



“IndiGrid Infrastructure Trust
Q4 FY '26 Earnings Conference Call”
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MODERATOR: **MR. ROHAN GHEEWALA – AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to IndiGrid Infrastructure Trust Q4 and FY '26 Earnings Conference Call hosted by Axis Capital. 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. Rohan Gheewala from Axis Capital. Thank you, and over to you, sir.

Rohan Gheewala: Thank you. Good evening, and welcome to the Q4 earnings call for IndiGrid Infrastructure Trust. Today from the management, we have with us Mr. Harsh Shah, Managing Director; Ms. Meghana Pandit, Chief Financial Officer; and Mr. Sanil Namboodiripad, Chief Operating Officer. We will begin the call with the opening remarks from the management, after which we'll have the forum open for an interactive Q&A session.

I now hand over the call to the management. Thank you, and over to you, sir.

Harsh Shah: Hi, everyone. Thank you for joining our quarterly call. As we have done before, I'll start with the presentation and Meghana and Sanil will take you through the quarterly performance and the forecast, and subsequently, we'll take question and answer.

On Slide 3, I would like to reiterate our vision is to become the most admired yield vehicle in Asia, while we focus on very focused business model, value-accretive growth, predictable distribution and follow an optimal capital structure.

As we stand today in Slide 4, our assets under management are approximately INR33,815 crores. We are spread across 20 states and 2 union territories with 94 different revenue-generating elements. We own about 55 lines spreading across 9,700 circuit kilometers and 18 substations crossing 32,000 MVA of capacity.

We also own 1.5 gigawatt peak of solar capacity and average residual life of contract is 25.3 years in transmission, many of them are boom projects. Solar about 20 years and BESS about 11.5 years. On BESS front, we have approximately 2.5 gigawatt hour of capacity at different stages of development, including 2 operational projects totaling about 440 megawatt hour commission.

Taking you through the quarterly update on Slide number 6. We welcomed Mr. Gautam Mehra as an additional Independent Director on Board of Investment Manager. Mr. Mehra comes with over four decades of invaluable experience across taxation, regulatory and asset management businesses. He was erstwhile partner at PwC and also is a member of Hybrid Security Advisory Committee at SEBI.

We commissioned Gujarat BESS Private Limited -- GBPL, which is 180 megawatt / 360 megawatt hour rated capacity. This plant is located in Gujarat and GBPL is one of India's largest

stand-alone utility scale BESS project at any single location. We also commissioned NRSS projects regulated tariff project during the quarter and were awarded three more RTM projects under OPGW scheme with a cumulative value of about INR165 crores of expansion.

We also consummated acquisition of Gadag Transmission Limited from Renew, which is approximately 187 kilometers of line and 1,500 MVA capacity transmitting renewable energy power from Karnataka.

As far as the financial performance goes, our operating revenue stands at INR874 crores, which is up 9.5% year-on-year, primarily by adding new projects in the portfolio through the year. Our revenue growth translated into operational EBITDA growing by similar 8.5% year-on-year and is at INR782 crores with a margin of 89%.

FY26 full year financial performance, the operating revenue was INR3,311 crores, up 3% and operating EBITDA at INR2982 crores, approximately 90% EBITDA margin and a growth of 2.4%. Our AUM and net debt to AUM at the end of the fiscal is INR33,815 crores and leverage at about 57.6%, respectively. Collection for the quarter 4 has been great at 102% for transmission and 97% for solar assets.

Distribution performance, we delivered our DPU as committed at INR4 per unit for the quarter, finishing the year with INR16 per unit as guided. For FY '27, we have guided the DPU amount at INR16.48 per unit, which will be about INR4.12 a quarter, which is a growth of 3% year-on-year. Our weighted average availability of transmission assets at 99.54% and solar CUF stands at approximately 24.2%. With all this, we are sure that we'll be continuing to deliver superior total returns, sustainable increase in DPU and stable operations.

Going to Slide 7, which is the industry update. I'm sure all of you have read about that India is serving one of the highest peak demand in this quarter at 245 gigawatt hour and the highest one that has served was 256 on April 25 in this quarter, which is crossing the previous high of 2026.

