

May 23, 2023 ^(Revised)

India Grid Trust: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Non-convertible debentures (NCD)	4,430.00	4,430.00	[ICRA]AAA (Stable)
Term Loan	1,000.00	1,000.00	[ICRA]AAA (Stable)
Commercial paper (CP)	250.00	250.00	[ICRA]A1+
Working capital facility – Long-term/short-term fund based	10.00	10.00	[ICRA]AAA (Stable)/ [ICRA]A1+
Working capital facility – Short-term non-fund based	40.00	40.00	[ICRA]A1+
Total	5,730.00	5,730.00	
Issuer rating	-	-	[ICRA]AAA (Stable)

*Instrument details are provided in Annexure-1

Material Event

On May 12, 2023, India Grid Trust (IGT) announced acquisition of 100% stake in Virescent Renewable Energy Trust (VRET) along with its investment manager - Virescent Infrastructure Investment Manager Private Limited and project manager - Virescent Renewable Energy Project Manager Private Limited, for a consideration of Rs. 4000 crore (subject to closing adjustments). VRET is a renewable energy Infrastructure Investment Trust (InvIT) comprising a portfolio of 16 operational solar projects through 14 SPVs across 7 states and with a cumulative capacity of 538 MWp. KKR, who is IGT's sponsor, is also the sponsor of VRET. The transaction followed a competitive bidding process and is expected to be completed by July 2023, subject to receipt of requisite approvals.

Impact of Material Event

Post the acquisition of VRET, the share of solar assets in IGT's AUM would increase to 17.4% from 2.9% currently. This would increase the revenue variability risk, given that the revenues from solar power assets remain exposed to generation and in turn to the weather conditions, module quality and O&M practices. However, comfort can be drawn from the satisfactory generation track record of the solar assets under VRET, with a weighted average track record ~7 years and the geographic diversity of the assets.

Further, VRET has a diversified counterparty profile, with about 58% of the capacity contracted with offtakers have a strong credit profile like Solar Energy Corporation of India Limited (SECI), NTPC Vidyut Vyapar Nigam Limited (NVTN) and Gujarat Urja Vikas Nigam Limited (GUVNL) and the remaining 42% spread across state distribution utilities (discoms) of Tamil Nadu, Uttar Pradesh, Madhya Pradesh and Punjab. While concerns emanate from the exposure to these state discoms having a modest credit profile, comfort can be drawn from the largely timely payments from these discoms over the past 12 months post the implementation of Late Payment Surcharge (LPS) rules. Also, the share of exposure to these discoms would remain low at 6% of IGT's asset under management (AUM) post the acquisition, enabling the trust to minimize the impact on cash flows in case of any payment delays from these discoms.

As on March 31, 2023, IGT's AUM is Rs 22,799 crore with net debt / AUM of 59.8%, below the regulatory cap of 70%. Post the

acquisition of VRET with a valuation of ~Rs. 4000 crore funded through debt, the net debt/AUM would increase to 65-66%, reducing the buffer available against the regulatory cap. Nonetheless, the management has stated that they propose to raise fresh equity of up to Rs. 1500 crore, which has been approved by the board of the investment manager, which in turn will bring down the net debt/AUM of IGT to ~60%, thereby providing adequate buffer for future growth.

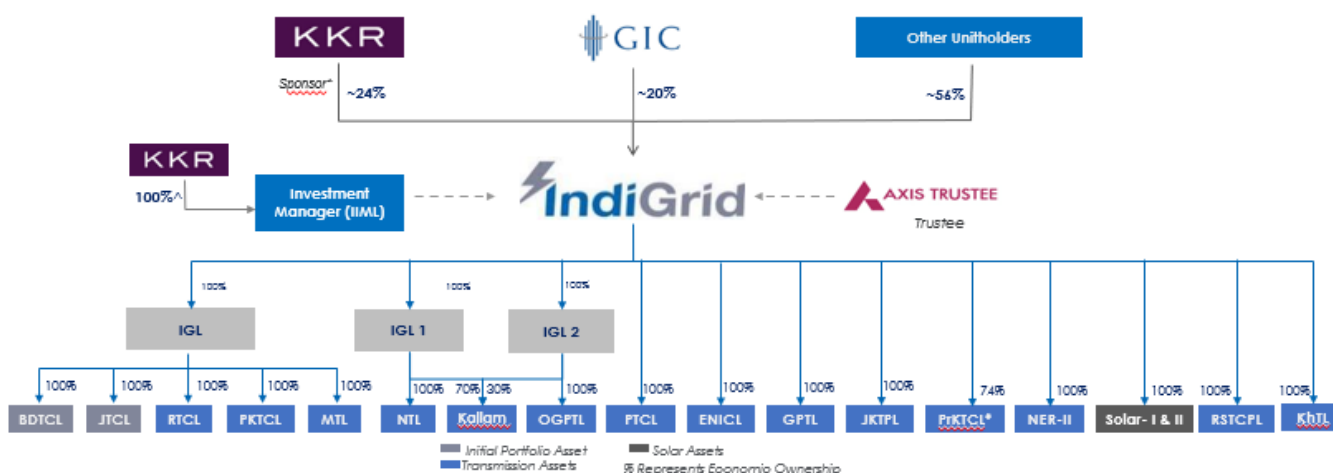
In view of the satisfactory track record of operations of the solar portfolio being acquired, transmission assets retaining a major share of IGT's AUM and as IGT is expected to maintain comfortable debt coverage metrics post the acquisition of VRET portfolio along with a strong liquidity position, ICRA does not expect any adverse impact on IGT's credit profile post this acquisition. Nonetheless, ICRA would continue to monitor the progress on this acquisition along with the equity raise and the consequent impact on the net debt/AUM for IGT.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position, rating sensitivities and key financial indicators: [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Infrastructure Investment Trusts Rating Methodology for Power Transmission Companies Rating Methodology for Solar Power Producers
Parent/Group Support	Not applicable
Consolidation/Standalone	ICRA has consolidated the business and financial risk profile of all SPVs under IndiGrid as the cash flows are fungible among various SPVs due to the direct control of IndiGrid. The regulatory debt cap of 70% on the consolidated asset valuation also supports the consolidation approach of the InvIT.

