

Powergrid Infrastructure Investment

The POWERGRID Infrastructure Investment Trust is sponsor by Power Grid Corporation of India Ltd, which is a maharatna company, under the provisions of the Indian Trusts Act, 1882. The Initial Portfolio Assets comprise five power transmission projects located across five states of India. The projects comprise 11 transmission lines, including six 765 kV transmission lines and five 400 kV transmission lines, with a total circuit length of approximately 3,698.59 ckm, and three substations with 6,630 MVA of an aggregate transformation capacity and 1,955.66 km of optical ground wire.

Positives: (1) The Assets were awarded under the Tariff Based Competitive Bidding mechanism on a build-own-operate-maintain basis with a long-term Transmission Service Agreement of 35 years. (2) Sustainable revenue and cash flow as transmission charges being contracted for 35 years result in minimal price risk arising from transmission charge resetting. (3) Sponsor company share in India's cumulative inter-regional power transfer capacity was more than 85%.

Investment concerns: (1) Initial portfolio assets have already registered more than 99% of availability which provides limited scope for growth in revenue in near future. (2) InvIT having a very high net debt of ₹4,945 crores and debt to equity ratio of 3.36 times as on 31st December 2020 (3) Looking at the distressed balance sheet of Discoms InvIT receivables may increase in near future and create pressure on the InvIT balance sheet.

Outlook & Valuation: InvIT net debt of ₹4,945 including debt of SPVs and Net Debt/EBIDTA of 4.0 times in FY2020 which is on the higher side. We expect very limited capital appreciation in near future for the InvIT. InvIT yield will be around 8% in FY2022, which is better than the other fixed income. However, we expect muted growth going forward as all assets in the InvIT portfolio are mature assets. As we are neutral on the outlook for the industry as well as the company, **we would recommend to "NEUTRAL" to the issue.**

Exhibit 1: Key Financials

Y/E March (₹ cr)	FY18	FY19	FY20	9MFY2021
Total Revenue from Operation	346	984	1334	1009
% chg	5.0	184.8	35.6	
EBIDTA	338	951	1296	978
EBITDA (%)	97.7%	96.7%	97.1%	96.9%
Profit before tax	128.6	348.1	487.5	547.6
PBT (%)	37.2%	35.4%	36.5%	54.3%
Net Profit	114.3	248.2	378.9	337.1
% chg		117.1	52.7	

Source: Company, Angel Research

NEUTRAL

Issue Open: April 29, 2021

Issue Close: May 03, 2021

Issue Details

Offer for Sale: ₹2741.5 Cr

Fresh issue: ₹4993.5 Cr

Issue size (amt): ₹7734.9 Cr

Price Band: ₹99-₹100

Minimum Bid Amount
₹1,08,900*-₹1,10,000**

Lot Size: 1100 units and in multiple thereafter

Post-issue implied mkt.cap: ₹17124Cr

Promoters holding Pre-Issue: 100%

Promoters holding Post-Issue: 55%

*Calculated on lower price band

** Calculated on upper price band

Book Building

Institutional Investor - 75% of issue

Retail - 25% of issue

Post Issue Shareholding

Promoters 55%

Others 45%

Yash Gupta

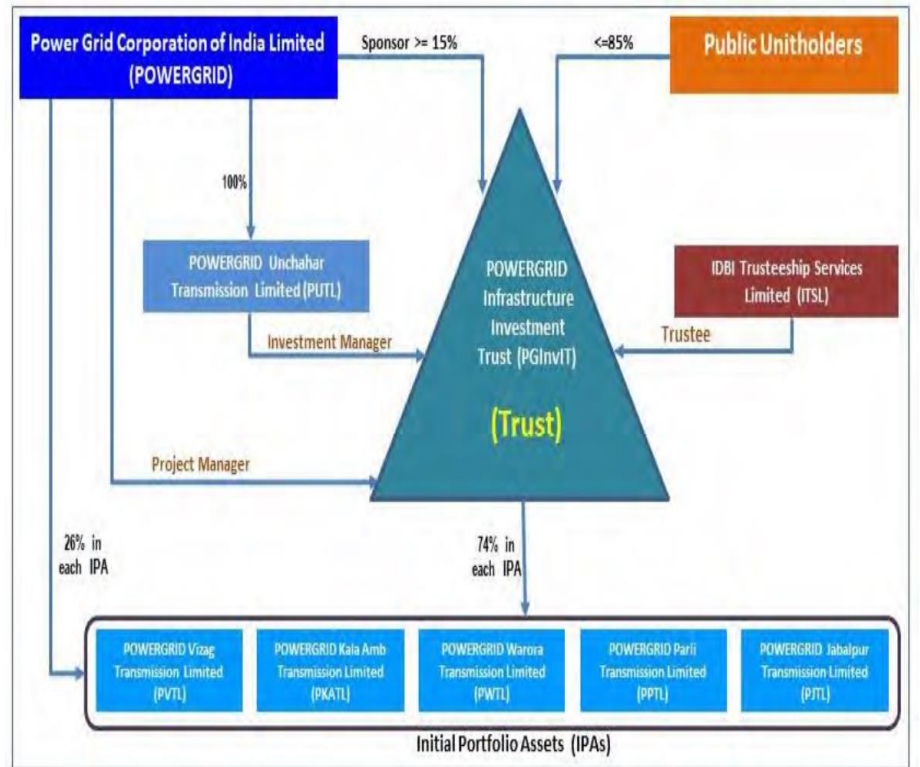
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About InvIT

