“Adani Green Energy Ltd - 9M FY23 Earnings Conference Call with Fixed Income Investors”

Organized by Mizuho

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MANAGEMENT: MR. PHUNTSOK WANGYAL - CHIEF FINANCIAL OFFICER – ADANI GREEN ENERGY LIMITED
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Thursday, 16th February 2023

Ravi Tewari: Thanks everyone for joining the call at this time. On behalf of all the banks and AGEL, we welcome you to the Adani Green Energy Results update. From the company, we have Mr. Phuntsok Wangyal, CFO and Mr. Viral Raval, Head - Investor relations. Before I hand it over to Mr. Wangyal, I just want to reiterate that we will have Q&A after the opening remarks by the management. I would request all investors to pose any questions that they have on the Adani Green operations and the results that have come out. If there are any questions which are related to the group or any other questions related to other entities, please feel free to share those separately with the respective bank sales team. With that, I'll hand it over to Mr. Wangyal.

Phuntsok Wangyal: Hi. Good morning, Good afternoon, Good evening. Thank you to the banking group for organizing this and thank you to all the investor for joining this call. So what I will do is, I will give a quick update in terms of our performance for nine months ended December 2023. Then post that, we can go for Q&A. Just to start, what I thought is just to give update in terms of capacity. As we know, by December end now, Adani Green, as we stand, we have a legally declared COD of 7.3 gigawatts. Over and above that, as we have spoken last time, actually, we also have a partial commissioned capacity of around 831 megawatts. So what effectively we mean is today with a combination of commissioned and partially commissioned capacity, we stand at 8.1 gigawatts.

And looking at the way our construction is going on by the end of this financial year, by March end, we should be ending at 8.3 gigawatt, if not more. Now, what it effectively means is during this period, actually, from Adani Green perspective what we did was we commissioned the largest hybrid, uh,
project in India, which is a 1.44 gigawatts. That’s the first thing on the capacity side. Now, from operational performance perspective, operational performance remains robust during this period from a solar portfolio perspective. On a year on year basis, what you will see is our CUF or plant road factor has increased by 140 basis points. So solar CUF today stands at 24%. This is basically a reflection of high plant availability, which we have managed to achieve, better grid availability, better PR ratio, as well as, the integration of SB Energy portfolio during this period.

During the same period, as far as Wind CUF is concerned, Wind CF was marginally lower by 300 basis point, and this was largely on account of one-off force majeure event of non-availability of transmission infrastructure for 150 megawatt plants in the state of Gujarat. During the same period, you will notice that our hybrid portfolio has got a very robust CUF of 34%. Actually, this reflects why Government of India as well as many of the off-takers, today, are moving for hybrid type of market solution rather than a plain, let’s say, solar or wind solution. This effectively means that during the same period from a power supply perspective, our revenue has increased by more than 39% actually. And during the same period, we have sold at least 3.8 million carbon credits actually, which effectively has generated Rs. 153 crore of revenue on the top of the revenue from power supply.

That’s one thing. Another thing which I thought of highlighting is, on account of the partially commissioned capacity, which I already talked about, so during the same period, effectively when we have infirm revenue of Rs. 1,645 crore. This is over and above the revenue from power supply, which you would’ve noticed in our audited accounts. During the same period, even from regulatory perspective, it has been very favourable. We got a favorable order from APTEL which is a power regulatory body in India for our Tamil Nadu projects. Actually, what it effectively means is we will be able to dispatch the power at a much higher tariff compared to what we were doing now, which effectively means is we will be having a one-time revenue upside of at least Rs. 570 crore just as a matter of information. This is not yet accounted in the results which we have declared and this also will lead to an annual recurring positive income of at least Rs. 90 crore. So this is, this is from operational and regulatory front.

Now, from credit update perspective, as you know, a large part of our fleet, at least 89% of our fleet, the counterparties are largely sovereign and sovereign equivalent. This clearly shows that from a revenue receivables perspective, we stand at a very good state. Even from rating perspective, if you see the liability profile which we have, at least 97% of our rated facilities are between A to AAA equivalent credit rating scale. So, effectively we have got a very robust portfolio growth, excellent operational performance, and a liability profile, which is at a very good rating scale. That’s the third point.

Now, from ESG perspective, what we also thought of highlighting is that ESG remains a very important pillar for the entire group and that is also from AGEL perspective. AGEL has got a green financing framework, which is basically in line with globally accepted principles as well as the disclosure standards, which we have voluntarily adopted. During this period, especially for Q3 period, what you would’ve noticed is AGEL’s entire operating capacity is now ‘zero waste to landfill’ certified, and we are very proud to achieve that during this period. Apart from that, we also received ‘Leaders Award’ at the Sustainability 4.0 Awards, conferred jointly by Frost & Sullivan and The Energy & Research Institute. So effectively our, ESG commitment, which we have voluntarily adopted in line with the global principles and publicly disclosed, the efforts are getting recognized at multiple forums. So in conclusion, what I would like to state is from AGEL perspective, we are making a very steady progress in terms of providing affordable clean energy on a sustainable basis. And we are effectively today on track to achieve our long-term renewable capacity addition targets in a sustainable and prudent manner. So, I conclude my opening remarks now. We can start Q&A.
Moderator: Thank you. If you would like to ask a question, please press star, followed by one on your telephone keypads, and remember to unmute locally. For those of you who have joined us online, you can type your question in the Q&A box. Please note that the company team will take questions only pertaining to the business and the company in this call, and all group related questions can be shared as separate Q&A in response to the group call. Thank you. We’ll pause for a moment to allow questions to be registered. Our first question comes from Eric Liu, from Nomura. Eric, please go ahead.