India Grid Trust Profile



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 = Purnia & Kharagpur Transmission Company Limited, MTL = Maheshwaram Transmission Limited, PTCL = Patran Transmission Company Limited, NTL = NRSS XXXX Transmission Limited, Kollam = Kollam Transmission Limited, OGPTL = Odisha Generation Phase II Transmission Limited, ENICL = East-North Interconnection Company Limited, GPTL = Gurgaon Palwal Transmission Limited, JKPL = Jharkhand KT Transco Private Limited, PKTCL = Parbat Kollam Transmission Company Limited, NER-II = NER II Transmission Limited, Solar I & II = IndiGrid Solar-I (AP) Private Limited and IndiGrid Solar-II (AP) Private Limited, RSTCPL = Raichur Sholapur Transmission Company Private Limited, KHTL = Khargone Transmission Limited

*Sterite Power Transmission Ltd. is also the sponsor with 0% stake in IndiGrid
 *KKR acquired 20% stake in IIML held earlier by Sterite Power Transmission Ltd. in Jan 2022
 #PKTCL held in a Joint Venture with Power Grid holding 20% stake

Source: IndiGrid

India Grid Trust was set up on October 21, 2016, as an irrevocable trust pursuant to the trust deed under the provisions of the Indian Trusts Act, 1882 and registered with the Securities and Exchange Board of India as an InvIT on November 28, 2016, under Regulation 3(1) of the InvIT Regulations. India Grid Trust is a two-tier InvIT.

Overall, the Trust has assets under management of ~Rs 22,799 crore (as per independent valuation as on March 31, 2023), consisting of 17 diversified power projects comprising 46 transmission lines of ~8468 cKM and 13 sub-stations of 17,550 MVA across 19 states and one union territory (UT), including the under-construction project under Kallam Transmission Limited and 100 MW operational solar power projects. All the transmission projects have been implemented on a BOOM basis and have TSAs in place for 35¹ years, except for two assets. IGT's net debt/AUM is at ~59.8%, as on March 31, 2023, below the 70% leverage threshold as per SEBI InvIT Regulations. KKR had invested INR 1,084 crore in IndiGrid in May 2019 and currently owns an approximate 24% stake in the platform. Separately, KKR also owns 100% stake in Indigrd Investment Managers Limited (IIML), the investment manager of IndiGrid. Axis Trustee Services Limited is the trustee for the Trust.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ Except ENICL and JKTTPPL, which has a 25-year TSA period

Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years														
	Type	Amount rated (Rs. crore)	Amount outstanding as on Feb 28, 2023 (Rs. crore)	Date & rating		Date & rating in FY2023				Date & rating in FY2022				Date & rating in FY2021					
				May 23, 2023	Apr 05, 2023	Feb 22, 2023	Dec 20, 2022	Jul 20, 2022	May 17, 2022	Jan 31, 2022	Oct 14, 2021	Sep 8, 2021	Jul 23, 2021	Mar 18, 2021	Jan 13, 2021	Dec 30, 2020	Dec 18, 2020	May 04, 2020	
1	NCD	Long-term	400.00	400.00	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	-	-	-	-	-	-	-	-
2	NCD	Long-term	1550.00	1550.00	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)
3	NCD	Long-term	250.00	250.00	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	-	-	-	-	-	-	-	-	-	-
4	NCD	Long-term	200.00	-	-	-	-	[ICRA]AA A (Stable); withdrawn	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)
5	NCD	Long-term	1000.00	1000.00	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)												
6	NCD	Long-term	1230.00	-	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)													
7	MLD	Long-term	-	-	-	-	-	-	-	-	-	-	[ICRA]AA A (Stable); withdrawn	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)
8	Issuer rating	-	-	-	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)
9	CP	Short-term	250.00	-	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1+	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +	[ICRA]A1 +	-	-	-
10	Term loan	Long-term	1000.00	987.50	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	[ICRA]AA A (Stable)	-	-	-	-
11	Working capital facility	Long-term/Short-term	10.00	-	[ICRA]AA A (Stable)/ [ICRA]A1 +	[ICRA]AA A (Stable)/ [ICRA]A1 +	[ICRA]AA A (Stable)/ [ICRA]A1 +	[ICRA]AA A (Stable)/ [ICRA]A1+	-	-	-	-	-	-	-	-	-	-	-

