



“Adani Green Energy Limited
Q2 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Green Energy Limited Q2 FY2019 Earnings Conference Call. We have with us on the call today Mr. Sagar Adani, Executive Director – Adani Green Energy Limited; Mr. Jayant Parimal, CEO – Adani Green Energy Limited and Mr. Ashish Garg, CFO – Adani Green Energy 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 “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jayant Parimal, CEO. Thank you and over to you Sir!

Jayant Parimal: Good evening. This is Jayant Parimal. I am heading the Renewable Business of Adani and let me welcome all of you on the conference call. Today we had our board meeting for the Q2 wherein we have declared our unaudited and partially reviewed results, which are already uploaded on the website and we have also uploaded a small press release.

To recapitulate, Adani Green Energy’s first renewable only generation company listed on the stock exchanges in India. As we speak, we already have 1898 plus 60 that is little over 1950 megawatt, 1960 megawatt of renewable capacity, which is operational of which predominantly it is solar 1898 megawatt, another 60 megawatt of wind is operational.

In addition to that, we have another 500 megawatts of solar, which is under execution for which we have won, there is an LOI or there is a PPA in place which we have to complete that in a reasonable time as per the PPA terms and conditions.

In addition to that on the wind side, we have incremental 1237 megawatt of capacity, which we have either won the PPA or have been given the LOI or we have acquired the economic interest, so they are under execution. So as we speak, we have 1958 megawatts of renewable capacity, which is operational and in addition to that another 1737 megawatt of which predominantly is wind, is under execution most of it will get completed by 2021.

Then on the geography side you are aware we are operating at 11 states. If you see on this off-taker side, some 62% of our PPAs are with the Government of India entity, approximately 45% is with SECI and 17% is with NTPC, balance 38% are with the state DISCOM. We have made declaration in past of our LOAs. Today we wish to declare two more LOAs, two more solar projects. One is 100 megawatt UP State DISCOM bid, which we have been successful. The LOA is about to be issued. Then there is another 100 megawatt, which we have secured from GUVNL, which is to be setup in the State of Gujarat, both the projects are 21 months to execute, so we expect them to get completed in financial year 2020-2021. Now this is as far as our fleet size is concerned and we keep on bidding depending on the financial liability and all.

Now business highlights on the operational part though in H1 we have a CUF 21.02 compared to 19.84 in the H1 of 2018. Plant availability is 99.53 in H1 FY2019 compared to 99.88. Million units sold has increased dramatically because most of the project has come under generation and

we have a healthy average realization of Rs.5.12 per unit sold, this we are talking about solar. If you want in Q2, so Q2 our CUF is 20.08 in Q2 FY2019 compared to 18.5. Plant availability is 99.62 and we have sold 868 million units, which is a healthy growth of 226%, average realization was 5.14.

On the wind side. we have a very small portfolio operation as of now. CUF was 30.39 in H1 FY2019 versus 18.03 in H1 FY2018. Plant availability is 18.7% and in Q2 if you see the plant where the capacity utilization is approximately 31%, plant availability is approximately 90%, so this is the overall stuff now. We would like to bring to your notice that both wind and solar and today we are right now operating more on solar, so operational parameters will have to be seen from solar as well. There is a significant seasonality in case of solar, although there is an annual target of approximately 25% CUF, but every quarter has different solar regime, so for example in Q1 we had expected a performance of 25.79, whereas the Q2 expected P50 level performance was 21.56, compared to that we have achieved 20.14. In Q3, the expectation P50 is more, which is approximately 24.22.

