“ACME Solar Holdings Limited

Q2 & H1 FY '25 Earnings Conference Call”

November 25, 2024

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MANAGEMENT:

- Mr. Manoj Kumar Upadhyay – Chairman & Managing Director – Acme Solar Holdings Limited
- Mr. Nikhil Dhingra – Chief Executive Officer – Acme Solar Holdings Limited
- Mr. Ankit Verma – Head of Corporate Finance – Acme Solar Holdings Limited
- Mr. Purushottam Kejriwal – Chief Financial Officer – Acme Solar Holdings Limited
- Mr. Arun Chopra – Head of Finance & Account – Acme Solar Holdings Limited

Moderator: Ladies and gentlemen, good day and welcome to the ACME Solar Holdings Limited Q2 FY25 Earnings Conference Call hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, I now hand the conference over to Mr. Sudhanshu Bansal. Thank you and over to you, sir.

Sudhanshu Bansal: Thank you, Sagar. Good evening, everybody. On behalf of JM Financial, I welcome you all to the first conference call of ACME Solar Holdings to discuss the Q2 FY25 results.

We have with us the leadership team of ACME led by Mr. Manoj Kumar Upadhyay, Chairman and Managing Director. Thank you so much, sir, for your kind presence and giving us the opportunity to host the call. With this, I would like to hand over the call to Mr. Upadhyay for introducing his team, opening remarks and taking the call forward. Over to you, sir.

Manoj Upadhyay: Thank you. Good evening, everyone. A warm welcome to all of you. Let me introduce my team to you, Nikhil Dhingra, CEO of ACME Solar, Ankit Verma, Head of Corporate Finance, Purushottam Kejriwal, Chief Financial Officer, Arun Chopra, our Head of Finance and Account, and our Strategic Advisor and Investor Relations. We thank JM Financial team for hosting our first earning call. We have uploaded our results and investor presentation for the quarter and a half year on the stock exchange and the company's website.

Hope everyone had gone through and we will be very happy to answer your question, whatever you have on this one. As you are aware, on 13th November 2024, ACME Solar Holding Limited got listed on BSE and NSE. It was a momentous day for all of us.

Thank you to all the stakeholders who believed in us. Since this is our first call post-listing, I will share a brief overview about the company. As we have shared in the past that we are a fully integrated utility company, renewable energy company.

When I call it fully integrated company means that we design our plant, we construct our plant, we engineer our plant, and then we run our plant for 25 years. So we are fully integrated in the value chain. The idea to be fully integrated is that you capture the entire value chain and keep in the company.

At the same time, you are able to optimize when you deal with the technology, when you deal with the time, when you deal with the tariff and remain competitive in the market. We started our journey from 2009 when we started getting into the renewable energy. We were the first few companies in India.

We set up our first plant in 2012. And that plant gave us a lot of learning. And from that plant onwards, we kept on building a smaller plant to a larger plant. Even now, we built recently one of the largest plants of India, which is an 1,800 megawatt peak plant, which we commissioned, which we energized October, and we are in the process of final commissioning, which is going through the various regulatory approval.

So in this journey, what we have learned is that while the market went from megawatt to gigawatt scale, we remained competitive in the market because of this value addition, because of our understanding and working with the technology, because of our operational excellence. I think my team will be very happy to share with you our operational performance.

And I'm here to answer whenever we start the question. Thank you. Nikhil, you may take over.

Nikhil Dhingra: Yes, yes. So as Manoj Ji mentioned, we are the integrated EPC and utility business. And of course, we only focus on long-term PPAs.

We have a very selective focus on working with the 25-year PPA, which gives us a lot of visibility on the cash flows, and of course, a lot of visibility regarding our EPC, which is in-house. We don't do third-party EPC. So when we have the long-term projects, of course, it brings a lot of predictability to the revenues.

