



InvITs: An Introduction

Infrastructure Investment Trusts (InvITs): Introduction

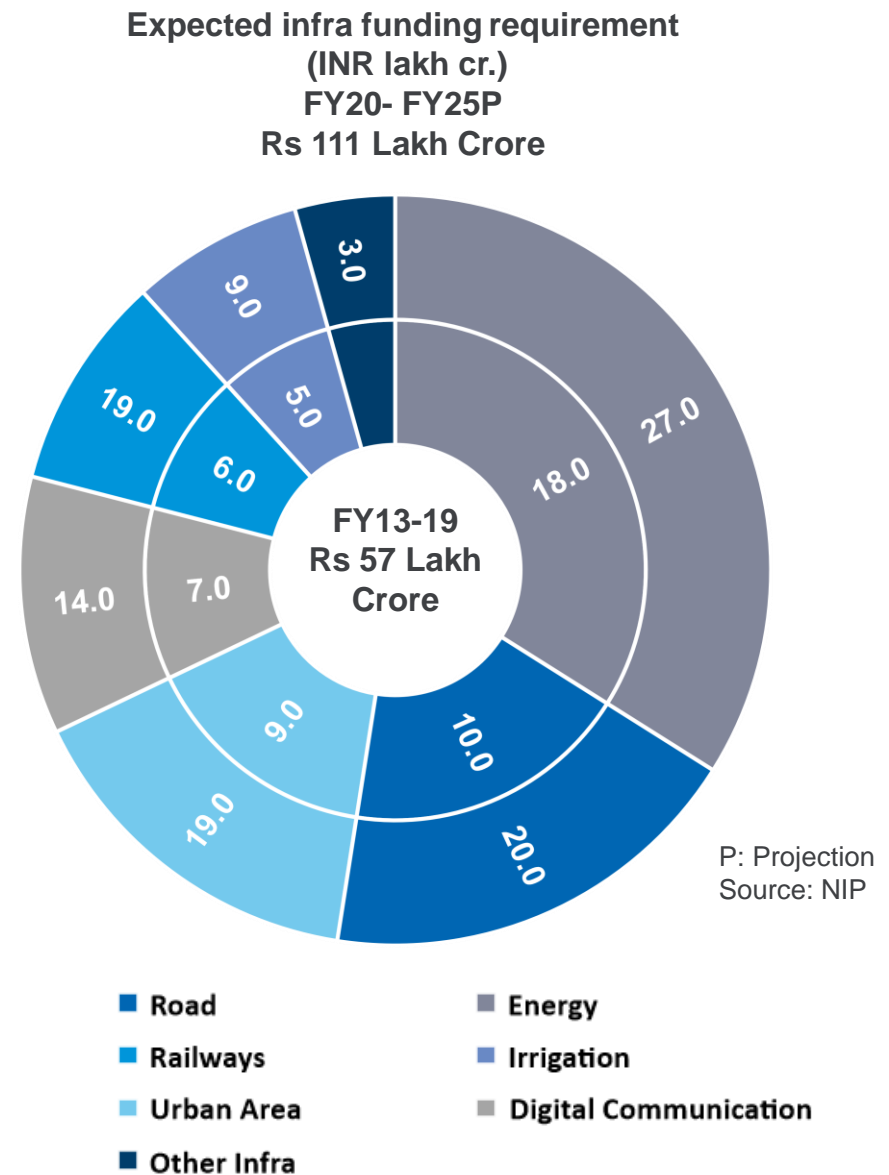
- SEBI, on September 26th 2014, released the regulatory framework for Infrastructure Investment Trusts
- InvITs were established with the objective of encouraging and providing additional financing for investment in the infrastructure sector in India
- InvITs are an efficient platform to support diversification of ownership of infrastructure assets such as power transmission, roads, ports, renewable projects ,etc
- InvITs provide access to stable long term cash flows to its unitholders; suited for long term domestic and foreign capital such as Pension Funds and Insurance Companies as well as a steady return tool for retail investors



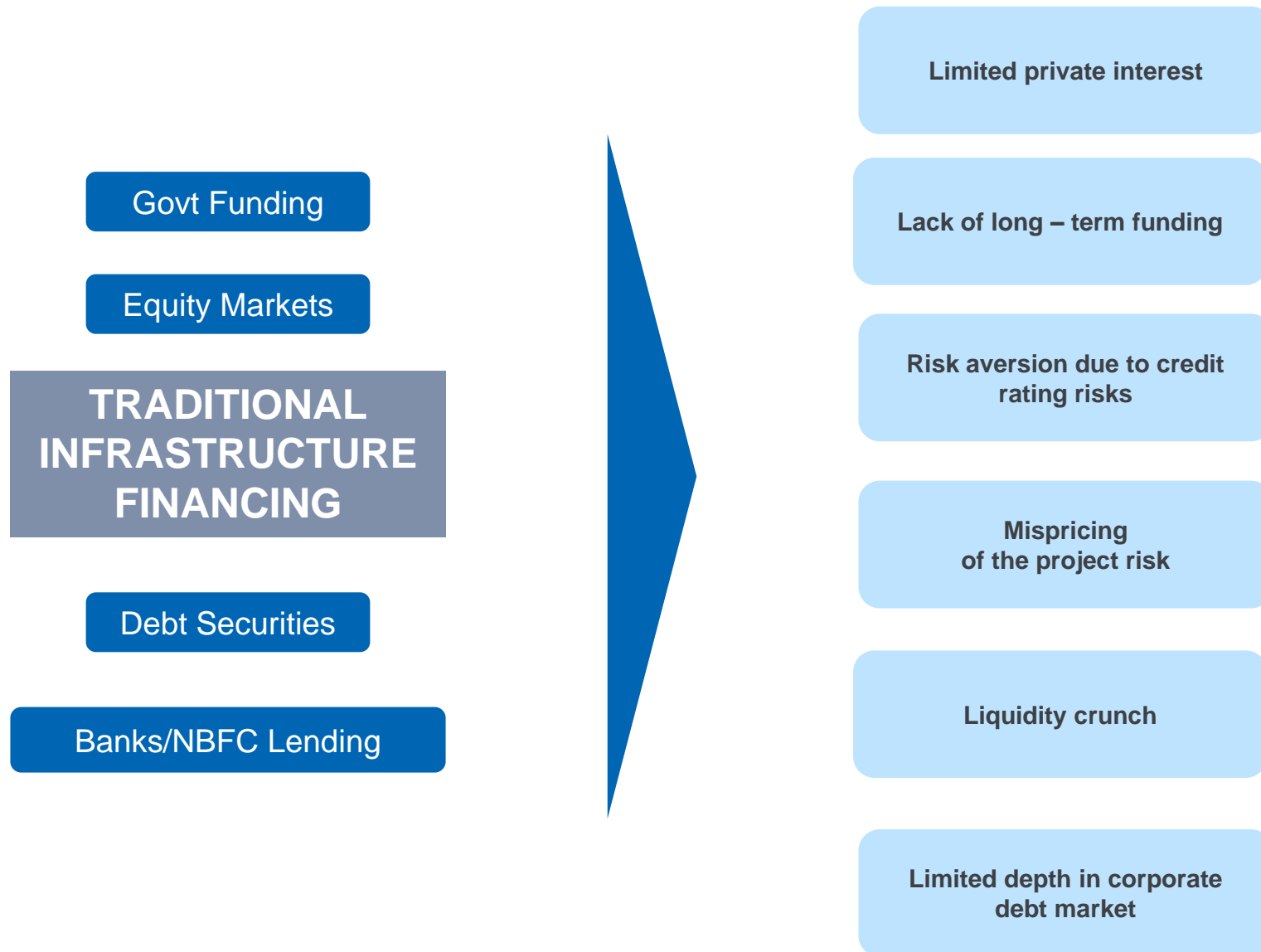
The Need

India Has Large 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



Limitations of traditional infrastructure financing



InvITs are perfectly suited to bridge the infrastructure



InvITs

1

Provide Long-term Financing Option for Existing Infrastructure Projects

2

Free Up Developer Capital for Reinvestment into New Infrastructure Projects

3

Low-risk investments offered to attract long-term investors such as insurance and pension funds