1	Working capital facility	Short-term	40.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-	-	-	-	-	-	-	-
2																		

Complexity level of the rated instrument

Instrument	Complexity Indicator
NCD	Simple
CP	Very Simple
Term loan	Simple
Issuer rating	Not applicable
Working capital facility – Long-term/Short-term fund based	Simple
Working capital facility – Short-term non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE219X07058	NCD-I	July 29, 2019	9.10%	July 29, 2024	300.00	[ICRA]AAA (Stable)
INE219X07298	NCD-II	June 28, 2021	7.32%	June 27, 2031	400.00	[ICRA]AAA (Stable)
INE219X07306	NCD-III	September 14, 2021	6.72%	September 14, 2026	850.00	[ICRA]AAA (Stable)
INE219X07330	NCD-IV	February 07, 2022	6.52%	April 07, 2025	400.00	[ICRA]AAA (Stable)
INE219X07348	NCD-V	July 27, 2022	7.53%	August 05, 2025	250.00	[ICRA]AAA (Stable)
INE219X07363	NCD-VI	February 28, 2023	7.85%	February 28, 2028	500.00	[ICRA]AAA (Stable)
INE219X07355	NCD-VII	February 28, 2023	7.917%	February 28, 2031	500.00	[ICRA]AAA (Stable)
INE219X07371	NCD-VIII	April 20, 2023	7.70%	March 31, 2041	1140.00	[ICRA]AAA (Stable)
-	NCD-IX**	-	-	-	90.00	[ICRA]AAA (Stable)
-	Commercial Paper**	-	-	7-365 days	250.00	[ICRA]A1+
-	Term loan	March 2021	7.40%	March 31, 2036	500.00	[ICRA]AAA (Stable)
-	Term loan	May 13, 2022	7.00%	FY2037	500.00	[ICRA]AAA (Stable)
-	Fund-based working capital	-	-	-	10.00	[ICRA]AAA (Stable)/ [ICRA]A1+
-	Non-fund based working capital	-	-	-	40.00	[ICRA]A1+
-	Issuer rating	-	-	-	-	[ICRA]AAA (Stable)

Source: Company; **Yet to be issued

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Bhopal Dhule Transmission Company Limited	100.00%	Full Consolidation
Jabalpur Transmission Company Limited	100.00%	Full Consolidation
Purulia Kharagpur Transmission Company Limited	100.00%	Full Consolidation
RAPP Transmission Company Limited	100.00%	Full Consolidation
Maheshwaram Transmission Limited	100.00%	Full Consolidation
Patran Transmission Company Limited	100.00%	Full Consolidation
NRSS XXIX Transmission Limited	100.00%	Full Consolidation
Odisha Generation Phase-II Transmission Limited	100.00%	Full Consolidation
East North Interconnection Company Limited	100.00%	Full Consolidation
Gurgaon Palwal Transmission Limited	100.00%*	Full Consolidation
Jhajjar KT Transco Private Limited	100.00%	Full Consolidation
Parbati Koldam Transmission Company Limited	74.00%	Full Consolidation
NER II Transmission Limited	100.00%*	Full Consolidation
IndiGrid Solar-I (AP) Private Limited	100.00%	Full Consolidation
IndiGrid Solar-II (AP) Private Limited	100.00%	Full Consolidation
Kallam Transmission Limited	100.00%	Full Consolidation
Raichur Sholapur Transmission Company Private Limited	100.00%	Full Consolidation
Khargone Transmission Limited	100.00%*	Full Consolidation

*While shareholding acquired is 49% as on date, IndiGrid has 100% economic interest and management control of GPTL, NER-II and KTL; the balance shareholding will be acquired as per the agreement signed with SPTL and as allowed under the terms of the TSA

Corrigendum

The rationale document dated May 23, 2023 has been corrected with revision as detailed below:

There is a correction in the ISIN of a NCD from INE219X07322 to INE219X07330. The change has been made in the Instrument details table (Annexure 1).

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