

“Adani Green Energy Limited Q2 FY21 Earnings
Conference Call hosted by Centrum Broking Limited”

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Moderator: Ladies and Gentlemen, Good day and welcome to the Adani Green Energy Limited Q2 FY21 Earnings Conference Call hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Shah from Centrum Broking. Thank you and over to you, sir.

Ashish Shah: Thank you Steve. Good morning and a very warm welcome to the Adani Green Q2 FY21 and first half FY21 Earnings Conference Call. Today we have from the management Mr. Robbie Singh who is a group CFO for Adani Group. He will take us through the overall performance of the company and then you can start with the question and answer session. Thank you, over to you, sir.

Robbie Singh: Good evening ladies and gentlemen. Warm welcome to all participants in this conference of Adani Green Energy Limited to discuss operational and financial performance for the quarter and half year ended September 2020. We have uploaded the earning presentation on the website, and we hope you would have had sufficient time to go through the same. We will cover three key topics - capacity growth, expansion of JV with TOTAL and operational and financial performance.

In relation to capacity growth AGEL's total operational capacity has grown to 2.8 GW or 2,800 MW at a CAGR of 46% over the last three and half years. AGEL is rapidly moving towards a sustainable future through its focus approach on competency building, operational excellence and putting in place robust systems and processes. In line with a goal of achieving 25 GW of installed capacity by 2025, we have adopted a transformational project development approach to help rapid capacity scale-up and are working on de-risking of the project pipeline through 3 years of advance site resource estimation, design planning, supply chain planning and so on. We are also proactively implementing industry best practices for ESG with a view to enhance stakeholder value.

AGEL is setting up a revolving construction facility that will help in meeting the necessary funding requirement at construction stage for the upcoming projects. The projects will be refinanced with international bond issuances once the COD is achieved and the construction facility will be rolled over and be available for financing of the next phase of construction and development.

Coming to Expansion of JV with TOTAL, during the quarter AGEL has completed acquisition of 205 MW operating solar assets from Essel Group located in Punjab, Karnataka and Uttar Pradesh. This is the first acquisition of operating assets by AGEL. AGEL has transferred these assets to JV with TOTAL, a French energy major with presence across 130+ countries for enterprise value of INR 1,632 crores and TOTAL has invested INR 310 crores in the JV pursuant to the transaction.

The acquisition takes a total operating renewable portfolio under the JV to 2,353 MW.

On Operation and financial performance, we have continued to operate our renewable assets without any impact of ongoing pandemic. The financial results for the quarter provide testimony to the strength of AGEL business model.

Coming into the operational performance for the quarter and half year ended 30th September 2020:

- We continue to operate our Solar portfolio at nearly 100% plant availability.
- Sale of Energy is up 22% year-on-year at 1,187 million units in Q2 FY21 and up 23% year-on-year at 2,569 million units in H1 FY21 on the back of capacity addition of 630 MW and consistent solar and wind CUF.
- Solar CUF has remained steady for the half year at 22.7% better than the P75 target of 22.5%. This has been supported by strong plant availability of nearly 100%.
- Wind CUF has improved from 33.5% in H1 FY20 to 34.8% in H1 FY21 with improved plant availability.

Coming to financial numbers,

Total income is up 15% at 1,596 crores in H1 FY21.

Revenue from power supply is up 15% year-on-year at Rs. 530 crores in Q2 FY21 and up 12% year-on-year at Rs. 1,139 crores in H1 FY21.

EBITDA from power supply is up by 19% year-on-year at Rs. 490 crores in Q2 FY21 and up by 15% year-on-year at Rs. 1,050 crores in H1 FY21.

EBITDA margin from power supply has expanded by 300 basis points year-on-year to 92% in both Q2 FY21 and H1 FY21. This has been achieved by improved plant availability leading to higher energy generation and optimization of O&M cost.

We have reported net profit of Rs. 18 crores for Q2 FY21 as against net loss of 54 crores in Q2 FY20 after removing one-time depreciable benefit of 156 crores due to change in depreciation method last year. This shows an overall improvement of 72 crores in profitability.