4

Facilitation of ownership of diversified Infrastructure Assets for retail investors

5

To Bring Higher Standards of Governance into Infrastructure Development and Management

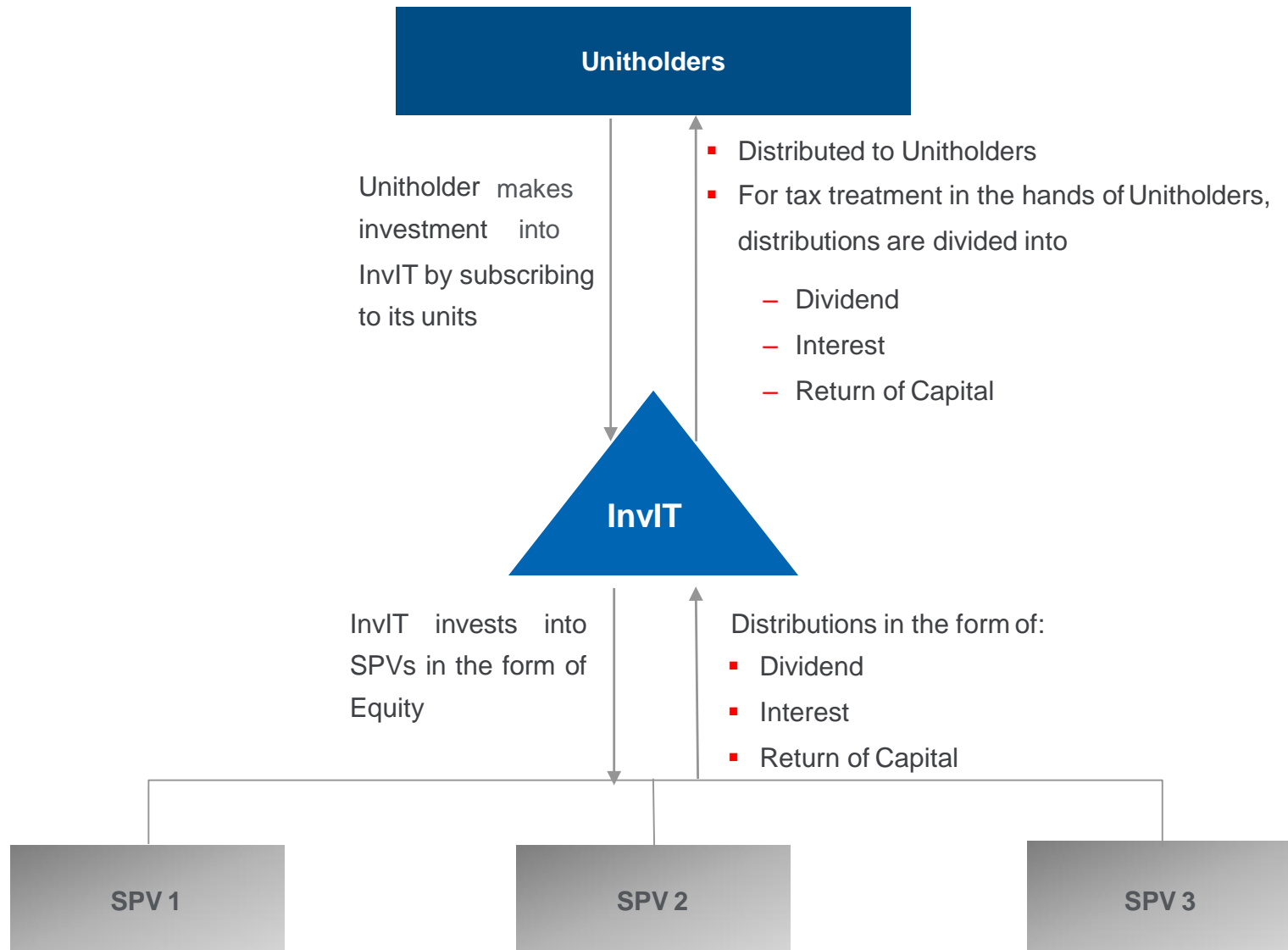
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Delivering Predictable Distribution + Growth Potential for Investors