The second thing which brings a lot of predictability is the nature of our portfolio, which is 100% solar as of now. So solar has been a great source of renewable energy in terms of if you look at overall industry performance in India, you would see that the variability in solar has been far lower than the other sources of power, which enables us to borrow long-term and service that debt on a very reasonable term, and of course, get refinancing for that at a very competitive sort of DSCRs. Because when we borrow for the first time, we get financial support which is, you can say, slightly lesser than what you could have thought that asset can generate.

But when you are operational, you really get extra support because the asset is generating better than the predicted by the green field lender. So in terms of the overall strategy of the company, we have been 100% solar until, you can say, one, one-and-a-half years back. And as the market progressed towards round-the-clock power and FDRE, we were one of the first to orient ourselves towards that.

As you can see in the last one-and-a-half years, two years, we have really captured a large chunk of that market share. And we have very good PPAs and good LOAs with us, which are in that segment, where we target a mid-teen return in all these projects from the long-term cash flows. And also we target a competitive sort of overall return, including the integrated business model we have.

And of course, as we are seeing the market grow in that segment, we are seeing that we are able to solve a very significant problem of all these utilities in terms of the peak power rates. As you can see that with the Energy Conservation Act in place now, the RPO compliance will be more stricter. So we see that the large sort of off-takes are happening at various state levels.

And the peak power is a problem each state wants to solve. So we had a very – 1,600 megawatt of PPAs in hand in the last year or so, which is of course the result of all this demand. And of course, in terms of the FDRE and hybrid, we have worked out a unique solution wherein we have increased the component of solar and tried to reduce the component of wind, again to get predictability to the overall revenue stream and also to reduce the liability which can come from not servicing the peak power.

So that is again something we have done, and of course, which will help us minimize the risk possible in the firm and dispatchable renewable energy and hybrid. In terms of executing these plants, our integrated business model becomes very, very important because you get to basically control the time and cost once you have the integrated value chain control, starting from getting the connectivity before the PPA, acquiring land, and of course then designing the plant in terms of deciding the configuration of the plant, which you do.

So some of these activities happen prior to the bid, which is basically deciding the connectivity where you will participate the bid from, because as you know in the renewable energy, resource is the only revenue-generating source. So if you are located in, let's say, Fatehgarh, which is the highest sunlight zone in the country, your revenue will be better than the next second-best location by at least 5% to 7%, if you take a representative set of locations.

So it is very important to have connectivity in place when you are deciding to set up a plant, and that is what we have connectivity for all of our under-construction projects, and also we have connectivity far in excess of – for the next upcoming bids. And it's very important to have this connectivity in the right places in Rajasthan, Gujarat, and which are the best solar, wind, and hybrid zone in the country.

And in terms of the key execution metrics, of course our plants are operating at a very high-grid availability and plant availability and a good CUF. In this quarter, I think Ankit will brief you on the operation performance. We did CUF in excess of 26%[1]. And of course, as we are – I would like to update you on the successful energization of our ISTS plant, SECI plant. There are four PPAs of 2.44 (INR per KWh), where we have energized the plant. The plant is operating at around 85% of the capacity today.

We are doing daily revenues of around INR1.5 crores per day from that plant as of 20th November. And we see that in the next month or so, we will reach the peak revenue from this plant. And this is a very significant milestone for us, because it increases our capacity from 1.3 odd gigawatt to 2.5 gigawatt AC, which of course is a much larger DC capacity number. So that takes us in terms of the capacity to a very significant number, and these plants are done at a very competitive capex.

If you look at the overall capex to EBITDA from these plants, so very, very important milestone for our company. In terms of the upcoming plants, of course, we are doing our best to complete them in the – and next upcoming plant is our Bikaner 2 plant in Sikar, which we will be operating at a merchant for let's say six months to 12 months, and then try to put it in the upcoming bids

[1] Stated as 26% during the call, but the correct figure is 24.6%

as PPA, because you are now allowed to put up an operational plant to a long-term PPA, which we will try and do, because we don't want to play the merchant market for 25 years. We only want to play it for the next six to 12 months.