The Sponsor settled the Trust on September 14, 2020 as an irrevocable trust, pursuant to the Trust Deed, under the provisions of the Indian Trusts Act, 1882. The investment objectives of the Trust are to carry on the activities of and to make investments as an infrastructure investment trust as permissible in terms of the InvIT Regulations and the Trust Deed. The investment of the Trust shall be in any manner permissible under, and in accordance with the InvIT Regulations and applicable law including in holding companies and/or special purpose vehicles and/or infrastructure projects and/or securities in India as permitted under the InvIT Regulations.

InvIT Structure



Source: Company, Angel Research

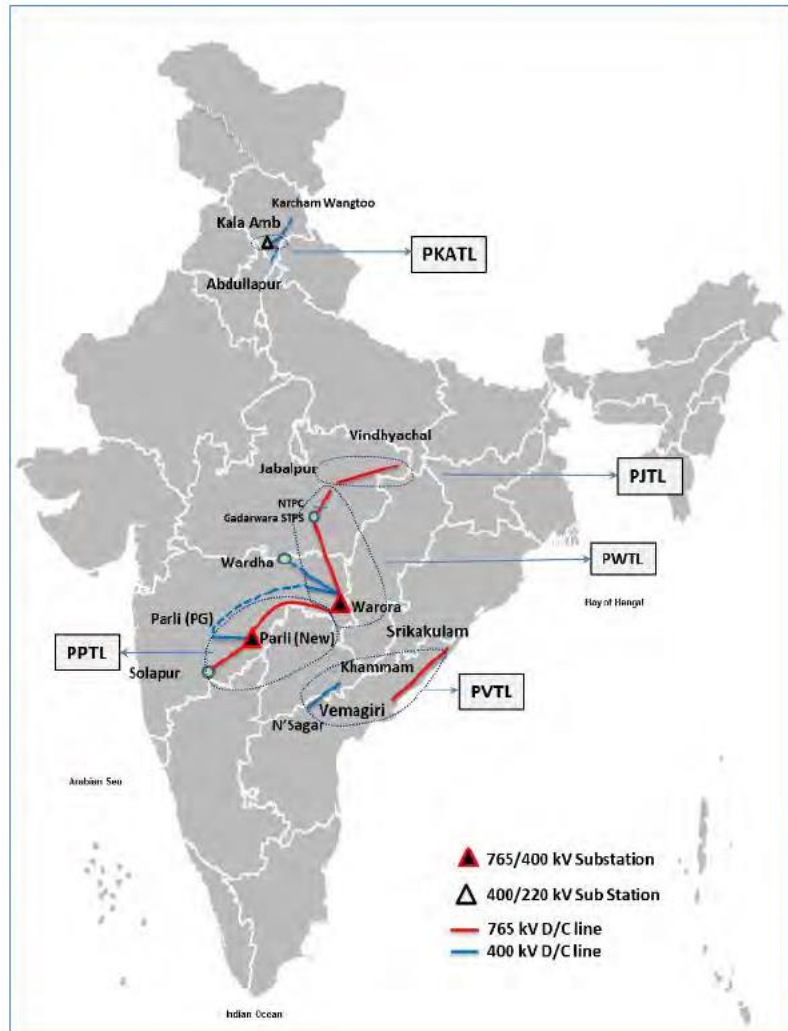
Powergrid Invit background

POWERGRID Infrastructure Investment Trust (“PGInvIT”) is an InvIT set-up to own, construct, operate, maintain and invest as an infrastructure investment trust as permissible in terms of the InvIT Regulations, including in power transmission assets in India. They were registered with SEBI as an InvIT on January 7, 2021. Their Sponsor, Power Grid Corporation of India Ltd., also acting in the capacity of their Project Manager, is a CPSE under the Ministry of Power, GoI and is listed on BSE and NSE. Their Sponsor was conferred with ‘Maharatna’ status on October 23, 2019 by the GoI. As of March 31, 2019, their Sponsor was the 3rd largest CPSE in terms of gross block as per the Public Enterprises Survey 2018-19 issued by the GoI, Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises in February 2020.

Key Highlights of Powergrid invit

- The Initial Portfolio Assets comprise five power transmission projects located across five states of India. The projects comprise 11 transmission lines, including six 765 kV transmission lines and five 400 kV transmission lines, with a total circuit length of approximately 3,698.59 ckm, and three substations with 6,630 MVA of an aggregate transformation capacity and 1,955.66 km of optical ground wire.
- The Assets were awarded under the Tariff Based Competitive Bidding (TBCB) mechanism on a build-own-operate-maintain (“BOOM”) basis with a long-term Transmission Service Agreement (TSA) of 35 years from the COD. The average remaining term of the TSAs is over 32 years.
- By carrying out required renovation works, the useful life of transmission assets can be extended up to 50 years and upon expiry of the term of a TSA, PGInvIT can apply to regulators for renewal if it is not unilaterally extended.