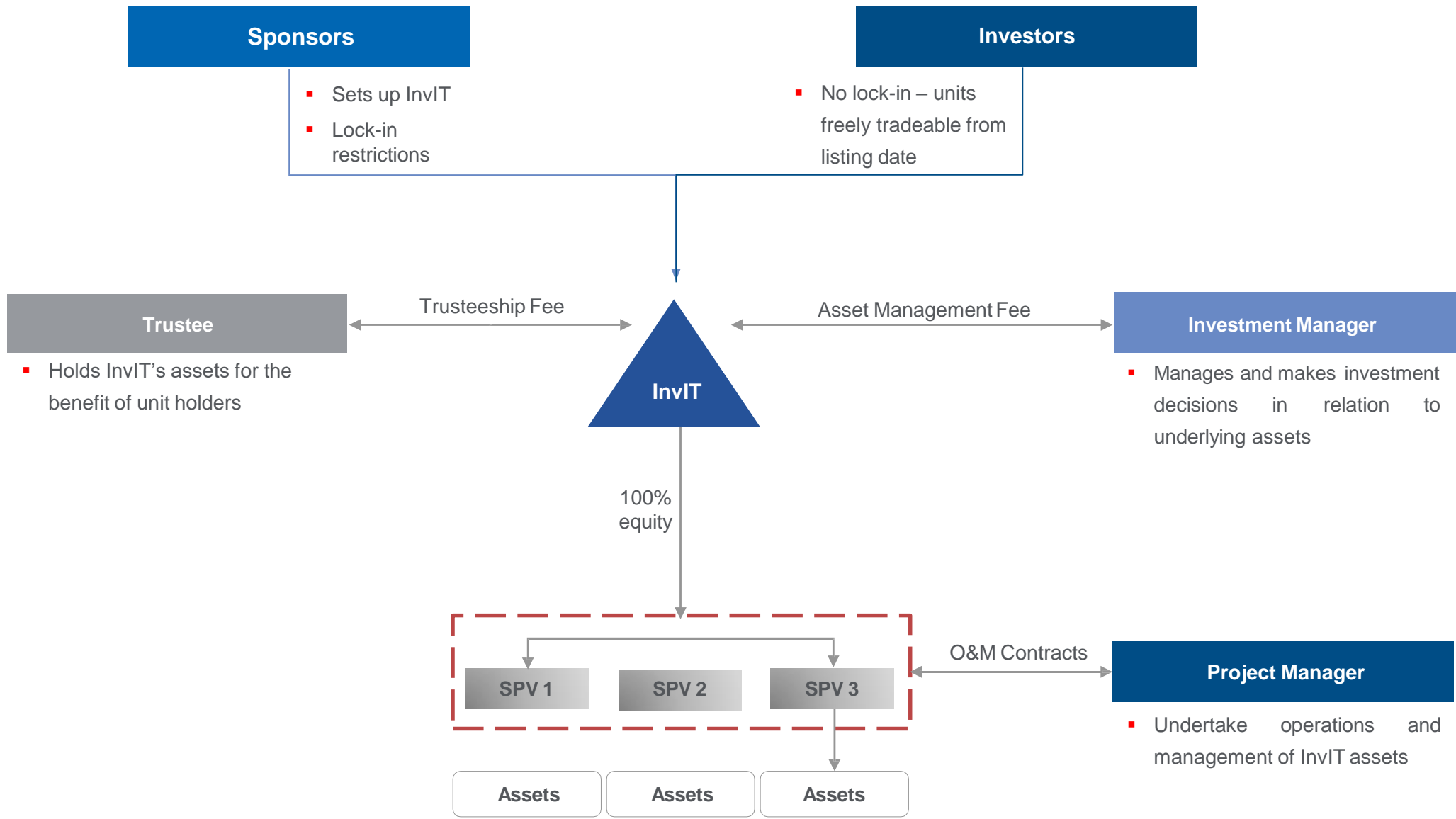
The Construct

Illustrative Cash Flow



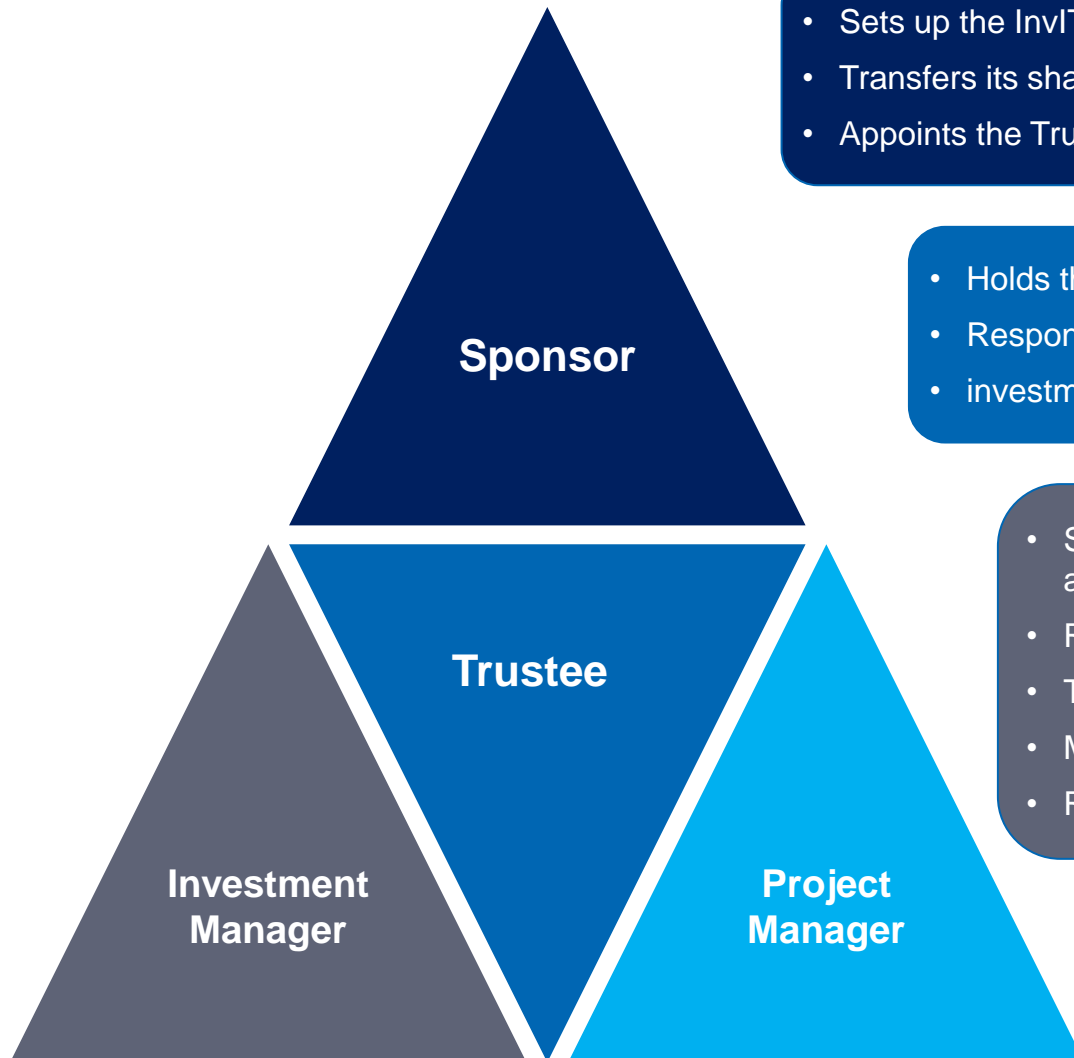
InvITs are a tax-efficient pass-through mechanism to maximise cash return to investors

InvIT Structure



InvIT is created by the Sponsor, managed by the Investment Manager, the Trustee owns the asset for the benefit of the Unitholders

Key Parties



- Sets up the InvIT
- Transfers its shareholding in SPV/ assets to the InvIT
- Appoints the Trustee

- Holds the InvIT assets in trust for the benefit of the unitholders
- Responsible for ensuring that the business activities and investment policies comply with the provisions of the regulations

- Setting the strategic direction of the InvIT and deciding on the acquisition, divestment or enhancement of assets.
- Responsible for all activities related to issue and listing of units
- Takes decisions on distribution to unitholders
- Makes disclosures to various stakeholders as per regulations
- Redresses grievances of unitholders

- Responsible for the day-to-day operations and management of the assets.