Now the question arises that compared to P50 estimate of 21.56% in Q2, we have achieved 20.14, so there is a gap and we would like to explain that gap. You will appreciate in solar we complete the projects on an AC basis and some of the DC, some incremental modules we keep on installing and at times there is a delay beyond the COD and it is not a statutory requirement, we can keep on adding the DC. So what has happened that in Q2 FY2019 4.1%, we have total 6.5% underperformance compared to fleet level P50 target of which 4.1% is explained by the non-implementation of full DC modules of which around September 2019 end we would have already completed 50%, so we are hopeful that in the next quarters this gap will reduce and there is incremental 2.5% underperformance due to grid availability. In the state of Karnataka where we have a lot of plants, during initial phases we did face certain grid issues, jumper failure, not on our side, but on the side of the Karnataka grid, which with the active cooperation of Karnataka State Transport, we have been able to resolve most of them and now we are hopeful that in the next quarter this 0.63% grid unavailability, which translates into 2.5% lower generation of energy due to grid will get reduced significantly and we will be able to achieve what we expect through P50. So let me recapitulate, we expected on a P50 basis, on a fleet basis 21.56% of CUF compared to that we have achieved only 20.14 that gap which is 6.5% is explained by 0.88% in terms of CUF, 4% in terms of generation is explained due to nonavailability of DC, which now we have settled to a large extent, half of that is already settled, balance will be settled by Q3 because we have those large modules, which got stuck due to land issues and all and then another point 0.63% in CUF, which is 2.5%, 2.6% in terms of energy is explainable due to grid unavailability, which we believe has been predominantly resolved and on an everyday basis now we are finding grid availability to be significantly superior and this problem predominantly we faced in the state of Karnataka where with the help of the state transport and active collaboration from our side in jumper changing and all stuff, so now we believe that the grid issues also will no longer be there and therefore in Q3 we expect to perform near P50 or P50 generations which according to us is approximately 24% and the highest expectation of P50 is in the Q4, which we believe will be approximately 28% and we believe that with the completion of the DC as well as

the improved grid availability we will be able to achieve near P50 or P50 operation and therefore, we will be able to meet our guidance on a fleet basis. This is for 1900 and 58 megawatts of operational asset. In the meantime, in financial year FY2018-2019, we will be completing 50 megawatts of plant, which is ready only the last mile connectivity is pending in UP that will get commissioned and in addition to that we will complete at least 150 megawatt of wind of which 100 megawatts as the economic interest, which we have bought from Inox and another 50 megawatt, which is our own SCVs that also will get commissioned during this period. Balance of the capacity we expect to complete in 2019, 2020 and 2021, so this is the ramp up, which we expected, so this is our operational performance and now I would hand it over to Ashish Garg, our CFO who will take you through some of our financial numbers and how the whole things stacks up.

Ashish Garg:

Thank you Jayant Ji and very good evening to all the gents and ladies present on the call. Just to take you through the financial highlights of the H1 2019 and Q2 2019. As Jayant explained earlier on the back of higher capacity and higher generation in terms of the sale of power, the revenues were up on a sequential basis 157% to 921 Crores for H1 2019 and for Q2 2019 449 Crores up 167% on a sequential basis. Our EBITDA was 842 Crores, which was again up 168% compared to H1 of 2018 and 402 Crores for Q2 2019 up by 181%. Our margin for H1 was 91% and for Q2 is 89% it is very near to our expectation of about 90% EBITDA margin all along our portfolio going forward and on a cash profit basis, which is basically our EBITDA less interest cost. For the H1 we were at about Rs.425 Crores, which was again up by 107% and on a quarter basis it was Rs.173 Crores up by 101%. Going forward for this year, as earlier we reiterated that the entire organization was on a motto of achieving P50, we are glad to report that we are very near to our target of P50 and in addition to the generation, which is expected for the balance of the period, in this year we would have additional revenue from some of the capacity that will get commissioned in Q4, which is 50 megawatt of solar plant and another 200 megawatt of wind capacity.

On the interest side, while our overall interest cost was in line with the expectation, we have a little bit of setback on account of the forex loss, which has been explained in detail, just to recap the same as we have a net loss of about Rs.291 Crores for H1, which basically on a quarter basis Rs.128 Crores for Q1, which we have already reported and for the current quarter Rs.163 Crores, this was against a significant sharp movement of the dollar against INR in both the quarters by way of 5% and 6% in each of the quarters, which was unprecedented sharp depreciation of the rupee. Portion while we had 94% of the overall exposure which was completely hedged, a third portion of this was hedged through derivatives or options and the mark to markets results basically of that has resulted in a significant forex liability or a forex loss. As we speak, a good portion of that has already been covered in going forward as we do not expect the same volatility going forward and large portion basically 100% of the payables in the next one year has been converted entirely into forwards and also these exposures are not a very long exposure and these are exposures predominantly, which will be taken off in the next one year or two years that these are either in the form of buyers credit or import bill collection, the entire loans, which is ECBs has been completely hedged on the day they were debt drawdown.

On the balance sheet side, our growth rate as we speak as of September end is about 11180 Crores this includes above 1544 Crores of group company debt in lender parlance this is a equity which is considered by then and on a net debt basis which is basically cash and cash equivalents which includes debt draw, either in TRAs everything put together amounting to Rs.577 Crores. Our net debt for the end of September was Rs.10541 Crores.

