COMPANY UPDATE

INDIA GRID TRUST

Recalibrating the growth pitch

India Equity Research| Power

Edelweiss
Ideas create, values protect

Our conviction on India Grid Trust's (IndiGrid) bright prospects is underpinned by: 1) significant spurt in IRR(270bps) & DPU(3%) led by recent acquisition & framework arrangement of assets; 2) fresh equity issuance & KKR coming on board as additional sponsor instill confidence & enhances visibility on future acquisitions (beyond ROFO); 3) lifting of related-party transaction cloud with KKR now controlling 74% in investment manager arm improves corporate governance (CG); and 4) 600bps spread between 10 year G-secs (6.7%) and IndiGrid ex terminal value (13.1%; AAA rated) is extreme and warrants rerating. Maintain BUY with a revised TP of INR113 (earlier-INR105) led by change in risk free rate and new assets. In our TP we now assign 3% to the growth value.

Improved corp. governance, acquisition visibility: Game changers

Recent equity raise of INR25bn by IndiGrid (first after IPO) and other developments are a watershed moment in many ways: 1) enhance growth prospects significantly with INR65bn AUM of framework arrangement over the next two years; 2) bolsters equity issuance potential—KKR and GIC bring deep expertise and money pool; and 3) enhance the comfort on corporate governance issue as KKR would now own 74% stake in investment manger (SIML) as against Sterlite Power's 100% stake – a conflict of interest.

Yield, growth and valuation play: A compelling story

With no volume-related risk and a high certainty of cash flows, IndiGrid offers 13.1% IRR's with existing and framework assets (GPTL/KTL, NER). This is at least 200bps higher than other global yieldcos, adjusted for hedging. Moreover, the 2.5x jump in total distributions (till FY22E) from existing and framework assets would entail in at least 3% growth in DPU (post dilution). And, finally, 600bps spread between 10 year G-sec(6.7%) and IndiGrid (13.1%) is extreme, in our view, and hence attractive at CMP.

Outlook and valuation: Covering all bases

IndiGrid has corrected 12% since its IPO, which we attribute primarily to thin liquidity and rise in interest rates. Stock exchanges have approved the lot size to one third to 1701units from 30th September which should aid some liquidity. In our view, potential investors are actually locked in at 13.1% IRR considering framework arrangement, which is alluring. In our revised TP of INR113, about INR12 is attributable to the DPU to be distributed over FY20 implying a 15% upside on growth prospects. Maintain **'BUY'**.

Financials **(INR mn)**

Year to March	FY18	FY19	FY20E	FY21E
Revenues	4,476	6,656	11,623	16,350
EBITDA	4,076	6,024	10,735	15,084
Adjusted Profit	2,103	1,996	3,931	4,873
Basic shares outstanding (mn)	284	284	583	583
Adjusted diluted EPS (INR)	7.4	7.0	6.7	8.4
Price/BV (x)	0.9	0.9	1.0	1.1
ROAE (%)	14.7	7.2	10.3	10.2

EDELWEISS 4D RATINGS

Absolute Rating	**BUY**
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

MARKET DATA *(R: , B: INDIGRID IN)*

CMP	: INR 88
Target Price	: INR 113
52-week range (INR)	: 92 / 81
Share in issue (mn)	: 583.5
M cap (INR bn/USD mn)	: 52 / 731
Avg. Daily Vol.BSE/NSE('000)	: 338.2

SHARE HOLDING PATTERN (%)

	Current	Q4FY19	Q3FY19
Sponsor *	15.0	21.0	21.0
MF's, FI's & BK's	8.9	33.0	33.0
FII's	56.3	33.0	33.0
Others	19.8	13.0	13.0

** Promoters pledged shares (% of share in issue) : NIL*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Power Index
1 month	1.8	3.5	(3.4)
3 months	2.6	(3.0)	(7.3)
12 months	(0.8)	3.5	(10.7)

Swarnim Maheshwari
+91 22 4040 7418
swarnim.maheshwari@edelweissfin.com

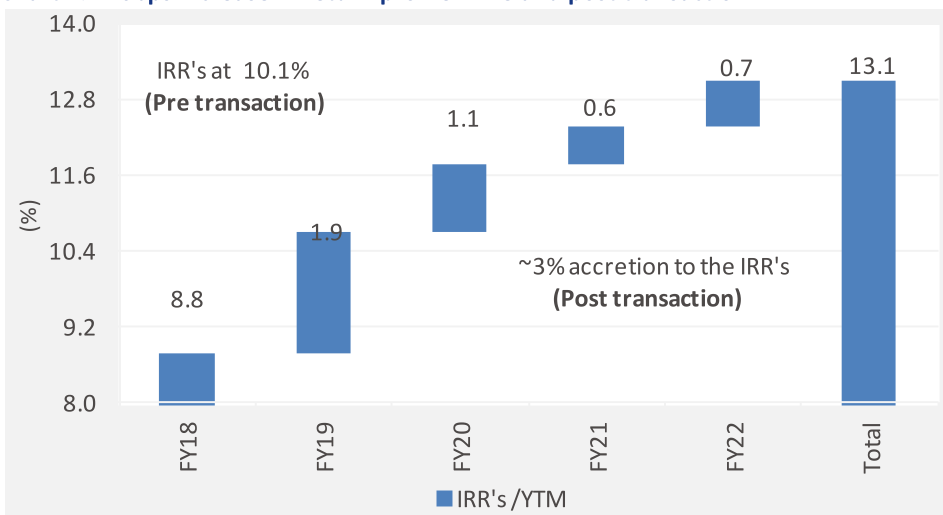
September 25, 2019

INR25bn equity issuance: Watershed moment

In our view, the recent fund raise of INR25bn by INDIGRID along with other developments is significant in many ways:

1) **Recent acquisition and framework lift IRR 270bps to 13.1%:** Before this transaction, INDIGRID was nearing SEBI's 49% debt ceiling. With NTL's and OGPTL's AUM of INR50.5bn, nearly 100% dilution was imperative for INDIGRID. Post the drop down, IndiGrid IRR (IRR) has improved ~120bps to 11.8%, which is quite significant in our view. With INR65bn AUM of ***framework assets*** set to be acquired by the trust over the next 24 months, the IRR will further increase by 120-130bps to 13.1%. This even without considering terminal value (grey area for investors) of ~ 50-60bps.