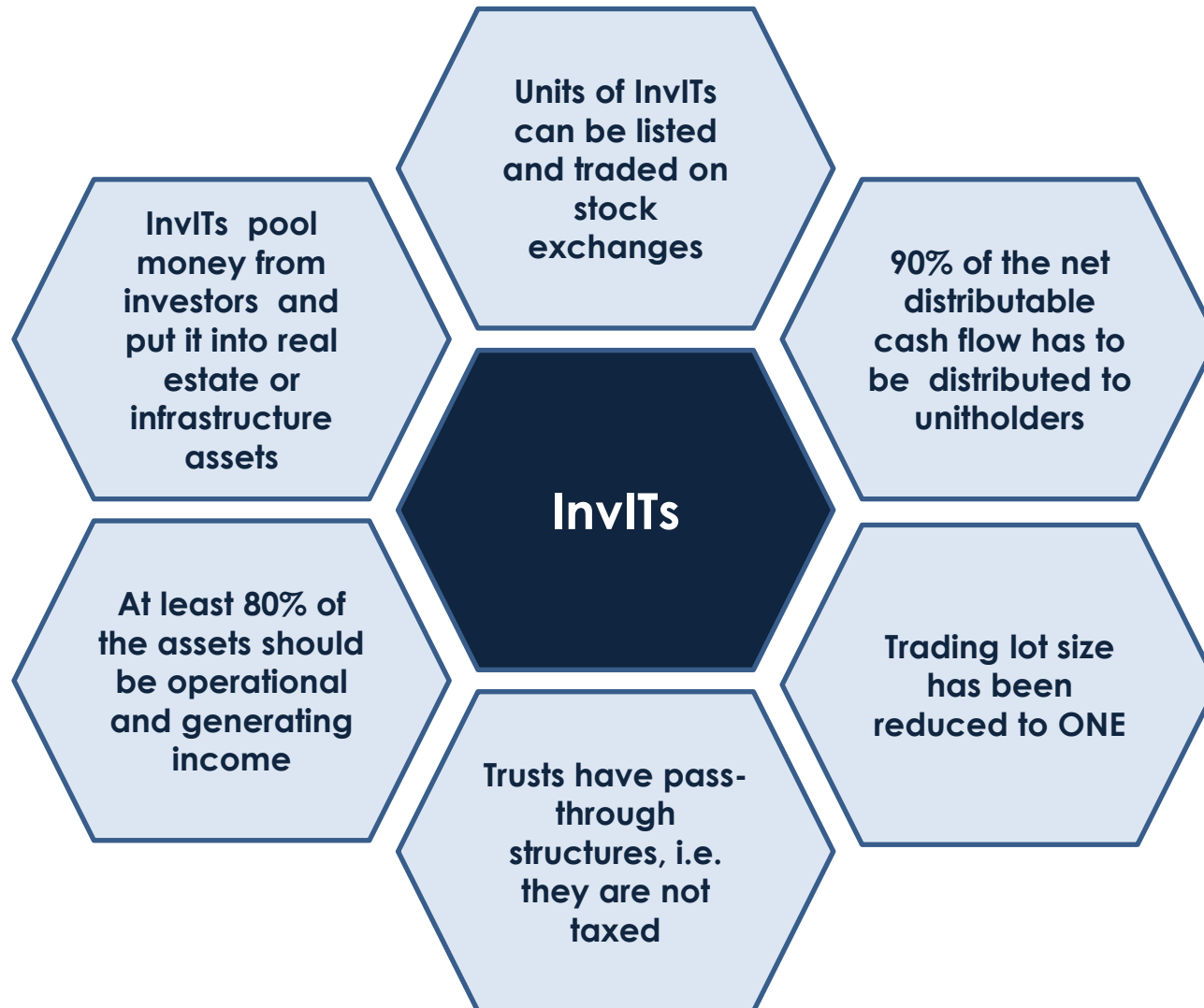
Key Terms

Asset Class	<ul style="list-style-type: none"> ➤ Infrastructure Assets as defined by Ministry of Finance
Trading Lot Size	<ul style="list-style-type: none"> ➤ ONE UNIT
Distributions	<ul style="list-style-type: none"> ➤ A minimum of 90% of the net distributable cash flows of an InvIT ➤ Distribution can be in form of dividend, capital repayment or interest ➤ Distributions to be disbursed at least once every six months in the case of publicly offered InvITs and at least once every year in privately placed InvITs
Leverage	<ul style="list-style-type: none"> ➤ Consolidated borrowing (% of total assets) – maximum limit of 70% <ul style="list-style-type: none"> ➤ Up to 25%, no approval required ➤ Between 25% to 49% - requires AAA rating, shareholder approval and additional disclosures ➤ Between 49 to 70% - the increase requires the approval of 75% (instead of 50%) of the unitholders by value among other conditions
Key investment conditions	<ul style="list-style-type: none"> ➤ At least 80% of the value of a public InvIT to be invested in 'completed and revenue-generating infrastructure projects ➤ A maximum of 20% of the total value of InvITs can be from: <ul style="list-style-type: none"> ➤ Under construction infrastructure projects ➤ Directly or through an SPV (with an investment cap of 10% of the value of the InvIT)* ➤ Listed or unlisted debt of the companies in the infrastructure sector (other than debt of Hold Co/SPV) ➤ Equity of listed companies in India generating at least 80% of their income from the infrastructure sector ➤ Government securities, money market instruments, liquid mutual funds or cash equivalents

Unitholders Rights & Taxation

<p>UnitHolders' Rights</p>	<p>Broad rights of unitholders (this is not an exhaustive list)</p> <ul style="list-style-type: none"> ➤ Right to receive returns through cash distributions made by the trust ➤ Rights to vote on matters pertaining to acquisition of new assets or borrowing ➤ Right to vote on related party matters ➤ Right to vote on matters such as appointment or change of the Investment Manager ➤ Right to vote on induction of a Sponsor, with the opportunity to exit for dissenting voters ➤ Right to vote on exit of Sponsor
<p>Taxation</p>	<ul style="list-style-type: none"> ➤ Dividend income :Exempt in hands of Unitholders, if SPV follows old regime ➤ Interest income : <ul style="list-style-type: none"> ➤ Withholding tax on interest income for non resident Investors: @ 5% ➤ Withholding tax on interest income for Domestic investors: @ 10% ➤ On sale of units of InvITs on the stock exchange: <ul style="list-style-type: none"> ➤ Long-term capital gains beyond INR 0.1 million, taxable at 10% ➤ Short-term capital gains at concessional tax rate of 15%

Key features



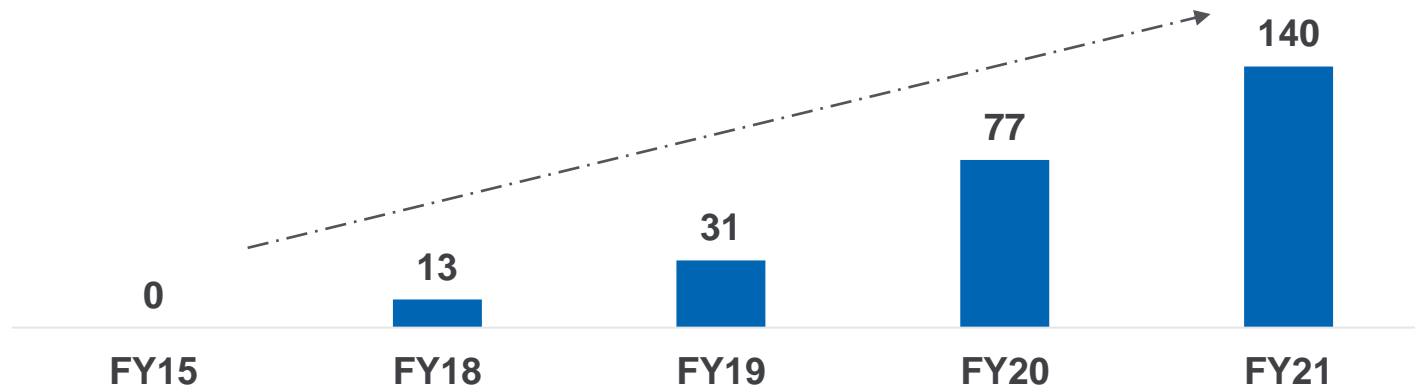
InvITs are an efficient way to recycle mature assets to long-term investors and free-up capital to continue the cycle of asset-creation



InvITs: Journey, Evolution & Potential

The Journey..