Overall installed capacity stands at 533 gigawatt hour, of which 51% is from RE, the installed capacity and RES contribution year back is around 46.3%. While we think it's just the beginning, and it's clearly mentioned in CEA's transmission and resource adequacy plan that CEA has increased the energy transition goal by integrating -- targeting integration of 900 gigawatt of non-fossil fuel by 2035-2036. So we are talking about doubling our goals in the next 10 years. Also, NMP has been launched and there has been some activity around it. So we will continue to monitor if there are opportunities for IndiGrid to participate.

If you go to the next slide, we think that there are few strategic pillars, which is driving the market in power transmission and renewable energy. First is the scale of the opportunity. We feel it is a multi-decade transmission opportunity, considering the requirement of energy independence, energy security and energy affordability. We feel that transmission plays a very crucial role in ensuring that renewable energy which is a Grid Parity is delivered at the right place at the right time. We feel the transmission sector is underinvested and will continue to offer great opportunity for expansion in the coming decade.

In addition, there is going to be a rising need for energy storage, while we have taken a leadership in independent best storage plant in the country. We believe we'll be one of the largest in the coming year. We are concerned about the incremental capacity, which is bidded out at unviable tariffs. But we do hope that eventually the need for energy storage is so much that the bidding will become rational and there will be opportunity for viable projects to come in.

Execution is the Moat. I think, as we see gradually it's shifting from cost of capital driven to execution capability driven market. We are seeing project execution, land access and transmission connectivity becoming key differentiators.

RE ambitions will drive growth. Certainly, as I mentioned before, it is important for India to ensure energy security and safety. So we do feel that there will be great impetus on renewable energy investment and therefore, grid investment.

NMP 2.0. There is more and more recognition for BOOT structures and InvIT-led capital recycling. So we are expecting that there is going to be more and more assets available in the market, and we will be continuing to watch as we grow.

In the next slide, as we can see, there is a high bidding activity in transmission and BESS sector. At a high level, we are looking at active bids of over INR2 lakh crores of transmission bids. And just to put things in perspective, this is almost equivalent to what happened in the last 10 years. So we are seeing massive amount of requirement of grid getting approved to ensure that grid gets ready for the energy transition led by renewable energy projects. We participate in most of these projects and hope that eventually, we will get our fair share at reasonable returns.

Coming to Slide 10 for quarter 4 operating performance, I would invite my colleague, Sanil, to take you through the operating performance for the business.

Sanil Namboodiripad:

Thank you, Harsh, and good afternoon to everyone. We continue to maintain superior availability and performance. With respect to the safety updates, we had one lost time incident where there was a technician who suffered minor burns on his hand when working on a panel.

With respect to the performance, the power transmission business had a weighted average availability based on asset revenues of 99.54%. We had some planned outages in the quarter. The solar generation was at 603 million units at 24.2% CUF. And the battery storage project at KBPL that is in Delhi had a weighted average availability of 98.55%, much beyond the required as per the service agreements.

With respect to the reliability of the assets, the Trips per Line stood at 0.1. Majority of the trips happened due to various weather-related incidents, thunderstorm, et cetera. The substation Trips per Element was at 0.01, well in control. And the solar availability or the plant availability was 98.2%. We had a couple of failures of inverter strings and some cable test, et cetera, which happened at various locations.

If you look at the graph, the availability of all the assets were beyond normal, except RSTCPL, and GPTL. These were mainly due to the planned outages of RSTCPL for rectification of

regulator failures as well as in the GPTL we had a failure of one reactor, which led to a slight reduction in the availability.

Coming to the right-hand side table, you can see that the key indicators are all within control; number of trips were line at 0.1; training man hours as well around 15,800; lost time incident 1, like I explained earlier; unsafe conditions reporting strong and near miss reports also were done as well as their corrective and preventive actions were taken up. The generation was at 603 million units with a plant availability of 98.2% and CUF of 24.2%. That's all from my side. May I hand over to Meghana to take up the next slide.

Meghana Pandit:

Sure. Thanks, Sanil. Hi. Good evening, everyone. I'm on Slide number 11 on the Q4 and FY '26 financial performance. The left-hand side table talks about the reported financial performance for the quarter and for the year. The reported financial performance includes revenue due to accounting basis on service concession which are for under construction projects.

Under the BOOT structure, a tariff asset is typically capitalized during the under construction period basis percentage completion and revenue is then recognized periodically -- progressively then eliminated the concession accounting over the life of the operational tenure. So essentially, the reported financial performance is in line with accounting -- Ind AS 115.