Cash profit is up 80% year-on-year at Rs. 250 crores in Q2 FY21 and up by 69% year-on-year at 593 crores in H1 FY21 backed by strong revenue and EBITDA performance.

In conclusion:

We feel that our Energy Network Operation Center, which drives O&M excellence continues to provide us an edge in terms of optimized plant availability and reduced O&M cost thereby boosting the overall operational and financial performance.

We look forward to continuing with the rapid pace of growth and are committed to help the country meet its sustainable development goals.

We can now open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Sir few questions firstly on the SECI order update can you just update us on what the final PPA signing where are we in terms of that?

Robbie Singh: This is for which projects?

Nirav Shah: The 8-gigawatt SECI order manufacturing linked?

Robbie Singh: On the manufacturing linked we PPA signing process is continuing so we expect the first 2000 to be done soon. The other 6,000 is underway because SECI needs to have the corresponding agreements with the states. So as soon as it is done, we will update the market.

Nirav Shah: Sir, on the Tamil Naidu receivable I mean that number is increasing quarter-on-quarter and it is now 790 odd crores, so what we update on that in terms of when are we likely to receive this recover these dues?

Robbie Singh: About 180 days of delays unfortunately we plan regarding Tamil Naidu assets. So first I just want to show you from a liquidity perspective it does not mean much. It is an unfortunate delay, but it does not affect the liquidity profile of the company. In relation to when we expect this situation to change, we have done all the necessary billings, we are following protocols as per PPA, and we understand that they are likely to avail disbursement under the Central scheme which will help clear the outstanding but unfortunately, I do not have a specific timeline as to when this will happen.

Nirav Shah: Sir just a final question on the acquisition of the assets at which EV did we acquire the asset last year I mean when the deal was signed because if transferred that to the JV at 16 billion, but what was our acquisition EV?

Robbie Singh: Let me respond to this question in writing.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir my first question is on the manufacturing tender have we finalized the CAPEX layout in our investment and are we doing it ourselves and what is the kind of equity requirement we are looking at in FY21 and FY22?

Robbie Singh: Just for the manufacturing unit tender or overall.

- Mohit Kumar:** Sir I am asking for solar manufacturing tender the CAPEX layout for FY21 and FY222 and the kind of equity investment required?
- Robbie Singh:** The overall equity investment for the 8 megawatts will be somewhere in the order of approximately between 10,500 to 12,000 crores. In terms of the overall CAPEX for these assets alone it will be in the range of it would be approximately Rs. 45,000 crores for the 8-gigawatt project total CAPEX.
- Mohit Kumar:** Sir, my question was particularly on the manufacturing sales and modules?
- Robbie Singh:** Manufacturing is not part of AGEL, so it is part of AEL.
- Mohit Kumar:** But we have 26% am I right in saying that?
- Robbie Singh:** Yes, but that entity is controlled by AEL and the CAPEX program is part of AEL budget for the manufacturing CAPEX.
- Mohit Kumar:** Sir for the TOTAL JV are you doing subsidiary accounting or JV accounting so there is some can you please clarify on that?
- Robbie Singh:** This is subsidiary accounting for TOTAL JV.
- Mohit Kumar:** Sir on the 40 billion I think amount received what is the usage can you please explain that?
- Robbie Singh:** Part of the usage is return of the inter-entity investment made by AGEL originally in this portfolio and back to AGEL and then for AGEL it is simply held in investments for the equity that AGEL needs for its growth.
- Mohit Kumar:** How much we are retaining for investment?
- Robbie Singh:** For investment we retain the full amount sitting in that investment in the total amount other than the AGEL loan that has repaid back the rest is in investments.
- Mohit Kumar:** I do not see any cash lying on the balance sheet that is the reason I was asking that, has it been completely utilized?
- Robbie Singh:** Balance sheet has Rs. 2,600 crores of investment.
- Mohit Kumar:** Lastly one is the receivable portion of course the Tamil Naidu has gone up but what was the rest of receivable, how many days can you and has they increased compared to March? It looks like it has increased.
- Robbie Singh:** The receivable has increased largely due to the change in the receivable of the Tamil Naidu asset. Overall, other overdue receivable is not much. In terms of our Total overdue receivable book

which is approximately 890 of this nearly 800 is with the Tamil Naidu assets only. So rest of the receivable book does not materially change at all.

