

# Aura Notes Investor Update

Q1 FY 2024 – Operational and Financial Highlights Nov 9, 2023

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## Highlights

- 1. Operating capacity increased from 873.4 MW as at Q1 FY23 end to 1,314.5 MW as at Q1 FY24 end, 50.5% YoY growth with major capacity commissioned by end of quarter
- 2. Electricity generation in Q1 FY24 higher by 15.8% in Q1 FY23
- 3. Revenue from sale of electricity in Q1 FY24 higher by 18.0% in Q1 FY23
- 4. DSOs down by ~50% from 168 days at end of Q1 FY23 to 79 days at end of Q1 FY24
- 5. Funded capacity up from 1,299.8 MW at Q1 FY23 to 2,333 MW at end of Q1 FY24, 79% YoY growth
- 6. On track to achieve operating capacity of 2,333 MW by end of FY24E
- 7. Indian electricity market moving from zero supply deficit to increasing supply deficit, especially during non-solar day hours
  - As on 1 Sep 2023, power demand across India continues to remain high at ~240 GW with a deficit of ~11 GW
  - Elevated merchant prices of electricity
- 8. Significant positive updates in regulatory environment
  - Renewable Policy 2023 of Gujarat announced with a validity for five years terms to be valid for 25 years for projects which commission during the validity of the policy
  - Supreme Court Judgment puts to rest many questions regarding captive/group captive sales
  - Green Energy Open Access Rules (GEOA) was announced by Ministry of Power (MoP) in Jun'22 and later amended in May'23. In line with GEOA policy guidelines released by MoP various states including Madhya Pradesh, Telangana, Karnataka, Punjab and West Bengal have released their GEOA regulations.
  - New and higher Renewable Purchase Obligations notified until 2030 under Energy Conservation Act, with penalty for non-compliance
  - Time of Day tariff mandated for all C&I consumers from 1 April 2024 increased value of wind compared to solar energy

## **Table of Contents**

|    | Group Overview              | 5-7   |
|----|-----------------------------|-------|
|    | Group Operating Performance | 8-10  |
|    | Group Financial Performance | 11-15 |
|    | Business Update             | 16-26 |
|    | ESG Performance             | 27-28 |
| VI | Frequently Asked Questions  | 29-41 |

## I. Group Overview



#### **Continuum Green Energy – Group Overview**



\* Managed by Morgan Stanley Infrastructure Partners (MSIP)

## RG1 is the Restricted Group including the five operational projects - Bothe, Ratlam 1, Periyapatti, Rajkot 1 & 2A which are a part of US\$ 561m notes issuance by Continuum Energy Levanter Pte Ltd. (Issuer)

## **Status of Shortly Operational projects (1,033.2 MW)**

| No | Project       | Capacity<br>(MW) | Target<br>commissioning | Status  |
|----|---------------|------------------|-------------------------|---|
| 1  | Bhavnagar     | 300.8            | Q3 FY24E                | <ul> <li>✓ Grid evacuation system commissioned.</li> <li>✓ Solar installation of 135.0 MW out of 182.0 MW completed.</li> <li>✓ Wind installation 70.2 MW out of 118.8 MW completed. Installation progress slow until mid Oct due to ongoing monsoons.</li> <li>✓ While new renewable Policy already issued on 4 Oct 2023, awaiting Gujarat New Tariff Order for commissioning permissions.</li> </ul>                  |
| 2  | Ratlam 2      | 250.0            | Q3 FY24E                | <ul> <li>Grid evacuation system commissioned.</li> <li>Installation of wind project 99.9 MW nearly completed.</li> <li>Solar installation for 46.875 MW nearly completed.</li> <li>Completion of registration and acquisition of land for balance solar capacity delayed due to strike in state government land registration department for 2 months and current ongoing state elections until mid November.</li> </ul> |
| 3  | Dalavaipuram  | 272.4            | Q3 FY24E                | <ul> <li>✓ Grid evacuation system commissioned.</li> <li>✓ Solar installation of 153.6 MW nearly completed.</li> <li>✓ Wind installation 97.2 MW out of 118.8 MW completed.</li> </ul>  |
|    | Sub-total (A) | 823.2            | 1                       |   |
| 4  | Kalvad 1      | 170.0            | Q4 FY24E                | <ul> <li>✓ Substation and transmission line nearly completed.</li> <li>✓ Land acquisition completed.</li> <li>✓ Solar modules delivered, Wind turbines contracted and deliveries commenced in last week of Oct 2023.</li> </ul>   |
| 5  | Rajkot 4      | 40.0             | Q4 FY24E                | <ul> <li>✓ Grid evacuation system commissioned.</li> <li>✓ 33kV line completed, land acquisition almost completed.</li> <li>✓ Awaiting announcement of Gujarat New Tariff Order before commencing construction.</li> </ul>  |
|    | Sub-total (B) | 210.0            |                         |   |
|    | Total         | 1,033.2          |                         |   |