- They intend to distribute at least 90% of the net cash available for distribution to their Unit-holders once at least every quarter in every financial year. However, the first declaration of distribution by the Trust shall be made within 6 months from the listing and trading of units pursuant to the Offer.
- The Sponsor (jointly with its nominees) presently holds 100% of the equity shareholding of each of the Initial Portfolio Assets. Prior to the Allotment, the Trust, acting through the Trustee, proposes to acquire from the Sponsor, and the Sponsor proposes to transfer to the Trust in exchange for Units, the equity shareholding of each of the Initial Portfolio Assets

Exhibit 1: Powergrid Geography Wise Assets



Note: Map not to scale

Source: Company, Angel Research, DRHP

Distribution of income mechanism to Unit holders:

- Distributed of income will in form of Interest, Dividend and Capital repayment.
- 90% of net distributable cash flow will be distributed to unit holder.

Issue Details

Powergrid InvIT is raising ₹4993.5cr through fresh issue & Offer For Sale of ₹2741.5 Cr, price band of ₹99-100.

Exhibit 2: Pre & Post Shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	1,21,30,40,000	100.0	93,89,39,965	54.8%
Other	0	0	77,34,99,100	45.2%
Total	1,21,30,40,000	100.0	1,71,24,39,065	100.0

Source: Company, Angel Research

Key Management Personnel

Seema Gupta is the non-executive chairperson of the board of directors of the Investment Manager. She is also holding the post of Director (Operations) in Power Grid Corporation of India Limited (the Sponsor). Prior to taking up this assignment, she was an executive director (Northern Region-I) in Power Grid Corporation of India Limited.

Sunil Kumar Sharma is an independent director on the board of directors of the Investment Manager. He has served as the chairman and managing director of Bharat Electronics Limited. He holds a bachelor's degree in engineering and a master of business administration degree from Bangalore University.

M. N. Venkatesan is an independent director on the board of directors of the Investment Manager. He holds a bachelor of commerce degree and is a practicing chartered accountant specialising in management and financial consultancy. He has more than 36 years of experience as a chartered accountant, including as the statutory central auditor of large public sector banks.

Ashok Kumar Singhal is a non-executive director on the board of directors of the Investment Manager. He is also holding the position of executive director in Power Grid Corporation of India Limited. He holds a bachelor's degree in electrical engineering and also holds a post graduate diploma in management from Institute of Management Technology, Ghaziabad. He has over 34 years of experience in the power transmission sector