Moderator: Thank you. The next question is from the line of Rohit Kothari from Geecee Holdings. Please go ahead.

Rohit Kothari: Just couple of questions the debt on our balance sheet ranges the cost of debt ranges upward of 10% on an overall basis however I see some of the new fund raises you have done with the hedges would result into range of 8.5 and 9 given that this is a CAPEX intensive business and cost of money is very important and successfully you have raised long term finance, what should be the long term rate of interest for AGEL for its future portfolio after those portfolios are commissioned?

Robbie Singh: Currently our portfolio we have larger amount of development asset than operating assets. So our debt numbers are skewed towards the development debt which is at a slightly higher cost. So once all portfolios become operational then we expect the fully swapped cost of debt to come in about 100 basis point cheaper than what the current weighted average cost is overall and along with the cost what will also happen is that the profile and tenure of the debt will rise as well. So on a tenure adjusted basis the cost reduces quite dramatically because the average tenure of operating assets is now more than 7 years in terms of the debt so the tenure is being pushed out and the cost will drop by about 100 basis points. Once we become a majority operating portfolio as a developing pipeline becomes operational which we expect that transition to happen by September next year we will add another 2 odd gigawatts of assets and as those assets are added we expect that our profile will change from about June of 2022. As our development assets as a percentage become lower than the operating assets and then you will start seeing the debt cost numbers to reflect the majority of the operating asset cost. Currently it is reflecting majority of the construction asset.

Rohit Kothari: Robbie also that the recent tender we won was 8,000, but is there any mechanism by which we have right of first refusal for the balance 4,000 watt which was also bid so that was one question and what are your thoughts how do we reach from 14,500 to 25,000 there is a gap of another 10,500 megawatt which we need to win and implement if we need to our 2025 goal of 25,000, so where do you see those projects coming into whole from?

Robbie Singh: I think on the first question 8,000 in full we do not have right of first refusal on the other, but there is expected to be a further manufacturing linked tender which we will bid for and we have the capacity for it already. So we should be able to expect to win a significant percentage of that tender and then there is impending tenders of government announcement related to RTC tenders and furthermore the normal pipeline for the government to meet its target initially of 175 GW by 2022 and then of 450 GW by 2030, there would be further tenders. So we expect between RTC, new manufacturing tenders and the normal pipeline that itself would take us to the 25 gigawatts just those two.

- Rohit Kothari:** And as a thumb rule what should we estimate cost per megawatt around 3.5 to 3.7 crores going ahead?
- Robbie Singh:** So largely with the trackers it would be more around 4.3 including interest during construction and EPC and everything included.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Sir, what is the commissioning target for FY21 and FY22 and have we heard anything on this SECI-3 and 4 is there any extension and are we seeing those opportunity right now?
- Robbie Singh:** SECI-3 and 4 I will like my colleague to answer.
- Raj Kumar Jain:** The SEC1 3 and SECI 4 the evacuation infrastructure and because of other issues there are extensions available. So somewhere mid of next year is what is currently being planned, but obviously that would depend on how things shape up there and in terms of the execution plan which you mentioned in our slides which you have said that in the next two years one and half years we will be commissioning the balance portfolio which we have is 3.3 gigawatt.
- Mohit Kumar:** So you are saying entire 3.3 gigawatt will get commissioned by end of FY22 and this includes all the hybrid, also right?
- Raj Kumar Jain:** Yes, that is correct that is on a page 9 of the presentation you see that.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.
- Ashish Shah:** Just had a couple of questions one to come back to the Tamil Naidu receivables last time we had a discussion that Tamil Naidu was in talks with PFC, REC who gets certain disbursements which will help them clear the payments so where are we I mean what is the latest update on that part where is the state on that part?
- Robbie Singh:** They are still talking to PFC, REC it is available to them and once they finalize then we expect the receivable to go down, but we do not have the visibility on the timeline which I can share with you.
- Ashish Shah:** Also many issue around the module imports from China affecting the solar CAPEX in India so where is that has that been some normalcy in those imports, has the government imposed some sort of duties on Chinese import if you can help clarify that?
- Raj Kumar Jain:** They imposed safeguard duties somewhere in early August there are no other duties which are currently imposed and there is no embargo on any kind of imports as of now.
- Ashish Shah:** So one can say that with those duties that is safeguard duties now the supply has been restored?

