’s First Power Transmission Yield Platform

**~INR 200
Bn* AUM**

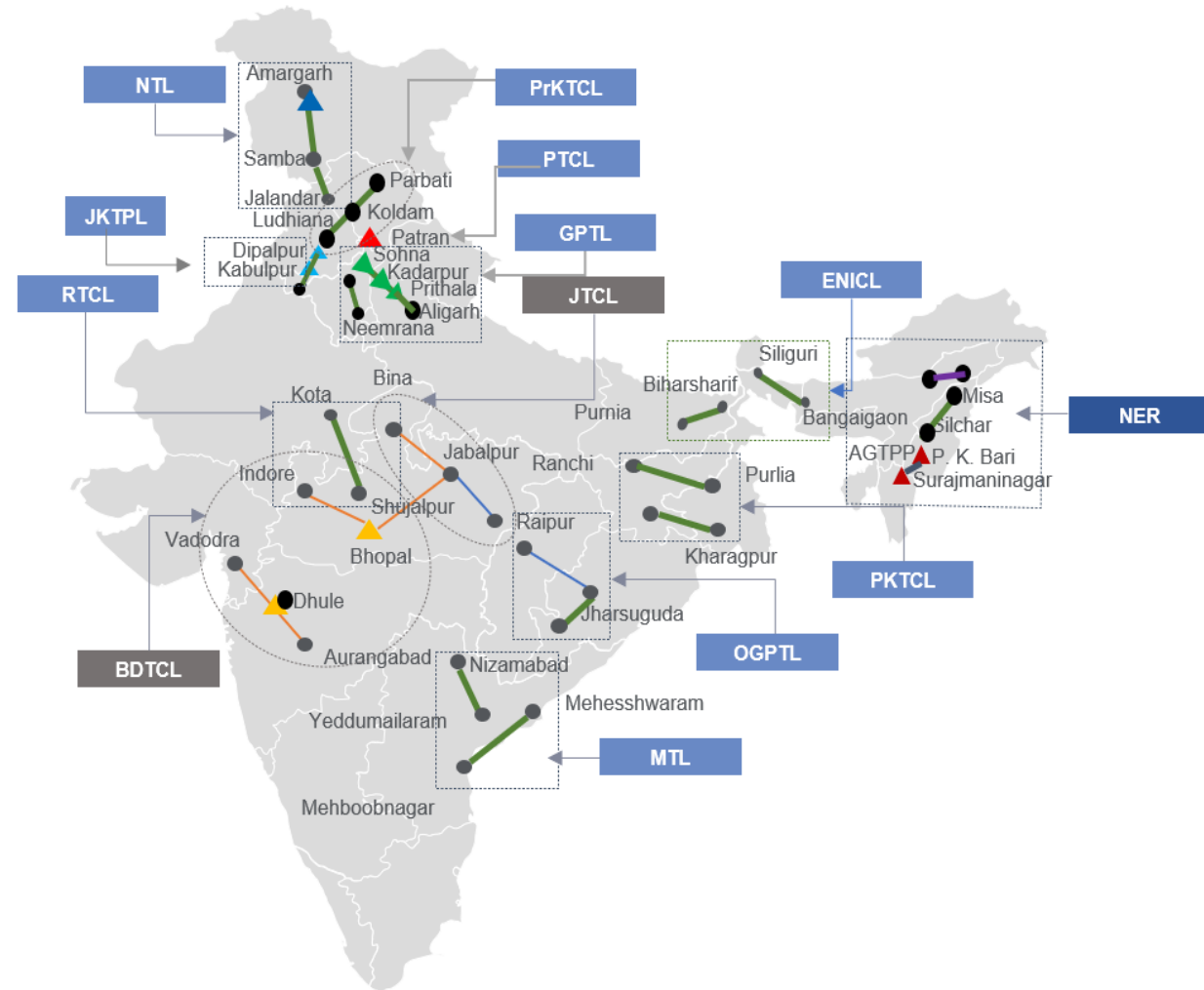
**17 STATES & 1 UT
ACROSS INDIA**

**38 LINES
~7,570 CKMS**

**11 SUBSTATIONS
~13,350 MVA**

**AAA RATED
PERPETUAL OWNERSHIP#**

**~32 YEARS
RESIDUAL CONTRACT**

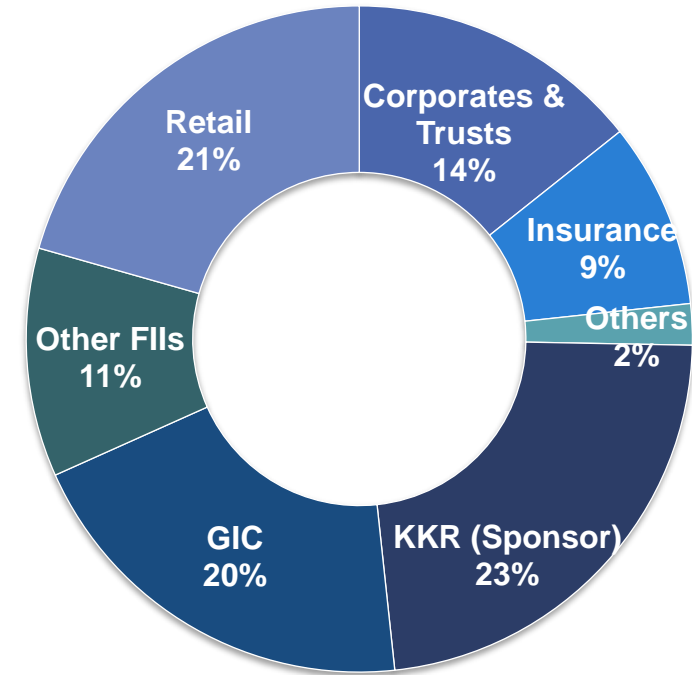


