



POWERING AHEAD



Annual Report
2019-20

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In Memoriam

Late Mr. Shashikant H. Bhojani

1943 - 2020

We are deeply saddened by the demise of our honourable director, Mr. Shashikant Bhojani. He had been associated with IndiGrid as independent board member since inception.

We not only lost an able statesman, but also a good human being and an exceptional mentor. He was a source of strength and wisdom to us and everyone who knew him. He was pragmatic, deeply insightful, soft spoken and a perfect gentleman. His guidance through the years has been invaluable in bringing IndiGrid to where it is today and will continue to stay with us on the path ahead.



POWERING AHEAD

The power sector in India is experiencing a dynamic shift. Although India has adequate power generation capacity, it has substantial proportion of population having limited access to electricity, mostly because of lack of adequate power transmission and distribution infrastructure. To achieve the target of affordable electricity by 2022, India needs to have robust power transmission network.

Investing in sectoral growth

India's tremendous growth in renewable energy capacity puts the nation on a clear and achievable path towards its renewable energy target of 450 gigawatts by 2030. A key pre-requisite to continuing India's renewable energy investment ambitions is the need to concurrently build out and modernise India's national transmission grid, accelerating the enormous progress achieved over the last decade. This is expected to entail huge investment by the private sector in the growth of the Indian transmission network.

Enabling inclusive ownership of national power resources

Backed by KKR, IndiGrid is India's first yield platform in the power sector offering investors an attractive cash yield, backed by stable cash flows from long-term operating transmission assets. IndiGrid was formed in 2016 as an Infrastructure Investment Trust (InvIT) with a primary goal in mind – democratizing ownership of

power infrastructure in India. With the recent reforms enabling wider ownership of InvITs, we are proud to enable ownership of Indian power resources to a much wider investor base across the country. While our asset management team is focussed on enabling 24x7 power access across 12 states and 1 union territory in India, we remain committed to ensuring highest standards of corporate governance and unlocking value for our unitholders in the long term. As India gears towards embracing green energy, we look forward to enabling ownership of renewable energy assets under IndiGrid, in line with our vision and mission of becoming the most admired yield vehicle in Asia.

Powering ahead

Three years ago, we embarked on our growth journey, built upon solid fundamentals of transparency, governance and providing superior risk-adjusted returns to unitholders. Over the last three years, we have engaged actively with all our stakeholders,

enabling more than three-fold growth in our assets under management. Our sustained distribution track record is a testimony to our strong fundamentals, and our growth is a testimony to the huge potential of Indian infrastructure sector. We remain extremely optimistic of India's prospects, with infrastructure growth leading the way. We remain confident that while the national infrastructure and power sector in particular continues to grow, IndiGrid will continue to power ahead.

MESSAGE TO UNITHOLDERS

We completed three years and 12 straight quarters of distribution, delivering an absolute INR 33.56 per unit or an aggregate of INR 13 billion in distributions till date.



Harsh Shah

Chief Executive Officer

Dear Unitholders,

At the outset, I thank you for your continuous support, as IndiGrid completes 3 years of its operations and listing on Indian stock exchanges this financial year. We are privileged to share with you our growth story via this Annual Report for the financial year 2019-20.

First and foremost, let us talk about the biggest crisis of the current century - the novel coronavirus pandemic, the outbreak of which has become a major threat to the entire mankind with more than 196 countries affected worldwide. The nationwide lockdown resulted in shutdown of industrial and commercial establishments, which adversely impacted electricity demand, given that these segments constitute about 40% of the overall demand. However,

household electricity consumption during the period has increased substantially. Similarly, with opening of lock down across the country, the industrial and commercial demand has started picking up again. This has put in a concentrated effort on maintaining the stability and continuity of grid.

IndiGrid and especially its asset management teams have been up to the task during this period and have been instrumental in ensuring safe

operations of the asset portfolio and the national grid without disruption. During the lock down period, not only have we focused on maintaining highest levels of availability, we have also focused on growing the underlying asset portfolio.

Resilient growth

Notwithstanding the current pandemic and its ongoing challenges, we continue to do business unabated.

We continue to focus on growing our portfolio, and maintaining the underlying portfolio to the highest standards of reliability, especially in this volatile period.