## **II. Group Operating Performance**



### **Group Operational Performance – Q1 FY 23-24**

**Consolidated Electricity Generation** 



#### Wind turbine / Solar availability



The Performance Ratio for the solar farm was 79.8% for Q1 FY 23-24 vs 81.4% for Q1 FY 22-23, implying a 0.5% p.a. degradation

(1) Downtime due to reshuffling of internal lines because of construction of the Rajkot – III in Q1 FY 22-23

(2) Lower machine availability on account of transformer failure at Rajkot site

Note:

### **Group Operational Performance – Waterfall Analysis (Q1 FY 23-24)**

Waterfall of Generation from Q1 FY 22-23 to Q1 FY 23-24



## **III. Group Financial Performance**



#### **Group Financial Performance – Q1 FY 23-24**



*Late payment surcharge from Discoms is accounted as Other non-operating revenue* 

#### **Group Financial Performance – Q1 FY 23-24**

| Fig in INR million                                    |         |         |               |
|---|---------|---------|---------------|
| Particulars   | Q1 FY23 | Q1 FY24 | Variation (%) |
| Capacity (in MW)                                      |         |         |               |
| DISCOM FIT/ SECI*                                     | 474.2   | 534.7   | 12.8%         |
| C&I/ Merchant   | 399.2   | 779.8   | 95.3%         |
| Total   | 873.4   | 1,314.5 | 50.5%         |
| Revenue   |         |         |               |
| Sale of electricity                                   | 3,311   | 3,908   | 18.1%         |
| Other operating revenue                               | 155     | 106     | (31.6)%       |
| Non-operating revenue                                 | 304     | 201     | (33.9)%       |
| Total revenue   | 3,770   | 4,215   | 11.8%         |
| Expenses  |         |         |               |
| Transmission, open access and other operating charges | 290     | 494     | 70.3%         |
| Operating & maintenance expenses                      | 227     | 293     | 29.1%         |
| Employee cost   | 104     | 132     | 26.9%         |
| Other expenses  | 173     | 196     | 13.3%         |
| Total expenses  | 794     | 1,115   | 40.4%         |
| Reported EBITDA                                       | 2,976   | 3,100   | 4.2%          |
| Adjustments   | 11      | (26)    |               |
| Adjusted EBITDA                                       | 2,987   | 3,074   | 2.9%          |

**Reported EBITDA** = Total income - Operating expenses

Adjusted EBITDA = PAT + Finance Cost + Exception items + Non-recurring expenses + Non-cash expense + Income Tax & deferred tax + Depreciation + Gain/ (loss) from acquisition of securities + Gain/ (loss) for hedging obligation + Minority interest – non-cash income – non-recurring income (As per Indenture)

\* SECI PPA is terminated and from 17th Apr 2023 onwards generation from Dayapar project (126 MW) is sold on exchanged and therefore, classified under "C&I/ Merchant" in Q1 FY24

### **Reducing Gross Debt & Gross leverage due to scheduled amortization & Mandatory Cash Sweeps (Levanter)**



Gross debt exclude FX variations

Amort-FY25 to Amort-FY29 represents schedule amortization & MCS in Levanter notes and financing documents with financial institutions