And we've shown the operational financial performance that you see in the table on the right-hand side. So on the operational revenue performance, you can see that the revenue has grown by 9.5% on Q4 FY '26 over Q4 FY '25 from INR798 crores to INR874 crores. And year-on-year growth stands at about 3.1% from INR3,212 crores to INR3,311 crores. This is on the back of the acquisition that we did during the year as well as the operationalization of certain RTM projects and the under construction projects.

The operational EBITDA for the quarter stood at 782, which is 8.5% increase over Q4 FY '25. Year-on-year increase is about 2.4% from INR2,913 crores to INR2,982 crores. NDCF generated during Q4 FY '26 stands at about INR405 crores, which is a marginally dipped number by 6.7% over Q4 FY '25. That's basis certain working capital movements which happened during the quarter.

Similar impact was also seen on a Y-o-Y performance, wherein there is a minor dip in the NDCF by 1.3% from INR1,400 crores to INR1,382 crores. The DPU per unit as guided is INR4 for Q4 FY '26 and in line with the guidance provided for FY '26 of INR16. Both the charts below provide Q4 FY '26 performance, contribution of the operational asset as well as the service concession accounting revenue as well as for FY '26.

Moving to Slide number 12, which talks about the Q4 and fiscal year '26 collection and receivable profile, which continued to be very healthy. Left-hand side graph talks about the transmission assets, which clocked in 102% of collections in Q4 FY '26 with days sales outstanding at 37 compared to 38 days in Q4 FY '25. On the solar assets, the collection stood at 97% in Q4 FY '26 compared to 89% in Q4 FY '25 and receivables days stood at 37, significant improvement compared to 48 days in Q4 FY '25.

Moving on to Slide number 13, which talks about the distribution update. The distribution per unit of INR4 for Q4 FY '26 is contributed by interest dividend, capital repayment and other income, which will be -- the record date for which is 19th of May 2026 and the distribution date will be tentatively on or before 26th May 2026.

The outstanding units Q4 FY '26 stands at INR95.26 crores, which is higher than INR83.46 compared to last quarter in the last fiscal year this is the dilution that we did on the back of the preferential issue and the institutional placement. The NAV per unit for Q4 FY '26 stood at INR148.2 compared to INR144.11 on the back of movements in the WACC as well as the asset acquisitions that happened. With the Q4 distribution, INR117.32 per unit amounting to INR76.48 billion has been distributed to the investors since listing.

And if you look at the right-hand side graph, which talks about what has been the annual distribution trend and over the last 5 years, 6 years, as targeted, we have ensured that the CAGR for the DPU is about 5.4% from '23 to '27, including 16.48, which is the guidance for FY '27, a Y-o-Y increase of about 3%.

Moving on to Slide number 14, which talks about the consolidated EBITDA to NDCF Waterfall. Starting from the EBITDA generated at the SPV level at about INR985 crores adjusting for all the working capital movements, the capex-related movement, investment in the under construction projects and the tax. The NDCF consolidated at SPV level is about INR854 crores.

After that, adjusting for largely the finance cost at IGT and the extra working capital movements and tax movements, the total NDCF generated at IndiGrid trust level is at INR405 crores, out of which the distribution for the quarter at INR4 stands at INR381 crores with which about INR24 crores was added to the NDCF reserve during the quarter with that, the NDCF reserves as on 31st March 2026 stands at about INR544 crores, more than about 1.5 quarters of distribution, which is part of this NDCF reserve balance.

Moving on to Slide number 15, which talks about the balance sheet strength of IndiGrid. As you are all aware, IndiGrid is AAA rated by CRISIL, ICRA & India Ratings. With an average cost of debt of about 7.4%, almost 90% of the total gross borrowing of INR210 billion is on a fixed term basis with the leverage ratio at 57.6% and very healthy interest coverage ratio of 2.08 times, including a cash balance of about INR18.14 billion, which includes the DSRA balance as well as the NDCF reserve.

Coming to the gross borrowing, it is fairly well distributed across all classes of debt investors. 71% is across in the NCD and about 29% is across bank loans, all of which are subscribed by various investors, including mutual funds, banks, financial institutions, corporate trusts, loans are also subscribed by public and private sector banks put together.