- Raj Kumar Jain:** Yes there is no issue with respect to supply we have been putting up our projects in time and with the configuration which we thought so there is no issue per se in terms of supply of modules. As the capacities are ramped up in India there will be further options available with us, but as of now for our current supplies there are no issues in terms of imports everything is coming.
- Ashish Shah:** And what is the safeguard duty that has been imposed and how are we confident that we will be able to pass it on in our tariff to the customers because this is maybe it was not envisaged then we would bid for these projects?
- Raj Kumar Jain:** So 14.9% is the safeguard duty which was imposed for the first phase and thereafter it will ramp down to 14.5. This is a complete pass through we have received those pass-throughs in past as well. So that is not an issue at all there is a clear precedent, and the regulator is very fast in approving these things. So I think we do not have any risk on that account.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** Sir, on the solar module prices are the markets how the markets are behaving currently and especially the international market and have we tied up completely for our entire portfolio the solar module so that we do not have any supplies going forward especially for this 3.3 gigawatt?
- Robbie Singh:** Yes, we are fully prepared for it our all supplies including modules are tied up for this current 3.3 gigawatt so we do not have anything which can impact us. Yes in market the prices have gone up recently but that is the commodity market so it can go up and down so that is fine. We are fully prepared for any kind of moment but as far as this portfolio is concerned 3.3 GW, we are fully tied up for all the supplies which we have planned.
- Mohit Kumar:** And on the wind part of the hybrid have we given out the orders?
- Robbie Singh:** Yes, as I said we are tied up on that.
- Moderator:** Thank you. The next question is from the line of Anuj Upadhyay from Emkay Global. Please go ahead.
- Anuj Upadhyay:** Sir, the government has mentioned about coming up with the solar parts in Gujarat and Rajasthan to the tune to almost 20, 25 gigawatt in each state, any update on that front sir because I believe the journey from 14 gigawatt to 25 gigawatt which we have said also largely depends on setting up capacities across these two phase, so any update on that front sir when actually government is planning to come up with?
- Robbie Singh:** Yes, the government is planning for multiple solar parks in this solar and wind source areas of the country. So one such park Howrah we have already got allocation of capacities so it is fully there in terms of our growth pipeline as you can see in our slides that we are mentioning that we are tied up 15 gigawatt of capacities as of now in some of those park. The Rajasthan park is under development from government side as of now and we will see how we tie up capacities

there. We are already working there to have more land locations which will not only secure the capacities in these 25 gigawatts, but much beyond that 25 gigawatts for future growth. So I think we are very comfortable when it comes to capacities being tied up from the land and evaluation risk factor.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Ashish Shah for closing comments.

Ashish Shah: Yes on behalf of Centrum Broking I would like to thank all the participants who are attending the call and also thank you for Adani Green for letting us host the call. Sir any closing remarks from your side.

Robbie Singh: Ashish thank you so much for organizing the call and thank you to investors for asking the questions and also to Viral and Bala for the calls and Viral thank you so much for organizing the call.

Moderator: Thank you. Ladies and gentlemen, on behalf of Centrum Broking that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

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