Eric Liu: Thank you. Thanks, management. I think, I have two questions at the moment. I think, first of all, I joined the last session of the Adani group. So, regarding the financing plan about the holdco bond, if I recall correctly. So you mentioned, that the full financing plan will be ready around May-June this year, and then 100 present cash backing facility will come by the end of June. So, I would like to have more detail about the current stage of refinancing and who are these kind of lenders, like giving you the refinancing.

Phuntsok Wangyal: Yeah. Hi Eric. Thank you for asking the question. I think in the previous call, what was clarified was within a year, much before the year of the legal maturity of the holdco bond, what we will be effectively be having is a underwritten commitment/cash backed commitment, actually, to pay out the entire holdco facility at the point of its legal maturity. So at this juncture, we are in the process of putting in place those facilities actually. As it was communicated in the previous call, by the time annual results are declared i.e. Q1 of next financial year, we will make the necessary disclosure about what exactly is this underwritten commitment/ cash backed facility.

Eric Liu: And, and if we let's say put a percentage of a completion for this kind of progress, how, how, what certain level of milestones you would consider right now, you, you have achieved?

Phuntsok Wangyal: No, I didn’t get it. Can you just ask again?

Eric Liu: Sure. I think my, my question being asked is that I would like to know about how the current stage, like, in terms of milestone of this refinancing, as you mentioned, first quarter next fiscal year, you probably will give some update, but, how the current stage that in terms of maybe some kind of a percentage completion, something like that.

Phuntsok Wangyal: So this is a work in progress, actually, but what we can assure you is we are more than confident that by the timelines, which we talked about when we make the disclosure, that disclosure will make it absolutely clear that this is an underwritten commitment, which will ensure that by September 2024, when this holdco maturity comes up, it will be taken out.

Eric Liu: Okay, cool. Cool. No problem. I think in last call Robbie was also saying that the group is actually looking for cutting the cap. If I recall correctly in the last Adani Green equity call, you guided the Capex for fiscal 24-25, broadly around INR 100 billion. It was a combination of committed and discretionary capex. So, would you mind to giving us a split in between so-called committed and discretionary capex, do you see any possibility of cutting of this capex?

Phuntsok Wangyal: Yes. So, as we talked in the last equity earnings call, so this is a tentative capex number, which is being talked about, which is still under review actually, but what I can say is a larger part of this capacity can be in the form of discretionary capex.

Moderator: Thank you. Our next question comes from Pradeep Melchis from BFAM Partners. Pradeep, please go ahead.

Pradeep Melchis: Yeah. Thank you for this call. I just had a couple of follow-up questions, I guess. The first one is in terms of the capacity and also the expected run-rate EBITDA. By the end of the fiscal, we are looking at about 8.3 gigawatts. What kind of run-rate EBITDA would we look at this installed
capacity, for fiscal year 24, and any broad level expectations or guidance that you can give us terms of the fee cash flow, the business can generate in this capacity for the next fiscal?

**Phuntsok Wangyal:** So as I mentioned in my opening remarks, so sitting today along with our partial commissioned capacity, we have around 8.1 gigawatt actually, and, and by the end of this financial year, we’re confident of achieving 8.3 gigawatts. What it effectively means is when we’re sitting today, commissioned and partially commissioned capacity, run-rate EBITDA should be around Rs. 7,380 crore, and if we add the incremental capacity, which will be added during next one and a half month, what we should be having is around Rs. 7,450 crore run-rate EBITDA.

**Pradeep Melchis:** And just to understand, probably in the context of your debt maturity and refinance plans, guidance in terms of what kind of free flows you’re expecting to generate next year.

**Phuntsok Wangyal:** Yes. So in next year, if you would’ve seen our earnings presentation, frankly speaking, all the repayment profiles are fairly amortizing repayment profiles. So from that perspective, actually the first leg of bullet repayment is basically the holdco bond about which we talked about now, what it effectively means is even looking at around 8.1 gigawatt of current operational portfolio, which we talked about. So we are looking at free cash flow to equity of between Rs. 1,600 to 1,800 crore. This is what we are looking at right now. And this is also slightly on a conservative side, actually but we do believe that this should be the range.

**Pradeep Melchis:** Got it. Got it. Thank you. I guess the last question, and I’ll be back in the queue. Just on this thought process, you know, in the debt maturities RG1 the plan is probably, you know, looking at a longer term financing given that there are operational assets. From a thought process point of view, how are we looking at holdco bond refinancing, I mean, given that there is no direct access to cash underlying assets, different SPVs/ different vehicles. Can you just give us some broad guidance in terms of, you know, the direction that you guys are thinking and if it’s going to be, you know, like looking at some monetization of underlyings just for us to, you know, kind of try and understand, you know, what direction you guys are working on.

**Phuntsok Wangyal:** So, actually, as far as RG1 bonds are concerned, this will definitely be refinanced through a longer tenure amortizing profile. As was mentioned in the previous call, what effectively we are looking at is around 15 year type of instrument as far as RG1 bonds are concerned. As far as holdco bonds are concerned, I think the thought process is to have a legal maturity, which is more sustainable in nature. But what will be more prudent is once it is firmed up then we should be in a position to talk more in detail. But, effectively the legal maturity for holdco bond will be more sustainable in nature.