And of course, our first wind plant is also coming up in a month or so. So that will also help us. As we execute these FDRE and hybrid plants, our focus is we have built a team to execute these plants. Of course, we have to execute large bids of solar, largest bid of solar, small bids of wind, and of course, large bid of battery execution, which we are geared to do. In terms of the critical success factors, like execution capability, I think we have spoken about. Then, of course, the ability to finance is a key success factor.

We have been – we are very fortunate that we have long-term partners who are working with us on the debt financing, and Ankit will update you. There are two parts to this business. One is greenfield financing, another is the refinancing, which is, again, where you get to reduce the interest rates, get to increase the loan tenor, and of course, get to basically increase the free cash flow of the projects.

In terms of the three funding sources we have to build the – to do the capex we want to do, there are three sources for us. One is the cash flow from, let's say, the EPC business. The second is the power sale free cash flow to equity.

And third is the refinancing, which essentially is a derivative of free cash flow from the power business. But of course, what refinancing does is expedite those cash flows. And of course, along with the IPO proceeds we have raised, which will help us in deleveraging that first.

So, it will help us do the capex. And of course, from this IPO proceeds, we will be repaying debt, which will help us further improve our financial performance. Now, I'll request Ankit to take over the – and brief you on the key financial metrics and other important things.

Ankit Verma: Thanks, Nikhil, and a very good evening to all the participants. Let me take you through some of the key financial highlights of our company for the quarter, and six months ended September 24. Before I begin, please note that, you know, we have monetized 369 megawatt of assets in H2 of FY24, and from the total reported revenue of INR784 crores in H1 of FY24, the sold assets contributed roughly revenue of INR182 crores in H1 of last year.

So hence, to have a like-to-like comparison of this period's financial with the corresponding period of last year, so the revenue and the corresponding financials have been adjusted to exclude the impact of monetized assets. And in the earnings presentation that we have shared, we have reported both the reported and the adjusted numbers for your reference. Now, based on the adjusted numbers, I would now give a snapshot of our consolidated financials, which represents revenue and profit from sale of power.

Our total revenue for H1 FY25 stood at INR635 crores, up 5.5% Y-o-Y basis, and for the quarter, it stood at INR295 crores, which is up 7.4% Y-o-Y. EBITDA for the first six months stood at INR558 crores, which is up 4.8% Y-o-Y, and for the quarter, it is at INR256 crores, which is up 3.7% Y-o-Y. Our EBITDA margin at the consolidated level has been very healthy and consistent

in the range of 87-88%, and at the project level, if you look at our performance, it has been to the north of 92%, somewhere between 92%-94%.

There has been a marginal dip in the EBITDA margin in the first six months, majorly on account of increase in manpower expenses due to the ramp-up of resources to deliver the under-construction projects. The cash PAT for H1 FY25 stood at INR152 odd crores, which is up 10.6% Y-o-Y, and for the quarter, it stood at INR75 crores, which is 75% year-on-year basis. This is due to one-time adjustment of the exceptional item for the last year.

Our net debt at the end of quarter stood at INR8,755 crores, comprising around INR5,500 crores debt outstanding of operational projects, and the balance is for the projects which are under construction. So, if you look at the net EBITDA on a steady-state EBITDA basis for the operational project, it is roughly 4.9X, and with the IPO proceeds that we have received, we plan to retire some of the debt to the tune of roughly INR1,800 to INR2,000 odd crores, and this net debt to EBITDA matrix will further improve.

If you look at the net debt movement during the quarter, the net debt went up by approximately INR1,200 odd crores on a sequential quarter-to-quarter basis, and the bulk of this increase is largely to fund the capex of under-construction projects.

Now, I will talk about the stand-alone financials, which represents revenue and profitability from our in-house EPC business, and which has been a key differentiator for us. At stand-alone level, the company reported total revenue of INR876 crores and a cash PAT of INR198 crores in H1 FY25. With this, I would now request to open the floor for questions, which our team will be happy to answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Anupam Goswami from SUD Life. Please go ahead.

