

IndiGrid

India Grid Trust

(Registered in the Republic of India as an irrevocable trust under the Indian Trusts Act, 1882, on October 21, 2016, and as an infrastructure investment trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended, on November 28, 2016, having registration number IN/InvIT/16-17/0005 at New Delhi). **Principal Place of Business:** F-1, The Mira Corporate Suites, 1 & 2, Ishwar Nagar, Mathura Road, New Delhi 110 065; **Tel:** +91 11 4996 2200; **Fax:** +91 11 4996 2288; **Compliance Officer:** Swapnil Patil
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NOTICE TO INVESTORS

This is in relation to the initial public offer of units of India Grid Trust ("IndiGrid" and such units, the "Units") for an amount aggregating up to Rs. 22,500 million (the "Issue") and the offer document dated May 8, 2017 (the "Offer Document") filed with the Securities and Exchange Board of India, BSE Limited and The National Stock Exchange of India Limited.

- As disclosed in the section entitled "Overview of IndiGrid" on page 21 of the Offer Document, the Project Manager had filed a petition (on behalf of JTCL) before the Central Electricity Regulatory Commission (the "CERC") for approving quantification of the increase of Rs. 803.70 million per annum in levelised transmission charges for JTCL after the CERC acknowledged an increase in levelised transmission charges. The CERC through its order dated May 8, 2017 (in petition no. 310/NP/2015) (the "CERC Order") has allowed an increase of 9.8903% per annum on the quoted non-escalable charges of the respective years from the date of commercial operation of the respective transmission lines on account of change in law, resulting in increase in the cost of project by Rs. 1,699.90 million (the "Approved Cost Escalation"). In accordance with the Project Implementation and Management Agreement, the Project Manager would be entitled to allotment of Units for an amount equivalent to Rs. 1,359.92 million pursuant to the CERC Order, which is 80% of the Approved Cost Escalation. Project Manager raised a "bill #3" of Rs. 300.05 million dated 9th May, 2017 to Power Grid Corporation of India Limited for period between July 2015 to March 2017 in line with Transmission Services Agreement. This is pursuant to the CERC Order for the arrears. For further details, please see the section entitled "Overview of IndiGrid – Allotment of Units to the Project Manager after completion of the Issue" on page 21 of the Offer Document.
- As disclosed in the section entitled "Use of Proceeds – Details of Utilisation of Issue Proceeds – Providing loans to BDTCL and JTCL for repayment or pre-payment of debt (including any accrued interest and applicable penalties) of banks, financial institutions, SGL 1, SGL 2 and repayment of any other long term and short term liabilities and capital expenditure creditors – Detailed utilization of proceeds of the Loans by BDTCL and JTCL" on page 184, as of March 31, 2017:
 - SGL 1 had outstanding non-convertible debentures issued to the Sponsor aggregating to Rs. 12,881.45 million ("Outstanding NCDs"); and
 - SGL 1 had availed unsecured loan from the Sponsor aggregating to Rs. 897.82 million (the "Sponsor Loan").

The entire amount of the Sponsor Loan would be repaid by SGL 1, and a portion of the Outstanding NCDs would be redeemed by SGL1 through utilization of the Issue Proceeds. The portion of the Outstanding NCDs that cannot be redeemed by SGL1 through utilisation of the Issue Proceeds, would be purchased by IndiGrid from the Sponsor in accordance with the Securities Purchase Agreement dated May 8, 2017 (the "Remaining NCDs"). Units shall be allotted to the Sponsor in consideration for purchase of: (i) the entire equity share capital of the SGL 1, and (ii) the Remaining NCDs. Subsequent to the completion of the Issue, IndiGrid shall not have any outstanding Sponsor Loan or non-convertible debentures issued to the Sponsor.
- The Investment Manager undertakes that the post-Issue indebtedness of IndiGrid shall not exceed Rs. 10,000 million, subject to any additional indebtedness incurred after listing of IndiGrid in accordance with applicable laws.
- The average return on net worth based on the Combined Financial Statements is (15.1)% and (33.4)% for Fiscals 2015 and 2016. For Fiscal 2017, PAT and net worth are negative and return on net worth is not meaningful. Return on Net Worth (%) is calculated as Profit/(Loss) for the year / period divided by Total Equity at the end of the said year / period based on the Combined Financial Statements.
- The "Basis for Issue Price", as disclosed in the advertisement for price band published in all editions of Business Standard in English and Hindi on May 8, 2017, has been prepared on a post-Issue basis. The total outstanding Units after completion of the Issue shall be 270,200,000 Units. It should be read in conjunction with the following:

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Investment Manager, in consultation with the Lead Managers, on the basis of assessment of market demand for the Units offered through the Book Building Process and various quantitative and qualitative factors as described below.