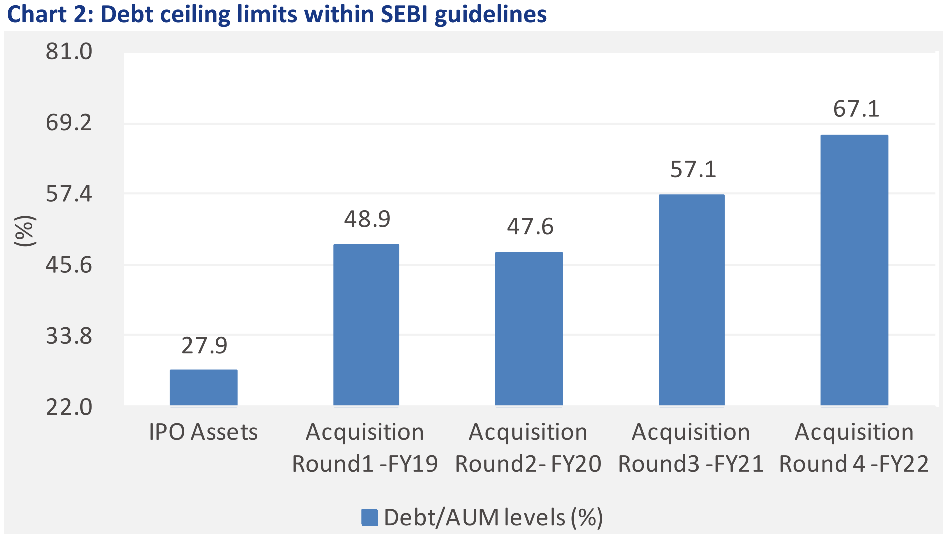
Chart 1: 270bps increase in return profile—Pre and post transaction



Source: Company, Edelweiss research

These acquisitions will be leveraged buy out (SEBI's new norms have enhanced the leverage limit to 70% of AUM), implying a quick drop down. IndiGrid's total debt will be INR110bn post acquisition of framework assets compared with total AUM of INR175bn.

Chart 2: Debt ceiling limits within SEBI guidelines

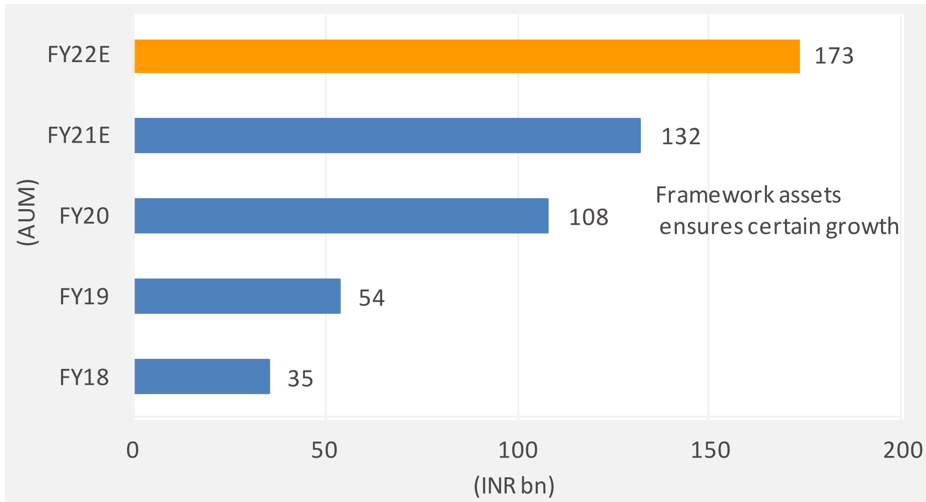


Source: Company, Edelweiss research

Acquisition of assets	Name of assets
IPO assets	BDTCL+JTC
Round 1	(MTL+RAPP+ PKTCL+PTCL)
Round 2	(NTL+OGPTL)
Round 3	KTL & GPTL
Round 4	NERS

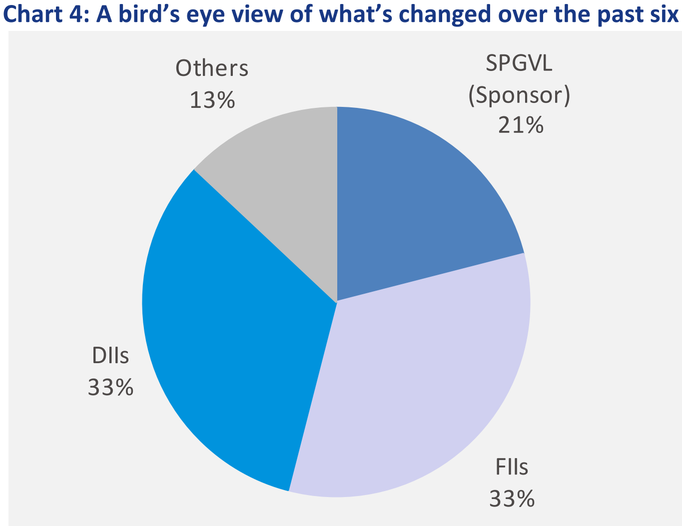
2) **KKR and GIC reinforce INVIT platform's credibility**: In the recent equity issuance, KKR and GIC have cumulatively invested INR20bn, with the former owning 37% of IndiGrid (**subject to regulatory approvals**). Moreover, KKR along with Sterlite Power Grid Ventures (SPGVL) will be sponsor of the trust (**subject to regulatory approvals**). KKR and GIC have deep expertise and access to fund flows from across the world and have been investing in infra assets in India over the past few years. In the future, whenever equity issuance is effected, fund raising will not be a challenge in our view given the credibility KKR and GIC bring to the platform, apart from the fund themselves.