#### **Group Debt Profile as at 30th June 2023**



## **IV. Business Update**



## **Days of Sales Outstanding (DSOs)**



#### **Electricity Market facing supply deficit and firming prices**



## **Regulatory Updates**



### **Amendment in Electricity Rules**, 2023

| Mi  | nistry of Power (MoP) amended the Electricity Rules, 2005 on June 30, 2023, July 26, 2023 and September 01, 2023   |
|---|--|
|   |  |
|   | • Minimum 26% of the equity capital of the entity by Captive User(s),  |
| Clarity on<br>Captive C&I   | • Minimum 51% of the aggregate generation in a fiscal year to be consumed by Captive User(s)   |
| Consumption   | Captive consumption by holder of equity or its subsidiary company(ies)   |
|   | Captive consumption can be either directly or through energy storage system  |
|   |  |
|   |  |
| Increased tariff<br>if state<br>governments do<br>not pay subsidy<br>timely | <ul> <li>Quarterly report by discom within 30 days for State Commission to examine and review within 30 days of submission</li> <li>In case of non-payment of Subsidy in advance, State Commission to issue the order for implementation of (higher) tariffs without subsidy</li> <li>If subsidy accounting and the raising bills for subsidy is as per the Act or Rules, appropriate action against officers responsible</li> </ul> |
|   |  |
|   |  |

#### Financial Sustainability of Discoms

- All prudent costs for power procurement for 24 x 7 power supply, resource adequacy plan etc to be taken into account
- All prudent costs for creation of assets for development and maintenance of distribution system to be considered as pass-through
- Gains or losses accrued to discoms due to deviation from approved AT&C loss reduction trajectory to be quantified basis Average Power Purchase Cost and same shall be passed on to the consumers as 2/3<sup>rd</sup> of Gains or 1/3<sup>rd</sup> of Losses
- Reasonable Return on Equity, in line with Central Commission recommendation, basis assessment of overall risk and prudent cost of capital

#### **Recent Supreme Court judgement on Captive C&I consumption**

An Oct 2023 judgement by Honorable Supreme Court of India puts to rest a number of issues relating to captive/group captive consumption.

- Shareholding: Captive user(s) must collectively own at least 26% of the voting equity capital of the SPV throughout a financial year
- **Consumption:** Captive user(s) must
  - > collectively consume at least 51% of the total generation in a financial year
  - Consume such 51% of the total generation in interse proportion of equity shareholding with a permitting variation range of 10%
- Shareholding transfer: Captive users may transfer all or part of their equity shares from time to time.
  - In cases where a CGP has more than one user and fluctuating shareholding or any change in ownership, shareholding, or consumption occurs, the principle of "Weighted Average" should be applied to determine the proportional electricity consumption of each user.
- **Surcharge:** Captive Consumers are not liable to pay cross subsidy surcharge and additional surcharge

This will ensure uniformity of treatment of captive/group captive projects across all states in the country and reduce litigation

#### **Amendment in Electricity (Rights of Consumers) Rules 2023**

• Time of Day Tariff for commercial and Industrial consumers with >10 kW demand by April 01, 2024 • Time of Day Tariff to be applicable on variable charge component of the normal tariff Time of Day Tariff • Number of solar hours in a day = 8 hours • Duration of peak hours to be not more than solar hours notified by State Commission or State Load Dispatch Centre %age of %age of Current TOD Pricing Structure for C&I TOD Pricing Structure from 1 April 2024 for C&I Normal Tariff kWh/MW Normal Tariff kWh/MW 130% 250.00 130% 250.00 120% 120% 200.00 200.00 110% 110% 150.00 150.00 100% 100% 90% 90% 100.00 100.00 80% 80% 50.00 50.00 70% 70% 60% 60% 00:00 - 02:30 - 05:00 - 07:30 - 10:00 - 12:30 - 15:00 - 17:30 - 20:00 - 22:30 -00:00 - 02:30 - 05:00 - 07:30 - 10:00 - 12:30 - 15:00 - 17:30 - 20:00 - 22:30 -00:15 02:45 05:15 07:45 10:15 12:45 15:15 17:45 20:15 22:45 00:15 02:45 05:15 07:45 10:15 12:45 15:15 17:45 20:15 22:45 Old Discom ToD Daily Wind Generation (kWh) New Discom ToD Daily Wind Generation (kWh) Daily Solar Generation (kWh) Daily Solar Generation (kWh)

## Draft Electricity Amendment Rules 2023 (Jun 28, 2023)

#### Ministry of Power (MoP) has issued some draft rules on Jun 28, 2023 for public comments

- Captive generating plant or Energy Storage System or a consumer having load not less than 25 MW (inter state) and 10 MW (intra state) not required to obtain license for establishing a dedicated transmission line
- Open Access Charges
  - > Additional Surcharge (levied if any) shall not be more than 50% of the wheeling charge
  - > STOA charges shall not be more than 110% of LTOA charges
  - Defined formula for wheeling charge