Just to help you understand in terms of the completing of the 1958 megawatt of overall portfolio we need to draw another 1100 Crores as this debt is already tied up, it is in various stages of draw down and there will be an addition of 1100 Crores more of debt for completion of the entire 1958 megawatt of capacity. The debt, which is reported, which is 10541 Crores net debt also include a debt, which is basically pertaining to work, which has been done on the capacity that is currently under construction, which amounts to about Rs.565 Crores. We are happy to report that the debtor position has improved significantly in the Q2 of 2019. We received a one time large I would say proceed from the Tamil Nadu DISCOM of about Rs.412 Crores in Q2. As a result, our debtor position has come down significantly and at the end of September 2018 our overall debtors were Rs.443 Crores out of which Rs.170 Crores was unbilled revenue, which the JNR and everything of that will be done in the period of October and particularly our debtor days of around Rs.443 Crores was about 88 days.

On the new project, as Jayant Ji said, we have about 500 megawatt of solar capacity, which we have at a contracted rate of about 2.97 per unit and about 1237 megawatt of wind, which is contracted at a rate of 2.72 per unit. As we speak, our total 3695 megawatt of capacity the entire capacity is contracted with 25 year of PPA as a fixed rate and just to reiterate of the 62% of this is the basically tied up with NTPC and SECI. With this maybe I can move to the Q&A to open up.

Moderator: Sir we open it for questions?

Ashish Garg: Yes, please.

Jayant Parimal: Sure. Thank you very much Sir.

Moderator: Ladies and gentlemen we will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. Thank you. The first question is from the line of Rahul Modi from I-Securities. Please go ahead.

Rahul Modi: Hi Sir, congratulations for a good operational performance and thanks for an opportunity. Sir just wanted to check with you on the upcoming bids and how the markets fare. Of late we have seen a lot of bids being canceled at least SECI bids we have seen three deferments of bids. We have seen three deferments of bids and lot is hanging on the fact that the manufacturing linked projects, PPAs are not coming up so how do you look at the pipeline going forward and we pick up in order on this front?

Jayant Parimal: Why they are canceling the bids government is the correct authority to explain. We believe there is an expectation mismatch, somehow the government believe that the rates will come down dramatically whereas the players do not believe that and as a result during transparent bidding whatever rate comes, they are not comfortable with that and they think that if I cancel the bid maybe next time the prices will go up and this is why you have so much of cancellation which is highly unfortunate, but that is what it is, but I am sure the government is cognizant of the fact that they wish to achieve 175 GW, in fact now the minister has raised it beyond 200 GW to be achieved by 2020-2022. So I am sure that NTPC and SECI undertakes bid, they will all come up with new bids and there are several bids in pipeline. I agree with you that in last five to six months not many bids have consummated in form of PPA, but I believe that government must have realized by now that the prices have more or less plateaued, the kind of reduction which I do not know why they were expecting, but anyway so it will be only a marginal movement from here. So I am sure, as the market has stabilized broadly, they will consummate the bids into some kind of PPAs, so going forward you will have good pipeline. In any case as a company we have a good pipeline of 17037 MW, which we have to complete by 2018-2019 and 2019-2020 and a very small portion in 2020-2021. So any further bidding which we do will be 21 months to 24 months so they will all get into 2020-2021 and after two to three months it will get into 2021-2022 so this is what our reading is.

Rahul Modi: Sure thanks Sir. Lastly do you see any dry up of refinancing activity and obviously now the interest rates are not in the declining mode which we have seen over the last few years, so how do you see refinancing as an option and whether now in terms of financing of the projects and financial closures Sir you are seeing NBFCs participating more which was the case earlier or banks are coming back?

Jayant Parimal: That has happened in the last one or two months, it is a recent development I agree with you. Earlier NBFCs were very active participant, but right now PFC, RAC, they are active in financing and we also have secured good financing from them. Interest rates are definitely harden, no doubt about it, but you will appreciate it is a cycle, it keeps on moving, it goes up a little and then comes down, but now do not you think RBI has an inflation target and if inflation is under control the real interest rates will have to be lower so in a 20-year life cycle I believe the interest rates will be anything between 9% to 10%, currently it is 10%, 10.25%, it has hardened, no doubt about it, but we believe that in a 20-year period it will broadly be contained and going forward as the Indian inflation is low, the interest rates has to be moderate.

Rahul Modi: Sir if you could help us with the ECB number?

Jayant Parimal: ECB number we have shared.

