

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Summary Special Purpose Combined Financial Statements of Restricted Group 2 presented in another documents.

Results of Operations of FY 2024 (as per Ind AS)

The following table sets out selected financial data derived from the FY 2024 Audited Special Purpose Combined Financial Statements.

	Fiscal year ended March 31,		
	2023	2024	2024
	(INR in millions)		(US\$ in millions) ⁽¹⁾
Summary of Combined Statement of Profit and Loss (as per Ind AS)			
Income			
Revenue from operations	9,198	11,055	132.6
Other income.....	1,614	1,445	17.3
I. Total income.....	10,812	12,500	149.9
Expenses			
Operating and maintenance expenses.....	1,505	1,703	20.4
Employee benefits expense	171	238	2.9
Finance costs.....	5,895	7,245	86.9
Depreciation and amortisation expenses	2,051	2,310	27.7
Other expenses	802	1,061	12.7
II. Total expenses.....	10,424	12,557	150.6
III. Profit/(loss) before exceptional items and Tax (I-II)	388	(57)	(0.7)
IV. Exceptional Items	—	264	3.2
V. Profit/(Loss) before tax (III-IV)	388	(321)	(3.9)
VI. Tax Expenses			
Current tax	—	—	—
Tax related to earlier years	2	5	0.1
Deferred tax.....	470	788	9.4
Total tax expenses	472	793	9.5
VII. (Loss) for the year (V-VI)	(84)	(1,114)	(13.4)
VIII. Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss:			
i) Remeasurement of net defined benefit liability	0	(1)	(0.0)
ii) Income tax relating to above.....	(0)	0	0.0
Other comprehensive income for the year, net of tax.....	0	(1)	(0.0)
IX. Total Comprehensive Income for the year (VII+VIII) ...	(84)	(1,115)	(13.4)

Notes:

- (1) Translations of Indian rupee amounts to U.S. dollars are provided solely for the convenience of the reader. Translations were made at the exchange rate of INR 83.3739 per US\$1.00, being the closing exchange rate published by the FBIL as of March 28, 2024.

Revenue from operations

Revenue from operations increased by 20.2% from INR 9,198 million for the FY 2023 to INR 11,055 million for the FY 2024. The following table sets forth the breakdown of our revenue from operations for the indicated periods:

	As of March 31,	
	2023	2024
	(INR in millions, unless otherwise stated)	
Sale of electricity	8,861	10,672
Income from service concession arrangement.....	1	4
Income from international renewable energy certificate	—	23
Generation-based incentive	323	246
Sale of stores and spares.....	—	31
Revenue loss recovered.....	13	79
Total revenue from operations	9,198	11,055
Installed capacity at beginning of period (MW).....	750.9	943.2
Installed capacity at end of period (MW).....	943.2	990.8
Generation (GWh).....	1,674.6	1,960.1

Revenue from sale of electricity increased by 20.4% from INR 8,861 million for the FY 2023 to INR 10,672 million for the FY 2024, despite the lower generation for like to like capacity on account of lower wind speed, as a result of the Rajkot 3 Project becoming fully operational in Q1 FY 2024. 45.8MW of capacity wasn't operational for the full year, as it was commissioned in Q1 FY 2024.

GBI decreased by 23.9% from INR 323 million for the FY 2023 to INR 246 million for the FY 2024, due to the expiry of the 10-year period from the commissioning date for certain WTGs at the Bothe project.

Revenue loss recovered increased from INR 13 million for the FY 2023 to INR 79 million for the FY 2024, which was primarily from compensation for lower machine availability provided by the O&M contractor as against committed machine availability pursuant to the O&M agreement entered into for Ratlam 1 and Rajkot 2B projects.

We also had income from the sale of international renewable energy certificate of INR 23 million and sale of stores and spares of INR 31 million for the FY 2024.

Generation for the FY 2023 and FY 2024 was 1,674.6 GWh and 1,960.1 GWh, respectively, representing an increase of 17.0%.

Other income

Other income decreased by 10.5% from INR 1,614 million for the FY 2023 to INR 1,445 million for the FY 2024, primarily due to decreased interest income on overdue trade receivables by INR 462 million, a reversal of Sundry balance written back of INR 121 million. This was largely offset by higher interest income earned on bank deposit and interest income on loans to related parties amounting to INR 477 million.

Total expense (other than Depreciation and amortization expenses and finance cost)

Total expenses increased by 21.1% from INR 2,478 million for the FY 2023 to INR 3,002 million for the FY 2024, primarily due to solar O & M fees as well as interim operating and maintenance fees paid for WTGs in Rajkot 3 and other increase in open access charges due to commissioning of the Rajkot 3 project and inflationary increase in operating and maintenance fees payable to an O&M contractor and an increase in transmission charges in Tamil Nadu.

Finance costs

Finance costs increased by 22.9% from INR 5,895 million for the FY 2023 to INR 7,245 million for the FY 2024, primarily due to an increase in term loans in relation to the Rajkot 3 project and also post commissioning interest getting charged to P & L which was under construction during FY 2023 as well as interest on OCDs/CCDs and CFCDs accrued for the FY 2024. The increases were offset in part by lower interest on working capital.

Depreciation and amortization expense

Depreciation and amortization expense increased by 12.6 % from INR 2,051 million for the FY 2023 to INR 2,310 million for the FY 2024, primarily due to an increase in property, plant and equipment and post the commissioning impact of the Rajkot 3 Project. As a result, depreciation is provided on full capacity of the Rajkot 3 project.

Exceptional Item

We had exceptional items of INR 264 million in FY 2024 as compared to nil in FY 2023. Such exceptional items were non-recurring in nature and were primarily due commitment charges paid towards short supply in Rajkot 3 project due to delayed in commissioning.

