

India Ratings Assigns IndiGrid Infrastructure Trust's Additional NCDs 'IND AAA'/Stable; Affirms Existing Ratings

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India Ratings and Research (Ind-Ra) has taken the following rating actions on IndiGrid Infrastructure Trust's (IndiGrid; erstwhile India Grid Trust) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Non-convertible debentures*	-	-	-	INR4.70	IND AAA/Stable	Assigned
Bank loan	-	-	-	INR39.56 (reduced from INR39.81)	IND AAA/Stable	Affirmed
Non-convertible debentures*	-	-	-	INR72.16 (reduced from INR72.45)	IND AAA/Stable	Affirmed
Commercial paper	-	-	up to 365 days	INR2.50	IND A1+	Affirmed
Long-term senior debt	-	-	-	-	IND AAA/Stable	Affirmed

*Details in Annexure

Analytical Approach

Ind-Ra continues to fully consolidate the credit profile of IndiGrid's [underlying entities](#) while arriving at the ratings. The ratings do not reflect the ratings of its units and should not be construed as any comment on the ability of the investment trust (InvIT) to pay the committed distribution to its unit holders.

Detailed Rationale of the Rating Action

The ratings reflect IndiGrid's strong ability to meet external senior financial obligations, including those of the entities under it, and the combined credit quality of the underlying assets. The ratings also reflect the stable operational and financial performance of IndiGrid's asset portfolio until November 2024 and the availability of adequate liquidity to address any temporary cash flow mismatches in the near term. The collection ratio for its transmission assets was above 98% in 1HFY25 (FY24: 101.8%; FY23: 95.5%; FY22: 97%).

As on 30 November 2024, IndiGrid's total debt, at the consolidated level, amounted to INR187.68 billion, including debt at ReNew Solar Urja Private Limited (RSUPL), a solar asset acquired in February 2024, and Kilokari BESS Pvt Ltd, an under construction battery storage project.

List of Key Rating Drivers

Strengths

- Stable operational performance
- High-quality underlying transmission assets
- Stable solar assets
- Diversified ownership; KKR stake sale credit neutral
- Moderate debt structure

Weaknesses

- Acquisitions and under-construction assets - rating monitorable
- Moderate refinancing risk

Detailed Description of Key Rating Drivers

Stable Operating Performance: The average availability of IndiGrid's transmission assets stood above the target availability of 99% in 2HFY25 (FY24: 99.7%). The performance of the solar assets was stable at about 22.4% during the trailing 12 months ended October 2024 (FY24: 22.9%). IndiGrid reported revenue of INR17.13 billion in 1HFY25 (1HFY24: INR13.74 billion; FY24: INR29.87 billion; FY23: INR24.14 billion) and EBITDA of INR14.99 billion (FY24: INR25.62 billion; FY23: INR22.11 billion). In 1HFY25, IndiGrid's interstate transmission assets had a collection ratio (revenue received/bill raised for the period) of 98.5% (FY24:101.8%; FY23: 95.5%). The receivables period for transmission assets was stable at about 47 days in 2QFY25 (FY24: 46 days; FY23: 54 days). The trust received payments from renewable projects within 50 days.

High-quality Underlying Transmission Assets: The ratings are driven by the monopolistic nature of the underlying transmission assets, including potential acquisitions. The transmission assets accounted for about 79% of the combined value of the assets under management (AUM) as of September 2024. The track record of the assets indicate robust asset availability of over 99% after the commissioning of the project. The comfortable asset availability and stable revenue stream, bolstered by timely payments through the regulator-driven revenue pooling mechanism for interstate assets, have generated sufficient liquidity since the start of its commercial operations. A change in the regulations for interstate assets affecting the pooling mechanism will be treated as an event-driven risk.

Its revenue from transmission assets has a higher degree of certainty than other power sector assets. The tariff recovery for the transmission assets depends on their availability and will not be affected by the quantum of power flow. Given the concentration of conventional energy generation and renewable energy generation in specific regions of the country, transmission networks play a key role in transferring power to demand centres and will remain critical in the power supply value chain. The transmission assets use standard technology, and their lifecycle costs is lower than that of other infrastructure assets. Ind-Ra will monitor any significant damage in the assets, necessitating major restoration expenses.

Stable Solar Assets: IndiGrid plans to add solar assets with a consistent operating track record and strong counterparties to its portfolio. Ind-Ra believes an increase in the share of such solar operating assets in the portfolio will gradually change the trust's business profile to some extent. IndiGrid cannot increase the share of solar assets beyond 25% of its AUM without an approval from debt investors. The agency expects the coverage and liquidity buffers to be in line with the changing business profile.