Cost reflective tariffs

Reduced

Charges

**Open** Access

- No gap between Annual Revenue Requirement (ARR) and estimated annual revenue from approved tariff except under natural calamity conditions
  - > Provided such gap (if any) should not be more than 3%
  - > Such gap should be liquidated in maximum three equal yearly instalments
- Any person appealing to Appellate Tribunal against the order of Regulatory Commission to pay at least 50% of the payable amount as per order of Appropriate Commission
  - > Provided that in case of matters related to 'Change in Law', such payment % will increase to 75%
  - Upon final order, any excess amount paid by the appellant shall be refunded along with interest (at the base rate of LPS rules)
  - Further, in case the APTEL or supreme court deems the appeal is frivolous, the rate of late payment surcharge shall be 18%

Reduced Litigations

## Forum of Regulators Model Regulations for Green Open Access



Model Regulations provide clarity on applicability of Open Access charges, a boon for C&I business

### **Gujarat Renewable Energy Policy 2023 announced**

|                     | Government of Gujarat (GoG) has issued Gujarat RE Policy 2023 on Oct 4, 2023   |  |  |  |
|---------------------|--|--|--|--|
| Effectiveness       | <ul> <li>Policy will be effective from April 10, 2023 (date of notification) until September 30, 2028 for projects installed and commissioned during the operative period are eligible for benefits, lasting up to 25 years from commissioning</li> <li>Project includes all kind of RE projects including Wind Solar Hybrid (WSH), however, not appliable for supply of power for producing Green Hydrogen and Green Ammonia</li> </ul> |  |  |  |
| REC/Non-<br>REC     | • RE projects can be set up for captive use or for selling electricity to third parties, whether registered under the RE mechanism or not  |  |  |  |
|                     | • Energy accounting (EA) and banking for all RE projects commissioned during the tenor of the policy   |  |  |  |
| Banking             | <ul> <li>Banking facility will be provided on a calendar month basis</li> <li>Banking charges shall be determined by GERC from time to time in a cost reflective manner taking into account the cost implications for Discoms in providing the banking facility</li> <li>Banking charges shall be determined monthly/quarterly basis</li> <li>Unused energy at the end of month lapses without compensation</li> </ul>                   |  |  |  |
| OA Charges          | • Extent of cross subsidy charges applicable on third party sales to be determined by GERC   |  |  |  |
| Electricity<br>Duty | • Electricity Duty waiver in accordance with Gujarat Electricity Duty Act 1958 and its amendments from time to time  |  |  |  |

Continuum's existing projects in Gujarat which enjoy (a) monthly banking at 2% or nil for 25 years and (b) 50% waiver of cross subsidy surcharge and additional surcharge for 25 years at an advantage

#### New Renewable Purchase Obligations effective 1 April 2024

#### Govt of India as notified RPO applicable all over India

- Effectiveness Announced under Energy Conservation Act, 2001
  - Effective 1 April 2024

Obligations

Penalty

- On all distribution licenses, captive uses, open access users
- Shortfall in meeting targeted consumption subject to penalty
- RPO obligations split basis source of energy for distribution utilities
  - However, open access and captive users can fulfil RPO from any source
- Penalty for non-compliance
  - > INR 1 mn for every non-compliance, plus,
  - > Additional penalty of up to twice the price of every metric ton of oil equivalent as may be prescribed by the Govt
  - However, actual penalty not yet prescribed by the Govt

|      | Wind              | Hydro                          | Distributed       | Other Renewable | Total Renewable |
|------|-------------------|--------------------------------|-------------------|-----------------|-----------------|
| Year | Renewable Energy* | Renewable Energy <sup>\$</sup> | Renewable Energy# | Energy          | Energy          |
| FY25 | 0.67%             | 0.38%                          | 1.50%             | 27.35%          | 29.91%          |
| FY26 | 1.45%             | 1.22%                          | 2.10%             | 28.24%          | 33.01%          |
| FY27 | 1.97%             | 1.34%                          | 2.70%             | 29.95%          | 35.95%          |
| FY28 | 2.45%             | 1.42%                          | 3.30%             | 31.64%          | 38.81%          |
| FY29 | 2.95%             | 1.42%                          | 3.90%             | 33.10%          | 41.36%          |
| FY30 | 3.48%             | 1.33%                          | 4.50%             | 34.02%          | 43.33%          |

\* Wind Energy means from wind projects commissioned after 31 March 2024

\$ Hydro Energy means from hydro projects (incl PSP) commissioned after 31 March 2024

# Distributed renewable energy means projects of <10 MW

## **V. ESG Performance**



### **ESG** Performance

#### Our second Sustainability Report for FY 23 released and published on Website



0.68 mn tonnes  $CO_2$  emissions avoided in Q1 FY 23-24 which is equivalent to the average **annual** carbon footprint of ~1.25 mn Indian citizens<sup>\*</sup>.