Our business has been built on solid fundamentals of transparency, governance and providing superior risk-adjusted returns to our unitholders. We concentrated on these in the last twelve quarters since our listing, and have made remarkable progress on all fronts during this period – regulatory engagement, robust asset management, sustained portfolio expansion, superior returns and sound financial performance.

The biggest goal, however, is to provide an inclusive ownership of India's power resources to a much larger investor base, while ensuring a strong and robust corporate governance, a key tenet for inclusive ownership, as the foundation of our unique platform.

Since our listing in June 2017, maintaining steady growth amidst volatility has been our key focus and we continue to be proud of our achievements over the past three years. Today, we have 9 power transmission projects with a total transmission network length of more than 5,800 circuit kilometres length and around 7,735 MVA transformation capacity across 12 states and 1 union territory in India, in contrast with 2 power transmission projects with 1,930 circuit kilometres and 6,000 MVA transformation capacity at the time of our inception.

Since listing, our assets under management (AUM) have increased more than threefold from INR 38 billion to INR 121 billion on the back of accretive

acquisitions. With a successful three-year track record of robust operations and acquisitions, we continue to pursue several avenues of growth for creating value for our unitholders.

FY2020 in brief

The financial year under review has been transformational for IndiGrid. We have almost doubled our market capitalisation over the last three years to approx INR 60 billion currently on the back of our successful follow-on equity raise worth INR 25 billion in May 2019. This was raised through a preferential issue of units to qualified institutional investors, of which a majority portion has been subscribed by KKR, GIC and other marquee institutional investors. As part of this transaction, Sterlite Investment Managers Limited or the investment manager of IndiGrid is now majorly owned by KKR.

KKR ushers in a unique set of resources, including investment and asset management expertise, which can be further leveraged to evaluate acquisition opportunities. It also brings a deeply connected investor and developer network, along with strong access to its own capital. It gives us visibility and the requisite investor support to maintain and accelerate our growth trajectory.

In terms of financial performance, Revenue and EBITDA numbers stood at INR 12.43 billion and INR 11.50

billion for the current financial year, registering YoY growth of 87% and 91%, respectively. EBITDA margins were robust at 91%, underlying the strong fundamentals of the business.

On the distribution front, our asset acquisitions have enabled us to successfully distribute twelve straight quarters of distribution. This aggregated to a total of INR 33.56 per unit or over INR 13 billion to our unitholders over the last three years or a 34% absolute return since the IPO, making IndiGrid one of the most attractive yield platforms in India.

Growth via strategic acquisitions

Our strategy is to focus on accretive acquisitions to provide superior total returns to our investors. We look at long term, stable cash flow and minimal counterparty risk projects as a part of this acquisition strategy. With growth in our AUM and our cash flow profile, we target long-term superior distributions to our unitholders.

During the year, we completed three acquisitions with assets worth more than INR 60 billion. While NRSS XXIX Transmission Ltd (NTL) and Odisha Generation Phase II Transmission Ltd (OGPTL) were acquired in H1 of the financial year, we completed the acquisition of our ninth transmission asset from Sterlite Power in H2 of the financial year, as we acquired the East North Interconnection Company

Our strategy is to do accretive asset acquisitions, delivering AAA rated cash flows and de-risked distributions to our unitholders.

Limited (ENICL) at an enterprise value of INR 10.2 billion. The completion of this transaction despite the lockdown is a testament to our commitment to increase unitholder value on an ongoing basis.

The acquisition is in line with our strategy to acquire accretive assets with long-term certainty of cash flows.

We have another INR 65 billion of transmission projects in the pipeline under our framework agreement with Sterlite Power. With this, we are

on track to achieve assets under management of INR 180 billion over the next two years. As per the agreement, we will acquire three more assets from Sterlite Power over the next 6-18 months. We remain fully capitalized to consummate the above mentioned acquisitions in the proposed time frame.

Exploring solar

As a part of our growth strategy, we are moving a step ahead by diversifying into renewables and exploring solar power assets. This diversification will be substantially yield-accretive, and is expected to provide predictable and growing distribution to the investors, besides having good synergies with our business model.

We plan to venture into utility scale solar, a matured segment with low risk profile. Our continued focus will be on accretive acquisition of stable solar projects, with long-term stable cash flows, good quality plants, long contracts, strong PPA frameworks and financially strong and highly creditworthy counterparties. This will further put us on the path to move forward with vigour and become the more admired yield vehicle in Asia.