The acquisition of RSUPL has resulted in an increase in the overall capacity of IndiGrid's solar portfolio to 855MW_{AC} from 555MW_{AC}. Moreover, the diversification of the solar assets has improved, and the counterparty profile will remain robust with strong counterparties constituting about 78% of the total capacity. Ind-Ra believes that the intrinsically low complexity and maintenance nature of solar projects augurs well for IndiGrid. However, the ratings significantly depend on its transmission business, which is availability-based and monopolistic in nature.

Diversified Ownership; KKR Stake Sale Credit Neutral: Esoteric II Pte. Ltd (Esoteric), the sponsor of IndiGrid and an affiliate of KKR, holds about 1.2% of units of the InvIT (reduced from 21.17% prior to August 2024) as of December 2024. However, given the continuation of KKR, through its affiliate entities, as the sponsor and investment manager of IndiGrid, Ind-Ra believes that the transaction does not have any impact on the operations and management of the trust. IndiGrid's shareholding is diversified with GIC and its affiliates being the largest unitholder with 18% stake and the presence of other large foreign portfolio investors, insurance companies, pension funds and non-institutional investors. KKR, through its affiliates, continues to own 100% stake in IndiGrid Investment Managers Limited (IIML), IndiGrid's investment manager. IndiGrid's ability to raise equity capital for acquiring new assets is a positive for the growth of the platform.

Moderate Debt Structure: IndiGrid's debt features a cash flow waterfall mechanism, an interest service reserve and a cash trap. The cash trap will be triggered in case the debt service coverage ratio (DSCR) falls below 1.11x and will be released only if it reaches 1.15x (FY24: 1.92x; FY23: 1.91x). IndiGrid requires to maintain a net leverage (net debt/EBITDA) of below 7.2x in any year (FY24: 5.93x; FY23: 5.96x). According to the InvIT regulations, the portfolio assets must distribute at least 90% of the net distributable cash flows, while this will be subject to the compliance of restricted payment conditions. IndiGrid's financing documents have a cross default with the external debt in any of its subsidiaries.

IndiGrid will have to raise equity to fund acquisitions on reaching close to the net debt-to-asset value of 70% post preferential issue of INR6.95 billion (2QFY25: 58.7%; FY24: 62.4%; FY23: 59.5%; FY22: 57%). The Securities and Exchange Board of India (SEBI) has increased the limit of net debt-to-asset value for InvITs to 70% from 49%, subject to certain conditions including the credit rating of 'AAA'. Ind-Ra will monitor the prudence followed in debt structuring in aspects of proportion of exposure to refinancing risk and the amortisation schedule's suitability for maintaining a robust project life coverage ratio (PLCR). According to Ind-Ra's estimates, PLCR will be above 1.50x. Ind-Ra has revised the PLCR sensitivity to 1.35x based on IndiGrid's portfolio, especially the share of solar and under construction assets. Furthermore, the agency will assess the liquidity buffer in comparison to DSCR as the net debt-to-asset value increases.

Acquisitions and Under-construction Assets - Rating Monitorable: Ind-Ra believes the trust's plan to acquire operating transmission assets would not constrain its finances, given similar revenue certainty across transmission sector projects and low operating risks. The decision for acquisition would be based on yield accretion for the unit holders. The agency expects the operating assets to exhibit similar solid characteristics, unless the assets are intrastate that could have an elongated working capital cycle, thereby altering the underlying asset pool's credit strength.

IndiGrid has commissioned the Kallam Transmission Limited, an interstate transmission asset implemented under tariff-based competitive, on 31 March 2024. The InvIT has won three inter-state transmission system projects, three battery energy storage projects and capacity augmentation works at few of the existing transmission assets. The total capex for under-construction projects, as per the management, is assessed to be about INR32 billion. The management had represented that certain portion of capex will be strategically implemented such that the invested amount in the under-construction projects will remain well within the SEBI limits (10% of the AUM). In line with this, IndiGrid has announced that it has partnered with British International Investment (BII), UK's development finance institution, the Norwegian Climate Investment Fund, managed by Norfund, and Techno Electric and Engineering Company Limited (Techno) for few of its under-construction greenfield interstate transmission system projects. While BII and Norfund will invest in Ishanagar Power Transmission Limited, Dhule Power Transmission Limited and Kallam Transco Limited, Techno will invest and undertake construction of Ishanagar Power Transmission and Dhule Power Transmission on a lumpsum turnkey basis.

As per the management, IndiaGrid will only invest a minor portion of the total project cost during the construction phase and the balance will be funded by the other partners. Upon project completion (inspection clearance), the trust will provide an exit to the partners, as per the terms of the agreement. Furthermore, considering the capex spread across multiple assets with maximum investment in a single project of around 24% of the total estimated capex, the agency believes the construction risk is not significant and the overall investment in under-construction projects is expected to be within the limits at any specific point of time.