*based on independent valuation report of owned assets (includes PrKTCL & NER)
#All projects except JKTPL are on BOOM model with perpetual ownership of IndiGrid
ENICL has a TSA term of 25 years from the Licence Date

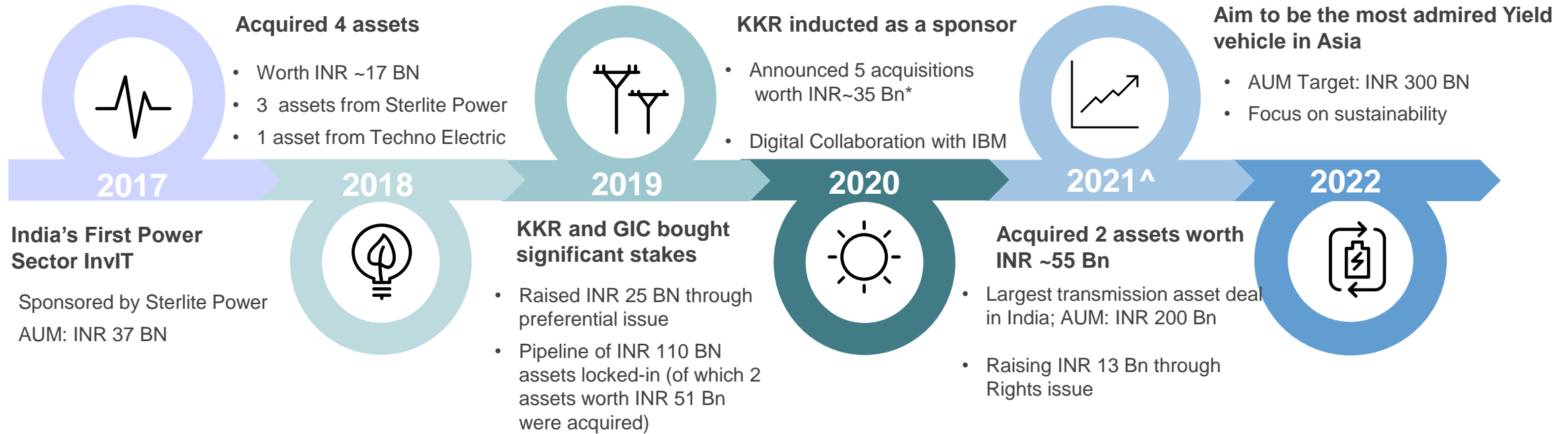
Location Indicative, Chart Not to Scale
SPA signed for acquisition of FRV solar assets (transaction subject to closure)

