

Details of the Issue	
Price Band	₹ 99 - ₹ 100
Issue Size	₹ 7,734.99 Cr
Opening Date	Apr 29, 2021
Closing Date	May 1, 2021
Fresh Issue	₹4,993.48
Bid Lot	1100
Listing on	BSE, NSE

Objects of the Issue
Providing loans to the Initial Portfolio Assets for repayment or pre-payment of debt, including any accrued interest, availed by the Initial Portfolio Assets

Lead Managers
Axis Capital Limited Edelweiss Financial Services Ltd HSBC Securities & Capital Markets Pvt Ltd ICICI Securities Limited

Registrar
KFintech Private Limited

Investment Details	
NII	25%
Institutional	75%

Company Background

The POWERGRID Infrastructure Investment Trust (“PGInvIT”) was formed on September 14, 2020 by the sponsor, Power Grid Corporation of India Ltd. (“POWERGRID”) as an irrevocable trust, pursuant to the Trust Deed, under the provisions of the Indian Trusts Act, 1882.

POWERGRID is carrying out O&M of the Initial Portfolio Assets (“IPA”) since their respective Commercial Operation Date (“COD”) and has entered into O&M agreements with the IPA POWERGRID, as Project Manager, has entered into Project Implementation and Management Agreement with PGInvIT.

As of December 31, 2020, their Sponsor owned the Sponsor Tariff based competitive bidding (“TBCB”) Projects. As of December 31, 2020, 8 of these Inter-state transmission system (“ISTS”) SPVs had commenced commercial operations, comprising 39 transmission lines (6,398 Circuit kilometres (“ckm”)), with a total power transformation capacity of 9,630 MegavoltAmpere (“MVA”). The remaining Sponsor TBCB Projects are at different stages of development.

As of August 31, 2020, their Sponsor’s share in India’s cumulative inter-regional power transfer capacity was more than 85%. Of the Sponsor TBCB Projects, they propose to acquire 5 projects initially with a total network of 11 power transmission lines of approximately 3,698.59 ckm and 3 substations having 6,630MVA of aggregate transformation capacity, as of December 31, 2020, across 5 states in India.

Credit rating -

They have been given a credit rating of Provisional [ICRA] AAA (Stable), CARE AAA (Is); Stable and Provisional CCR AAA/Stable by ICRA Ltd., CARE Ratings Ltd. and CRISIL Ratings Ltd., respectively.

Strengths & Strategies

Strong lineage and support from the Sponsor and Project Manager

The experience and expertise of POWERGRID, the Sponsor, provides PGInvIT with a significant competitive advantage within the Indian power transmission industry. The Sponsor is the largest power transmission company in India in terms of length of transmission lines measured in circuit kilometres. As of August 31, 2020, Their Sponsor’s share in India’s cumulative inter-regional power transfer capacity was more than 85%. Further, for Fiscal 2020, their Sponsor’s share in the transmission charges for ISTS billed by the CTU is over 85%.

Consistent and stable cash flows from assets with long term visibility and low counter party risks

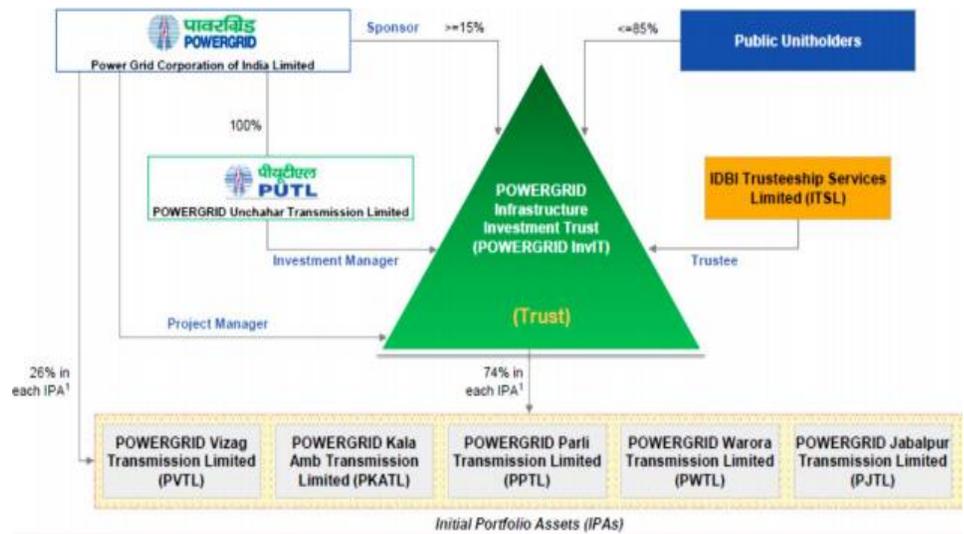
Since transmission charges are fixed for a period of 35 years, there is minimal price risk arising from transmission charge resetting, which provides stability, consistent cash flows and long term visibility. Power transmission projects are characterized by low levels of operating risk. Once a transmission project has been commissioned, it requires low levels of expenditure for O&M. Further, inter-state power transmission projects receive transmission charges on the basis of availability, including in case of outage due to a force majeure event, subject to requisite approvals and irrespective of the quantum of power transmitted through the system.