If you look at the graph at the bottom of the chart that talks about the refinancing schedule for IndiGrid from '27 onwards, as you can see, it is well-diversified and termed-out borrowing profile, which where we've ensured that not more than 10% to 12% of gross borrowing doesn't come up for refinancing in any particular year so that we avoid any bunching of debt maturities in any particular year.

Moving on to Slide number 16, which talks about the total returns to the investors. Total returns being a combination of distribution per unit and the price change. And as you can see that IndiGrid has delivered about absolute total return of 183% since the time we got listed in 2017, which translates into an annualized return of about 13% which compared to the risk adjustment, which is depicted by the Beta is 0.08, which compared to both pure debt indices as well as pure equity indices, we can see that IndiGrid has delivered superior risk-adjusted returns, and we continue to do so.

Moving onto the business outlook from here on. Our portfolio strategy remains consistent wherein we focus on maintaining stable operations for ensuring predictable and sustainable distribution on the back of value-accretive acquisitions. Since the last few years on the greenfield development, we are taking strides and in that we are ensuring that our focus on the execution on the augmentation work which we have received through the RTM projects as well as the transmission and battery energy projects that we have won get executed on time along with EnerGrid.

In addition to that, there are a lot more synergistic greenfield opportunities, which are coming up, which we will look to participate in through EnerGrid. Similarly, deliver on the DPU guidance of INR16.48 per unit for FY '27 on the back of these acquisitions, greenfield development and disciplined capital deployment. Balance sheet strength, again, continues to be a focus area to ensure that we optimize on the interest cost and elongate the tenure profile with respect to any refinancing as well as any upcoming acquisitions.

Asset management continues to be a very important pillar for us where we have ensure that we sustain minimum 99.5% availability across the portfolio. And in addition to that, look at strengthening self-reliant O&M capabilities to ensure how we are able to maintain sustainable performance. Similarly uphold world-class EHS and ESG practices as well. Industry stewardship again continues to be a focus area both across the electricity sector as well as on the regulations developed for InvITs across the industry.

With this, I'll just take a pause here, and we can move to the question-and-answer session for the quarter. Thank you.

Moderator: Thank you ma'am. Ladies and gentlemen, we will now begin with the question and answer session. Our first question comes from the line of Rashmika from Rika Enterprises. Please go ahead.

Rashmika: Yes. Hello. I have two questions for you. My first question is, in Finland, they have perfected a technology whereby electricity directly transmitted to household without using any wire through the air. What happens if the technology becomes globally adopted? And India also starts transmitting electricity through the air without using any wires. What happens to our business then? What happens to our business model then? That is my first question.

Harsh Shah: Yes. This is all a hoax. As of now, there is no proven viable technology that exists to transfer electricity without conductors. There have been experimental projects for decades in Finland, in New Zealand in many parts of the world. However, none of them has even reached a small

critical mass. So this, in our mind is a dream. But even if it was to happen, our contracts are take-or-pay. So we will get paid till the end of the life. And subsequently, what happens we will see.

As you can see that even renewable energy is generated today at INR2.5, INR3, for almost 6 years, 7 years at a commercial scale, our country is still running majority on coal. So for any new technology, even though it is viable for any country of our scale, takes 2, 3 decades to really adopt that technology at scale. So first, we do not think that such technology exists except in research paper and photographs. Second, if at all by magic this technology comes into place, it's going to take a few decades before it can be implement.

Rashmika: My second question is, this year you announced just 3% increase in guidance to 16.48 for FY '27. Usually, we normally announce a 5% to 6% increase in guidance. Why has the guidance been so low this year? And when will we go back to the usual normal of 5% to 6% increase in guidance? Why the guidance so low only 3% this year? When we will go back to a normal 5% to 6% increase in guidance? That is my second question.

Harsh Shah: So to answer your second question, we have historically done 3% to 5%, sometimes more, sometimes less. We are operating in a band. And the growth is completely dependent on the opportunities that we see, how the business is performing, what kind of growth opportunities do we see.

And once we increase the guidance, we want to be comfortable and sure that, that incremental guidance continues for a reasonable period of time. And therefore, we take that decision every year and give you a guidance. If there is an additional cash flow available for some year, we increase higher. And when we are sure that, that cash flow is sustainable for longer period, we increase that.

