

“Adani Green Energy Limited
9M FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Green Energy Limited Q3 FY2021-FY2022 Earnings Conference Call. 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, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Kumar from DAM Capital Advisors Limited. Thank you, and over to you Sir!

Mohit Kumar: Thanks Rutuja. Good afternoon everyone. On behalf of DAM Capital, I would like to like to welcome you all to the Q3 FY2022 earnings call of Adani Green. From the management side, we have with us today Mr. Vneet Jaain, MD and CEO, Mr. Kaushal Shah, CFO, and Mr. Viral Raval, Lead - Investor Relations. We will start with the opening remarks followed by Q&A. Over to you Sir.

Kaushal Shah: Thank you Mohit for introducing us. Good afternoon friends and thank you for joining this call. Hope you and your family members are safe in these pandemic times. Take care of yourself. A warm welcome to all the participants in this earning call of Adani Green to discuss the operational and financial performance of Q3. We have uploaded the earnings presentation on our website and I am sure you had sufficient time to go through the same. Let me walk you through the recent updates followed by the operational and financial performance.

On year on year basis, the operational capacity has increased by 83% to 5,410 megawatts. This we have achieved in spite of this pandemic time and a big kudos to our projects team with their persistent efforts, we are able to achieve this major milestone. This, of course, includes 1,700 megawatts of SB Energy portfolio, which we have acquired on September 30, 2021. Another important milestone which you are all are always asking about what is the progress on the 8 gigawatt of solar generation projects linked with the setting up of the manufacturing capacity and I am happy to report that we have signed the largest green PPA with SECI to supply 4,667 megawatts so overall now out of this 8000 megawatt we have already signed PPA for close to 6000 megawatts and we will be signing another 2000 megawatt in the near future. We have already signed the contract agreement with the SECI for setting up of solar PV manufacturing plant for this 2 gigawatt capacity and this plant will be done under Adani Enterprises.

Now let me brief you on the ESG front. We have done a lot of progress as per our commitment so AGEL has achieved CDP 2021 score of ‘B’ surpassing again the Global average, Asia average and the Renewable Energy sector average. The score reflects AGEL as ‘a company taking coordinated action on climate issues’. AGEL has received initial FTSE ESG score of ‘FTSE4Good’ leading to the company’s inclusion in the FTSE

Russel's ESG focus indices. So this is another important progress on the ESG front. In the last quarter, 37 of our operational plants have been certified as single-use-plastic free. With this, 65% of our operating capacity is now single-use-plastic free under CII plastic protocol so this is as per our commitment to become plastic free in all the plants by 2024, but we will be doing it much ahead of that. AGEL has become the first Indian member of GRI South Asia charter on Sustainability Imperatives strengthening its commitment towards UN SDG 7, 9 and 13. So let me just tell you, we focus on all the goals of UN but the major focus is on 7, 9, and 13. SDG 7 focuses on Affordable and Clean Energy and SDG 9 focuses on the Industry, Innovation and Infrastructure and SDG 13 focuses on the Climate Action. So on all of these we have a big focus and we have a dedicated ESG head appointed who is working under the apex committee. AGEL has also adopted a technical standard that has been developed in association with the CII to ensure 'No Net Loss' of biodiversity across all plants as a voluntary commitment under the India Business and Biodiversity Initiative (IBBI) so we are focusing also on the biodiversity.

Now, let me just take you through the operational and the financial performance. The robust capacity addition and the best in class O&M processes have led to a continued impressive operational and financial performance. Coming to the numbers for the nine months,

- Solar CUF has improved by 50 bps year on year to 22.6% and Wind CUF has improved by 470 basis points year on year to 33.2%. Solar CUF improvement is led by the integration of the high quality SB Energy portfolio, consistent high plant availability of near to 100% and improved grid availability near to 99%. Wind CUF improvement is led by technologically advanced and more efficient newly added wind turbines generators and improved plant availability of 96% and grid availability of almost 100%.
- The sale of energy has increased by 67% to 6456 million units led by robust addition of 2,460 megawatts renewable capacity over the last one year.
- Supported by strong operational performance, AGEL's revenue from the power supply has increased by 54% year on year to Rs.2,655 crore.
- The EBITDA from the power supply has increased by 56% year on year to Rs.2,474 crore with 160 bps improvement in margin to 92.4%.
- In infrastructure we focus on the cash profit and this has increased by whooping 47% to Rs.1,292 crore.