Ashish Garg: ECB outstanding is about 170 million as of end of September. We have sanctioned ECB approximately \$250 million of which 170 plus a little bit we have already drawn, balance \$80 million is to be drawn and in external commercial borrowing as far as RBI guideline both the principal as well as interest has to be held fully through forward and there are all fully hedged.

Rahul Modi: Okay got it. Sir on the accounting side if you could help me in understanding this in your finance cost you have recorded a derivative gain of Rs.712 Crores and forex loss of almost Rs.2350 Crores, so how does this work?

Jayant Parimal: That must be lakhs, look this is as per the company standard, this is not what we decided, actually this is why we have broken into two parts, so really want to know what is my forex loss or gain so both of them have to be summed up. So foreign exchange loss which is item number 15, has to be deducted, we have got derivative gain of Rs.119 Crores, Rs.410 Crores minus Rs.120 Crores so basically Rs.291 Crores is my net forex loss in H1 of which Rs.131 Crores is crystallized loss, balance Rs.160 Crores is mark-to-market. If going forward things improve that Rs.160 Crores will be reduced so this is the way accounts are written and made it is not that CAs have written this.

Rahul Modi: Okay thanks a lot Sir, question on this grid unavailability in Karnataka, so are we entitled to any compensation for this?

Jayant Parimal: No, look we are all connected at 110kv network and 220kv network, so these are all backbones, so 220KV network of Karnataka they do not give trouble, some of this 110KV network are slightly old, so they have some setting issues, some jumper issues, sometimes these guys are little conservative in their settings and all so some isolators might be a little low so we are proactively working with them and we are replacing some of these stuffs. It is not knowingly they are doing it, but because infrastructure is little poor some of those old stuff is there which we are getting it replaced through them, sometimes we are also buying it and getting it replaced. So going forward we do not expect any stoppages. It is not that power does not flow; it is not that they do not want the power to flow, but it is some little minor technical stuff, which we are correcting it.

Rahul Modi: Understood Sir. Thanks a lot.

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

Mohit Kumar: Good evening Sir, what is the duration of our loan as it stands today and the new loan, which is securing right now for the upcoming wind capacity and solar capacity, what is the duration?

Jayant Parimal: We have not given any weighted duration, but most of the loans are 20 years so because door-to-door all of them are 20 years because there normally give us to 75% to 80% of the total PPA period, so it has 80% of PPA period which is 25 so it is 20 years, so door-to-door most of them are 20 years, we do not have any loan which is shorter than that.

Mohit Kumar: What is the payment due for FY2020-2021 and are we trying to refinance on the loan for a longer tenure or less restructured loans so that our repayment is very small in the next couple of years?

Jayant Parimal: It is a good question. One is that on the currently contracted debt we have on a broad basis about 4% of the outstanding amount will become due every year. There are two things that we aim to achieve in our refinancing some of which may be delayed as because of the recent I would say

state of capital markets, but we have already achieved the ratings, which we believe is ratings better than some of the peers who have actually more I would say longer operating history so we are very confident on the outcome of the capital market as and when we find the markets to be conducive. So there are two things that we want to achieve as a result of the refinancing, one is slight I would say relieved of equity what we call a kind of top up, which will basically accrue to the parent and we right size the debt over a period of time and second in basically also deferment of the repayment very broadly what we want to achieve is about 8% repayment in the initial five years of the debt and about 12% repayment in the balance or I would say rather in the next five years of the debt. So we believe that the rating that we have obtained is obtained on this repayment profile and everything. So about 20% of repayment would be made in the first 10 years of the project and this is something maybe we want to implement not only in dollars, but also in the INR capital market over a period of time.

Mohit Kumar: Sir is it possible to share the timeline for the commissioning of this 2037 MW, which we have in hand and another 200 MW where we the LOA is about to be issued, is it possible to share the timeline year wise and how much of the capacity will come up in hand and what is the funding plan for this to be required to raise equity going forward?

Ashish Garg: For this year as I have given the number.

Mohit Kumar: 150 MW right?