Ind-Ra also takes note of the partnership arrangement entered with BII and Norfund to form a new platform EnerGrid, which will focus on bidding and developing greenfield transmission and battery energy storage projects. As per the representation from management, EnerGrid will act as the primary platform for bidding and developing future projects, and upon achieving commissioning shall be acquired by IndiGrid at a pre-determined value at the time of bidding. The investment by IndiGrid will be in the form of NCDs or optionally convertible debentures (OCDs) at the individual SPVs of EnerGrid with equal contribution from the partners towards equity. The management has also represented that the investment commitment is currently capped at USD100mn and IndiGrid will not provide any undertakings which could result in liability on IndiGrid beyond the commitment capital. The growth of this platform will also be basis the deployment of capital, development and subsequent acquisition of assets by IndiGrid. The management has articulated that the investment will be diversified among multiple projects to mitigate the development risks. Ind-Ra will closely monitor the investment in the platform and any significant deviation in the implementation of the structure is rating monitorable.

Moderate Refinancing Risk: IndiGrid will require some refinancing every year in the medium term. Ind-Ra believes the refinancing risk is largely mitigated, given the stable asset profile, low operational complexity, predictable lifecycle maintenance cost, efficient collection mechanism and stable regulatory framework. The trust has around INR26.1 billion of debt due in FY26, of which nearly INR10.19 billion is at RSUPL level in the form of external commercial borrowings due in September 2025. The underlying assets are exposed to the interest rate risk. Given the increase in debt level and amortising structure envisaged by IndiGrid, the debt repayment will extend beyond the license period of 25 years from the licence award date of transmission assets. Ind-Ra believes there is a high possibility of extension of the licence to cover the term of 35 years from the scheduled commercial operations date, according to the transmission service agreement. Also, a private transmission licensee will undergo the licence renewal process by then, providing sufficient leeway to take an appropriate action even if there is any adverse development.

Over FY22-FY24, IndiGrid raised debt through the issuance of publicly listed non-convertible debentures (NCDs), and three-year, five-year, seven-year and 10-year NCDs and bank loan borrowings. The overall borrowings are diversified among mutual funds, private and public banks, corporates, insurance companies, among others. Given its access to diversified funding sources and demonstrated timely borrowings for acquisitions and refinancing, Ind-Ra observes the entity's strong capability to raise debt in a timely manner.

Liquidity

Adequate: IndiGrid's cash flow stability is backed by the cash flow-pooling mechanism that has led to regular payments to transmission companies in the past 10 years. As on 30 November 2024, IndiGrid's liquidity stood at INR19.33 billion, including debt/interest service reserve and lien marked fixed deposits of INR 6.71 billion. IndiGrid plans to use commercial papers as a temporary liquidity facility. Its dividend distribution depends on the calculation of net distributable cash flows, which include the impact of working capital changes. Hence, any increase in the receivable period will also reduce the net distributable cash flows for the period.

Rating Sensitivities

Positive: Not applicable.

Negative: Future developments that may, individually or collectively, result in a negative rating action are:

- a significant decline in the consolidated DSCR from the projected level,
- PLCR reducing below 1.35x based on the transmission service agreement tenor,
- an increased liquidity risk stemming from a spike in receivable days from the counterparties of the underlying assets,
- any systemic risk affecting the transmission sector, resulting in a significant decline in the revenue, thus increasing the risk of non-payment of external debt and obligations,
- deterioration in the underlying asset quality and dominance of under-construction assets and intrastate assets in the portfolio,
- any hindrance in acquiring 100% stake in any asset identified for acquisition, and
- an increase in the exposure to refinancing, leading to the net debt-to-asset value increasing to 70%.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on IndiGrid, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

IndiGrid was established under the Indian Trusts Act, 1882, by signing a deed of trust dated 21 October 2016 with the trustee (Axis Trustee Services Limited). The trustee monitors IndiGrid's operations in relation to its investment objectives and compliance to the applicable regulations. IndiGrid was registered on 28 November 2016 under the SEBI (Infrastructure Investment Trust) Regulations 2014 (InvIT regulations). As required by the InvIT regulations, IndiGrid has appointed IIML as the investment manager. IndiGrid Limited (IGL, a wholly-owned subsidiary of IndiGrid) is the project manager for all the assets. IIML, as investment manager, administers the operations of IndiGrid, including financial and operational aspects. IIML also assesses the potential acquisitions and proposes the same for the decision of the unit holders. As project manager for IndiGrid, IGL is responsible for asset maintenance and carrying out of all operational tasks required as per the transmission service agreement.

IndiGrid receives interest on debt lent to the portfolio assets and dividend from the assets. The debt lent from IndiGrid to its assets would be subordinate to any external debt availed by those assets.