In conclusion, we are on track to meet our renewable energy target of 45 gigawatt by 2030 led by robust capacity addition, increased visibility of growth with firm PPAs and consistent operational performance. Also, with the global recognition of our efforts to light up the world with green energy and to further incorporate the best ESG practices on all fronts, our ESG commitment is growing stronger and stronger.

On operational front I will give you because we are not required to publish the debt number but on operational projects, we have Net Debt to (run-rate) EBITDA of about four and a half times which we have told you that this is what is the trend which we will have as we move forward. This also will come down as more and more capacity will be added. Cash, of course, we have a Rs.4,300 crore cash available at the end of this quarter as well. So these are the broad numbers, which I wanted to highlight to you. Our hybrid projects of 1.7 gigawatts is in very advanced stage of commissioning. In fact, we have commissioned almost 800 megawatt which is partially commissioned and then the remaining we expect the same to be online by April so we are on track as far as the India's first hybrid projects of 1.7 gigawatt becoming operational. So this are the initial comments from my side. Over to you for the Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Apoorva Bahadur from Investec. Please go ahead.

Apoorva Bahadur: Thank you for the opportunity. Good set of numbers, congratulations for that. Sir I wanted to understand your views on the pipeline for the renewable development? We understand that there could be a module shortage right because the domestic capacity is yet to be set up but the PLI and BCD to be implemented very soon? Do you think that there will be a drop off in the pace of project awarding?

Raj Kumar Jain: I think when it comes to the pipeline, I think the government has clearly specified in March last year that how the BCD trajectory would come in, what will be the implication of that in terms of change in law as well as yesterday as finance minister has notified or the ministry has notified the 25% and 40% BCD. I think things have been made very clear to the industry how things would pan out so whatever tenders people have actually won in the last six to nine months, those have been done after considering those BCDs or taxes and the tenders prior to that have that as a clear change in law. So in terms of projects which are going to get implemented in the coming year or in the current year of calendar year 2023, most of those projects would have, we are assuming that those would have change in law as far as the BCD is concerned so hopefully that will not impact the project pace too much. At the same time, there would be some capacities which is going to be available in the country for the solar modules and cells. Those will help some of the development assets which are being done by some developers where BCD may not be a

pass-through, but again it is a developer specific situation, but we do not see a too big an impact of that on the country's solar pipeline.

Apoorva Bahadur: No Sir what I meant was post this implementation of BCD either we will import Chinese modules and the bids will go up or we will depend on the domestic modules. Do you think that the domestic module capacity is large enough to support this type of ambition of the targets that we are chasing so will we continue to be dependent on Chinese modules till our domestic capacity increases? Is that a fair understanding and hence the prices will go up?

Raj Kumar Jain: The good part is as I mentioned to you is for this year most of the projects which are going to come up would have change in law for the Chinese modules when those are imported. Now going forward there is significant capacity which is being expanded in the country which is expected to come by the end of this year or early next year or mid of next year so you would see some of those getting expanded. Our own capacities, we are increasing significantly in terms of our sister company expanding and they are putting up their own capacity, the modules of which are already online and very soon the cells will be available online. There are other players in the industry which are further expanding their cell lines and module lines so I think when it comes to next calendar year there would be sufficient capacity available, but again it finally depends on how everyone is able to encash this opportunity to set up the manufacturing facilities in the country, which is a push from the government side so yes there could be some supply situations probably early next year when some of this transition happens. In terms of tariffs, I am not expecting too much of an impact of BCD in the tariffs because some of the projects recently which have been bid out were inclusive of any potential BCD. I hope this clarifies.

Apoorva Bahadur: Yes Sir. Thank you so much for the explanation. Sir the second question is regarding sister concern's green hydrogen foray right. So we understand that the group has set up an entity under Adani Enterprises. Now, what we need to know from you is will Adani Green be tapped into for supplying the renewable power, A? B what type of arrangement will be there if that happens the IRRs or the ROEs or whatever and C are we also looking to foray into storage now given that lot of new storage tenders are on the anvil?