**Pradeep Melchis:** Got it. Got it. Thank you.

**Moderator:** Thank you. Our next question is from Jayadev Mishra from J Safra Sarasin. Please go ahead.

**Jayadev Mishra:** Yeah. Okay. So my question is more on the sustainability side. So we are a very, very strongly ESG focused investor, and that credibility has been brought into question, uh, not only on the debt side, which I’m representing, but also on the equity side. So my question to you is, um, please bear in mind that you also need to engage different sustainability counterparts, such as, let’s say, MSCI or Sustainalytics, just to make sure that they get your long-term messaging right. Because without that, we are a bit concerned that we may lose, um, some of the fundamental supports, uh, from the industry on the sustainability perspective. So that’s one, and second is little bit on the governance front, I read the news about Grant Thornton audit. So is that also covering Adani Green as an entity? And what sort of mindset do you have or what do you want to achieve? Is it purely a communication perspective or what do you want to achieve out of such an exercise?

**Phuntsok Wangyal:** So as I mentioned in my opening remarks, so sitting today along with our partial commissioned capacity, we have around 8.1 gigawatt actually, and, and by the end of this financial year, we’re confident of achieving 8.3 gigawatts. What it effectively means is when we’re sitting today, commissioned and partially commissioned capacity, run-rate EBITDA should be around Rs. 7,380 crore, and if we add the incremental capacity, which will be added during next one and a half month, what we should be having is around Rs. 7,450 crore run-rate EBITDA.

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**Pradeep Melchis:** Got it. Got it. Thank you. I guess the last question, and I’ll be back in the queue. Just on this thought process, you know, in the debt maturities RG1 the plan is probably, you know, looking at a longer term financing given that there are operational assets. From a thought process point of view, how are we looking at holdco bond refinancing, I mean, given that there is no direct access to cash underlying assets, different SPVs/ different vehicles. Can you just give us some broad guidance in terms of, you know, the direction that you guys are thinking and if it’s going to be, you know, like looking at some monetization of underlyings just for us to, you know, kind of try and understand, you know, what direction you guys are working on.

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**Pradeep Melchis:** Got it. Got it. Thank you.

**Moderator:** Thank you. Our next question is from Jayadev Mishra from J Safra Sarasin. Please go ahead.

**Jayadev Mishra:** Yeah. Okay. So my question is more on the sustainability side. So we are a very, very strongly ESG focused investor, and that credibility has been brought into question, uh, not only on the debt side, which I’m representing, but also on the equity side. So my question to you is, um, please bear in mind that you also need to engage different sustainability counterparts, such as, let’s say, MSCI or Sustainalytics, just to make sure that they get your long-term messaging right. Because without that, we are a bit concerned that we may lose, um, some of the fundamental supports, uh, from the industry on the sustainability perspective. So that’s one, and second is little bit on the governance front, I read the news about Grant Thornton audit. So is that also covering Adani Green as an entity? And what sort of mindset do you have or what do you want to achieve? Is it purely a communication perspective or what do you want to achieve out of such an exercise?
Phuntsok Wangyal: So, Jaydev, I think what I will suggest is as far as any query, which is broadly linked issues at the group level, I think it'll be advisable that you refer those questions to the banking group and, and group will respond accordingly. Now, purely from an ESG perspective, as you know, as I have also talked in my opening remarks AGEL continues to remain extremely focused on ESG side and on all three parameters. And if you would've seen the the presentations which we have released, you will see that, during the same period, we continued to remain recognized on various fronts actually. And, in the previous call also as Robbie talked, engagements are at various levels actually, including the stakeholders who are from ESG perspective. So from ESG side as far as AGEL is concerned, and I can say that is about other group companies as well. It remains a very important area of focus and you will not find any issue per se on that.

Jayadev Mishra: Thank you. That's all for me.

Phuntsok Wangyal: As far the other question is concerned. I think you can refer that to the banking group, and then accordingly the group will respond.


Moderator: Thank you. Our next question is from Anton Kerkenezov from Pictet. Anton, please go ahead.

Anton: Thank you. Uh, two questions. You've got 400 million of short term debt coming up. Um, how do you plan to address that? And then the second question is, how do you refi the construction loans once the projects are operational?

Phuntsok Wangyal: I think, if you are referring to short term loans pertaining to our non-fund based facilities, actually those are taken out through the project finance facilities, which are already committed. I guess you're referring to that, short term facility, Anton.

Anton: Yep.

Phuntsok Wangyal: So that's the first thing actually. Now, from a refinance perspective, I think you need to understand that as far as our financing base is concerned, actually, it's a combination of domestic sources as well as the construction facility. And, as far as domestic sources are concerned, these are fairly long tenure facilities, I mean 20 to 22 years. So from that perspective, there is no refinancing need, actually. A larger part of our portfolio is any way tied up through long tenure facilities. Now, in terms of near term refinancing, as far as next financial year is concerned, as I briefly talked in between, there is no refinancing requirement actually post that. That will be largely in the form of holdco bond as well as RG1 bond about which I think we have already given a guidance that, we will be having underwritten commitment for those in place within next quarter itself.

Anton: Okay.

Anupam Misra: Sorry, just to add to that. On the construction facilities. Taking out of the construction facilities which will become due in 2025 and 2026 now, we will be continuing to issue bonds like RG2, which are 20 year bonds, which are going to be fully amortizing with no refinancing risk. So that is only the plan on the construction facility.