And where we think that, you know, if we increase it too much, it is going to be difficult to sustain. We come back to a lower band. So it is purely reflective of how we are seeing the business and operating cash flows, which are going to be sustainable.

At the end of the day, this is not a bond, right? So it is based on what business is performing and how we are seeing the growth in cash flows. And based on that, we guide. So I would say 3% to 5% is in a reasonable range, we are still in the range.

Rashmika: Okay. Thank you. That's it from me. And keep up the good work. Thank you.

Harsh Shah: Thank you.

Moderator: Thank you. Our next question comes from the line of Deep Vakil from Bandhan AMC. Please go ahead.

Deep Vakil: Yes. Sir, a couple of questions. One on the NAV part. Currently, we are at INR148 crores, and we are expecting around INR7,500 crores to INR8,000 crores of under construction projects, which will be commissioned in around, what, 12 months to 14 months time. So do we see some significant increase in our NAV by the end of this year?

Harsh Shah: See, I cannot predict NAV, right? NAV has two factors. One is the projects that get commissioned and will reach to the NAV as the new projects are acquired.

Deep Vakil: Okay.

Harsh Shah: On the other hand, there is debt, there is asset value, there is Beta, there is risk-free rate. You know, so there are many variables of NAV.

Deep Vakil: Yes, yes,

Harsh Shah: So we do not control all of them. So it's impossible for us to predict NAV.

Deep Vakil: So I mean, my question revolve that when will it be broadly added into our AUM? I mean, so once it gets commissioned, so we'll add it in our AUM, right?

Harsh Shah: Yes. We see over a period of 12 months to 24 months. We will see different assets getting added. Each asset has a separate concession agreement, separate time line of commissioning so -- and separate acquisition date. So all the projects that we currently have will have in the next 12 months to 24 months, we should see them getting added...

Deep Vakil: Sure, sir. Sir, and I appreciate that you have added the DPU accretive acquisition slide, which you have been guiding that you will add in the last quarter, which is Slide 19. So just one question on that. I mean, INR16.48 which consider -- so just wanted to ask, it is considering our under construction pipeline of INR7,500 crores to INR8,000 crores of -- I mean, that getting added to our AUM -- I mean, it considers that under construction assets distribution as well?

Harsh Shah: Yes, the yellow curve.

Deep Vakil: Yes, yes.

Harsh Shah: That's already showing acquisitions plus greenfield plus augmentation.

Deep Vakil: Okay. So broadly, can we interpret it in this way that till FY '31 or '32, INR16.48 can be maintained without acquiring anything additional?

Harsh Shah: That is the right way to look at it.

Deep Vakil: Sure. And sir, one last thing. Can we -- do we have a broad guidance of DPU breakup as I've been seeing that we have interest to around -- interest is around 60% to 65% of our total DPU and balance is dividend and capital repayment. So broadly, should we expect that trend to continue?

Harsh Shah: You know, it's impossible for us to give you that guidance because we have over 30 SPVs. And we have to follow the accounting and CBDT norms around that. So depending on which SPV has more cash, less cash, the dividend principle and interest ratios keep changing, right? So it's difficult for us to guide. But broadly, we feel it will remain in the similar range, but it's impossible for us to predict accurately. That's why we keep disclosing quarter-on-quarter

depending on which SPV has generated cash. So it's -- directionally, it remains similar, but difficult to predict and give you an exact projection.

Deep Vakil: Sir, thank you. I was broadly asking from a taxation standpoint, but I think this helps. Thank you and all the best, sir.

Moderator: Thank you. Our next question comes from the line of Nimesh Rathod from SSR Charitable Foundation. Please go ahead. Nimesh, you may please proceed ahead with your question. Nimesh Rathod, you may please proceed ahead with your question. As there is no response, we move forward to the next participant. Next question comes from the line of Nemish, an Individual Investor. Please go ahead.

Nemish: Yes. Thank you for giving me for the opportunity to ask question. I hope I am audible?

Harsh Shah: Yes.

Nemish: Yes. I just -- I'm a happy investor of IndiGrid since 2020. Just wanted to congratulate the team. And just wanted to request you to throw some light on the growth outlook of IndiGrid in coming decade and the scope of IndiGrid in the power sector distribution business in coming decade? Thank you.