Raj Kumar Jain: Breaking into two parts. One in terms of the green hydrogen story, I think still it is evolving and as the government pushes the green hydrogen mandate in the country that would potentially decide how the businesses are structured. I am unable to comment too much on what AEL (Adani Enterprises) would do but at the same time yes it is a big opportunity and we are as of now it is very early to say that what would happen in future as the opportunity crystallizes because it would finally depend on what government wants to do. Now coming to your battery thing, again as we understand battery or the

storage capabilities is something which will be of great use to the grid when those become economical so today the kind of cost which we have for a battery storage does not make it, I would say, commercially viable in a manner where it can be deployed in a significant way so there would be certain tenders which would come in. NTPC has come up recently with a tender. SECI might also come up with a tender, which are more test tenders so in future probably three, four and five years down the line the battery storage may make some sense for the stationary storage purposes. As of now, I think the entire battery ecosystem, which is being talked about is for the electric vehicle or the passenger vehicle segment.

- Apoorva Bahadur:** Right and Sir we are not looking into pumped hydro?
- Raj Kumar Jain:** We continuously look at multiple segments whether it is pumped hydro or floating solar or other avenues as well, but I think from that perspective we would tap in those opportunities when we believe those are available and commercially viable. We have been working on these for good time actually.
- Apoorva Bahadur:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nitin Tiwari from Yes Securities. Please go ahead.
- Nitin Tiwari:** Good evening. Thanks for the opportunity. Sir my first question is the custom duty which has been raised, is that on import of solar modules or import of solar cells or on both?
- Raj Kumar Jain:** So the duty which as we understand is on solar cells at 25% and on solar modules at 40%. Those are currently applicable only after April 1, 2022 so as of now there are no duties, but yes from April 1, 2022 this is what the duty structure would be.
- Nitin Tiwari:** Right and this 2 gigawatt capacity that we are planning so that would be manufacturing solar modules or that will be manufacturing solar cells as well?
- Raj Kumar Jain:** Both.
- Nitin Tiwari:** So basically it will be a backward integrated solar module facility where you will not be dependent on imported solar cells for manufacturing of modules right?
- Raj Kumar Jain:** So that provides that option to us in terms of sourcing product from the sister company, which is using 2 gigawatt. Apart from that they already have close to 1.5 gigawatt of facility which is also cells and modules.

Nitin Tiwari: Understood and Sir in the PLI scheme that has been introduced in this project with respect to solar modules manufacturing, if you can like throw some light and to understand that how that is going to help basically a company like ours or the sector?

Raj Kumar Jain: Sure. The Government of India had come up with a PLI scheme earlier part of last year where allocation of some Rs.4,500 Crores was done as a PLI for capacities to be set up in India where a preference was given to people who would set up capacities from polysilicon to modules and then staged way second preference to ingot, wafer and cell and module and the third one is cell and module only, based on which, a tender was called during the Q3 of last year and lot of people submitted their interests and their bids as part of that particular tender. Close to 52 gigawatt if I remember right was the total subscription, which was done by various people, those capacities depending upon the bidder. Level of integration was different but those capacities were to be set up over the period of the next two years to three years. Now for that capacity, the initial allocation available was only Rs.4,500 Crores. If this Rs.19500 Crores which has been allotted in the budget if that is given to those particular bids then this entire 50 plus gigawatt of capacity would be eligible for getting the PLI. So let us see how it pans out, but if this gets allocated you will see that over the course of the next two to three years most of this 50 gigawatt will get implemented and for people like us we had bid or our sister company had bid for 4 gigawatt of capacity starting from polysilicon to ingot, wafer, and cells and modules. This capacity is over and above the 3.5 gigawatt capacity I have already spoken.

Nitin Tiwari: Understood. Great Sir. Thanks for answering those questions.

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

Mohit Kumar: Good evening Sir. Sir first what is the capacity likely to come in FY2022 in the Q4 and FY2023, FY2024 and FY2025 based on our pipeline as it stands today that is the first question?

Kaushal Shah: So Mohit we are expecting that by year end we should be close to around 7,500 to 7,700 megawatts in the operational one. so that is what it is and then on a yearly basis normally you know our plan is to add approximately 3 gigawatt to 3.5 gigawatts.

Mohit Kumar: What is the pipeline of portfolio as it stands today? Is it around 10 gigawatt is that number a fair number?

Kaushal Shah: We have a total 20 gigawatt of projects on hand all put together out of which 5.4 is operational.