Phuntsok Wangyal: Thanks Anupam. As we said, when we come out with our firm plan for RG1 takeout, that will make it absolutely clear that even the construction facilities which will come up for refinancing in 2025 and 2026 will also be refinanced through similar type of instruments albeit maybe for a slightly longer actually.
Anton: Okay, thank you. And if I could just sneak in one final question. Uh, you detailed obviously the potential capacity addition that you're gonna be making this year. Uh, are you disclosing, uh, the potential, uh, incremental EBITDA improvement as well?

Phuntsok Wangyal: Yes. So our guidance was limited to this financial year actually, 8.3 gigawatt, which we talked about.

Anton: Okay. Thank you.

Moderator: Thank you. Our next question comes from Love Sharma, from Lombard Odier. Love, please come ahead.

Love Sharma: Hey, uh, hi team. This is really good. Uh, thanks for the call and, uh, uh, you know, uh, thanks for some of the comments you've already made. I just had a few follow up to get some today. So first one, I think, uh, what Robbie mentioned on the previous call about the, uh, the, the underwriting for the 2024 bonds, can you just elaborate a bit more? Do we expect some kind of a letter of credit, some kind of a, uh, cash collateral to be in place by June 30th to take care of these, uh, holdco 24 bonds? That's the first question.

Phuntsok Wangyal: Yeah. Hi Love. Actually as Robbie clarified, so these commitments, which will be in place by Q1 will be in firm underwritten commitment in nature, actually. So from that perspective, that makes it absolutely clear.

Love Sharma: So can I just ask, like, would the, the underwritten commitment supposed to be from the group, um, or from any external party, like may be a bank or something of that, sir, just to get a sense, I mean, I'm not asking about the amount, et cetera and all that, but just to get it sent, the commitment is coming from where?

Phuntsok Wangyal: Yeah, so I think as I spoke, actually this is a work in progress, but what I can definitely assure is by Q1, when we come back to the investor base what we will be having is a firm underwriting commitment. Actually, what it ensures is at September 2024, when the holdco bond comes for maturity, we will be able to draw under the firm underwriting commitment and take out the holdco bond.

Love Sharma: So that sounds like more like a bank facility, which you'll be able to, which you'll be committing to, is that right?

Phuntsok Wangyal: I think beyond that, it may not be advisable because it's work in progress actually.

Love Sharma: Okay. Okay. Fine. Uh, I, another question I think secondly, uh, was mainly related to the, uh, uh, you know, the construction facility which you have, and, uh, I believe there is a step up clause is there, right? Uh, can you just indicate what kind of pricing you have now and what kind of escalation clauses you have there? And I believe you said the maturity of that facility is in 2025, if I'm not wrong.

Phuntsok Wangyal: Yeah, so I think as I spoke, actually this is a work in progress, but what I can definitely assure is by Q1, when we come back to the investor base what we will be having is a firm underwriting commitment. Actually, what it ensures is at September 2024, when the holdco bond comes for maturity, we will be able to draw under the firm underwriting commitment and take out the holdco bond.

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Phuntsok Wangyal: Yeah, so I think the clauses are more typical in nature, actually. So what effectively, what effectively we are saying is construction facility needs to be taken out in 25/26 actually, and that's the time period for takeout, and which we will do, and the takeout will be similar to what we will be doing for RG1 takeout. So from that perspective, as far as takeout is concerned, that is assured.

Love Sharma: Okay. And can you indicate what kind of pricing you are bearing on that now and the quantum of that outstanding? I think, uh, if we just give some ballpark numbers, so do also
Phuntsok Wangyal: What we can say is for, for these market construction facility right now, on a fully hedge basis, we have drawn this under multiple tranches, actually should be nearer to around 9.4%, fully hedged facility.

Love Sharma: Hedged 9.4%. Understood. And the currently outstanding and how much of capacity you have left. Could you, could you just indicate that as well,

Phuntsok Wangyal: If we add both the first construction and second construction, we are talking about around USD 1.64 billion.

Love Sharma: So that's fully utilized then, I guess.

Phuntsok Wangyal: Yeah, that's fully utilized actually and capacity is also commissioned. If you recollect in the beginning in my opening remarks, I talked about 34% CUF for our hybrid portfolio. Now this entire construction facility has been used to finance hybrid portfolio, which is doing exceptionally well right now.

Love Sharma: Wonderful. Correct. And this is the last question, I think for the capex plan for next year, 10,000 odds. Um, how is that going to be funded? And I believe, I mean, you can look at the cash balance, you know, which has been disclosed, let's say around two – three thousand odd crore, if I remember. Uh, how is, what is the plan to fund this capex uh, uh, through debt, equity, internal cash? If you could just break it down.

Phuntsok Wangyal: Yes, so I think the capex, which we are talking about as we said is still under review actually. But a larger part of this capex still is discretionary capex. Now, from that perspective, actually, if we leave aside the discretionary capex from a funding perspective, a large part of that is already in place - long tenure PF facility.

Love Sharma: Sorry, so can you clarify you said long term. So, when you say long term facility, that's not the construction facility, I believe, right? That there is, you mean another domestic, uh, bank supported facility, which is in place for this, for the, for the capex plan?

Phuntsok Wangyal: Yeah. So as I said, we have got a diversified funding base. Actually, construction facility is one facet of it, but our relationship with domestic institutions, specialized institutions who, who are very active in project finance still remains very intact, actually.