Harsh Shah: Thank you. I think, we as I said earlier in the beginning, we are seeing an unprecedented need for energy independence and energy security for the country and which is driving a lot of investment in renewable energy, which requires a lot of investment in grid and battery storage. So by that rationale, we do see a continuous need for next 10 years for investment in energy transmission and battery storage.

Overall market size, we feel in the next 10 years will easily cross INR9 lakh crores to INR10 lakh crores of capex. Now how much of that comes in bidding route, et cetera, is to be seen as we go. But as I mentioned, we are clearly seeing the pipeline currently over INR2 lakh crores. And subsequently, I'm sure more projects and more pipeline will come.

So we are fairly confident that a sizable amount of investment is going to take place. And we feel comfortable in terms of our capabilities as well as our shareholder base to be able to leverage that and participate in this growth. So we are confident that there will be opportunities for us to acquire more projects, win more projects and really grow.

Nemish: Thank you, Harsh bhai. Thank you.

Harsh Shah: Thanks.

Moderator: Thank you. Our next question comes from the line Dhvaneet from Savla Family Office. Please go ahead.

Dhvaneet: I have a question with regards to that recently there were a lot of fast breeder reactors in nuclear power, which have been commissioned. So do you think that IndiGrid will have some kind of future in nuclear power as well going forward? And like is the transmission for that different from what it is for other renewable assets?

Harsh Shah: So to answer your second question first, transmission is exactly same. One of our assets is already evacuating power from nuclear power project in Rajasthan. It's a dedicated transmission line for nuclear power. Having said so, we do not have any plans of getting into smaller breeder reactor or any kind of nuclear energy at this point in time.

I think both in terms of technical expertise as well as complexities and we are far away from any of that. So I do not think we will be getting into generation of nuclear power anytime soon. And transmission, as I mentioned, it's the same lines that work. There's no different technology. So as and when expansion takes place for that grid, we would be looking to participate.

Dhvaneet: Perfect. And just wanted to know, what is the current NAV for the assets as of the 31 March? And how do we interpret NAV addition going forward? I heard it on the call, you were saying that you wanted to add

Harsh Shah: Yes.

Dhvaneet: The assets which are value-accretive or do you see asset is. So I'm assuming that it's in line with our increasing our NAV also. So is there a particular process which you will have in mind while how do you evaluate whether a particular asset going to be value-add and NAV accretive?

Harsh Shah: Yes. So one is how do we evaluate? Second is as investors you can check, and I'll go to the second first. While we are disclosing the NAV of INR148.24. The computation of NAV of how the assets are getting added as well as each SPV's individual valuation report is going to be there in our half yearly reports that will circulate.

And therefore, one can tally that, let's say, for example, March 31, the NAV is INR148.24. What is the each assets valuation in crores minus the debt minus any other adjustments plus cash divided by number of units? So that computation is a very simple model that one can build. And then you can compare quarter-on-quarter how the valuation has changed. So that's the best way to calculate.

We obviously run models to see that when we add a project, how much is going to be accretion in NAV terms of valuation of this asset minus the debt that we fund with. But you also have the same data available once you acquire. So it's a very simple slide or a file that one can build to keep track of it.

Dhvaneet: Yes. Sorry, I think so my question was not on how to calculate the NAV. My question was that how do we know whether the -- how you are saying that how do we know whether the particular asset which we are adding is actually going to be additive to the NAV, like what kind of...

Harsh Shah: Keep all the assumptions in the excel same. Just add the cash flows of fair market value of the asset that we have bought at minus the debt we have funded with should give you the accretion of that asset.

Dhvaneet: Okay. Understood.

Harsh Shah: That's how we calculate.