Anupam Goswami: Hello, sir. My first question is on the commissioning expected in the next, let's say, in the next one year or two years, and with the IPO proceeds, what is the max capacity that we can commission? And beyond that, if we bid and commission, do we need extra proceeds or extra sort of financing from that? That's all, sir.

Nikhil Dhingra: Sure. Thanks, Anupam, for your query. So, in terms of the commissioning expected in the next couple of years, right, so, of course, we have around 4.2 gigawatt of capacity, which is under construction, right?

And in this business, the commissioning deadline is coming from the date of the substation connectivity, because you can energize your plant, but you can only evacuate your power once the substation is there. So, if you look at all the places, because our connectivity is 100% tied up, so, if you look at the dates of all these connectivities, are coming in before 2027, so, in the financial year 2027. So, all our capex is aligned to that, that all these, let's say, some substations are coming online next year.

You can say around 900 megawatt-odd is coming online in the next financial year. So, of course, we take a timeline of around two years from the PPA signing as our expected SCOD, but we

make efforts to charge the plant earlier, where the connectivity is already live or expected to be live sooner than that PPA timeline. So, our whole of this 4.2 gigawatt is expected to be charged before around 2027. Of course, if there is a delay in terms of PPA signing, that will be proportionately expended, but that need not necessarily lead to a delay, because if the connectivity is live, we can very well do the plant before SCOD. If you look at even the latest plant which we have charged, our scheduled COD was March 25, but we have made it live in, let's say, as you can see, starting from October, November, it is now live. So, it is possible to do it earlier, but, of course, you are constrained by the connectivity.

If the connectivity is live, there is possibility to do it earlier. In terms of the capex sufficiency, as we said, there are three sources of capex. So, of course, one is the equity which we have raised from IPO, and, of course, then there is a second source is we are operational cash flows from the operating assets, and the third is the saving you do from the EPC in-house integrated nature.

Of course, the operational cash flows from power sale translates, you can expedite them by doing a refinancing. If you look at even this quarter, we have demonstrated all these three sources. We had construction EPC of around INR198 odd crores in this half financial year, and then we had around, we have shown you the cash flows coming from refinancing, which are, again, in the nature of, I think, once all three refinancings are done, they will be in the nature of INR400, INR500 crores.

So, these are the three sources which will help us reach these capex plans which we are seeing. And, of course, we will not need to dilute as per our estimates because there are a lot of capex upsides which are possible and which currently seem possible in terms of the capex which is required to set up an FDRE plant or an hybrid plant. As you must have gathered from other companies which are also operating in the sector and who have also won FDRE and battery-related tenders, the capex is on a downturn in terms of the battery cost, in terms of the various associated costs.

So, as per the current capex estimates, we don't need, we don't think that we will need to raise equity. Of course, as we right-size the capital structure, as we see, because we are new to the listed space. So, we can always evaluate in terms of, let's say, if the market is stagnant in terms of the tariffs because we target mid- teen returns when we bid for a new project.

So, if the mid- teen returns are not available, we may slow our growth, of course, and at that time, we can reduce our debt from our internal cash flows and that is how we will size up the market in terms of whether and, of course, as you know, cost of equity is higher than cost of debt, but we will always try to strike a balance in terms of sustainable debt-to-EBITDA and we will try to temper our growth and calibrate our growth such that we get their mid- teen returns and we also honor the sustainable debt-to-EBITDA numbers which we have targeted.

Manoj Upadhyay: I would like to add here, Anupam, that we have, for example, we energized 1,200 megawatts in October. Another 450 megawatts is getting added in the quarter, right, quarter one of this. So, that's one addition and then what Nikhil suggested that we will wait for another 900 megawatts if that connectivity becomes alive. We will try to do that early commissioning. That is our plan.

Anupam Goswami: Okay, sir. So, you mentioned about substation and connectivity. Do you see on ground any delay in that?