InvITs - Assets Under Management (INR '000 crs)



Name of InvIT	Sponsor	Asset class	Structure	AUM (Rs crore)Appx
IRB InvIT Fund	IRB	Roads	Public listed InvIT	7,300
India Grid Trust	KKR	Power transmission	Public listed InvIT	21,000
Indinfravit Trust	L&T IDPL	Roads	Private listed InvIT	10,500
India Infrastructure Trust	Brookfield	Gas pipeline	Private listed InvIT	14,500
Oriental Infratrust	Oriental group	Roads	Private listed InvIT	11,000
IRB Infrastructure Trust	IRB	Roads	Private unlisted InvIT	22,500
Tower Infrastructure Trust	Reliance Industries	Telecom towers	Private listed InvIT	42,000
Power Grid InvIT	Power Grid	Power transmission	Public listed InvIT	10,000

InvITs Have Seen Rapid Growth on the back of Regulatory Support and Investor Interest

Regulatory Evolution..

Measures	Significance	Impact
Reduction in Trading Lot Size to 1 Unit	Wider investor participation leading to efficient price discovery and more liquidity	Increased institutional and retail participation. Total exchange traded turnover of IndiGrid, Embassy REIT and IRB InvIT had gone up 231% after the lot sizes were reduced to 1 lakh for InvITs and 50,000 for REITs in 2019
Insurance companies and pension funds enabled to subscribe to debt securities of InvITs	Enabled access to long term debt capital	Insurance companies already subscribed to the long term NCDs of IndiGrid within a few days of notification itself
Sponsor rating requirements relaxed for investment by pension funds into InvIT units	Enabled access to long term equity capital	InvITs get access to well-suited long-term capital on one hand and pension funds get to invest in long-term steady return assets
RBI enabled banks to lend to InvITs	Provided additional avenues to raise long term debt capital	Over 6,000 Cr has been disbursed by banks to IndiGrid and this number is significantly higher considering other InvITs and REITs put together
Guidelines for rights issue of units by a listed Infrastructure Investment Trust (InvIT)	Enabling access to growth capital and enabling participation of existing investors in equity raise	IndiGrid became first listed public InvIT to raise 1,283 Cr via Rights Issue which was subscribed 125%
Increase in leverage limit from 49% to 70% subject to conditions	Make InvITs more competitive in acquisitions and provides better return for unitholders	IndiGrid made accretive acquisitions worth 13000 Cr since Apr-19 supported by the additional leverage headroom

The Market..

- In just around four years from the time since the first InvIT was listed, total assets under REITs and InvITs have grown to **Rs 3.5 trillion**
- REITs & InvITs have raised a capital of over **\$9.7 billion (Rs 725 billion)** in India
- InvITs/REITs have raised equity worth **55,000 crores in a FY20-21** alone, taking their net assets to **Rs 1.64 lakh crore**
- Over 400 listings of InvITs/REITs accounting for over **USD 1 trillion** of investments across the world

The Potential..

- **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**

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

Why Invest in InvITs?

- ⚡ Steady yield income
- ⚡ Diversification play
- ⚡ Minimal execution risk
- ⚡ Regular cash inflows
- ⚡ Capital Preservation & Growth
- ⚡ Better Corporate Governance
- ⚡ Leverage Cap
- ⚡ Defensive hedge against volatility
- ⚡ Democratization of Infrastructure assets
- ⚡ Superior Risk-Adjusted Returns for annuity assets

Risk-Return Track Record

	IndiGrid InvIT	Mindspace REIT	Embassy REIT	Brookfield REIT	PGCIL InvIT	GSEC Bond	IRB InvIT
Distribution	45.9%	3.5%	15.3%	-	-	26.5%	41.6%
Price Change	37.5%	2.9%	19.7%	-2.9%	13.0%	0.7%	-43.8%
Total Returns	83.4%	6.4%	35.0%	-2.9%	13.0%	27.1%	-2.2%
CAGR	16.1%	7.1%	14.2%	-7.6%	153.6%	6.1%	-0.5%
Beta	0.07	0.06	0.39	0.56	0.09	0.02	0.40

Source: Bloomberg

Total Returns include distribution since IndiGrid's listing in June'17 to June'2021

Power Grid InvIT listed in May 2021



Case Study: India Grid Trust

OUR VISION

To become the most admired yield vehicle in Asia

Focused Business Model	Value Accretive Growth	Predictable Distribution	Optimal Capital Structure
<ul style="list-style-type: none">• Long term contracts• Low operating risks• Stable cash flows	<ul style="list-style-type: none">• DPU accretive acquisitions Y-o-Y• Creating growth pipeline for future	<ul style="list-style-type: none">• Quarterly distribution• Minimum 90% of Net cash flow distributed• Sustainable distributions	<ul style="list-style-type: none">• Cap on leverage at 70%• AAA rating; prudent liability management• Well capitalized

IndiGrid - Our Journey

	Inception 2017-18	2019-20	FY 2021-22
Growth Track-record	<ul style="list-style-type: none"> 8 lines (~1,936 ckms) 2 S/S (6,000 MVA) 4 states 10 Revenue Elements ~INR 37 Bn 	<ul style="list-style-type: none"> 20 lines (~5,800 ckms) 4 S/S (7,735 MVA) 12 states & 1 UT 22 Revenue Elements ~INR 120 Bn 	<ul style="list-style-type: none"> 40 lines (~7,570 ckms) 11 S/S (13,550 MVA) 100 MW (AC) 18 states & 1 UT 52 Revenue Elements ~INR 210 Bn
Diversified Investor base	<ul style="list-style-type: none"> • Sponsor: Sterlite Power (16.73%) • No insurance cos • Retail holding at 4,450 Mn • DIIs held 21.36% stake • FPIs held 39.94% 	<ul style="list-style-type: none"> • Sponsor: Sterlite Power (15%) • 7 insurance co. held 5.31% stake • Retail holding at ~7,350 Mn • DIIs held 10.38% stake • FPIs held 55.07% 	<ul style="list-style-type: none"> • KKR inducted as a Sponsor (23.7%) • 9 insurance co. held 8.6% stake • Retail holding at ~18,250 Mn • DIIs held 15.2% stake • FPIs held 31.2%
Market Development	<ul style="list-style-type: none"> • Equity Capital : INR 22,500 Mn via IPO • Average daily turnover: INR 53 Mn* • Total Returns : 1.06%* • Net Debt / AUM: 26% 	<ul style="list-style-type: none"> • Equity Capital : INR 25,100 Mn via Pref Issue • Average daily turnover: INR 29 Mn* • Total Returns : 20% (listing to Mar-20) • Net Debt / AUM: 50% • Leverage limit increased to 70% • Lot size reduction • RBI enabled bank lending 	<ul style="list-style-type: none"> • Equity Capital : INR 12,836 Mn via Rights issue • Market Capitalisation: INR 100 Bn • Average daily turnover: ~INR 100 Mn • Total Returns : 83% (listing to Jun-21) • Net Debt / AUM: 58% • KKR inducted as Sponsor • PFRDA and Insurance lending enabled • Trading lot size reduced to ONE unit