Ashish Garg: Yes, 50 MW of solar and about 150 MW of wind and basically it becomes 200 and then there are contractual dates so PPA has ended by which we have to obtain COD unless there is some other reason like grid connectivity or any other excusable delay, so out of this recent 200 MW which we have won in solar, they will get completed in the month of August to September of 2020. So basically they fall in 2020-2021, then we have incremental 250 MW of solar of which 200 MW Maharashtra will have to be completed by July 2019, 50 MW of SECI will have to be completed maybe end of 2019 calendar or January because it has got 21 months, so this is as far as solar is concerned and 150 MW in UP is already ready, almost operational, some of the towers are last mile connectivity is getting done by the state Transco as soon as it gets commissioned everything we have done entire plant so we have invested entire capital. Now coming to wind, 250 MW of SECI III will have to be commissioned by November 2019, then 75 MW of Maharashtra state DISCOM will have to be completed by January 2020. Similarly we have a SECI IV 300 megawatt that will have to be completed again in February or March 2020. Recently we have won one 300 MW of wind for which an LOI has been issued, PPA has not been contracted so as and when the PPA has contracted from that day we will get 18 months so easily it will get into July as of 2020 and so this is how the COD plans.

Mohit Kumar: Sir is there any fund raising plan to fund this equity requirement of all this capacity?

Ashish Garg: First of all we are trying to resize some of this thing if you see we are not fully geared, if you see our net debt as of now is little over 10000 MW, Rs.10 Crores, if you reduce Rs.565 Crores of attributable to other projects so basically we are less than Rs.10000 Crores and we believe our

run rate EBITDA is little over Rs.2000 Crores, so we are geared at less than 5 so there is a room there to gear up further maybe 5.5-5.7, so that we are trying to do in a few months' time. In addition to that, we have 87% of promoter equity in our company so by law within one year, we have to bring it to 75% so this is what we have in mind.

Mohit Kumar: Okay thank you Sir.

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

Mohit Kumar: Sir can you share the upcoming bids pipeline where we are participating, have you heard anything of SECI VI of wind?

Ashish Garg: I do not think they have issued any SECI VI wind as of now, I mean they are proposing to issue it, so as and when they will issue we will see, we keep on participating in bids, there are right now some Gujarat, which are going on then there are some SECI bids which are going on so we keep on participating.

Mohit Kumar: Can you give us your opinion on 10 GW and 20 GW bid which was supposed to be connected by the Government of India we will have in FY2019?

Ashish Garg: They did flow a lot of bid but most of them got canceled where you see the ultimately consummated bids are lower, so I do not know whether they will be able to ultimately consummate 10 gW of PPA or not and I agree with you, we have only four months and less, but you will appreciate that there are lot of state DISCOMs also who are issuing this like UP issued 500 MW bids, in this we got 100 MW, they have again issued 550 MW then the state of Maharashtra issued just now 1400 MW bid, earlier they issued some more bid, state of Karnataka had issued some 500 or 1000 MW bids so If you add up all this state bids maybe it will be more, SECI and NTPC the way they would have consummated capacity they have not done.

Mohit Kumar: Is there issue with expectation mismatch or is it also to do with the transmission cost strain?

Ashish Garg: Right now most of the bids, which are coming from SECI, they are mostly on CTU so today some CTU connectivity are available, but going forward it may become a little stuff. On wind side, we have constraints, but on the solar side there is still a scope of another 2, 3, 5 GW in the existing CTU itself. In any sales government is proposing to augment it further, in wind case there is an issue of CTU because you will appreciate wind is located only in certain pockets of the country, so whatever capacity is there, they are already contracted so unless the CTU further expand itself it will be difficult, but in case of solar I believe because the resource is spread a little more widely although the best resources in the state of Rajasthan, I believe this solar is a little less problematic, but in case of wind yes the connectively could be an issue, but states are issuing bid, states do not have connectivity issue, most of the states they come out with a long list where you can connect, so state bids I do not foresee much issue, if SECI and NTPC is issuing CTU bid then it will be an issue.

Mohit Kumar: Just on last question Sir it is on Gujarat bid we heard that Gujarat was trying to renegotiate the tariff, is this true?

Ashish Garg: I have not heard sort of any renegotiation that was long back some three to four years.

Mohit Kumar: On the conducted bids they are trying to in the sense tried to make sure that L2, L3 batch they grow at a speed of 2.9, is it right?

Ashish Garg: At least I am not aware, but they tried to do this long back but anyway they lost the case in GRC, they lost the cast in APTEL so I do not think they are doing it and in fact UNL is considered to be one of the most credible party and this is why you see a lot of participation and sometimes their rates are peculiar than what is discovered in SECI and all.

Mohit Kumar: Okay thank you Sir.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions. I would now like to hand the conference over to the management for their closing comments. Over to you Sir!

Jayant Parimal: Thanks again for joining the call and we hope to interact with you for the course of time. If you have any further questions you can feel free to reach us or our IR team. Thanks a lot.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Adani Green Energy Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.