Nikhil Dhingra: See, the good thing is that most of our connectivity is brownfield wherein we are not dependent on the HVDC connectivity which requires, you can say, a Greenfield capex and land acquisition. So, of course, there could be a quarter delay in even the brownfield capex, but you are able to track that because most of these contracts are given to, of course, Power Grid is the primary execution agency, but there are a lot of good private agencies which are also doing it. So, we don't see a delay in terms of a large delay.

A quarter delay is definitely possible in any of these infrastructure projects which Power Grid also is an infrastructure project, whatever they execute, but in bulk of the places where we are doing connectivity, it's more of an equipment rollout or a transmission link strengthening which generally doesn't get delayed. So, we don't see a delay and, of course, we budget. We always time our capex as per the connectivity and as per the, you can say, the PPA timelines.

So, we will never try to, let's say, order substantial capex prior to clarity on that and also, because of that, we don't increase our expenses because of the delay.

Anupam Goswami: Got it. So, I'll join back in the queue. Thank you.

Moderator: Thank you. The next question comes from Abhishek Nigam from Motilal Oswal Financial Services. Please go ahead.

Abhishek Nigam: Yes. Hi. Thank you so much for the opportunity. So, just three questions. One, I was looking at some of the FDRE projects that we had that were awarded in, I think, January and February. So, do we have PPAs for those now? And, you know, it's been a while. So, if you could update us over there what's happening. So, that's my first question.

Nikhil Dhingra: Sure. Sure, Abhishek. So, in terms of the FDRE projects where we have signed PPA, one is the SJVN. Where we had 570 megawatts from SJVN. So, all of that, the PPA has been signed, the tariff has been adopted. So, that is one FDRE which is fully signed. Then we had SECI 380 megawatts which we won. Again, that was last year. So, for that, 190 megawatt of PPA has been signed and 190 megawatt is still pending.

And then we got a SECI 350 megawatt solar plus battery. It doesn't have wind, at 3.42. There also 150 megawatt of PPA has been signed but 200 is pending. There was a large NHPC bid which we won which is 680 megawatts.

So, there the NHPC is talking to various states. And, of course, there are very advanced stages as per NHPC of getting consent from a state which is expected very shortly. So, as per NHPC, that should happen in a month or so.

And this 190 megawatt of SECI, also as per SECI, it should happen quickly. Plus the 200 megawatt which is remaining from 350. These, of course, these decisions are sometimes pending due to various state specific decision making. And so, this is pending and whatever I mentioned is done.

Abhishek Nigam: Okay, fair enough. And overall, if I look at the entire portfolio, you have I think total 6.7 gigawatt including operational pipeline. So, how much Greenfield financing is to be tied up in total?

Nikhil Dhingra: So, if you look at 4.2 gigawatt of under construction projects we have. In terms of 2.5, you can say is operational for us. 4.2 is under construction. So, 4.2 overall financing, we have mentioned in our presentation also around INR14,000 crores is already tied up. So, which is the greenfield debt. And this debt is tied up from PFC, REC, SBI, IREDA.

These are the three, four lenders, who have contributed to this INR14,000 crores. And the rest of it is around INR20,000 odd crores which we face because we have to pay upfront fees. We have to pay all these charges. We try and take it closer to the disbursement because in line with the PPA timeline, in line because otherwise you end up paying huge fees before you need the money.

Abhishek Nigam: Fair enough. No, it makes sense. And this last question, you know, now that you have, when you started with the IPO, you were at DRHP filing, you were around 5 gigawatt or so. Now, you are at, you know, almost 6.7. So, how is the bid pipeline looking now? Are you looking to pause a bit or, still trying to grow? Any thoughts over there?

Nikhil Dhingra: It's a big question for us, Abhishek. So, what we try and do is modulate our growth depending on the capex required, depending on the mid-teen returns. The thing is, in terms of the IRRs, I think there are three factors there, right?

One is the ability to fund internally. We try and do, as you know, our focus is always to be capital efficient. That's the first priority in terms of doing as much as we can in the resources we have rather than keep on going back for equity raise. So, that's the first constraint we work with. Second is the returns need to be healthy. And, of course, that remains true in terms of the FDRE projects and, of course, the hybrid and battery-related projects.