IndiGrid - India's First Power Transmission Yield Platform

**~INR 210
Bn* AUM**

**18 STATES & 1 UT
ACROSS INDIA**

**40 Lines
~7,570 ckms**

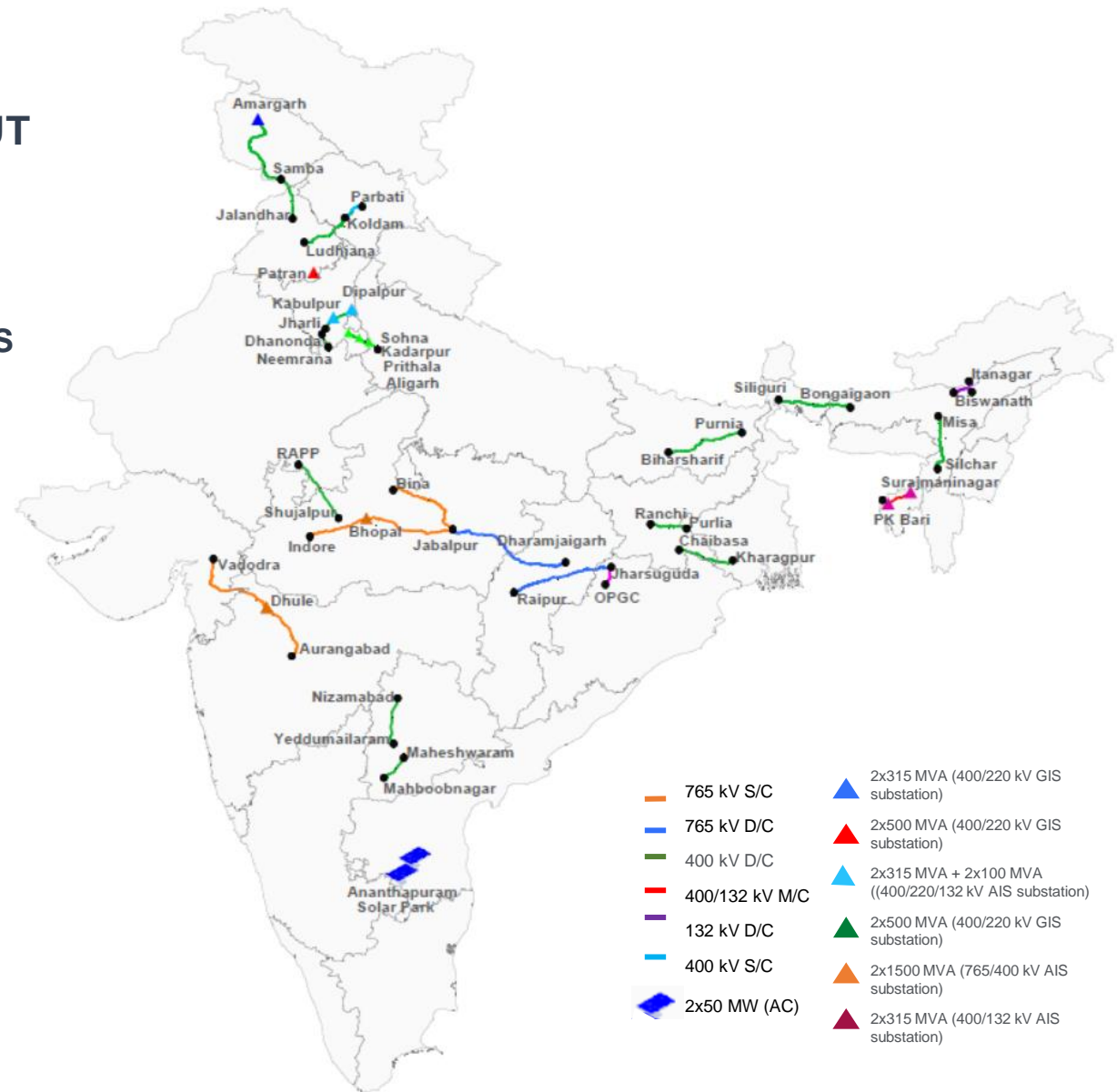
**11 SUBSTATIONS
~13,550 MVA**

**100 MW(AC)
SOLAR GENERATION**

**~30 YEARS
RESIDUAL CONTRACT#**

**~11,550
Towers**

**>4,35,000 MT
STEEL AND ALUMINUM**



*value of 100% stake of all projects as per independent valuation report as of 30th June 2021 (includes FRV acquired in July 2021)

ENICL has a TSA term of 25 years from the Licence Date

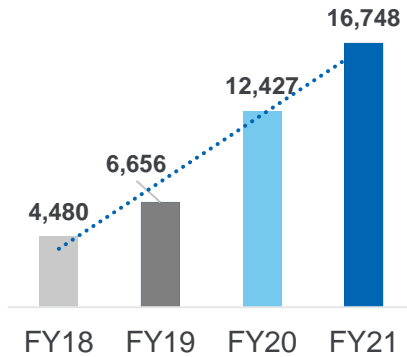
FRV has a PPA term of 25 years from the effective date

Locations Indicative, only a graphical representation of India
FRV solar assets acquired in July 2021

Financial Track Record

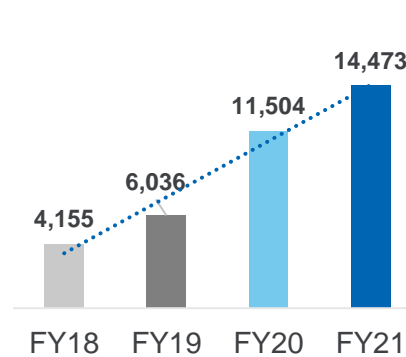
Revenue (INR Mn)

55%



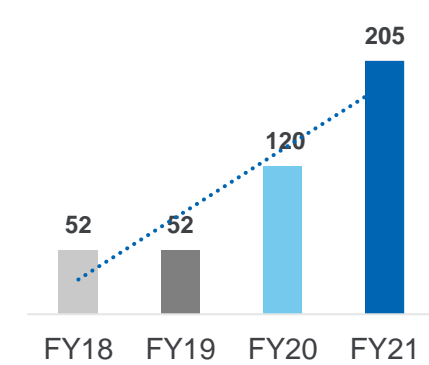
EBITDA (INR Mn)

51%



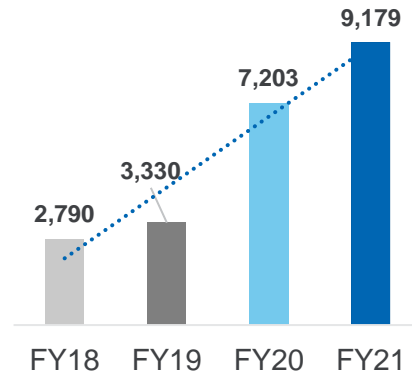
AUM (INR Bn)

58%



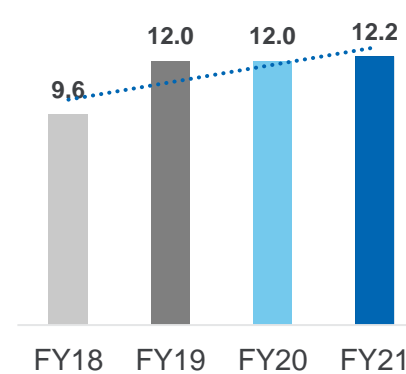
NDCF (INR Mn)