Consolidated Income Statement

Y/E March (₹ cr)	FY18	FY19	FY20	9MFY2021
Total Revenue from Operation	345.5	984.0	1,334.0	1,008.9
<i>% chg</i>	5.0	184.8	35.6	
Total Expenditure	8.0	32.9	38.1	31.1
Other Expenses	8.0	32.9	38.1	31.1
EBITDA	337.5	951.1	1,295.9	977.8
<i>% chg</i>	-	181.8	36.3	
<i>(% of Total Revenue)</i>	97.7	96.7	97.1	96.9
Depreciation & Amortisation	93.2	274.9	379.4	139.2
EBIT	244.3	676.2	916.5	838.6
<i>% chg</i>	-	176.8	35.5	
<i>(% of Total Revenue)</i>	70.7	68.7	68.7	83.1
Interest & other Charges	115.7	328.1	429.0	291.0
Profit before tax	128.6	348.1	487.5	547.6
Tax	14.3	99.9	108.6	210.5
PAT (reported)	114.3	248.2	378.9	337.1
<i>% chg</i>	-	117.1	52.7	
<i>(% of Total Revenue)</i>	33.1	25.2	28.4	33.4

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY18	FY19	FY20	9MFY2021
SOURCES OF FUNDS				
Capital	442.2	998.6	1,200.6	1,213.0
Other equity	71.2	219.6	333.0	275.0
Non controlling interest	-	-	-	-
Total Equity	513.4	1,218.2	1,533.6	1,488.0
Total Loans	5,236.7	5,336.8	4,429.3	4,750.7
Total Non Current Liabilities	-	5.2	28.7	267.7
Total Liabilities	5,750.1	6,560.2	5,991.6	6,506
APPLICATION OF FUNDS				
Net Block	1,778.6	6,615.3	6,321.8	6,199.3
Capital Work-in-Progress	4,529.2	8.6	-	2.2
Current Assets	112.3	276.4	373.9	443.0
Inventories	10.9	21.0	31.0	31.0
Sundry Debtors	50.6	118.9	173.7	188.1
Cash & Bank Balance	17.0	2.7	40.0	54.0
Other Assets	33.8	133.8	129.2	169.9
Current liabilities	755.2	439.7	829.3	311.8
Net Current Assets	(642.9)	(163.3)	(455.4)	131.2
Other Non Current Asset	84.3	99.6	125.3	173.6
Total Assets	5749.2	6560.3	5991.7	6506.3

Source: Company, Angel Research

Cash Flow Statement

Y/E March (₹cr)	FY18	FY19	FY20	9MFY2021
Profit before tax	128.5	348.0	487.4	547.6
Depreciation	93.2	274.9	379.4	139.2
Change in Working Capital	62.4	(535.0)	(156.0)	(53.0)
Interest Expense	115.7	328.1	429.0	291.0
Direct Tax Paid	(26.6)	(73.8)	(86.8)	(23.5)
Others	-	-	(0.1)	(0.5)
Cash Flow from Operations	373.2	342.2	1,052.9	900.8
(Inc.)/ Dec. in Fixed Assets	(3,273.9)	(642.8)	(107.3)	(15.0)
Others	-	-	0.1	0.6
Cash Flow from Investing	(3,273.9)	(642.8)	(107.2)	(14.4)
Interest paid	(73.7)	(400.8)	(444.2)	(311.8)
Borrowings	2,806.9	230.1	(400.0)	(177.4)
Loan from related parties	-	-	-	-
Dividend paid on equity shares	(25.1)	(99.5)	(265.3)	(395.0)
Issue of Share capital	206.1	556.4	202.0	12.3
Share Premium received	-	-	-	-
Cash Flow from Financing	2,914.2	286.2	(907.5)	(871.9)
Inc./(Dec.) in Cash	13.5	(14.4)	38.2	14.5
Opening Cash balances	3.6	17.0	2.7	39.9
Closing Cash balances	17.0	2.7	39.9	54.0

Source: Company, Angel Research

Key Ratio

Y/E March	FY18	FY19	FY20	9MFY2021
Valuation Ratio (x)				
P/E (on FDEPS)	38.7	40.2	31.7	36.0
P/CEPS	21.3	19.1	15.8	25.5
P/BV	8.6	8.2	7.8	8.2
EV/Sales	50.2	17.7	12.4	16.7
EV/EBITDA	51.4	18.4	12.7	17.2
Per Share Data (Rs)				
EPS	2.6	2.5	3.2	2.8
Cash EPS	4.7	5.2	6.3	3.9
Book Value	11.6	12.2	12.8	12.3
DPS	0.57	1.00	2.21	3.26
Returns (%)				
Angel ROIC (Pre tax)	20.3%	10.3%	15.5%	13.6%
ROE	22.3%	20.4%	24.7%	22.7%
ROCE	4.2%	10.3%	15.4%	13.4%

Source: Company, Angel Research

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