And most of the current bids are oriented towards that. So, we are seeing good IRRs and, of course, there is limited amount of execution everybody can do. The good thing is some of the bids which are now coming allow you to take connectivity around 27 also and around 28 also.

And what we do is we try and take connectivity by – through various, you can say, LOA non-specific connectivity, you can say, which gives us flexibility to time the COD, time the operationalization of that connectivity. So, what we will try and do is execute these projects in block of two years, let's say, from 24 to 26 a block and 26 to 28 another block. The good thing is some of the PPAs allow you to have that sort of liberty that you could charge the plant in 27, you could charge the plant in 28 because the REIAs also recognize this limitation of connectivity coming in lumps, right?

There are a lot of these substations which are coming up in timeline of 26-27. They don't specify a month. They specify the year. Similarly, some of the HVDC large connectivity is coming up in Rajasthan in 29-30, right? So, you have a choice, right? If you want to be in high zones, then you have to basically sometimes choose a later date.

Or if you want to go to south or, you can say, central or west part of India, you could do it earlier. So, that's the interplay we have. So, we will try and modulate given where we are. We will not be very aggressive in terms of winning because we have enough on our plate. So, our bias is more towards consolidating. But in terms of the returns, of course, if the returns are good, we'll try and see if we can win a small chunk.

If not very large, we can also temper the size, what we take. We can participate in bids, but take a smaller chunk rather than a larger chunk.

Abhishek Nigam: Fair enough. That's it for me. Thank you so much.

Moderator: Thank you. The next question comes from Murtaza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza Arsiwalla: Yes. Hi, sir. A couple of questions. One, in your presentation, there is a breakup between gross block and CWIP, which is largely unchanged. I'm assuming that 1,200 megawatts is still not capitalized. So, that's a clarification.

And second, for the projects that you won, 1,350 megawatts, could you also give us a sense of what the costs against those projects are? What is the anticipated cost on an aggregate basis? What is for the remaining sort of 4,000 megawatts? What is the balance sort of capex to be spent?

Nikhil Dhingra: Right. So, you're right, Murtaza, that 1,200 megawatts is not yet capitalized because it happens on the full commissioning of the plant, because when you get the COD certificate. And right now, of course, we are selling power pre-commissioning, of course. So, it is not yet capitalized. And, of course, the CWIP has moved in the six months. So it has moved because we have executed this plant and we have also executed the Bikaner plant and also the wind plant.

So, CWIP has moved in the last six months. And, of course, the gross block has not moved because we have not capitalized so far. In terms of the 1,200 megawatts, which we have won, of course, it's a combination of hybrids, solar and FDRE projects. So, all these are, of course, the estimates remain in the similar range and the capex is on a downswing. We will not be able to give the exact number of the capex, but it is basically – it is remaining on the solar side. I think we have already capitalized ISTS recently.

So, you will see the – in terms of per megawatt cost, of course, it will be roughly around the same or maybe subject to the Indian modules versus the Chinese modules. Of course, there is a duty difference, right, so, adjusted for that, Indian modules are roughly in the same range.

Of course, the wind plant also we will capitalize soon. So, wind also remains. I think there is an improvement there on the capex side. But what we can tell you is the overall, in terms of the capex, roughly around, I think, INR40,000 crores-odd will be the overall capex. Ankit, do you want to add on that?

Ankit Verma: Yes. So, to fund this entire pipeline Murtuza, which is, like we have mentioned, 2.5 gigawatts is already operational. So to fund additional 4 gigawatts, which we have shown, roughly we need

a capex of somewhere between 40 to 42,000 crore, which will be funded by 75% by debt and balanced by equity.

Manoj Upadhyay: I think it is also important to mention here, which Nikhil was explaining. Some of the projects we are timing for 2027-28 because some of the PPAs where we had a flexibility. So, what will happen, some of the projects will get built after having the 2026 cash flow when the plant will become operational. So when you see from today's planning, we can't plan that right now because we are staggering some of those projects.