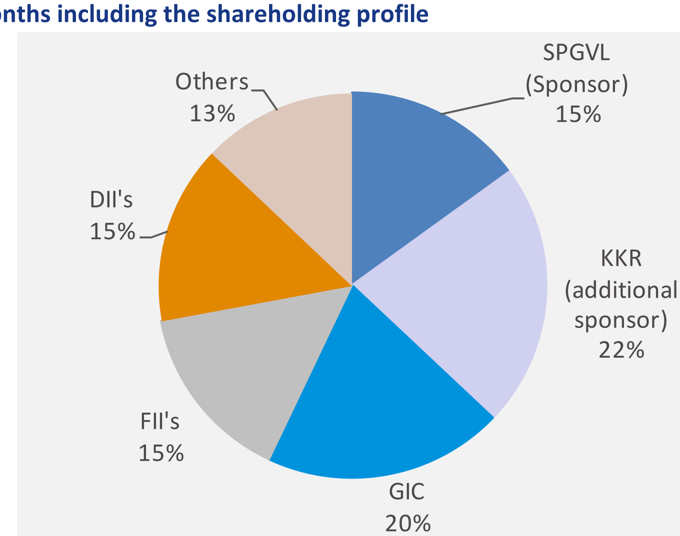
Chart 3: 5x growth in AUM since the IPO by FY22E……



3) **KKR controlling majority stake in investment manager arm clears Corporate Governance cloud**: Investors have often perceived SGPVL being sponsor and controlling the investment manager arm as a conflict of interest. In a major development, apart from equity infusion, KKR has bought 60% stake (additional 14% to be acquired in next two year) in the investment manager arm (SIML). This, we believe, will instil confidence amongst investors in transactions pertaining to related party.

Chart 4: A bird's eye view of what's changed over the past six months including the shareholding profile





Source: Company, Edelweiss research

Note: KKR intends to acquire 15% stake of SPGVL subject to regulatory approvals

Prolonged low interest rate regime to benefit INDIGRID

G-secs and quasi-sovereign bond yields have fallen significantly as the RBI ramped up purchases of G-secs. In recent months, the transmission of monetary policy has somewhat improved. However, the corporate bond yields in India is still at high levels of ~ 8%.The current cycle, in many ways, is the shallowest easing cycle in the past 20 years.

We take cognizance of the fact that the recent fiscal stimulus through corporate tax rate cut will widen the fiscal deficit. As a knee jerk reaction, bond yields have jumped 20-30bps to 6.7%. However, in our view, the RBI is likely to accommodate this fiscal expansion through rate cuts/OMOs as there is no inflation risk as such. Overall, in our view, India is likely to see a prolonged low interest rate regime, at least for the next couple of years. This could mean that 10-year G-sec could well remain within the 6-7% range for the next couple of years.

IndiGrid has traded at a spread of ~3-4% over the past two years. However, the recent fall in bond yields to ~6.5% has increased the spread to 600bps. In this backdrop, IndiGrid which is AAA rated (next to the sovereign rating of India), scores highly given the current IRR of 12%, which is set to further improve by 120bps over the next two years. In our view, such a spread is extreme given the high degree of certainty of cash flows & DPU and hence returns.

Moreover, a lower interest rate regime could entail higher NDCF for InvIT holders as every 1% reduction in cost of debt for INDIGRID implies INR0.8-0.9bn reduction in interest cost, implying accretion of INR1.5-1.6/unit in the DPU.

The current spread of 600bps is only going to increase unless INDIGRID's valuations re-rate, which is unlikely, in our view.

Chart 5: 10Y G-sec movement

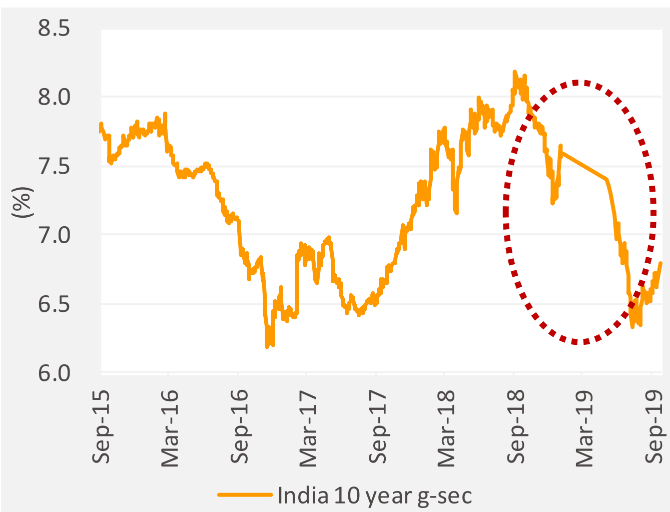


Table 1: Sensitivity of NDCF /interest rate

Cost of debt	Target Price (INR)
8.25%	123
8.50%	119
8.75%	116
9.00%	113
9.25%	109
9.50%	106
9.75%	102
10.00%	98

Source: Bloomberg, Edelweiss research

Excellent growth visibility; robust cash flow generation potential

INDIGRID's business model entails focus on only owning power transmission assets that have long-term contracts, stable cash flows and low operating risks. Post the recent drop down of NTL and OGPTL assets, impact on the company's financials is summarised as below:

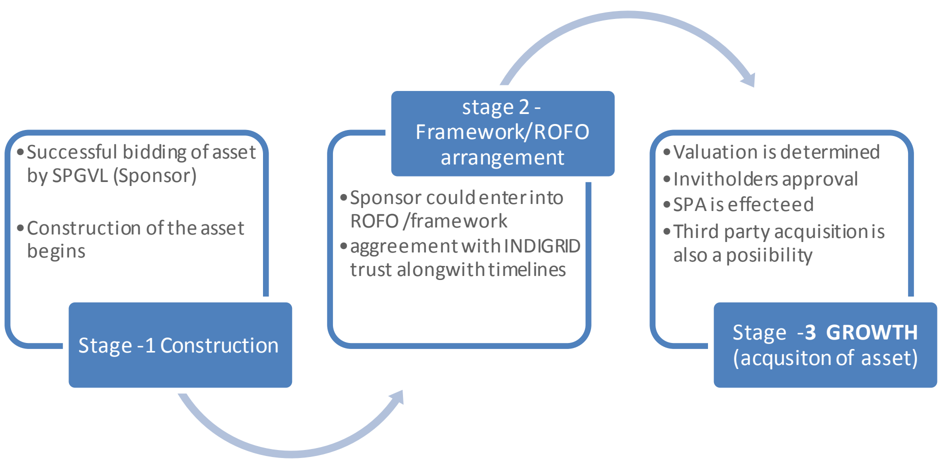
1) EBITDA at the trust level almost doubles to INR11.5bn.