Profit/(loss)before tax

For the reasons discussed above, profit before tax decreased from a profit of INR 388 million for the FY 2023 to a loss of INR 321 million for the FY 2024.

Tax related to earlier years

Effective from April 1, 2019, Indian Identified Entities incorporated prior to this date forming part of Restricted Group 2 have adopted new tax regime available under Section 115BAA, which has reduced the base tax rate to 22% and provision of MAT are not applicable. For the FY 2023, tax expense pertaining to prior period of INR 2 million and for the FY 2024 of INR 5 million was charged to the profit and loss account.

Deferred tax

Deferred tax liability is recognized during the FY 2024 for the timing difference of depreciation which is offset by creation of deferred tax asset on unabsorbed depreciation losses in statement of profit and loss. Deferred tax liability is higher in the initial years of operations as book depreciation is lower than income tax depreciation leading to the creation of deferred tax liability.

Loss after tax

As a result of the foregoing, our loss after tax increased from INR 84 million for the FY 2023 to INR 1,114 million for the FY 2024.

Total comprehensive income for the year

As a result of the foregoing, our loss for the year increased from a loss of INR 84 million for FY 2023 to a loss of INR 1,115 million for FY 2024.

Liquidity and Capital Resources

Overview

As of March 31, 2024, our cash and cash equivalents plus bank balances (other than cash and cash equivalents) were INR 4,105 million.

Cash Flows

	Fiscal year ended March 31,		
	2023	2024	2024
	(INR in millions)		(US\$ in millions) ⁽¹⁾
Summary of Combined Statement of Cash Flows (as per Ind AS)			
Net cash generated by operating activities	9,268	8,479	101.7
Net cash flow (used in) investing activities.....	(4,170)	(1,942)	(23.3)
Net cash flow (used in) from financing activities	(5,290)	(7,737)	(92.8)
Cash and cash equivalents at the beginning of the year.....	3,409	3,217	38.6
Cash and cash equivalents at the end of the year.....	3,217	2,017	24.2

Notes:

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Net cash generated by operating activities

In FY 2023, our net cash from operating activities was INR 9,268 million. This net cash inflow was primarily attributable to a profit before tax of INR 388 million, which was adjusted for (i) depreciation and amortization expenses of INR 2,051 million, finance costs related to financial institutions and others of INR 501 million and finance costs related to related party of INR 5,394 million, which was offset by Sundry credit balances written back of INR 138 million and interest income of INR 1,325 million, and (ii) changes in working capital primarily including a decrease in trade receivables of INR 2,508 million and increase in trade and other payables of INR 63 million.

In FY 2024, our net cash from operating activities was INR 8,479 million. This net cash inflow was primarily attributable to a loss before tax of INR 321 million, which was adjusted for (i) depreciation and amortization expenses of INR 2,310 million, finance costs related to financial institutions and others of INR 1,088 million and finance costs related to related party of INR 6,157 million, which was offset by interest income of INR 1,341 million, and (ii) changes in working capital primarily including an increase in trade and other payables of INR 226 million and a decrease in trade receivables of INR 352 million, which was offset by an decrease in financial and other assets of INR 55 million.

Net cash flow (used in) investing activities

In FY 2023, our net cash used in investing activities of INR 4,170 million primarily included (i) INR 5,003 million in purchase of property, plant and equipment including capital advances, (ii) INR 987 million in loan given to related parties, which was offset by (i) INR 400 million in proceeds from redemption of optionally convertible redeemable preference shares, (ii) INR 200 million in proceeds from / (Investment in) bank deposits (net), (iii) INR 681 million in loan received back from related parties and (iv) INR 618 million in interest income.

In FY 2024, our net cash used in investing activities of INR 1,942 million primarily included (i) INR 387 million in purchase of property, plant and equipment including capital advances, (ii) INR 2,111 million in loan given to related parties, which was offset by (i) INR 21 million in proceeds from / (Investment in) bank deposits (net) and (ii) INR 63 million in loan received back from related parties and (iv) INR 484 million in interest income.

Net cash flow (used in) financing activities

In FY 2023, our net cash used in financing activities of INR 5,290 million was primarily attributable to (i) INR 2,284 million in repayment of non-convertible debentures, (ii) INR 2,654 million in repayment of loans from banks (iii) INR 2,035 million in loan taken/(Repayment) for Working capital and (iv) INR 4,929 million in finance costs paid to related party which includes INR 3,760 million towards interest and premium for 8.75% non-convertible debentures issued to Continuum Energy Levander Pte. Ltd. - interest & premium and INR 959 million finance cost paid to financial institutions, which was offset by (i) INR 6,170 million in loans taken from financial institutions (ii) INR 474 million in proceeds from issue of Optionally Convertible Debentures and (iii) INR 1,127 million in loans taken from related party.

In FY 2024, our net cash used in financing activities of INR 7,737 million was primarily attributable to (i) INR 3,300 million in repayment of non-convertible debentures, (ii) INR 4,079 million in finance costs paid to related party which includes INR 3,719 million towards interest and premium for 8.75% non-convertible debentures issued to Continuum Energy Levander Pte. Ltd. - interest & premium and INR 1,107 million finance cost paid to financial institutions, which was offset by (i) INR 382 million in loan taken/(Repayment) for Working capital and (ii) INR 874 million in loans taken from financial institutions and (iii) INR 203 million in loans taken from related party.

Indebtedness

As of March 31, 2024 and March 31, 2023, we had adjusted borrowings of INR 45,629 million and INR 47,739 million, respectively. Adjusted borrowings comprise Term loans from bank & financial institutions – principal, Working capital loan from banks - principal and 8.75% Non convertible debentures issued to Continuum Energy Levander Pte. Ltd. – principal.