Love Sharma: Okay. Or maybe if I could ask it another way, let's say if you have to commit to a capex plan based on the current availability of facility from domestic lenders, et cetera, what would that number be terms of capex for the entire next year? Let's say you assume no new facilities for construction, et cetera, and whatever you already have committed, you already have received commitments for, uh, if you just go with that, how much of the capex would you actually spend based on that?

Phuntsok Wangyal: Yes, so I think, Love, what we need to understand is, our limits with domestic facility is pretty intact actually. And just to put a perspective, for example, the non fund based limit, which I talk about and we, as you know, as far as non fund based facilities concerned, in the past, we have talked about, we have got around INR 89 billion of non fund based facility, out of which around INR 60 billion is still unutilized. Apart from that, other specialized financial institutions’ commitment are still undrawn. So, if the query is from a perspective that, the capex, which we finally crystallize for next financial year whether domestic institutions will be sufficient to support them, I can say with conviction, their capabilities and undrawn limits are more than sufficient to support it. But, as I said in the beginning, actually capex for next year is still a work in progress.
**Love Sharma:** Okay. Okay. Maybe I'll follow up later my query is more about, you know, even if let's say you don't get anything in terms of new facility, what would be the capex? I'm happy to call up later. Next. Thanks.

**Moderator:** Thank you. Our next question comes from Imtiaz Shefuddin from Barclays. Imtiaz, please go ahead.

**Imtiaz:** Thank you. Um, I just want to again, uh, try to get some information on something that Robbie mentioned on the earlier call, uh, with regards to how you're gonna take out the, you know, the RG1 24 bond. He mentioned 15 year amortizing, which will be privately placed. I know, uh, you have answered, uh, some earlier questions on this, but can you just please provide some details with, as to, you know, what do you mean by privately placed and when do you expect this to be done? Thanks.

**Phuntsok Wangyal:** Hi Imtiaz. As I said in the beginning, actually, we will be giving final details about this underwritten commitment by Q1 of next financial year. And, and that's the timeline which we are talking about. Robbie also talked about the broad amortizing profile. Actually, 15 years is around that level. There may be one or two years here and there, but that's the level which we are talking about.

**Imtiaz:** Okay. In terms of size, are we looking at one, one and a half billion? Uh, because that was what was earlier reported. So can you either confirm or deny or on the size of the potential issue?

**Phuntsok Wangyal:** What I can say is RG1 is basically USD 462 million. So that's the amount of outstanding debt under RG1, which we plan to refi through this amortizing issuance.

**Imtiaz:** I see. Okay. Great. Thank you.

**Moderator:** Thank you. Our next question comes from Parth Jhala from Goldman Sachs. Please go ahead.

**Parth Jhala:** Hi. Um, I wanted to check on the gross debt number as of December 2022, and I wanted to check if this includes any under construction debt, uh, basically, you know, for any capacity outside of the 8.3 gigawatt, which we are using for run-rate EBITDA.

**Phuntsok Wangyal:** Yeah, so part, actually the gross debt number, which is there includes all the debt outstanding actually including the under construction projects, and the gross debt number for December end is Rs. 47,890 crore actually. And from net debt perspective, this will be Rs. 41,522 crore.

**Parth Jhala:** Got it. Understood. Understood. And, uh, this includes, um, so there is no capex, which has been undertaken, um, where, you know, you've taken on some debt, but which is outside of this 8.3 gigawatt, so basically starting April, you'll be literally taking in fresh capex, starting 8.3 gigawatt, right? Or at least on the debt side?

**Phuntsok Wangyal:** No, so I think there are for example one or two under construction projects actually, which are right now in advanced stage of completion, those are not a part of 8.3 gigawatt. Those will get commissioned next year. Actually, the debt of those under construction projects are a part of the number which we just spoke about.

**Parth Jhala:** Understood. Okay. Got it. That's very clear. Thank you. Um, uh, secondly, I just, uh, wanted to check on the, um, on the, um, uh, the commitment and the discretionary capex that you mentioned for next year, uh, the a hundred billion INR. So you said some of this is discretionary. Now, just want to understand how this works because you would've signed some PPAs, which would have some CODs in the contract, so those would not be discretionary from your perspective, right? So what would that amount be from a capex perspective, which you are basically locked in for in FY24, and maybe the remaining would be discretionary, but just want to understand how much would be sort
of locked-in and how much would be discretionary. And if like, a lot of it is discretionary, then just wanna understand what mechanisms in the sort of PPA allow that to be discretionary, because typically we’ve seen, um, you know, some of these two have like a scheduled commission date, et cetera. So just some color on that would be helpful.

**Phuntsok Wangyal:** Yeah, sure. So what I can say is, the last part of this is discretionary capex, actually, and, and to your second question, what exactly discretionary capex means? So, you know when you signed a PPA, there are obligations on our side. There are obligations which a DISCOM is also supposed to perform. And one of the important element of obligations on the DISCOM side is to have the entire transmission network to transmit the power from my plant to the ultimate beneficiaries. Now, effectively our approach has always been that to ensure that my plant is connected to the nearest substation, and as you know, from the nearest substation to the ultimate beneficiary area, that’s the responsibility of the off-taker. Now, effectively what is happening is many of the projects actually as far as the transmission network for the ultimate beneficiary is concerned those are the, those are running behind me. So from our perspective, we have the ability, actually, what we can do is we can spend the capex, commission our project, connect it to the nearest substation and sell in infirm market. In the beginning, during my opening remarks, I talked about Rs. 1,645 crore of infirm revenue, which we have generated. So, that's what it is. So discretion is at our end to ensure that either I do the capex, connect it to nearest substation, sell it in the infirm market till the time the transmission evacuation ecosystem to be developed by ultimate beneficiaries in place. So that’s how this discretionary nature of capex comes into play. Hope it clarifies, Parth.