2) Average NDCF post debt obligations (principal repayment and interest servicing) doubles to INR6.8bn.

3) Overall IRR improves 120bps to ~12% at CMP without considering terminal value impact (40-50bps).

The upward trajectory in NDCF and return profile does not end here. INDIGRID recently amended its ROFO arrangement and moved assets like GPTL, KTL and added NER to the framework arrangement. The latter is different from the ROFO deed as valuations and timelines get locked in framework assets, unlike in ROFO. While share purchase agreement is to be executed, it **implies a certain growth over stipulated timelines.**

Fig. 1: Timelines: from Construction to acquisition



Source: Edelweiss research

What are the valuations and timelines for these framework assets?

On April 30, 2019, INDIGRID entered in to a framework agreement with its sponsor (SGPVL and KKR) in which the former has agreed to acquire the framework assets from the sponsor, subject to definitive share purchase agreement to be entered, due diligence, interest rate etc. The consideration determined for these framework assets is as follows:

1) GPTL - INR10.25bn

2) KTL – INR13.75bn

3) NER – INR41bn

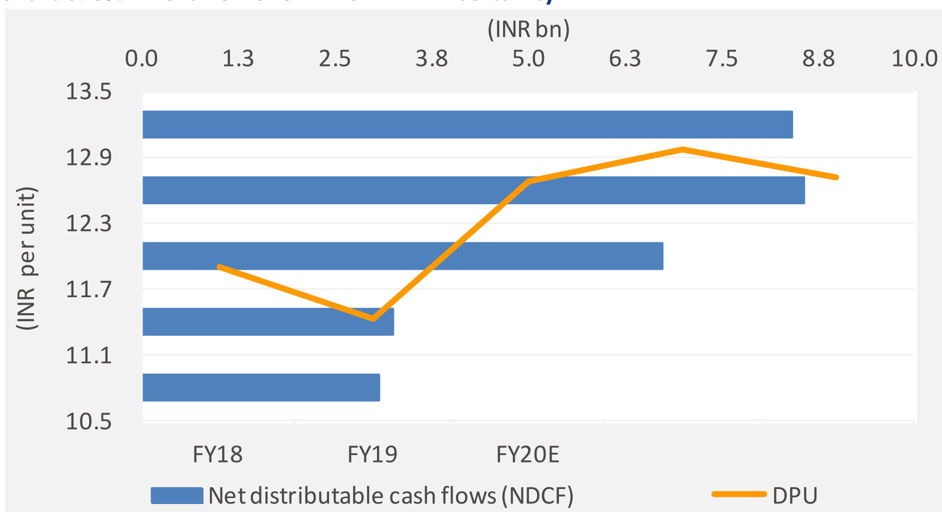
What's pending in ROFO assets now?

Post the recent amendment in the ROFO deed, only the acquisition of ENICL by INDIGRID subject to definitive share purchase agreements will be covered under the terms of the ROFO deed. Moreover, Sterlite Power has recently won a couple of contracts in India and they are in various stages of construction. These assets could potentially become part of the ROFO arrangement in the future.

Strong NDCF & DPU growth trajectory on cards

Compared with current EBITDA of INR11bn (post drop down of NTL + OGPTL), balance framework ROFO assets entail potential to generate INR21bn EBITDA, in turn ensuring sustainable growth in NDCF. We expect NDCF to InvIT holders to catapult 2.5x to ~INR8.5bn.

Chart 6: 3% DPU CAGR over FY19-22E—A certainty



Source: Company, Edelweiss research

Importantly, the current cash reserve of INR1.2bn is expected to be utilised to an extent which could be INR0.8-INR1/unit in FY20E. Similarly, NDCF generated in FY21/22 would be much higher and would be equivalent to INR14/DPU. However, we don't expect the entire NDCF to be distributed which will lead to accretion in cash reserves. This cash reserve could be used either in acquisition of assets or used for distribution to Invit holders in future**. It is pertinent to note that the cash reserve belongs to the Invit holders and management uses the same to smoothen out the DPU curve.**

NDCF to catapult 2.5x over FY19-22 upon acquisition of assets.

Table 2: Break down of NDCF over FY18-22 by assets and year

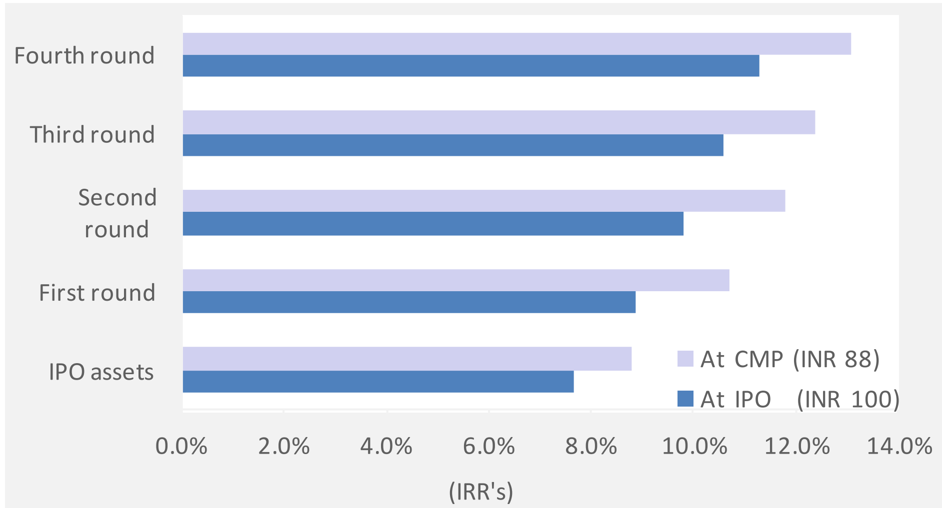
Projects & NDCF (INR bn)	FY18	FY19	FY20E	FY21E	FY22E
BDTCL and JTCL	**3.1**	2.9	3.1	3.1	2.8
Add: MTL+RAPP+PKTCL+PTL	-	0.3	0.5	0.5	0.5
NDCF post first drop down	3.1	**3.2**	3.6	3.6	3.3
Add: NRSS and OGPTL	-	-	3.2	4.0	3.9
NDCF post second drop	3.1	3.2	**6.8**	7.6	7.2
Add: KGL+GPTL	-	-	-	1.0	0.9
NDCF post third drop	3.1	3.2	6.8	**8.6**	8.1
Add: NERSS	-	-	-	-	0.3
Total NDCF	3.1	3.2	6.8	8.6	8.4