Nikhil Dhingra: And we don't want to hazard a guess about the capex 2.5 years down the line because some of the PPAs, like you mentioned, there is a SECI PPA, which allows you to take connectivity for 2027. So, that plan needs to get live around 2027. So, that is too far as for us. So, we can, of course, give you the capex estimate.

This is the current cost, but it can go up or down. From our side, what we do is we take a contingency on the capex side, which is around 8% to 10%. And, of course, given the bias on the cost side, it will go down. So, what we are telling you is the number basis that contingency and basis the current estimates. So, I think that is the number you can take.

Murtuza Arsiwalla: Thank you.

Moderator: Thank you. The next question comes from Gopal from SBI Life Insurance. Please go ahead.

Gopal: Hi, sir. Thanks a lot for the opportunity. The question I have is that this 369 megawatt plant, which we have sold in the last year, in which quarter it was sold?

Nikhil Dhingra: It was sold in Q4 of last year, in January 24.

Gopal: Okay. And this 1200 megawatt, which we are going to commission, what is the capex cost?

Nikhil Dhingra: Right. So, as of now, I think in terms of the books, we have capitalized at around INR5,400 crores. But it includes a provision for the MOOWR, which is very substantial. So, adjusted for that, that is around INR1,400 crores of provision, which we have not yet spent, because that is like a buffer, which is there. So, adjusted for that is around 4,000 crores. So, there is some bit of, I think, payments we need to make INR200 crores. So, maybe somewhere around INR4,200 crores to INR4,400 crores is the actual cash spent you can take at maximum for this plant. That's what we have spent.

Gopal: So, once it is fully commissioned, what will be the capital cost?

Nikhil Dhingra: INR4,200 crores is the number you can take. But in terms of the provision, because in terms of capitalization, what we are trying to, just a brief context about the MOOWR. Basically, there is a scheme of MOOWR, which we had availed, wherein we didn't have to pay duty on these plants. Imports we did of deferment of the import duty, which was there.

So, because of that, we made provision for that duty. We have not paid, because that is not supposed to be paid. And of course, if it is to be paid, it will pass through in the tariff. So, in terms of the capex, actual money spent, INR4,200 is the money spent.

Gopal: Okay, sure. And what should be the EBITDA run rate from these projects on annualized basis?

Nikhil Dhingra: So, that is something I think you will see in a month or so. Basically, typically revenue we are doing around INR1.5 crores per day. And the plant we have told you is running at this number. So, in terms of the EBITDA margins at the asset level, we have done 92%, 93% in terms of the EBITDA margins.

So, I think this plant is not, when it is fully operational, it will be doing a substantial number better than INR1.5 crores per day. And we have disclosed in the prospectus, the tariff for this plant is roughly INR2.44 per unit. And the expected AC CUF is 30% for this plant. Yes, so you can basically calculate the generation.

It will come to, if you multiply all these estimates, you will get the revenue and 92% is the EBITDA, which has topically come. We can also do the maths, but I think you will be okay. Yes, yes.

Gopal: And, sir, in the current reported revenue, there is a drop sequentially on the revenue side. What explains this?

Nikhil Dhingra: So, like I mentioned initially, this is, on account of the monetized asset, right, that we have done last year.

Gopal: So, quarter-on-quarter I'm saying, yes.

Nikhil Dhingra: So, quarter-on-quarter, what happens is, in terms of the second quarter, right, there is a seasonality impact. Because we have plants across India, including Punjab, including various parts of India, because ours is a distributed portfolio. So, you will see around, I think, 10% sort of revenue difference coming from seasonality.

So, on a quarter-on-quarter, but if you look at the next two quarters, there will be no impact of this weather thing. In the second quarter, because of monsoon, you see always, this has been there for not long.

Manoj Upadhyay: Yes, yes. So, whenever you monitor the solar plant, you will find that June, July, August, September, it will have a, because of the monsoon, it will have a little bit lower generation than the other months.