Bidders are requested to also refer to the sections entitled "Risk Factors", "Our Business", and "Combined Financial Statements" on pages 42, 152 and 273, respectively, of the Offer Document to make an informed investment decision.

The Floor Price is ₹ 98 and the Cap Price is ₹ 100.

Based on the evaluation of the qualitative and quantitative factors listed below, the Enterprise Value and Equity Value at the Floor Price and the Cap Price is as follows:

(in ₹ million, other than the number of Units)

Particulars	At Floor Price	At Cap Price	At Issue Price ⁽²⁾
Enterprise Valuation ⁽¹⁾	36,479.60	37,020.00	[*]
Equity Value	26,479.60	27,020.00	[*]
Number of Units Issued	229,591,836	225,000,000	[*]

⁽¹⁾Including net debt of ₹ 10,000 million; ⁽²⁾Prepared on a post-issue basis.

Qualitative Factors

We believe that some of the qualitative factors which form the basis for computing the Issue Price are as follows:

- Stable cash flows from assets with minimal counter party risks;
- Strong financial position;
- Ownership and location of Initial Portfolio Assets;
- Strong lineage and support from the Sponsor;
- Rights to the Sponsor's pipeline of power transmission projects;
- Strong corporate governance; and
- Skilled and experienced Investment Manager.

For further details, please see the section entitled "Our Business" on page 152 of the Offer Document.

Quantitative Factors

Some of the information presented below is based on the Combined Financial Statements. For details, please see the section entitled "Combined Financial Statements" on page 273 of the Offer Document.

Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

1. Valuation provided by the Valuers

The Valuers have used the discounted cash flows method to determine the value of the Initial Portfolio Assets. The assumptions on which the value of the Initial Portfolio Assets is based, have been disclosed in the section entitled "Valuation Report" set out as Annexure A to the Offer Document. For further details, please refer to the section entitled "Valuation Report" set out as Annexure A to the Offer Document.

2. Enterprise Value / Cash flows from operations ratio in relation to Issue Price

(in ₹ million)

Particulars	Amount	EV/Cash flow from operations***		
		At Floor Price	At Cap Price	At Issue Price
Cash flows from operations for the financial year ended March 31, 2018	4,172.56**	8.74x	8.87x	[*]
Cash flows from operations for the financial year ended March 31, 2019	4,163.76**	8.76x	8.89x	[*]
Cash flows from operations for the financial year ended March 31, 2020	3,733.71**	9.77x	9.92x	[*]

Cash flows from operations for the financial year ended March 31, 2017 in the above table is in accordance with the Combined Financial Statements

** In accordance with the Projections of Revenue from Operations and Cash Flow from Operating Activities prepared by the Investment Manager. For details of the projections and notes thereto, please see the section entitled "Projections of Revenue from Operations and Cash Flow from Operating Activities" on page 353 of the Offer Document. Further, please see the section entitled "Risk Factors" – Risk no. 8 and 12 in Risks relating to our business.

*** Prepared on a post-issue basis.

3. Comparison with Industry Peers

Currently there are no listed infrastructure investment trusts in India. Accordingly, there is no industry comparison available in relation to IndiGrid.

For further details, please see the section entitled "Basis for Issue Price" beginning on page 84 of the Offer Document

The above is to be read in conjunction with the Offer Document.

Please note that relevant changes pursuant to this "Notice to Investors" will be included in the Final Offer Document to be filed with SEBI and the Stock Exchanges. All capitalized terms used in this notice shall, unless the context otherwise requires, have the meaning ascribed to them in the Offer Document.

On behalf of **India Grid Trust**
 Serlite Investment Managers Limited

Place : New Delhi
 Date : May 9, 2017

Sd/
 Compliance Officer

India Grid Trust acting through its Investment Manager is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its units representing an undivided beneficial interest in the Trust ("Units"), and has filed an offer document dated May 8, 2017 ("Offer Document") with the SEBI, and the Stock Exchanges. The Offer Document will be available on the website of SEBI at www.sebi.gov.in, the BSE at www.bseindia.com, the NSE at www.nseindia.com as well as on the websites of the Lead Managers at www.morganstanley.com, www.online.citibank.co.in and www.edelweissfn.com. Investors should note that investment in the Units involves a degree of risk, and for details relating to the same, should refer to the Offer Document, including the section "Risk Factors" on page 42 of the Offer Document, and the section "Forward-Looking Statements" on page 16 of the Offer Document.

These materials are not for publication or distribution, directly or indirectly, in or into the United States. These materials are not an offer for the sale of the units or other securities in the United States or elsewhere. The Units referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended and may not be offered or sold within the United States, except pursuant to an exemption from registration. No public offering of the Units or other securities is being made in the United States.