Source: Company, Edelweiss research

Deciphering difference in return profile for existing and potential investors

It's pertinent to note that investors/readers often are perplexed by different IRR/IRR value used. This is primarily due to different IRRs for existing (IPO investor) and potential investors. Below chart explains the difference:

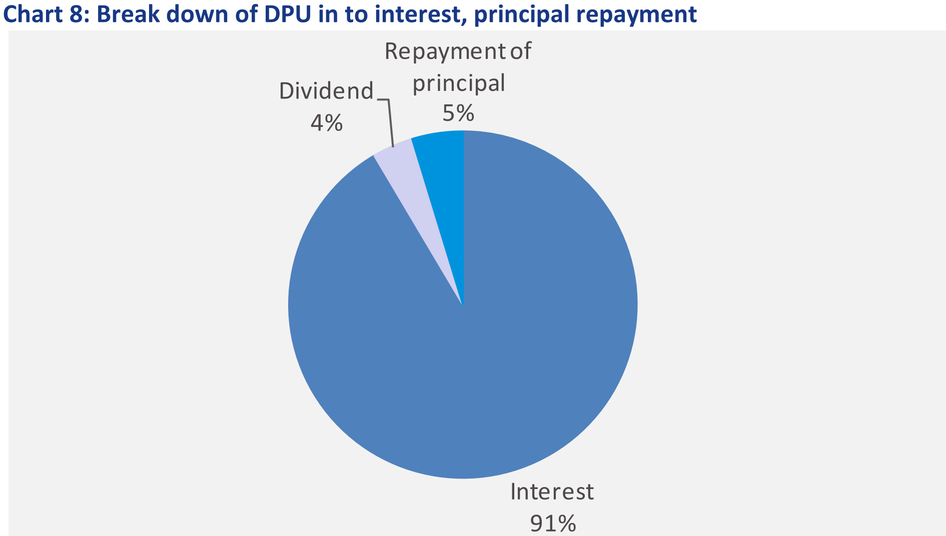
Chart 7: Levelling of returns at CMP versus issue price



Source: Company, Edelweiss research

As a matter of fact, the structure of up streaming of cash flows from the SPV level to the trust determines the form of distribution for the invit holders which can be either: 1) in interest form , 2)in dividend form and 3) in the form of repayment of principal. IndiGrid has so far distributed ~INR8bn or INR25/unit of which INR24/unit was in the form of interest and INR0.7/unit was in the form of repayment of capital. Over the next 10 years, we expect the 90% of the DPU in the form of interest.

Chart 8: Break down of DPU in to interest, principal repayment



Source: Company, Edelweiss research

Outlook and valuation: Covering all bases

INDIGRID has clocked robust performance since listing with total distribution of INR25/unit or INR8bn distribution so far. From owning two assets/INR55bn AUM since the IPO, the trust's AUM has catapulted 3x with a strong 400bps improvement in IRR (at the IPO price of INR100).

This was majorly led by: 1) leveraging the portfolio; and 2) acquisition of higher IRR assets, thereby improving overall IRR. Post the recent equity issuance and other developments, the IRR is set to improve further by 120-130bps taking in to account the framework asset arrangement. This, along with growth in DPU by 3%, renders INDIGRID a very attractive proposition. At INR88, INDIGRID offers:

1) IRR of 13.1% including the framework assets (ex-terminal value of 40-50bps)

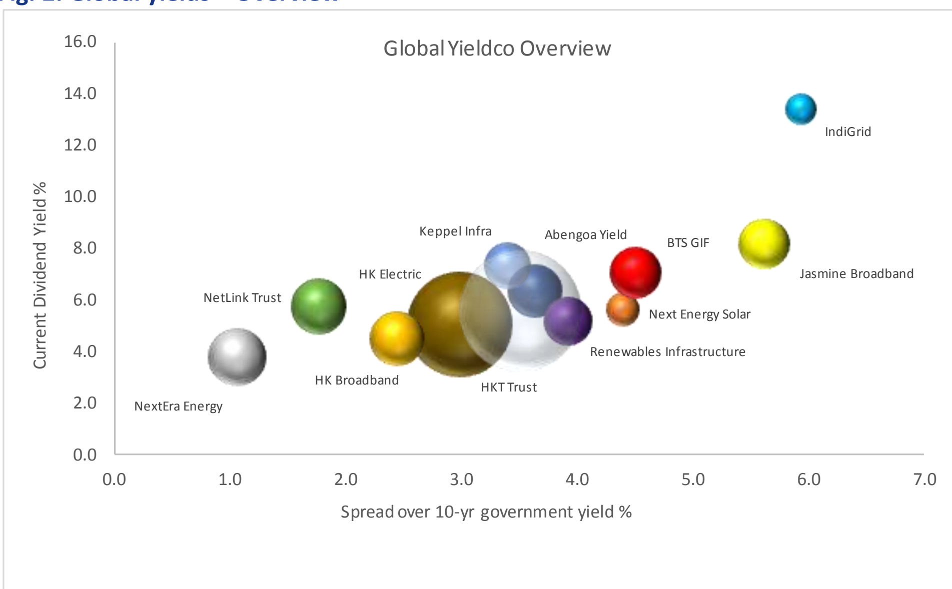
2) Dividend yield of 13.7%.

3) DPU growth of 3%.

Recent fall in bond yields to ~6.7% has increased the spread to 6.0%. Moreover, the lower interest rate is expected to be more prolonged. In this backdrop, IndiGrid which is AAA rated (next to the sovereign rating of India) scores high given the current IRR of 12.1%, which is set to further improve by 100bps over the next two years. In our view, such a spread is extreme given the very high degree of certainty of cash flows/DPU/ and hence returns. This warrants a rerating.