IndiGrid – Robust Shareholder Base

- Supported by marquee long term investor base
- ~ 55% owned by FIIs including KKR and GIC
- ~25% owned by DIIs including insurance companies, mutual funds, pension fund and corporates
- Investors include 9 insurance companies, 4 mutual funds and 2 Employee Pension Fund
- Total number of investors over 7000, more than twice since listing



IndiGrid - Journey Till Now



• SPA signed for acquisition of FRV solar asset in Dec 2020, transaction subject to closure

[^] Till Date

Which practices aided our journey?



- 1 Diversified portfolio of assets with a robust acquisition strategy
- 2 Strong financial track record with sustainable growth
- 3 Pre-emptive capital raise to maintain optimal capital structure
- 4 Prudent Liability Management
- 5 Guided by a strong regulatory framework leading to robust corporate governance
- 6 Safeguarding Unitholder Interest through steady distributions and transparent Reporting
- 7 Strong operating track record through deployment of advanced technologies

⚡ Sustainability is core focus for IndiGrid for creating long term value creation for its all stakeholders.

⚡ IndiGrid has defined below key priorities related to sustainability to focus with respect to its business and materiality map of SASB:

- Environmental
 - ✓ GHG Emissions
 - ✓ Resource Management
 - ✓ Environmental Policy and compliance
- Social
 - ✓ Health & Safety
 - ✓ Legal compliance
 - ✓ Community Engagement
- Governance
 - ✓ Corporate Governance
 - ✓ Business Ethics
 - ✓ Critical risk management