- Mohit Kumar:** Out of this, is everything PPA for the entire portfolio barring that 2 gigawatt?
- Kaushal Shah:** Yes, we have PPA for all the portfolio (except 3.3 gigawatts where LOAs have been received and PPAs are to be signed).
- Mohit Kumar:** Secondly given the module prices have been in a different trajectory in the last 12 to 18 months does it affect our project IRR in the sense how do we protect ourselves especially on the prices of modules and the freight?
- Kaushal Shah:** So Mohit as a part of our capital management programme, we have a great relationship with the various suppliers and we are able to open the letter of credit well in advance so in majority of the cases we are not having a heat of this increase in the prices, but having said that yes in some cases we have impact of around 5% to 7% kind of an impact, but because of our efficient capital management programme and the saving in other components of the overall project cost, we expect there will not be any material increase in the project cost, which will happen.
- Raj Kumar Jain:** Just to add what we have been able to achieve over the years is that okay fine when we bid for a particular project we have a technology road map, which we consider, but over the years now we have been working significantly on adopting various technologies so we have been able to improve what the entire generation would be, what the BOS structure would be, and what the methodology would be so with all of that we have been able to save not only in terms of cost, but also on the generation side or O&M side, plant availability side so all of that actually helps us after we win a bid to further improve our returns. So this kind of an impact where there is a market related impact where we could not do much except ensuring that our relationship with our strategic suppliers ensure that we still get one of the cheapest modules in the market. We are able to take those cost of 5% to 7%, but at the same time mitigate that in various measure including the capital management programme. Sorry I just thought I will add.
- Mohit Kumar:** Sir one more clarification? I think a couple of years back you used to say that we will not, our bidding parameter is capex by EBITDA and the number you are targeting is 6.5? Is that number hold true right now in the current scenario?
- Raj Kumar Jain:** With the changes in the entire capital market obviously Mohit what has happened is the interest rates have gone down significantly than when we used to talk about 6.5 EV/ EBITDA as our aim and at the same time, the cost of capital for this particular industry has also gone down so we have moved up a bit in this case, but we are still significantly earning 2% to 2.5% higher than our competitors when it comes to equity IRR in our projects. That we are ensuring which is coming through various initiatives, which we have taken some of them, which I have spoken with respect to technology, O&M and all

of that as well as our land capabilities in terms of securing them in advance as well as the EPC capabilities.

Mohit Kumar: On the financials side, the EBITDA has increased Q-o-Q by 100 crore while the interest cost and depreciation has gone up by 200 crore roughly so there is an additional loss of Rs. 100 crore? This is the impact of the acquisition. Is this the right way to think about it

Vneet Jaain: Mohit let me just explain to you that Q-o-Q technical comparison also will not be right because what is happening is that if there is seasonal impact as far as the CUF and other stuff is concerned so if you compare the Q3 with the Q3 of last year then you will have a better idea than compared to Q2. In Q2, normally we have a good numbers available all the time every year so Q3 because of the extended monsoon and other stuffs the EBITDA will be slightly lower. Now, this quarter we have added the SB energy portfolio so that we are stabilizing the asset and putting up that increasing the EBITDA margins. We are working on particularly but some of the assets are into the solar park where we have to pay the lease charges and other things which was not there in the case of Adani Green so there is a marginal cost increase on the O&M front in that sense but we are working out that how we can optimize the other part of the cost in the particular place. As far as the interest cost is concerned, the cost increase because of the SB addition energy portfolio, which has been added. That has an addition of around Rs.105 crore and then there were other portfolios also last year, which we have added. That also has increased the cost of borrowing and then some of the borrowing at portfolio level, which has net of capitalization that has increased, but overall this is within the range only.

Mohit Kumar: For the SB Energy portfolio what is the scope for increasing our PLF and thereby revenues and what is the scope for decreasing of cost?

Viral Raval: Mohit basically SB Energy as we have been highlighting in our announcements also is already one of the highest quality portfolios that are there in India and the annual CUF last year was close to 26% correct. So it is already a good addition to the portfolio and thanks to that even our overall CUF has gone up on an overall basis. But yes definitely with the synchronization of Energy Network Operations Centre across all the plants, there is some chance to further improve it, but it is already doing very well.