Compared with global yield cos which are trading at a spread differential range of 1-5% with their respective 10 year local yields, IndiGrid is attractively priced at a spread differential of 6%. On absolute basis, the current dividend yield is ~650bps higher than global yield cos.

Fig. 2: Global yields—Overview



Source: Bloomberg, Edelweiss research

Note: Size of the bubble indicates Market Cap (USD Bn)

How are we arriving at TP of INR113?

Our target price framework consists of cash flows from existing and framework assets which entail certain growth. There are 4 components of our TP:

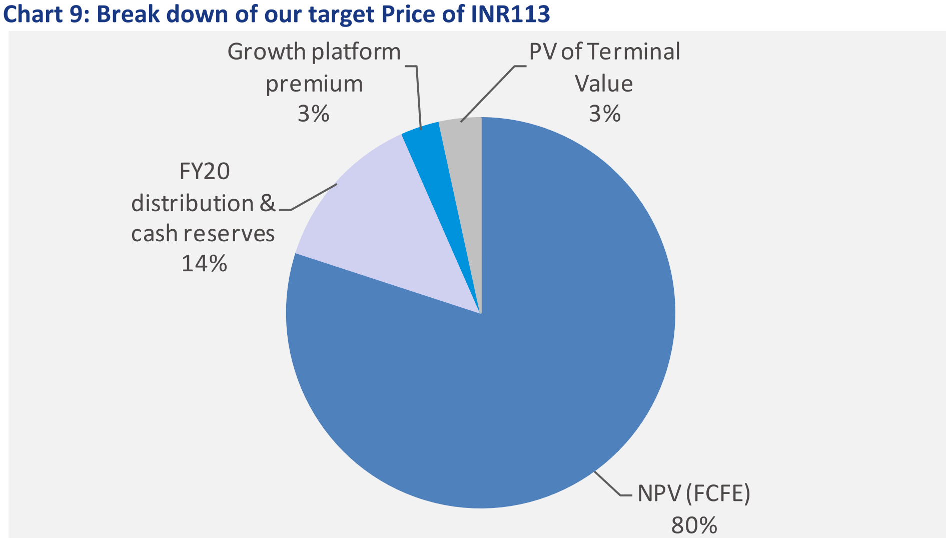
1) **PV of Cash flows**: Cash flows from existing and framework assets from FY21. We have discounted the NDCF at a COE of 12% till the TSA agreement (35 years for each asset)

2) **FY20 NDCF** : NDCF of INR6.7bn and cash reserves of INR1.7bn

3) **Growth platform premium**: Since IPO, IndiGrid's AUM (including the framework assets) has grown 5x to INR175bn. The acquisitions have been both IRR and DPU accretive. It has delivered a 4% growth in the DPU since the IPO. Participation of recent equity issuance by KKR and GIC bring credibility and deep expertise to the platform which signifies ease in future fund raising. A strong demonstration of growth, Sponsors pedigree warrants a growth platform premium. We arrive at INR2.1bn value (3% of target price) to the growth platform premium discounting at COE of 12%.

4) **Present value of the terminal value**: The transmission project is on BOOM basis and belongs to the SPV at the end of TSA agreement. Also, the life of the asset is 50 years as against 35 years TSA period. Moreover, the replacement cost is only expected to go up due to inflation. We believe, there is rationale for assigning terminal value considering ownership of land and scrap value of metal used. We assign INR100bn value to the assets at the end of FY53, the present value (discounting at 12% COE) of which comes to INR2.3bn.

Chart 9: Break down of our target Price of INR113



Source: Edelweiss research

<u>Our target price of INR113 implies a growth of 15% given INR12.4/unit is going to be the distribution over FY20. Deducting the same, the upside is INR12-13/unit on CMP of INR88</u>.

Table 3: Target price calculation

Cost of equity	**12.0%**	
Risk Free Rate	7.0%	
Beta	1.0	
Risk premium	5.0%	
		Comments
NPV (FCFE)	52,899	CF discounted from FY21 with 12% COE
Add : FY20 distribution & cash reserves	8,854	
Add: Growth platform premium	2,105	3% to growth platform in line with last 2 yers DPU growth.
Add: PV of Terminal Value	2,226	Land monetisation/metal scrap value
Total Equity value	**66,084**	
No. of shares	583	Dilution due to NTL & OGPTL
Target price	113	

Source: Edelweiss research

Another perspective on the valuations: Dividend yield plus growth model

Another perspective of looking at IndiGrid is by looking at D+G model which is dividend yield +DPU growth. This is normally followed in the matured markets. Using this methodology, the total returns works out to be 16-17% as the current dividend yield is 13.7% (at INR12.4 DPU and CMP of INR88) and the growth in DPU is 3-4% till FY21E due to acquisition of assets.

Overall, given robust growth prospects, valuation comfort and an excellent dividend yield (13.7%), we maintain our BUY reco on the stock

Company Description

IndiGrid is an infrastructure investment trust (InvIT) established to own inter-state power transmission assets in India. It was established on October 21, 2016, by its sponsor Sterlite Power Grid Ventures and is registered with SEBI in accordance with InvIT regulations. The sponsor, one of the leading independent power transmission companies operating in the private sector, has extensive experience in bidding, designing, financing, constructing and maintaining power transmission projects across India. As an InvIT, IndiGrid is focused on providing stable and sustainable distribution to unit holders. The sponsor has experience of developing 12 inter-state power transmission projects with a total network of 38 power transmission lines of ~8,001 ckm and ten sub-stations with 14,995 MVA transformation capacity. Some of these projects have been fully commissioned, while others are at different stages of development.

Investment Theme

KKR and GIC reinforce INVIT platform's credibility: In the recent equity issuance, KKR and GIC together invested INR20bn. KKR and GIC have deep expertise and access to fund flows from across the world. In the future, whenever equity issuance is effected, fund raising will not be a challenge in our view given the credibility KKR and GIC bring to the platform, apart from the fund themselves

Robust growth visibility: INDIGRID has clocked robust performance since listing with total distribution of INR25/unit or INR8bn distribution so far. From owning two assets/INR55bn AUM since the IPO, the trust's AUM has catapulted 3x with a strong ~300bps improvement in IRR. Moreover, the 2.5x jump in total distributions (till FY22E) from existing and framework assets entails in at least 3% growth in DPU (post dilution).