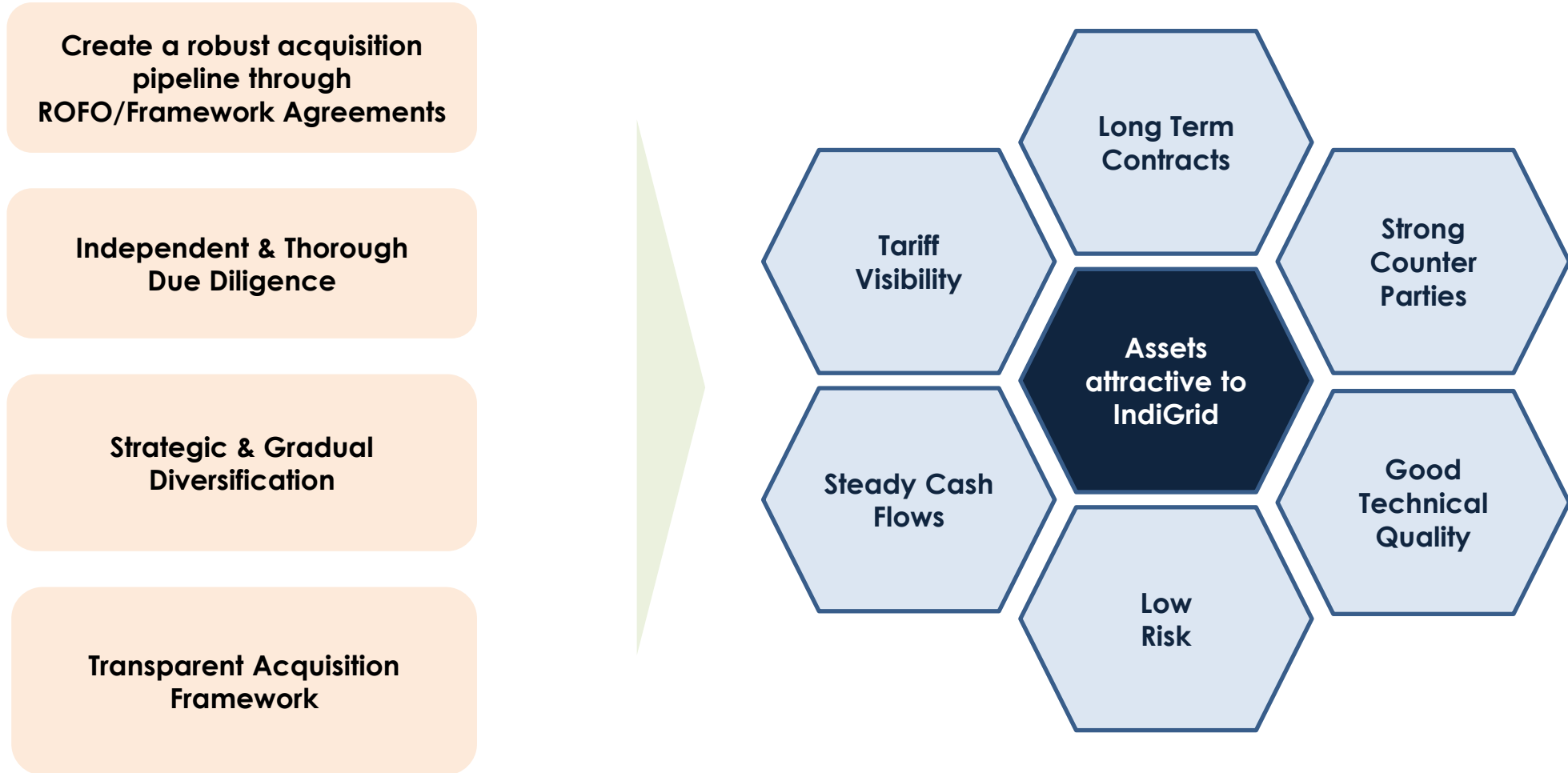
IndiGrid

ANNEXURES



AUM	Assets Under Management
Availability	Percentage amount of time for which the asset is available for power flow
BDTCL	Bhopal Dhule Transmission Company Limited
CERC	Central Energy Regulatory Commission
DPU	Cash paid to the Unitholders in the form of interest/ capital repayment / dividend
DSRA	Debt Service Reserve Account
ENICL	East North Interconnection Limited
GPTL	Gurgaon – Palwal Transmission Limited
GTTPL	Goa Tamnar Transmission Project Limited
IPA	BDTCL and JTCL which were acquired by IndiGrid at the time of IPO
ISRA	Interest Service Reserve Account
ISTS	Inter State Transmission System
KTL	Khargone Transmission Limited
JTCL	Jabalpur Transmission Company Limited
JKTPL	Jhajjar KT Transco Private Limited
MTL	Maheshwaram Transmission Limited
MVA	Mega Volt Ampere
NDCF	Net cash flow at trust's disposal for distribution to IndiGrid in a particular year in accordance with the formula defined in Offer Document
NER II	NER II Transmission Limited
NTL	NRSS XXIX Transmission Limited
OFTO	Offshore Transmission
OGPTL	Odisha Generation Phase Transmission Limited
O&M	Operations and Maintenance cost
RE	Renewable Energy
ROFO	Right Of First Offer
PKTCL	Purulia Kharagpur Transmission Company Limited
PTCL	Patran Transmission Company Limited
RTCL	RAPP Transmission Company Limited
SECI	Solar Energy Corporation of India
Tariff	Composed of Non-Escalable, Escalable and Incentive component. The incentive component is based on the availability of the asset = $2 * (\text{Annual Availability} - 98%) * (\text{Escalable} + \text{Non-escalable})$; incentive is maximum 3.5% of (Escalable+Non-escalable tariff)
TBCB	Tariff Based Competitive Bidding
TSA	Transmission Service Agreement