**Parth Jhala:** Understood. That's, that's very helpful. Um, and, and just to clarify, the 1,645 million of infirm revenue is for the nine month, uh, 23 period, right?

**Phuntsok Wangyal:** It is Rs. 1,645 crore actually, and this is for the nine months period. So, effectively what’s happening is there's partially commissioned capacity of 831 megawatt, which I talked about. It's still generating revenue, actually. But it’s not getting reflected in my P&L. So that's why you will never see this Rs. 1,645 crore in my P&L.

**Parth Jhala:** Got it. Thank you.

**Moderator:** Thank you. Our next question comes from Umar Manzoor from PGIM. Umar, please go ahead.

**Umar:** Hi. Um, thank you for taking the time, uh, to do this call. Another question about, um, about the governance aspect, uh, specifically relating to, um, the Adani Green, um, share pledge, which I appreciate that this is beyond the scope of this immediate entity, but my question is about the fact that the pledge of these, uh, of the Adani Green shares that was reported by the SBI Cap Trustee, um, as having supported a loan to the Carmichael mine in Australia. So effectively utilizing a green company’s shares to back a loan to a coal mine, obviously that massively impacts the impression of the sustainable rating of the company, uh, and could potentially impact Sustainalytics or whoever. So my question is, have you discussed this with any of these, um, outside environmental rating agencies, um, in terms of trying to mitigate the impact or potentially putting a governance structure in place to prevent this from happening in future?

**Anupam Misra:** I'll take that question, Anupam this side. I think we are going through that process right now as we speak, and, uh, that structure and process will be in place so that this is mitigated in the future. With respect to the discussions with rating agencies, it is on not only Credit but also ESG rating agencies, I think Phuntsok has already clarified but this is an important commitment for us. We are fully committed to, and we are continuing to engage with all of them. We were doing it before the volatility also, but, during this, the engagement has been heightened.
**Umar:** Okay, great. So, in terms of actual sort of, are there any changes to the governance framework that, that you are sort of communicating to them? Uh, have they, are they sort of comfortable with the changes that you're making?

**Anupam Misra:** So these, all of these, as I said, they are private discussions ongoing right now, but as I said, uh, as and when these reports come out, we'll make them public. But you know, for us, it's been a period where, well, it's been heightened as well as intense learning over the past 10 - 15 days. But all of these mechanisms et cetera are being put in place. Discussions are ongoing, we have communicated to them, and when we make the announcements, you'll see for yourselves, what we're going to do also is that every, we will have calls, and as Robbie mentioned on this earlier call that we will engage through proper investor NDRs and, and continue to engage a lot more. So, we'll, not only will you'll be getting these announcements directly from us, but also you will be hearing from us. So we'll be communicating through step by step how all of these actions that we are taking, how they're taking across.

**Umar:** Okay. Wonderful. That's really helpful. Um, you know, in terms of the, uh, the ESG funds and everything, that, that's very useful to have that information. Um, and just, I have one other question, which is more about the, the holding company, um, the cash flows to the holding company. Um, would you, because of the fact that there's a Total JV on one side, um, would it be possible to, uh, give us an estimate of what kind of cash flow you're expecting into the holding company from the Total JV and from the outside of Total JV assets in terms of dividend cash flows and holding companies so that we can sort of have an idea of, um, you know, how much cash flow is available for just normal debt servicing at the holdco, um, over the next 12 months or the FY 24 or, or whatever projected period that you're using?

**Anupam Misra:** Yeah, I, I think before while Phuntsok rejoins, I think he had mentioned that we are looking at a free cash flow to equity that is after all the operating level debt is serviced, and on top of that, the Total JV share is paid out. I think that number he had mentioned was around Rs. 1,800 crore and that too was on a conservative basis. So that is the number I think we have. I think out of that Rs. 1,800 crore, around Rs. 600 – 700 crores would come from the Total JV and the balance would be from the other operating assets.

**Phuntsok Wangyal:** Yeah. Hi, uh, sorry, apologies. We just got dropped out, so we are back. So I think if I recollect correctly, the last query was at AGL level post, Total JV share what exactly will be the free cash flow - that I think that was the question. The number which I mentioned in the beginning free cash flow purely from 8.3 gigawatt, the number which I talked about, which was Rs. 1,600 to 1,800 crore, that was one that was after factoring distribution to Total. So that's the guidance number, which we are talking about now.

**Umar:** Okay. So that, so the Rs. 600 to 700 is coming from the Total JV and the balance is coming from the fully owned assets, the ex-SoftBank and other assets, is that correct?

**Anupam Misra:** Yeah, they had, in addition to this one, out of this Rs. 1,600 - 1800 crore, how much is your share of the Total JV and how much is the balance?