Compelling valuations: IndiGrid which is AAA rated (next to the sovereign rating of India) at 13% IRR is trading at a spread of ~600bps from the Gsecs (6.7%).In our view, such a spread is extreme given the high degree of certainty of cash flows & DPU and hence returns.

Key Risks

Sensitivity of interest rate: IndiGrid is often compared to G-sec yields with respect to its IRR. Over the past two-three months, G-Sec yields have hardened ~40bps to 6.7%. We believe, the company will maintain a spread of ~200-300bps (IRR) over G-sec in the ensuing two years. However, we perceive interest rate risk, refinance risk and corporate bond spread risk as key risks which could impact our financial estimates.

Any power transmission project that IndiGrid acquires, which is still under construction and development including the framework arrangements, may be subject to cost overruns or delays.

Financial Statements

Key Assumptions

Year to March	FY18	FY19	FY20E	FY21E
Macro				
GDP(Y-o-Y %)	6.7	7.3	7.6	7.6
Inflation (Avg)	3.6	4.5	4.5	4.5
Repo rate (exit rate)	6.00	6.75	6.75	6.75
USD/INR (Avg)	64.5	70.0	72.0	72.0
Company				
AUM (INR mn)	51,450	53,700	108,100	103,185
NDCF (INR mn)	2,792	3,408	7,254	8,588
NDCF distribution(%)	97	100	100	100
Average Cost of debt(%)	8.0	8.9	7.8	8.8

Income statement **(INR mn)**

Year to March	FY18	FY19	FY20E	FY21E
Income from operations	4,476	6,656	11,623	16,350
Other Expenses	399	632	888	1,266
Total operating expenses	399	632	888	1,266
EBITDA	4,076	6,024	10,735	15,084
Depreciation	1,157	1,809	2,923	3,695
EBIT	2,919	4,215	7,812	11,389
Less: Interest Expense	1,013	2,296	4,005	6,643
Add: Other income	129.31	83.35	123.53	126.83
Profit Before Tax	2,036	2,002	3,931	4,873
Less: Provision for Tax	(68)	6	-	-
Reported Profit	2,103	1,996	3,931	4,873
Adjusted Profit	2,103	1,996	3,931	4,873
Shares o /s (mn)	284	284	583	583
Diluted shares o/s (mn)	284	284	583	583
Adjusted Diluted EPS	7.4	7.0	6.7	8.4
Adjusted Cash EPS	11.5	13.4	11.7	14.7
Dividend per share (DPS)	11.5	12.0	12.4	14.7

Common size metrics

Year to March	FY18	FY19	FY20E	FY21E
Operating expenses	8.9	9.5	7.6	7.7
EBITDA margins	91.1	90.5	92.4	92.3
Net Profit margins	47.0	30.0	33.8	29.8

Growth ratios (%)

Year to March	FY18	FY19	FY20E	FY21E
Revenues	-	48.7	74.6	40.7
EBITDA	-	47.8	78.2	40.5
Adjusted Profit	-	(5.1)	96.9	24.0

Balance sheet				(INR mn)
As on 31st March	FY18	FY19	FY20E	FY21E
Share capital	28,380	28,380	53,520	53,520
Reserves & Surplus	253	(1,614)	(3,976)	(7,357)
Shareholders' funds	28,633	26,766	49,544	46,163
Long term borrowings	19,113	25,902	51,646	75,108
Short term borrowings	4,230	-	-	-
Total Borrowings	23,343	25,902	51,646	75,108
Long Term Liabilities	580	157	157	157
Sources of funds	**52,554**	**52,824**	**101,347**	**121,427**
Gross Block	51,422	52,794	103,185	126,935
Net Block	50,265	49,828	97,295	117,350
Total Fixed Assets	50,265	49,828	97,295	117,350
Non current investments	163	196	196	196
Cash and Equivalents	1,683	1,623	2,494	1,733
Sundry Debtors	1,062	1,141	1,433	2,464
Loans & Advances	-	76	76	76
Other Current Assets	614	599	581	491
Current Assets (ex cash)	3,359	3,439	4,584	4,763
Sundry creditors	130	162	219	312
Provisions	1,102	475	509	569
Total Current Liab	1,232	637	728	881
Net Curr Assets-ex cash	2,127	2,801	3,856	3,882
Uses of funds	**52,554**	**52,824**	**101,347**	**121,427**
BVPS (INR)	100.9	94.3	84.9	79.1

Free cash flow				(INR mn)
Year to March	FY18	FY19	FY20E	FY21E
Reported Profit	2,103	1,996	3,931	4,873
Add: Depreciation	1,157	1,809	2,923	3,695
Interest (Net of Tax)	1,013	2,296	4,005	6,643
Others	(161)	(485)	(1,094)	(1,771)
Less: Changes in WC	(220)	(184)	(787)	(857)
Operating cash flow	4,333	5,800	10,552	14,297
Less: Capex	46,292	2,304	50,391	23,750
Free Cash Flow	**(41,959)**	**3,496**	**(39,839)**	**(9,453)**

Cash flow metrics

Year to March	FY18	FY19	FY20E	FY21E
Operating cash flow	4,333	5,800	10,552	14,297
Financing cash flow	43,579	(3,566)	40,587	8,565
Investing cash flow	(46,239)	(2,304)	(50,267)	(23,623)
Net cash Flow	1,673	(69)	871	(761)
Capex	(46,292)	(2,304)	(50,391)	(23,750)
Dividend paid	(1,851)	(3,400)	(6,293)	(8,254)

Profitability and efficiency ratios

Year to March	FY18	FY19	FY20E	FY21E
ROAE (%)	14.7	7.2	10.3	10.2
ROACE (%)	11.1	8.0	10.2	10.2
Debtors Days	87	60	40	43
Payable Days	119	84	78	77
Cash Conversion Cycle	(32)	(24)	(38)	(33)
Current Ratio	2.7	5.4	6.3	5.4
Gross Debt/EBITDA	5.7	4.3	4.8	5.0
Gross Debt/Equity	0.8	1.0	1.0	1.6
Adjusted Debt/Equity	0.8	1.0	1.0	1.6