Strong financial position

Company’s financial position will help them finance their future expansion plans. Following utilization of the Offer Proceeds, their consolidated borrowings and deferred payments net of cash and cash equivalents will be below 49% of the total value of their assets, as prescribed by the InvIT Regulations. The low debt position of their balance sheet (relative to their assets) will provide them with the ability to finance the growth of their business without substantial dilution to their Unitholders in the near future to ensure compliance with the InvIT Regulations.

Source: RHP, GEPL Capital Research

InvIT Structure



Valuation & Recommendation

The offer is priced at around a 3.5x multiple on the book value. Investors can expect a pre-tax yield of 9 to 11% based on the utilization of funds to repay the SPV level debt.

An important feature of the InvIT is its ability to produce consistent cash flows owing to long tenure contracts, and headroom for growth given potential to lever the balance sheet and acquire more assets from PowerGrid. The management has also mentioned of a strong pipeline of projects that can be monetized by the InvIT.

Financial Snapshot

Particulars	9MFY21	Fiscal 2020	Fiscal 2019	Fiscal 2018
Equity Share Capital	1213.04	1200.68	998.68	442.28
Other Equity	275.09	333.02	219.61	71.21
Net worth	1488.13	1533.7	1218.29	513.49
Net Debt	4945.4	5136.9	5574.1	5329.7
Cash Flow from Operations	900.54	1052.15	342.5	373.18
Revenue from Operations	992.28	1324.29	977.16	343.57
Profit Before Tax	547.65	487.42	348.04	128.53
Profit for the Period	337.14	378.83	248.06	114.13
Long Term Debt to Equity	3.36	3.38	4.58	10.41
Net Debt/EBITDA	3.9x	4.0x	5.9x	15.9x

(In ₹ crore except per share data)

(8M data not annualized)

Source: RHP, GEPL Capital Research

NOTES

GEPL CAPITAL Pvt Ltd (formerly known as Gupta Equities Pvt. Ltd.)
 Head Office: D-21/22 Dhanraj mahal, CSM Marg, Colaba, Mumbai 400001
 Reg. Office : 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Associate Analyst - Gaurav Hinduja

Disclaimer:

This report has been prepared by GEPL Capital Private Limited ("GEPL Capital"). GEPL Capital is regulated by the Securities and Exchange Board of India. This report does not constitute a prospectus, offering circular or offering memorandum and is not an offer or invitation to buy or sell any securities, nor shall part, or all, of this presentation form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities. This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy, recommendation or any other content contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. All investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GEPL Capital as a result of using different assumptions and criteria. GEPL Capital is under no obligation to update or keep current the information contained herein. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect GEPL Capital's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by GEPL Capital or any other source may yield substantially different results. GEPL Capital makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information or opinions contained herein. Further, GEPL Capital assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent development, information or events, or otherwise. Neither GEPL Capital nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. In no event shall GEPL Capital be liable for any direct, special indirect or consequential damages, or any other damages of any kind, including but not limited to loss of use, loss of profits, or loss of data, whether in an action in contract, tort (including but not limited to negligence), or otherwise, arising out of or in any way connected with the use of this report or the materials contained in, or accessed through, this report.

GEPL Capital and its affiliates and/or their officers, directors and employees may have similar or an opposite positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). The disclosures contained in the reports produced by GEPL Capital shall be strictly governed by and construed in accordance with Indian law. GEPL Capital specifically prohibits the redistribution of this material in whole or in part without the written permission of GEPL Capital and GEPL Capital accepts no liability whatsoever for the actions of third parties in this regard.