**Phuntsok Wangyal:** Yeah, sure. Yeah, so Total JV share should be around 20% - 25% out of this.

**Anupam Misra:** So I think the number I gave you of Rs. 600 crore may be a little inflated, that number would be probably in the range of around Rs. 400 - 450 crore and then the balance is from other operating assets.
Umar: Okay. Okay. Got it. So, so, uh, Rs. 1,600 to Rs. 1,800 crore number was including the full Rs. 600 crore from the Total JV, but you’re saying that 20 to 25% of that Rs. 600 crore will actually go to Total, is that what you’re saying?

Anupam Misra: No. What we are saying is that out of Rs. 1,600 to 1800 crore includes around Rs. 400 - 450 crore, which is from the Total JV.


Moderator: Thank you. We have a written question from Rounak Majumdar from Bank of America who asks, could you clarify discretionary capex? How could you walk away from this capex requirement?

Phuntsok Wangyal: No. So we are not saying that we will walk away from this capex requirement. What we are saying is because under a contractual document, there are obligations on both the parties actually. So my requirement to fulfil my obligation within a certain time period is dependent upon off-taker fulfilling their obligation. A large part of it is setting up the transmission network from the substation where my plant will be connected to the area where the power needs to be delivered upon. So in many of our projects, actually, what we are gonna be seeing is the transmission infrastructure is gonna be delayed at the off-taker level. So from that perspective, we can defer the capex. That is what we are seeing as discretionary capex. I hope it clarifies.

Moderator: Thank you. We have another question. Who asks any plan to buy back the bonds, especially the September 2024 bonds? Since it is trading its deep discounts.

Anupam Misra: Yeah. Just to clarify, September 2024, as per RBI regulations, we cannot buy back because it’s 3 year maturity bond and it cannot be bought back. So therefore it is not possible to do a buyback, but we have already clarified the plan that we have on that bond. And there are no plans to buy back either the RG1 or the RG2 bonds as they are self-liquidating long term structures. RG1 will be refinanced and RG two will not be touched. It will remain as this.

Moderator: Thank you. Another question asked regarding the solar CUF improvement, could you be more granular of that improvement between RG1, RG2, and other assets?

Phuntsok Wangyal: Yes. So these are anyways disclosed as a part of our compliance certificate on a half yearly basis. If any further information is required, we shall be like happy to provide it separately.

Moderator: Thank you. The next question asks, can you discuss the progress of refinancing the RG1 opco bonds? Is the placement of the 15 year instrument completed, or can you give some more color on the progress of having the facility completion?

Phuntsok Wangyal: As we said, so we will be having a firm commitment in place by Q1 of next financial year. So it’s a work in progress, but we are fairly confident that so by the time our annual result is declared, we will be having firm commitment in place by the time.

Moderator: Thank you. Another question asks how much capex remains to put the 8.1 GW operational by March, 2023?

Phuntsok Wangyal: A large part of this is already incurred, actually, if you really look at it, what we are seeing is between, between, Rs. 650 - 700 crore. That’s the amount of capex which we are talking about. Melissa, because these, uh, these portfolios, as I said, out of this 8.3 gigawatt, 8.1 gigawatt is actually operational. It is basically for the balance 200 megawatt, for which to add to this 8.1 gigawatt that is where the balance capex will be marked.

**Luke:** Hi, good afternoon. Good evening. Thank you very much for the presentation for the Q&A. Could I just check, a lot of questions have been answered. Could I just check that in the most recent presentation still, do you still have a target of 45 gigawatts of capacity by 2030? Um, can we achieve the 20 gigawatts, you know, the locked-in growth in the next few years as well? So, and at least contingent, and it seems to me, they are on getting capex. Um, so if you do have capex being defined as discretionary, I know, which is not dependent on the, um, the offtaker, um, how much of this, um, growth in the capacity, um, it's not, uh, right now, in inflate. Maybe I should pass it the other way. Thank you very much and, um, you know, very good results again, and also to, uh, your colleague, uh, Mr. Robbie Singh earlier. Thank you again.

**Phuntsok Wangyal:** Thanks, Luke. As you said, the capex numbers are still under review actually. And so effectively what it means is the capacity is also getting reviewed intrinsically as a part of the capex review. Once that is firmed up, I think we should be in a better position to comment on it.

**Luke:** So can I just clarify the 45 GW ambition on?

**Anupam Misra:** I think what Phuntsok mentioned, I think the near term capex numbers are something that we are working on the next 12 to 18 months. The longer term targets remain, there have been no changes to the longer term target. We continue to maintain that. With respect to 2030, we’re looking to add 45 gigawatt renewable capacity. That means that is our commitment with respect to the renewable power capacity addition in India as well as growth in our portfolio. With respect to the funding mix and the funding means of that, it’ll be mostly more equity funded and the proportion of debt will go down. And in the near term, there will be, uh, a slowdown in the target, and that is what was mentioned in the sense to revisit our discretionary capex and reduce our capex in the near term that is the next 12 to 18 months. So that is the guidance that I can give you. And right now there is absolutely no change on the 45 GW by 2030.

**Luke:** Okay. No, thank you very much. I look forward to, uh, further guidance on your ambition. Thank you.

**Moderator:** Thank you. Our next question comes from Manik Gupta, from Broad Peak Capital. Manik, please go ahead.

**Manik:** Hi, thanks for this call. Uh, gentlemen. Uh, the first question is, you mentioned you have USD 462 million on the RG1 bond. I though it was USD 500 million. What am I missing? What’s the mismatch?

**Anupam Misra:** Sorry, USD 500 million, I think there was some confusion. I think we were talking about the number net of DSRA and that is how the number came to USD 462 million but the number is USD 500 million.