Cumulative ~10.4 mn tonnes CO<sub>2</sub> emissions avoided since inception across the Group



Group has planted a cumulative number of ~6,200 trees up to Jun'23



~15.6 mn cumulative safe working man-hours across the group, since Apr 2016



ISO Certifications for all operational and under construction sites under ISO 9001-2015 (Quality), ISO 14001-2015 (Environment), ISO 45001-2018 (Safety)

## **Appendix: frequently asked information**



#### **Dual Shore Corporate Structure Providing Financing Flexibility**



#### **Composition of Board of Directors**

Continuum Green Energy Ltd.

**Continuum Energy Levanter Pte. Ltd.** 



Continuum Energy Aura Pte. Ltd.



MSIP Representatives



Founders Representatives

Independent

**Restricted Group Subsidiaries (India)** 



#### Why do we like C&I Business?



LCOE stands for Levelized Cost of Energy C&I stands for Commercial and Industrial ROCE stands for Return on Capital Employed

#### **C&I tariffs to continue to remain high to subsidize weaker segments**

- Tariffs charged by utilities to industries have risen at a CAGR of ~4% on all India average basis
- Tariffs charged to agriculture and residences continue to be cross-subsidized by higher commercial and industrial tariffs
- Increase in agricultural tariff is politically unpalatable

#### Increasing tariffs charged by DISCOMs to C&I consumers

- Rising Average Cost of Supply (ACoS) of Utilities despite lower cost of renewables purchase
- Utilities continuing to make losses at current tariffs
- Higher fixed cost of backed-down thermal power due to increasing renewable energy penetration
- Higher Transmission & Distribution (T&D) costs to provide 24X7 electricity to all
- Higher per unit T&D cost on account of thrust for renewables

#### Recent DISCOM Reforms 3.0 Program likely to require further increase in tariffs charged to C&I consumers

| Objectives  | Implementation and enforcement through  |  |  |
|---|---|--|--|
| <ul> <li>Improved quality, reliability and affordability of power supply to consumers</li> <li>Financially sustainable and operationally efficient distribution sector</li> <li>Ensuring zero deficit for DISCOMs by FY25</li> <li>Reduce the Aggregate Technical &amp; Commercial (AT&amp;C) losses to pan-India levels of 12-15% by FY 24-25</li> </ul> | <ul> <li>Denying access to bank/financial institutional financing unless DISCOMs adhere to the plan</li> <li>Federal financial support to DISCOMs who undertake reforms</li> <li>60% marks in evaluation criteria linked to:         <ul> <li>Zero deficit between tariffs and costs</li> <li>Timely payment of subsidy by state governments to DISCOMs</li> <li>Timely payment by DISCOMs to generators / transmission companies</li> <li>Reduced AT&amp;C losses</li> </ul> </li> </ul> |  |  |

#### How does our C&I Sale Model work?



1.50

1.00

0.50

0.00

### How does our C&I Sale Model work? (cont.)



Source: Company information / State tariff order

## **Details of Shortly Operational Assets**



#### **Shortly Operational Asset 1:** *Bhavnagar, 300.8 MW – Commissioning by Q3 FY24E*



Source: Company information

#### **Shortly Operational Asset 2:** *Dalavaipuram, 272.4 MW – Commissioning by Q3 FY24E*



Source: Company information

#### **Shortly Operational Asset 3:** *Ratlam 2, 250.0 MW – Commissioning by Q3 FY24E*



Ratlam 2, Madhya Pradesh

#### **Shortly Operational Asset 4:** *Kalvad 1, 170.0 MW – Commissioning by Q4 FY24E*



Source: Company information

#### **Shortly Operational Asset 5:** *Rajkot 4, 40.0 MW – Commissioning by Q4 FY24E*







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