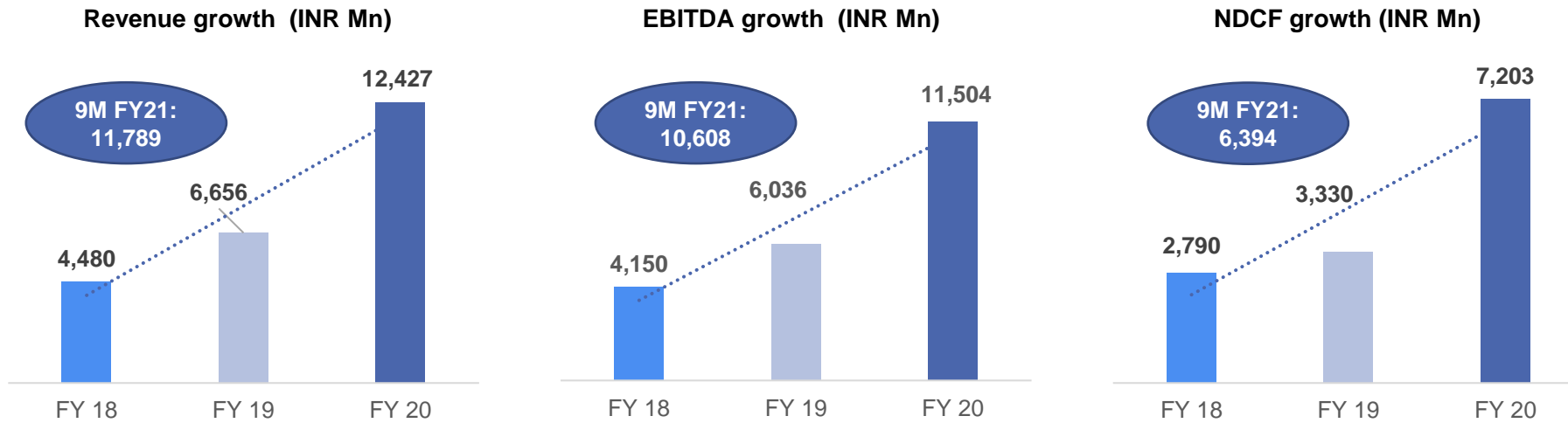
Acquisition Strategy: Focus on Accretive Assets



Acquired 11 accretive assets worth INR 160 Bn since listing, including diversification into solar, intra-state and regulated assets



IndiGrid- Financial Track Record



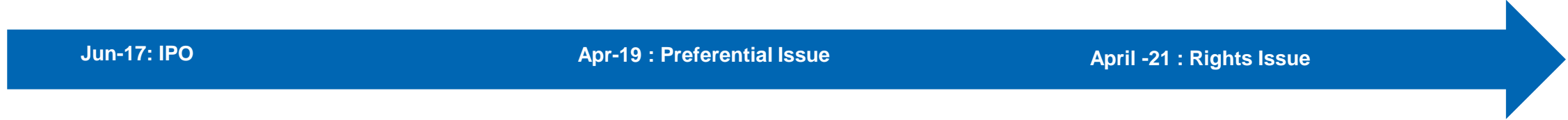
➤ EBITDA and NDCF growth of over 60% CAGR over last three years

➤ Highest ever NDCF generation in Q3 FY21

➤ Q3 FY21 distribution increased by 3.3% to INR 3.10 per unit



IndiGrid – Efficient Capital Management



Asset Portfolio: 2 Assets
AUM: INR 37 Bn

- First Power Sector InvIT to get listed in India
- Pioneered into a new asset class
- Created investor awareness and interest



Asset Portfolio: 6 Assets
AUM: INR 52 Bn

- Created a pipeline of INR 115 Bn by signing ROFO/ Framework Agreements
- Acquired intra-state transmission and acquired non-sponsor assets
- Diversified into regulated transmission to support cash flows
- Forayed into solar generation to capitalize on growth opportunities



Asset Portfolio: 13 Assets
AUM: INR 200 Bn

- Create leverage headroom to fund next leg of growth
- Raise timely capital to execute on expanding pipeline of opportunities across growing market
- Disciplined and clear strategy concentrated on acquiring accretive, low-risk and steady operational assets
- Acquisitions to enable incremental growth in DPU yield
- To achieve aim of an AUM worth INR 300 Bn & becoming most admired yield vehicle in Asia



IndiGrid – Prudent Liability Management

Leverage & Borrowing Framework

Maintain AAA Rating

- Leverage cap of 70%
- AAA Rating from CRISIL, ICRA, India Ratings

Fixed Cost of Borrowing

- Majority of loans at fixed rate
- Diversified sources of borrowing

Asset-Liability Management

- Focusing on long tenure loans
- Well-diversified repayment schedule with no bunching up of repayments

Liquidity Management

- Maintain a combination of liquid reserve & DSRA equivalent to 1-2 quarters
- Factor receivables