**Phuntsok Wangyal:** Yeah, absolutely.

**Manik:** Second, the, the second question is, uh, is, is more kind of a description request. Can you just describe, other than the two RGs that this under the Total JV, can you describe how much is the other capacity? Is it all operating, how much debt is against it, and how much EBITDA does it generate?

**Anupam Misra:** Sorry, USD 500 million, I think there was some confusion. I think we were talking about the number net of DSRA and that is how the number came to USD 462 million but the number is USD 500 million.

**Phuntsok Wangyal:** Yeah, absolutely.

**Manik:** Second, the, the second question is, uh, is, is more kind of a description request. Can you just describe, other than the two RGs that this under the Total JV, can you describe how much is the other capacity? Is it all operating, how much debt is against it, and how much EBITDA does it generate?

**Phuntsok Wangyal:** Yes. So just one second. Okay. So as we said, right now, the operational capacity including partly commissioned is 8.1 gigawatts and under the Total JV, we have 2.3 gigawatt.

And for that 2.3 gigawatt the debt is yes, one second. I just need to cross check my numbers actually. But, Manik, I need to get back to you with the exact details.
Manik: Sure. I'll connect it with you separately. Thank you so much.

Moderator: Thank you. Our next question comes from Imtiaz Shefuddin from Barclays. Please go ahead.

Imtiaz: Thanks. Uh, just one more question. Um, seeking clarification on your gross debt number. If I look at your credit note, that was, um, presented a couple of days ago. The debt maturity profile for Adani Green energy totals up to something like 437.6 billion. Uh, the gross number that was mentioned earlier on this call was slightly different. Can you just help clarify these numbers?

Phuntsok Wangyal: So, gross debt number, which we talked actually is Rs. 47,890 crore and this also includes some of the trade credit instruments, which we have, which is basically 1,657 crore. This is December end number.

Imtiaz: Yeah, so the, uh, your credit note also had the December end number for the debt maturity profile and debt totaled up to 437.6 bn. So now you mentioned that your gross debt number is 478.9 bn, and that includes your trade credits. Can you just repeat how much is your trade credit numbers?

Phuntsok Wangyal: So what we will do is we will just get back to you separately on this.

Imtiaz: Thank you. Okay, thanks. Thanks.

Anupam Misra: The reconciliation, I think the difference will be the Total instruments. Maybe they may be counted as in one number and not in another. So, but we will just clarify this separately over email.

Imtiaz: Sure.

Anupam Misra: The second thing is if you add everything, it is only till FY 45. Some of the maturities are beyond 2045, because what we assume here is that the construction facility is not shown as due. And you see the foot note, the construction facility is not shown as due in a FY25 and FY26. It is to be refinanced with a tail period of five years. So therefore you'll see that some of it is push beyond 2045 as well.

Imtiaz: Okay, thanks.

Moderator: Thank you. We have a written question from Kevin Collins from Pacific Life who are regarding the private placement plan at ADGREG. Will this be underwritten by banks? Will the deal be broadly distributed, or are you approaching key financing partners?

Anupam Misra: It'll not be underwritten by banks. It'll be an approach to our key partners. And in addition to that we'll look to do, you know, the first two days that we do, we'll try to do it work with the relationship, you know, investors and then try to broad base this product. We eventually want to have a very broad based like we have in the 144A/ Reg S to reach out to a larger base of private placement to investors and focused on US. But then again, looking at other parts of the world as well, that, that's the next plan for us. The first few deal will be more chunky held by a few investors, and then going after that will be widely distributed.

Moderator: Thank you. Our next written question is from Taeho Lee from MetLife who asks for the expected financing for the future maturities, how much higher interest should investors expect? Is there any change to the longer term capacity target in light of the group's efforts on cutting capex?

Phuntsok Wangyal: So I think what we can say is we don't expect the interest rate to be higher compared to what we have the secured recently. If you even see in the domestic market, you will see that the interest rate which many of these specialized financial institutions are offering are broadly in
line with the average interest rate which we have. So on a broader basis, we don't look to expect any increase in interest rate from the incremental capex, which will come up in near term.

**Moderator:** Thank you. Our final text question is from Matthias Penz from Helaba Invest, who asks, with the end of this financial year, almost 6 GW operational assets will be outside the Total JV/ RGs. Is there a plan to add additional assets for JV with Total or, or create additional RGs which issue their own bonds?

**Anupam Misra:** Yeah. So the Total JV a close ended JV with 2.3 gigawatt. There are no further conversations right now for dropping any further assets into that platform. With respect to the additional assets which are sitting under Adani Green, if the future issuances on the bond side will be exactly replicating RG2, which is they will be 20 - 22 years amortizing bonds with no rate risk, no refinance risk. And they will be in a structure which will be you'll pull assets together in a structure which will have at least 75 to 80% coming from sovereign and the balance from non-sovereign equivalent or merchant projects. So that is the combination that will be there for our side going forward from the bond perspective.

**Moderator:** Thank you. That is now the end of the Q&A session. So now I'll hand you back over to the management team for closing remarks.

**Phuntsok Wangyal:** Yeah. Thank you to the banker group. Thank you to the investors for joining the call. In case you have got any further queries, you can either approach the banking group or Viral who is there on the call. You can approach us. We will be happy to respond to any further queries. Thank you for continuously supporting the group. Thank you.

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