Raj Kumar Jain: Mohit further to that, there is one difference which you will find between the two entities. One is that SB Energy has largely relied on third party O&M contracts and that is where we have been able to introduce our own O&M people and similarly the ENOC capability, which has led to or which will further lead to reduction in the O&M cost as well as you would understand that if there is a third party the plant availability is measured in a particular manner and some of those parameters, which are not necessarily can be quantified between a contractor and contractee though there are things which are multiple

hygiene issues which we will be able to resolve when we operate these plants so there will be some improvements but at the same time as Viral said that on the generation side since the plants were already operating at a really good level the improvements may not be very, very significant, but we will be able to reduce significantly on the O&M cost. There is also a significant I would say the admin cost as well as the overall cost of the structure which we have been tabled to take out and reduce significantly so that is again something which we will be able to do better than what SB Energy was able to do so these are the savings which will be part of our synergies when we talk about and will give us additional value than what was visible when it was part of SB Energy.

Mohit Kumar: Sir last question from my side, is there is a reason to tie up for longer term for the solar module requirement given that our requirement is 3.5 gigawatt and our domestic capacity for cells will be far, far lower in the interim so they could be a mismatch between what is available and what is our capacity we are supposed to put in the near term?

Raj Kumar Jain: Mohit as I said a lot of our projects or I would say most of our projects which we are doing has BCD as a pass through okay that is number one. So I am not stopped from importing any modules. That is the de facto option I have available, but at the same time we understand that we will see how we optimize these options. That particular flexibility is always there with us so there is nothing called shortage. We can always choose. Number two, when we talk about the capacities so today the arm of our sister company has 1.5 gigawatt operating and 2 gigawatt being commissioned as we talk. For the modules that is already commissioned for the cells where it is getting commissioned in May or June this year itself so the capacity goes to 3.5. Apart from that we are further implementing close to 4 gigawatts over the course of next two and a half years so net, net without changing anything beyond this, the sister company would be setting up close to 7.5 gigawatt of capacity so as far as that company is concerned we might become an anchor customer but still they would have excess capacity.

Mohit Kumar: Understood Sir. Thank you and best of luck.

Moderator: Thank you. The next question is from the line of Alok Malpani from DAM Capital Advisors Limited. Please go ahead.

Alok Malpani: Good evening. You articulated very well on how you are organizing and looking at this play both from a control over cost of raw material, availability of the raw material, etc., etc., which is very well taken. In terms of debt, which is again a significant part of this play and with this rising interest cost scenario globally, what is your thought process around hedging that?

Kaushal Shah: So what we are doing is that as a part of our capital management program we have a three sources of funding that are available. One is that we have an LC limit, which is available to us of close to US\$1.2 billion. Now the cost of which is only 4.5% including my commission and discount all these so at the greenfield level we have that level of cost which is the cheapest source which is available. Then what we have done is that if you recollect we have tied up the construction facility with almost now 19 international banks and it is a revolving construction facility so we are very much in control of that particular program and we will be able to raise the funding from the banks at a very competitive rate so on a full year's basis we are talking about 8.45% to 8.5%. Then when the projects become operational and once this becomes operational post that we will take them through the international market through the bond. There we might have to shell out 20 to 25 bps or let us say 30 bps higher, but this will be full tenure bond of 20 years and the initial repayment profile will be very, very low so most of the repayment will be tail ended so as a result, the equity money will be available. Internal accrual will be available so that this money can be used as an equity funding for our growth program so this is how we are planning to overall control the cost number one, optimize the cost and then the fund overall the projects also. If we have, today, let us say Rs.9,000 crore of LC limits so if I do six month rollover of LC turning around and then I can easily fund around Rs.18,000 Crores at 4.5% for at least one year and the projects normally get operational between one or one and a half year so there is a very, very competitive structure of capital management program, which we have created.

Alok Malpani: This you referring to US dollar as a currency?

Vneet Jaain: No so this is a rupee LC facility which we have available with us so we can open the LC in favor of the supplier.

Alok Malpani: I understand the mechanism? This 4.25% whatever you indicated is for INR Indian rupees?

Vneet Jaain: Yes for Indian rupees.

Alok Malpani: Understood. Thank you.

Moderator: Thank you. As there are no further questions from the participants with that I would now like to hand the conference over to Mr. Mohit Kumar for closing comments.

Mohit Kumar: Thank you for giving us this opportunity. Thank you.

Viral Raval: Thank you all the participants. Thanks a lot and feel free to touch base with the investor relations team for any further questions.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited that concludes this conference.
Thank you for joining us and you may now disconnect your lines.

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