Transparency

- Unitholders Approval for borrowings over 25% of Total Assets
- Regular reviews by Investment Committee

Policy Advocacy

- Aided regulatory evolution to increase leverage to 70% from 49% without diluting risk profile to ensure product's success

AAA
Credit Rating

Majority
Fixed Rate Borrowing

~52%
Net Debt/ AUM

8.4%
Average Cost of Debt

70%
Leverage Cap



IndiGrid - Technology initiatives

Heli & Drone Survey



- Aerial Survey through drones & helicopter to ensure Inspection continuity
- Helicopter surveys to access snow bound and difficult terrain and monitor the health of the line

Deployed in NRSS in Nov'19

Weather Prediction



- Weather prediction to enable emergency readiness
- Enable decision making to get ready for climate change risk mitigation
- Micro-site level data detailed analysis

Partnered with Climacell©

Digital Asset Management



- Central control room for entire portfolio at Bhopal Substation
- Asset Performance & Life Cycle Optimization
- Further investment in digital platforms for field force management

DAM deployed in partnership with IBM

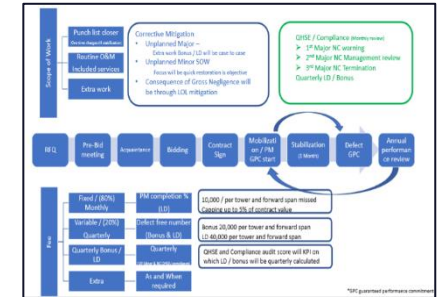
Emergency Preparedness



- Reduced Response & Restoration time
- Material Management strategy for strategic placement of inventory
- Virtual mock drill on Emergency restoration

Revenue Assurance

Strategic Initiatives



- Cyber Security
- KPI-Based Contracts
- Learning management Systems
- Better performance at optimum cost

Effective Inspections and productivity



IndiGrid – Robust Corporate Governance

Independent Management	<ul style="list-style-type: none"> • InvIT managed by an independent team of experienced professionals • 60% stake in Investment Manager held by KKR
Board of Directors	<ul style="list-style-type: none"> • Minimum 50% of the Board Members to be Independent Directors • Independent Directors appointed through a specialized independent agency
Audit Committee	<ul style="list-style-type: none"> • 60% Independent Directors • Chairperson – Independent Director
Investment Committee	<ul style="list-style-type: none"> • 60% Independent Directors • Approve investment decisions in relation to related party transactions, further issue of units
Nomination and Remuneration Committee	<ul style="list-style-type: none"> • 50% Independent Directors • Chairperson – Independent Director
Unitholder Rights	<ul style="list-style-type: none"> • Majority vote is essential for all Related Party Transactions and exceeding 5% of asset value • Any debt raising beyond 25% of asset value also requires unitholder vote • Over 98% approval rate from investors in last 10 unitholders meetings* • 98.66% approval from unitholders who voted for change in Investment Strategy & consequent trust deed amendment in April-May 2020 Postal Ballot • Induction of KKR as a Sponsor with special majority (> 75% voting of total unitholder base)

* Except one with 82% approval rate



IndiGrid – Delivering Distribution and Growth..(1/2)

Transparent Reporting

- ⚡ Quarterly publication of financial statements including NAV and other key metrics
- ⚡ Quarterly disclosures on business and valuation reports
- ⚡ Frequent investor calls and detailed press release for material events

Distribution Framework

- ⚡ Grow DPU in sustainable and steady manner to ensure predictable cash flows to investors
- ⚡ Minimum 90% of cash generated to be distributed
- ⚡ Quarterly distribution to the unitholders instead of the prescribed half-yearly distribution