48%

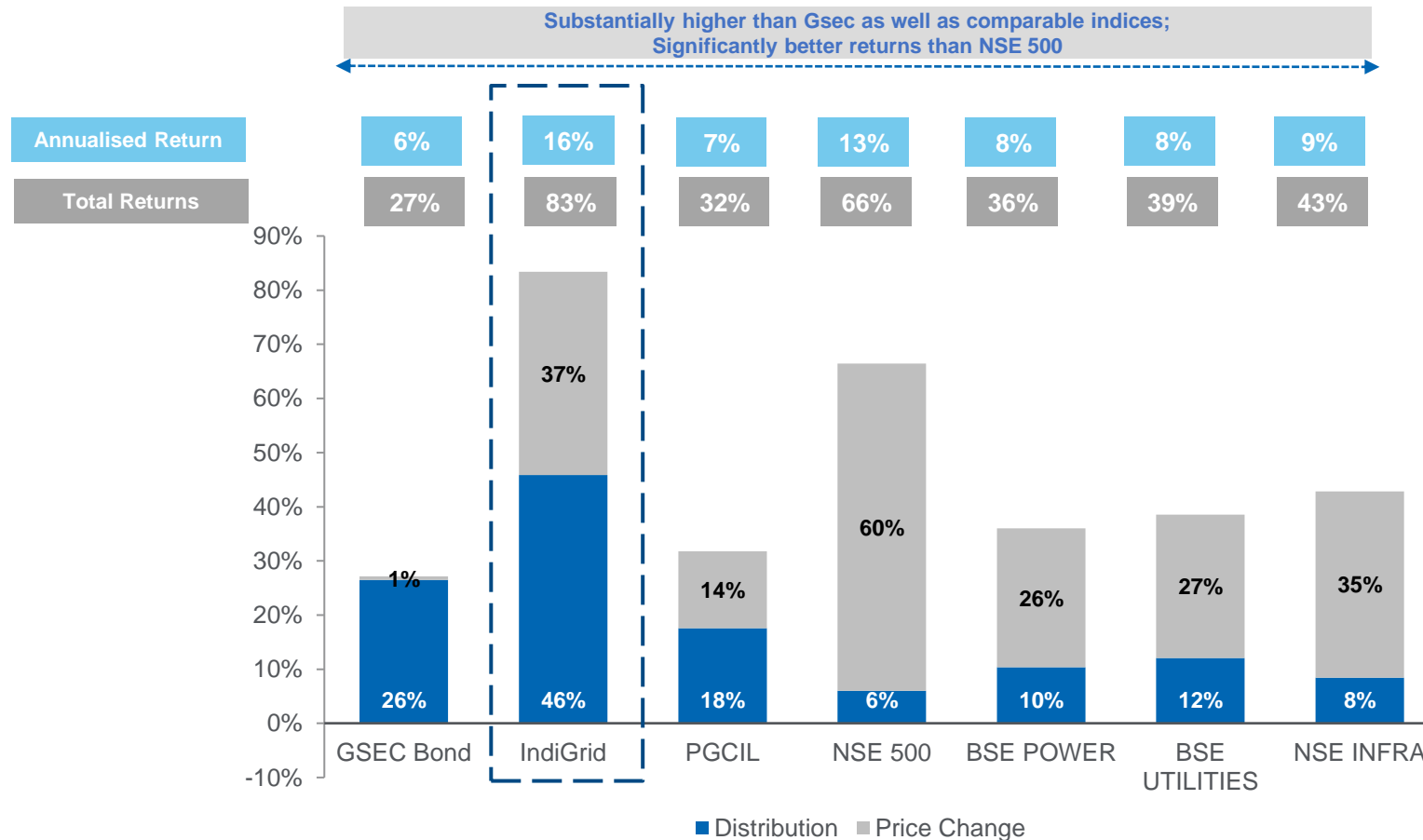


DPU (INR)

3-4% YoY%



Superior Risk-Adjusted Total Returns for Investors



Beta vs NSE 500	GSec Bond	IndiGrid	PGCIL	NSE 500	BSE Power	BSE Utilities	NSE Infra
	0.00	0.07	0.62	1.00	0.89	0.88	0.95

FY22 Business Outlook

Portfolio Growth

- INR 500 Bn worth inter state (TBCB) and INR 450 Bn intra-state bids (TBCB) are expected to be tendered over next 3-4 years creating a healthy acquisition pipeline
 - Inter-state transmission bids worth INR 150 Bn expected in FY22
 - Additionally, inter-state transmission projects worth 260 Bn identified for 20 GW renewable plants
- Focus on completion of acquisition of framework asset (KTL) and evaluate selective opportunities in solar and transmission sector
- Delivering on increased DPU Guidance of INR 12.75 for FY22

Improving Balance Sheet Strength

- Aim to further diversify debt sources and elongate tenures in incremental facilities
- Aim to reduce cost of debt through refinancing and diversification
- Focus on maintaining adequate liquidity to mitigate any uncertainties or unpredictable scenario

Resilient Asset Management

- Focus on maintaining > 99.5% availability across portfolio and maximize incentives
- Self-reliant O&M practices across the portfolio
- Continued investments in industry-leading technology initiatives like digital asset management, predictive analytics and emergency preparedness
- Ensuring world class EHS and ESG practices across the portfolio

Industry Stewardship

- Implement reduction in trading lot size to ONE unit
- Policy initiatives like streamlining tax anomalies and actioning FPI, ECB lending etc.
- Focus on increasing awareness about IndiGrid and InvITs

Superior
Total Returns

Sustainable
Increase in DPU

Stable
Operations



Annexure

IndiGrid - Our Portfolio Assets

(In INR Mn)