Key Financial Indicators

Particulars (INR million)	FY24	FY23
Revenue from operations	28,640	23,318
Total income	29,874	24,143
EBITDA	25,622	21,718
EBITDA margin (%)	89	90
Finance cost	13,077	10,109
Interest coverage (EBITDA/interest) (x)	1.96	2.15
Net debt/EBITDA (x)	6.87	6.14
Cash and cash equivalents [^]	15,940	11,499
[^] Includes other bank balances		
Source: IndiGrid, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook										
	Rating Type	Rated Limits (billion)	Rating	10 October 2024	30 August 2024	14 June 2024	12 February 2024	14 August 2023	10 August 2023	2 August 2023	21 February 2023	20 July 2022	25 January 2022	3 November 2021
Long-term senior debt	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Bank loan	Long-term	INR39.56	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Non-convertible debentures	Long-term	INR 76.86	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Commercial papers	Short-term	INR2.50	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Long-term senior debt	High
Bank loan	High
Non-convertible debentures	High
Commercial papers	High

*The complexity indicator for above instruments is categorised as high due to cashflow pooling structure in InvIT.

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument	ISIN	Date of Issuance	Coupon rate (%)	Maturity Date	Amount (billion)*	Rating /Outlook
Non-convertible debentures	INE219X07462 ⁵	31 August 2018	7.75	31 August 2028	INR2.50	IND AAA/Stable
Non-convertible debentures	INE219X07025	14 February 2019	Reset Rate	14 February 2029	INR4.35	IND AAA/Stable
Non-convertible debentures	INE219X07124	29 December 2020	7.25	27 June 2025	INR1.50	IND AAA/Stable
Non-convertible debentures	INE219X07132	29 December 2020	7.40	26 December 2025	INR1.00	IND AAA/Stable
Non-convertible debentures	INE219X07298	28 June 2021	7.32	27 June 2031	INR4.00	IND AAA/Stable
Non-convertible debentures	INE219X07330	7 February 2022	6.52	7 April 2025	INR4.00	IND AAA/Stable
Non-convertible debentures	INE219X07348	26 July 2022	7.53	5 August 2025	INR2.50	IND AAA/Stable
Non-convertible debentures	INE219X07363	28 February 2023	7.85	28 February 2028	INR5.00	IND AAA/Stable
Non-convertible debentures	INE219X07355	28 February 2023	7.92	28 February 2031	INR5.00	IND AAA/Stable
Non-convertible debentures	INE219X07389	21 August 2023	variable	31 March 2038	INR15.91	IND AAA/Stable
Non-convertible debentures	INE219X07413	24 August 2023	7.84	24 August 2030	INR5.00	IND AAA/Stable
Non-convertible debentures	INE219X07447	20 February 2024	7.88	27 April 2029	INR5.00	IND AAA/Stable
Non-convertible debentures	INE219X07272	6 May 2021	7.72	6 May 2031	0.0047	IND AAA/Stable
Non-convertible debentures	INE219X07256	6 May 2021	7.95	6 May 2031	INR0.13	IND AAA/Stable
Non-convertible debentures	INE219X07280	6 May 2021	7.97	6 May 2031	INR0.41	IND AAA/Stable
Non-convertible debentures	INE219X07264	6 May 2021	8.20	6 May 2031	INR5.99	IND AAA/Stable
Non-convertible debentures	INE219X07199	6 May 2021	7.45	6 May 2026	INR0.86	IND AAA/Stable
Non-convertible debentures	INE219X07207	6 May 2021	7.60	6 May 2026	INR0.96	IND AAA/Stable

Non-convertible debentures	INE219X07231	6 May 2021	7.49	6 May 2028	0.0047	IND AAA/Stable
Non-convertible debentures	INE219X07249	6 May 2021	7.69	6 May 2028	INR0.12	IND AAA/Stable
Non-convertible debentures	INE219X07215	6 May 2021	7.70	6 May 2028	INR1.00	IND AAA/Stable
Non-convertible debentures	INE219X07223	6 May 2021	7.90	6 May 2028	INR0.41	IND AAA/Stable
Non-convertible debentures	INE219X07454	24 June 2024	7.87	24 February 2027	INR6.5	IND AAA/Stable
Non-convertible debentures [#]	-	-	-	-	INR4.7	IND AAA/Stable
Source: IndiGrid						

[§] ISIN INE219X07421 has been restructured to INE219X07462

*The size of the issue has been rounded to two/three decimal places

[#]NCDs yet to be issued

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APPLICABLE CRITERIA AND POLICIES

Rating Criteria for Availability-Based Projects

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Rating Criteria for Infrastructure and Project Finance

The Rating Process

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