Operating ratios

Year to March	FY18	FY19	FY20E	FY21E
Total Asset Turnover	0.1	0.1	0.2	0.1
Fixed Asset Turnover	0.1	0.1	0.2	0.2
Equity Turnover	0.2	0.2	0.2	0.4

Valuation parameters

Year to March	FY18	FY19	FY20E	FY21E
Adj. Diluted EPS (INR)	7.4	7.0	6.7	8.4
Y-o-Y growth (%)	*-*	*(5.1)*	*(4.2)*	*24.0*
Adjusted Cash EPS (INR)	11.5	13.4	11.7	14.7
Diluted P/E (x)	12.0	12.7	13.2	10.7
P/B (x)	0.9	0.9	1.0	1.1
EV / Sales (x)	10.4	7.4	8.6	7.6
EV / EBITDA (x)	11.5	8.2	9.4	8.3
Dividend Yield (%)	12.9	13.5	14.0	16.5

Peer comparison valuation

	Market cap	EV / EBITDA (X)		P/B (X)		ROAE (%)	
Name	(USD mn)	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
India Grid Trust	731	9.4	8.3	1.0	1.1	10.3	10.2
Power Grid Corp of India	14,033	7.4	7.0	1.6	1.5	17.4	17.0
Median	-	8.4	7.7	1.3	1.3	13.9	13.6
AVERAGE	-	8.4	7.7	1.3	1.3	13.9	13.6

Source: Edelweiss research

Additional Data

Directors Data

Mr. Pratik Agarwal	Non-Executive Director	Mr. Harsh Shah	CEO & Whole time Director
Mr. Rahul Asthana	Independent Director	Mr. Shashikant H. Bhojani	Independent Director
Mr. Sanjay Nayar	Non-Executive Director	Mr. Tarun Kataria	Independent Director

Auditors - M/s. SRBC & Co LLP

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Sterlite Pow Grid Ven Ltd	10.27	Dsp Investment Managers Pvt Ltd	0.79
Schroders Plc	5.15	Tata Asset Management Ltd	0.34
Bnp Paribas Sa	3.57	Boi Axa Investment Managers Pvt Lt	0.07
Db International Asia Ltd	2.40	Essel Funds Management Co Ltd/Indi	0.05
Schroders Inv Mgm Sp	1.00	Advisory Research Inc	0.04

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
19 Aug 2019	BHADRAM JANHIT SHALIKA	SELL	6082776	83.97
19 Aug 2019	ESOTERIC II PTE. LIMITED.	BUY	6822711	83.89
19 Aug 2019	PTC CABLES PRIVATE LIMITED	SELL	3919104	83.89
15 May 2019	UTILICO EMERGING MARKETS TRUST PLC	BUY	8322993	83.89
15 May 2019	AXIS BANK LIMITED	SELL	8322993	83.89
07 Mar 2019	UTILICO EMERGING MARKETS (MAURITIUS)	SELL	1602342	83.98
07 Mar 2019	UTILICO EMERGING MARKETS TRUST PLC	BUY	1602342	83.98

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Adani Power	REDUCE	SU	H	CESC	BUY	None	None
India Grid Trust	BUY	SP	M	JSW Energy	HOLD	SP	M
NTPC	BUY	SO	L	Power Grid Corp of India	BUY	SO	L
PTC India	BUY	None	None	Tata Power Co	BUY	SP	M

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.
Board: (91-22) 4009 4400**,** Email*: research@edelweissfin.com*

Aditya Narain
Head of Research
aditya.narain@edelweissfin.com

ADITYA NARAIN

Digitally signed by ADITYA NARAIN
DN: c=IN, o=EDELWEISS SECURITIES LIMITED, ou=SERVICE, 2.5.4.20=3dc92af943d52d778c99d69c48a8e0c89e548e5001b4f8141cf423fd58c07b02, postalCode=400011, st=MAHARASHTRA, serialNumber=e0576796072ad1a3266c27990f20bf0213f69235fc3f1bcd0fa1c30092792c20, cn=ADITYA NARAIN
Date: 2019.09.25 18:04:58 +05'30'

Coverage group(s) of stocks by primary analyst(s): Power

Adani Power, Adani Transmission, CESC, India Grid Trust, JSW Energy, NTPC, PTC India, Power Grid Corp of India, Tata Power Co

Recent Research

Date	Company	Title	Price (INR)	Recos
19-Aug-19	**NTPC**	High on confidence; commercialisation key; *Company Update*	119	Buy
14-Aug-19	**CESC**	Core steady; *Result Update*	764	Buy
10-Aug-19	**NTPC**	Under-recoveries subside; valuation compelling; *Result Update*	124	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

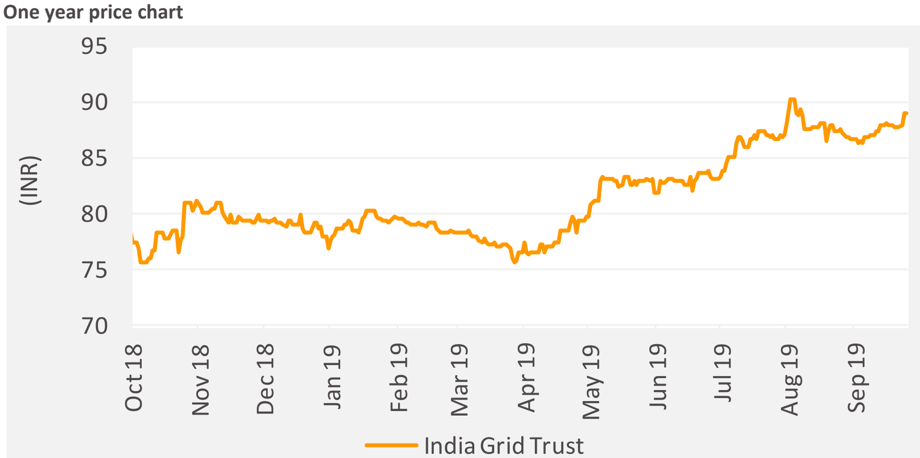
	Buy	Hold	Reduce	Total
Rating Distribution* * 1stocks under review	161	67	11	240

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	156	62	11

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



DISCLAIMER

Edelweiss Securities Limited (“ESL” or “Research Entity”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No.INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance .The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.