11 Inter State TBCB
Transmission Projects

1 Intra State TBCB
Transmission Project

1 Regulated Tariff
Transmission Project

1 Solar Generation Asset

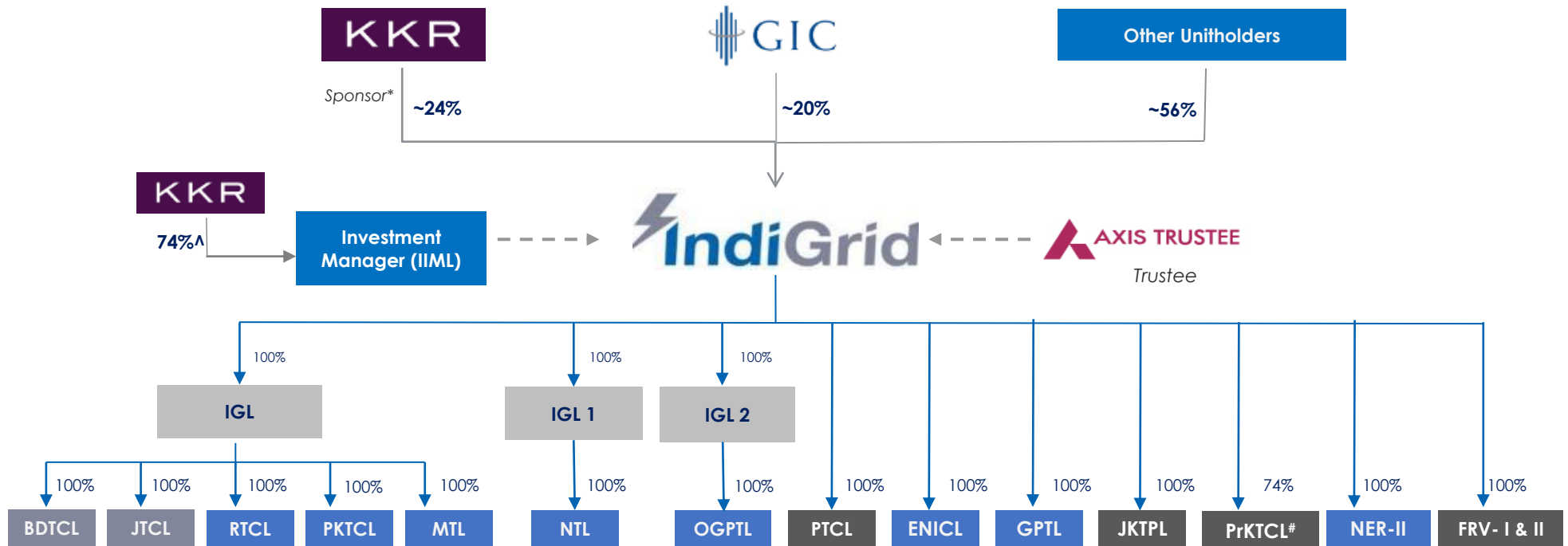
Asset	States	Elements	Contract	COD	Availability*	AUM	FY22 Tariff Contribution [^]	Metal ('000 Metric Ton)
BDTCL	Madhya Pradesh, Maharashtra, Gujarat	6 Lines – 945 ckms 2 Substations – 6,000 MVA	Fixed Tariff/ Centre	Jun-2015	99.61%	20,276	2,686	Steel – 48.9; Al – 22.3
JTCL	Madhya Pradesh, Chhattisgarh	2 Lines – 995 ckms	Fixed Tariff/ Centre	Sep-2015	99.56%	16,026	1,512	Steel – 62.8, Al – 21.8
RTCL	Madhya Pradesh, Rajasthan	1 Line – 405 ckms	Fixed Tariff/ Centre	Mar-2016	99.79%	4,176	455	Steel – 6.7, Al – 3.5
PKTCL	West Bengal, Jharkhand	2 Lines – 545 ckms	Fixed Tariff/ Centre	Jan-2017	99.91%	6,815	748	Steel – 10.4, Al – 4.8
MTL	Telangana	2 Lines – 475 ckms	Fixed Tariff/ Centre	Dec-2017	99.86%	5,897	578	Steel – 9.3; Al – 4.2
PTCL	Punjab	1 Substation – 1000 MVA	Fixed Tariff/ Centre	Nov-2016	99.87%	2,363	317	NA
NRSS	Punjab, Jammu & Kashmir	3 Lines – 830 ckms 1 Substation – 630 MVA	Fixed Tariff/ Centre	Sep-2018	99.63%	46,193	5,174	Steel – 27.8; Al – 7.3
OGPTL	Odisha, Chhattisgarh	2 Lines – 710 ckms	Fixed Tariff/ Centre	Apr-2019	99.83%	14,789	1,625	Steel – 43.7; Al – 14.3
ENICL	Assam, Bihar, West Bengal	2 Lines – 895 ckms	Fixed Tariff/ Centre	Nov-2014	99.46%	11,908	1,478	Steel – 37.7; Al – 15.6
GPTL	Haryana, Rajasthan, Uttar Pradesh	5 Lines – 275 ckms 3 Substations -3000 MVA	Fixed Tariff/ Centre	Apr-2020	99.10%	12,152	1,484	Steel – 8.4 , Al -3.0
JKTPL	Haryana	3 Lines – 205 ckms 2 Substations – 1660 MVA	Fixed Tariff /State	Mar -2012	99.08%	3,030	483	Steel – 8.7 , Al -3.6
PrKTCL	Himachal Pradesh, Punjab	6 Lines – 458 ckms	Regulated / Centre	Jun-2015	99.87%	8,391	1,377	Steel- 22.1 , Al – 6.7
NER-II	Tripura, Assam, Arunachal Pradesh	6 Lines- 832 ckms 2 Substations- 630 MVA	Fixed Tariff/ Centre	Mar-2021	99.59%	52,473	4,227	Steel- 27.8 , Al- 8.5
FRV	Andhra Pradesh	100 MW (AC)	Fixed Tariff PPA (INR 4.43/kWh)	Jul'18/Jan'19	N.A.	6,600 [#]	N.A.	Steel- 4.14 , Al- 1.04
14 Projects	18 States, 1 UT	~7,570 ckms, 13,550 MVA and 100 MW	52 revenue generating elements		>99.63%	>210 Bn	22,144	Steel 318,483 MT Aluminium 116,718 MT

*From COD to Mar-21
31, 2021

[#] Enterprise value at acquisition

[^]As per independent valuation report for March

Our Corporate Structure



Initial Portfolio Asset
 Acquired Third Party Asset
 Acquired Sponsor Assets
 % Represents Economic Ownership

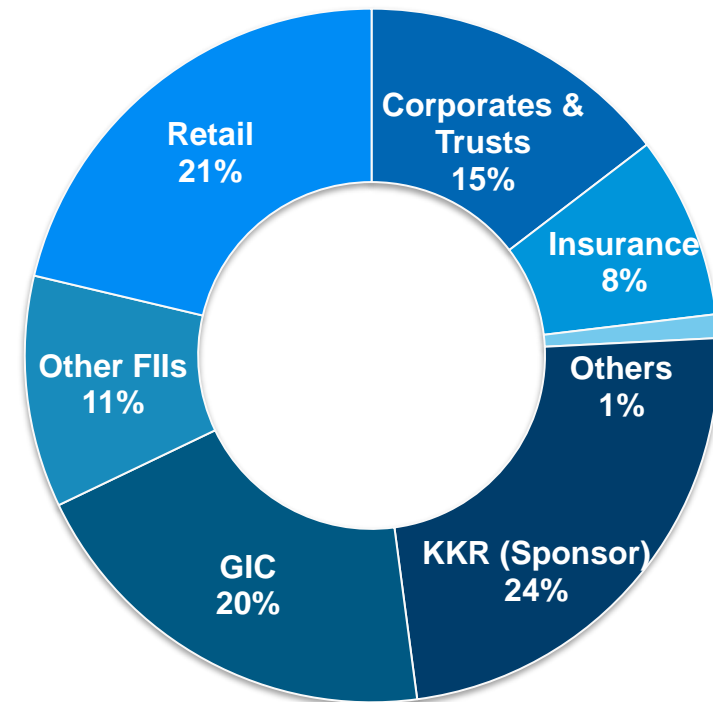
IGL= IndiGrid Limited,, IGL1 = IndiGrid 1 Limited , IGL2 = IndiGrid 2 Limited, BDTCL = Bhopal Dhule Transmission Company Limited, JTCL = Jabalpur Transmission Company Limited, RTCL = RAPP Transmission Company Limited, PKTCL = Purulia & Kharagpur Transmission Company Limited, MTL = Maheshwaram Transmission Limited, PTCL = Patran Transmission Company Limited, NTL = NRSS XXIX Transmission Limited, OGPTL = Odisha Generation Phase II Transmission Limited, ENICL = East-North Interconnection Company Limited , GPTL = Gurgaon Palwal Transmission Limited, JKTPL = Jhajjar KT Transco Private Limited, PrKTCL = Parbati Koldam Transmission Company Limited, NER-II = NER II Transmission Limited, FRV = FRV Solar Assets (two SPVs)

*Sterlite Power continues to be a sponsor with ~0.3% equity stake
 ^Sterlite Power holds 26% stake in IIML
 #PrKTCL held in a Joint Venture with Power Grid holding 26% stake

Diversified Investor Base

As on June 30, 2021

- Supported by marquee long term investor base
- ~25% owned by DIIs including insurance companies, mutual funds, pension fund and corporates
- Retail Holding inched up to ~21.3% ; quadrupled in value since IPO
- 9 Insurance companies hold ~8.5% stake
- FII holding (incl. KKR and GIC) at ~55%





Thank You