The right regulatory push

Over the last financial year, with reduction in lot size for InvIT investors to INR 0.1 million and increase in leverage limits for an InvIT, albeit with increased compliance, IndiGrid has seen growth in both trading volumes and retail participation in its listed units.

The issuance of Securities and Exchanges Board of India (SEBI) guidelines for rights issue by an InvIT during the current financial year is another welcome move. Induction of new sponsors or investment by



Our total return, which includes the distribution made till date as well as the change in unit price, is 34%. This is substantially higher than that of G-sec and other comparable indices such as NSE Infra, BSE Capital Goods, and NSE 500, when tracked since our listing date.

institutional investors over 25% limit has also been enabled. We anticipate more enabling regulations to generate parity with listed companies in terms of enabling fund raise options on both equity and debt front.

Additionally, with robust performance history and resilience of InvITs during the current pandemic period, we anticipate further reduction in minimum lot size to enable larger retail participation as well as liquidity in trading of InvIT units.

We remain extremely obliged to the regulatory bodies, especially SEBI, the Reserve Bank of India and Ministry of Finance for the structural reforms making InvITs, along with REITs, attractive investment avenues for Indian infrastructure sector. We look forward to their continued support to accelerate the contribution of InvITs in growth of the infrastructure sector in India.

Future outlook

As we look into the future from here on, we see immense opportunity for IndiGrid. To achieve a GDP of USD 5 trillion by FY 2024-25, India needs to spend about USD 1.4 trillion or INR 105 trillion over the next five years on infrastructure. Banks and non banking financial institutions, already battling asset-liability mismatches and bad loans, cannot be solely relied upon for this investment. Meanwhile, infrastructure developers need to monetise their operational assets efficiently and churn the capital to invest into construction of new assets.

IndiGrid, being the first power InvIT, is well positioned to seize this massive potential opportunity. Over the last three years, the underlying performance has been robust and with our equity fund raise, we remain well capitalized to grow faster than ever before. Backed by KKR and its investment expertise, we intend to keep our momentum of growing the underlying portfolio as well as enhancing unitholder returns.

With planned acquisitions ahead, we have a strong visibility of an asset portfolio of INR 180 billion over the next two years, which is more than fivefold our AUM size at the time of listing. We have already received unitholder approval for one of the pipeline assets, Gurgaon Palwal Transmission Limited, which is expected to close in H1 FY 2021. We anticipate other pipeline assets to be acquired as per our original planned timeline.

We also look actively for value accretive third-party acquisitions, which are in line with IndiGrid's investment strategy. Post March 2020, we have announced a third-party acquisition with an enterprise value of INR 3.1 billion. We anticipate to consummate this transaction in FY2021, post receipt of all corporate and regulatory approvals.

A thoughtful reflection on the past three years highlights the need for maintaining transparency and highest standards of governance, while the focus is on providing superior risk-adjusted returns to our unitholders.

Going forward, we look forward to ensuring responsible growth, making a difference to all our stakeholders and the environment and society at large. It gives me immense pride that we continue to evolve and create our own Environmental, Social & Governance (ESG) framework and positively impact the society at large around us.

We are proud to have been associated with you as we continue on our voyage of sustainable value creation. We endeavour to build on this momentum and create further value for all our stakeholders.

Thank you for being with us on this journey.

Best regards and stay safe,

HARSH SHAH

Chief Executive Officer

INDIGRID AT A GLANCE

Our Vision

To become the most admired
yield vehicle in Asia

Our Mission

- **INR 300 billion by 2022**
- **Predictable DPU and growth**
- **Best in class corporate governance**

INR 120 billion*
Total Assets Under Management*

~ INR 65 billion*
Sponsor Assets for future
acquisition (under Framework
Agreement and third-party asset)

12 states & **1** Union Territory
Presence across India

AAA[#] rated
Perpetual Ownership

20 Transmission Lines
~5,800 Circuit Kms
Total Length Network

~32 Years
Average Residual Years
of Contract Life

4 Substations
7,735 MVA
Total Transformation Capacity

INR 13 billion
Total distribution to
Unitholders till date

Note:

*Based on independent valuation report for FY 20

[#]Remaining TSA contractual life of 32 years. However, the projects are on BOOM model with perpetual ownership of IndiGrid; ENICL has a TSA term of 25 years from the Licence Date





THE JOURNEY OF INDIGRID