- Dhvanect:** All right. All right. Thank you, sir. I will get back in queue.
- Moderator:** Thank you. Our next question comes from the line of Nimesh Rathod from SSR Charitable Foundation. Please go ahead.
- Nimesh Rathod:** Good afternoon, Harsh and Team. As always, the numbers remain very impressive. A couple of questions. The first one is on battery energy systems. BESS we are -- probably one of the pioneers to get into it and you already have run a particular BESS in Delhi for a year now. Harsh, I would love to understand from you what is the lessons that you learned in terms of return on capital employed? Is it comparable to what we would typically earn a transmission line when it is bought out? That's question one.
- The question two, originate from the number where NDCF generated has reduced in this quarter, although the operational revenue has gone up. I heard Meghana mentioning that there was some working capital transactions. And I presume this was the amount which was largely used up for our assets under construction.
- So that brings me to probably an important question on whether so far our business model was always a hedge against the business cycle. So you would buy an asset and rent it out and earn a rental on it. But probably for the first time, we are venturing out into taking risk and building an asset rather than buying it out. Would love to understand going forward, what's going to be your thinking on this particular aspect? Thank you.
- Harsh Shah:** Sure. Thanks. So to answer your first question on battery energy storage, we have now two plants, which are functioning. The first plant has over one year of performance, and the second plant has just about a couple of weeks of performance now. Taking both of them, we are very happy with the performance of both. Technology OEMs that we have worked with and the output as well as the cost has been pretty much what we had envisaged at the time of conception of this project.
- In terms of return, it depends. I think both these projects; we won at a time when there was no competition or rather less competition. And subsequently, we executed it well. The market supported in terms of reducing BESS prices at that point in time. And therefore, we had projects which had very good returns, which is substantially higher than what we would have earned in any other projects.
- Third, for us, return or IRR DPU accretion matters more. We think whether it's transmission or BESS, we are okay to earn similar returns as long as the counterparties are same or similar. In our BESS projects, we have earned higher returns owing to the fact that we were early and therefore, we had better opportunities.
- On the next question, partly you're right, we are carrying interest burden on the amount that we have invested in projects. And as they come to fruition, the NDCF will show. We are aware of that risk. And honestly, the SEBI allows us to put in approximately 10% of our AUM in under construction assets. Investing under construction at the development stage offers many advantages to us. One, it allows us to control the quality, allows us to control the returns that we earn on that project and allows us predictability of asset acquisition.

With that in mind, we have ventured into this 3 years ago, 3.5 years ago. So this is not the first time. Till now, we have commissioned 4 projects, two transmission and substations and two battery storage projects, all of it on our own. So we started with a INR100 crores asset, honestly, then went to INR200 crores and another INR700 crores that we commissioned now. So there is sufficient experience within the team to expand on the pace.

Having said so, we are well within the 10% that SEBI allows us. Our numbers are very smaller than 10%. And by that virtue, the impact on NDCF also remains limited. And therefore, we consistently evaluate that how much do we invest and how much time we'll have to carry the interest on that investment while delivering INR16.48 or any other DPU that we have guided. So that already takes into account such, I would say, investment cost. And then that is one of the reasons that when they commission, they give us ability to increase as well.

Nimesh Rathod: Got the point. Thank you so much.

Harsh Shah: Thank you.

Moderator: Thank you. Our next question comes from the line of Vishal Sarda from Mavis Growth Advisors. Please go ahead.

Vishal Sarda: Yes. Hi. Good afternoon, Harsh and Team. Am I audible?

Harsh Shah: Yes.

Vishal Sarda: Yes. Hi. I have a basic question that SEBI has allowed REITs to be Real Estate Investment Trust to be counted as part of equity allocation. And consequently, in the last one year, a lot of mutual funds have increased their REIT allocations. So is the InvIT lobby also pressing SEBI to be counted as part of equity investments? And if yes, what's the status on that?

Harsh Shah: See, I mean I won't use lobbying and such a word. I think we do work with SEBI and other stakeholders to put appropriate qualifications for InvIT. The proposal was to consider both InvITs and REITs as equity. There was a public consultation that was done by SEBI, I think, last year. And based on that public consultation and views that SEBI received from a variety of stakeholders, starting from REITs, InvIT, mutual funds, market participants, you know, private REITs, private InvITs.

And then SEBI finally decided that the goal is to ensure that more participation happens in InvIT and REITs. They felt that REITs as a business model is more equity like. And therefore, they want to start with REIT classification of equity. They will see the experience over a couple of years. And based on that, they will do another consultation at some point in time based on requirement for InvITs if all the InvITs really want to do that. And they'll take that up later. It is also a fact that in REITs, there is only public REITs, right? So all the listed REITs are unanimous in their view that how it should be looked at.

On InvIT space, it's a mix. There are a few public and there are many more private. So typically, the private InvITs would refrain from calling itself equity because it has issues with who can invest, who cannot invest, et cetera. But now as you would have seen, many of the private InvITs

are also getting into public InvIT space. So I'm sure in a couple of years' time, there will be more public InvITs. There will be better experience of being equity classified. And that's something which at that time, we will go and work with the regulators and request them to consider again.