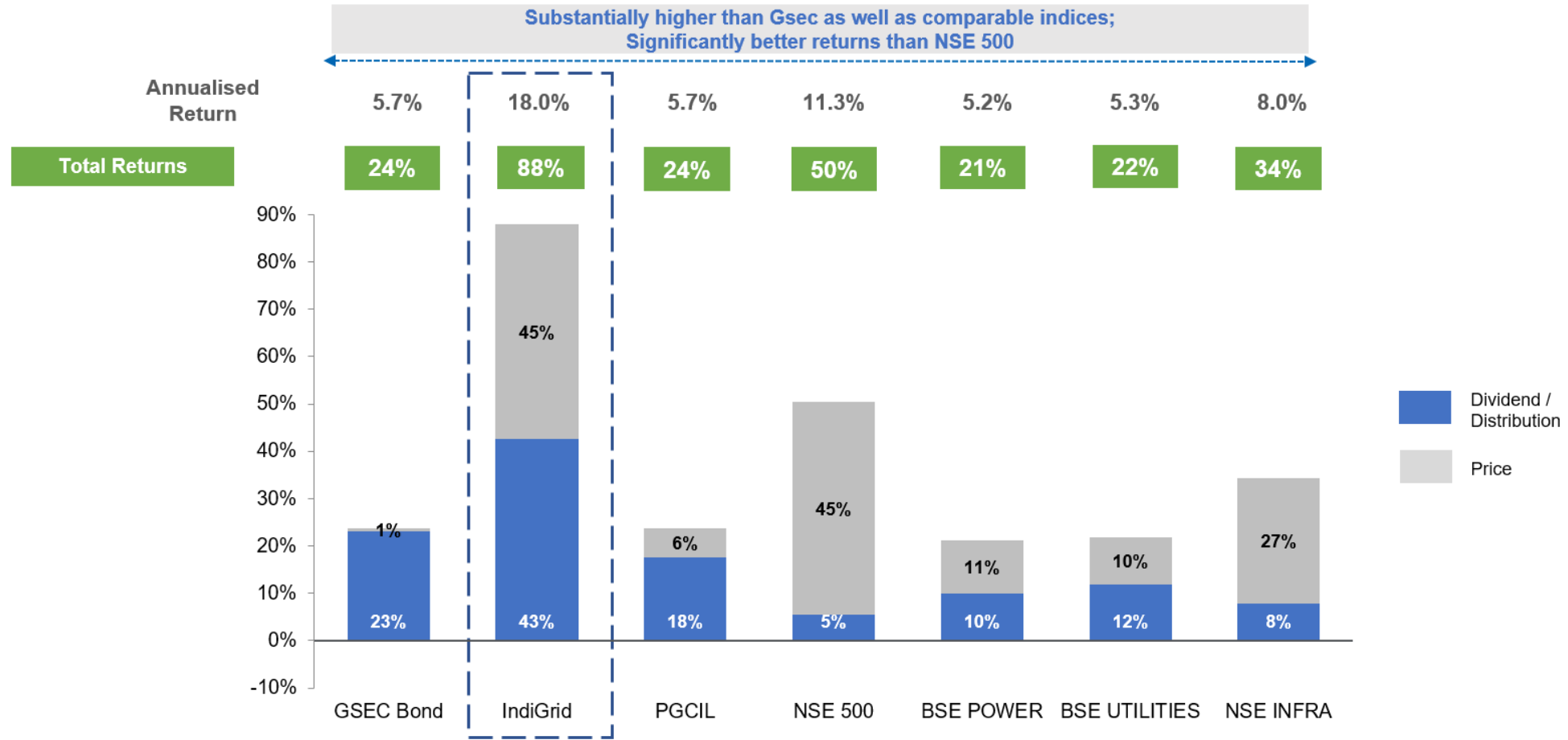
Distribution till date	
Period	Jun'17 – Feb'21
Distribution Frequency	Quarterly
Outstanding Units	58,34,83,081
Distribution per Unit	42.66

➤ 15th consecutive quarter of steady distribution

➤ Q3 FY21 distribution increased by 3.3% to INR 3.10 per unit

➤ Distribution of INR 12.40 per unit per annum to be sustainable with existing portfolio and pipeline for a considerable period

Resulting in...Low Volatility – Superior Returns (2/2)



Beta vs NSE 500s	G Sec Bond	IndiGrid	PGCIL	NSE 500	BSE Power	BSE Utilities	NSE Infra
	0.03	0.07	0.65	1.00	0.88	0.88	0.94

Source: Bloomberg

Note: Total Return chart is since listing of IndiGrid till March 31, 2021





 **IndiGrid**

THANK YOU