Having said so, you know, while benefit of equity is -- I don't see material benefits, honestly, we already in the equity taxation. We are listed on both exchanges. We are fairly well-traded. While Indian, I would say, index fund is not able to include us without equity classification. But honestly, the regulators will take cue that foreign funds or foreign index is already included. So IndiGrid is part of FTSE Index as we speak, and it got included in last year. And based on that, we saw a lot of passive flows coming in of huge index fund providers.

So I think eventually, market forces will take shape, and the regulators will recognize that global investors do look at this as equity, and therefore, India should follow. So we're hoping in the next couple of years, it will fall in line.

Vishal Sarda: Thank you for the explanation. My concern is coming from another small point, which is an addendum to this. Brokers don't accept integrated margin, while they're accepting retail margin. So I'm one of the earliest investors because have been invested since the IPO.

Harsh Shah: Yes.

Vishal Sarda: And that also creates a very big liquidity issue in our books that we can't use integrated margin. We intend never to sell it. Hopefully, the way you guys are executing and absolutely flabbergasted with the way you've executed and thank you for that very much. So that margin funding requirement is something which we can't satisfy with IndiGrid. So any light on that if you could throw?

Harsh Shah: This has come before as well. I mean we are not usually aware about how the market participants work. But SEBI does consider units as security. Now why it is -- so from margin funding perspective, I think the classification of security is important. I'm not sure if there are other criteria.

But once it is security, I think it is more not law to lend against that. It is just market practice. And I think once few large players will start doing it, it will follow. I mean we are little to implement. And honestly, a regulator won't even consider a view that allow margin funding because I'm sure you know it's, kind of, looked down upon within the regulatory circle. So I'm not sure if -- first, I'm not sure if law stops new margin funding, it's market practice.

Second is, I don't think that it's looked at favorably by regulator. So it's difficult for us to represent because we are not a party over there, right? Maybe some investors group needs to go.

Vishal Sarda: Yes. I got you. Fine. Thank you very much for the explanation. And all the very best. Thank you.

Moderator: Thank you. Our next question comes from the line of Deep Vakil from Bandhan AMC. Please go ahead.

- Deep Vakil:** Hello. Sir, just one follow-up on the question that an earlier participant had asked, I mean, regarding the under construction risk point that you were making. But the under construction assets sir are under EnerGrid, right? So technically, IndiGrid doesn't have that interest rate risk on its books. Can you please throw some light here?
- Harsh Shah:** Yes. So we invest in EnerGrid asset, about one-third equity required. So whatever equity we invested in that, right? On that, we have to pay interest, right, because we are borrowing, while we have cash, but effectively, if we didn't invest, we would have repaid that cash, even debt, right? So accordingly, interest burden will be lesser. So in an indirect manner, that is the cost of carry, if I can say, for such investment. So we do invest in projects in EnerGrid. And that is how we are passing the expertise and getting a confirmed sale to us.
- Deep Vakil:** Got it, sir. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Shagun, an Individual Investor. Please go ahead.
- Shagun:** Good evening, sir. Sir, the Board meeting had an agenda of fundraising. So could you please clarify if you are leaning towards more equity dilution? Or is it through debt?
- Harsh Shah:** So you know, we raised two issuances in the last six months. So at this point in time, there is no direct immediate placement in mind for equity. We take approval. We plan to take approval every year in the quarter four Board meeting from now on, which allows us to be a little more agile because most of the time when we have to take -- have to raise capital, whether it's institutional placement or preference issue or anything else.
- Calling another Board meeting and shareholder meeting becomes an additional step, which exposes us to more price risk. So we decided from this year that every year, we'll take you know, approximately INR2,000 crores of approval upfront. And depending on whether we see new assets coming in and if we have to raise equity, we'll be able to be a little more nimble and agile on that. And that's why we are taking a preemptive approval. At this point in time, there is no immediate placement issue that we foresee on any equity.
- Shagun:** Okay. Thank you, sir.
- Moderator:** Thank you so much. Ladies and gentlemen that was the last question for today. With that, we conclude this today's conference call. On behalf of Axis Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
- Harsh Shah:** Thank you.
- Sanil Namboodiripad:** Thank you.
- Meghana Pandit:** Thank you.