Gopal: Okay. Sure, sir. And, sir, on generalization side, in your presentation, you said, there is an increase in the generation for H1 to H1 on like to like basis, right?

Nikhil Dhingra: Yes. So, on a H1 basis, basically, there is, one thing is basically that...

Manoj Upadhyay: The first quarter, our first quarter, if you compare the '24 versus '25, FY25 quarter, our CUF has gone up from 23.3% to 24.6%. So, that means we did some operational improvement, for example, like robotic cleaning and other things, because of that, that improvement has happened.

Gopal: And, sir, if I see the revenue growth, which you have given like to like, for H1 to H1, the growth is lower than the generation growth. Is there an element of mix of plants?

Nikhil Dhingra: So, it's a function of, see, revenue is a function of units, because as the new plants are coming, they are coming at lower tariffs, right? Our weighted average portfolio tariff was at 4 point something. 4.39. 4.39. And the new plant you are adding is, let's say, INR2 something, INR3 something. So, that, of course, is a function of...

Gopal: Comparing like to like, right? There is no addition of plant?

Nikhil Dhingra: Yes, yes. One thing which Manoj Ji mentioned is the CUF increase. Other is the, you can say, charging of -- there was some capacity which was added in one of our plants of Aklera project. We had around some capacity which came up in that plant, which was around, which added to -- 50 megawatt. 50 megawatt or so, which was capacity which came up in this half year, in this so, that addition of capacity also happened.

Gopal: Okay. And this 1200 megawatt is commissioned now or it will be commissioned?

Nikhil Dhingra: So, there are two phases to this. What happens is that you get a first time charging and then you get a trial run. So, our first time charging has happened of all four plants. And because of which we can sell power to either the PPA purchaser or in case they are giving NOC, we can sell in merchant also. So, we are able to sell power. And that happens post first time charging.

Now, there is a commissioning procedure which we are undergoing. We are targeting to get it done on 27th, 28th. Post that, it will be commissioned. And post that, pre-commissioning, you get 75% of the tariff also. And post commissioning, you get 100% of the tariff. So, in terms of the next week or so, is our target to get it commissioned, subject to maybe…

Because the trial run happens, the sunlight needs to be there. There are a lot of conditions which need to fall in place. So, in terms of the revenue, we are able to recognize the revenue since October. We have been generating and selling power to either the off-taker or to the merchant. But in terms of the commissioning, this is expected in the next 10 days or so.

Gopal: And whatever revenue we generate, this will be reduced from the cost of project?

Manoj Upadhyay: No, no.

Nikhil Dhingra: This is a sale of electricity, right? This is the P&L, revenue from sale of electricity for 25 years.

Gopal: No, no. Before commissioning, whatever we sell, that will also come as a part of revenue and EBITDA? Or it will be reduced from the project cost?

Manoj Upadhyay: Earlier, around 2-3 years back, we used to reduce it from the project cost. But now, because of the change in the laws, we need to take this to the P&L.

Gopal: Okay, sure sir. And last bit, can you just explain this GST search which was there? Genesis and what are the implications?

Nikhil Dhingra: Yes, yes. So, Gopal, basically we were on the listing day. We were in Mumbai and of course, all of our team was there. So, we had a team from GST Udaipur who had visited us. And of

course, our team was away. So, they came back in the evening. And of course, they cooperated with GST.

The prime query was regarding the input tax credit we had taken in terms of availing services with a couple of vendors. So, of course, the impact of that was less than half a million dollars. And of course, we satisfied all the queries. So, there was no sort of documents which were asked. And of course, there was no sort of, you can say, any financial implications.

No notice was given post the search. So, we had notified the exchanges also within 24 hours of that happening. And of course we had – of course in the -- if let's say there is a follow through or something, that impact we have mentioned to you is in the worst case also could be half a million dollars.

Gopal: And in terms of refinancing for existing portfolio, we have already done the refinancing.

Nikhil Dhingra: So, we keep on doing the refinancing depending on the stage of the project. So, typically we try and do it just six months or one year after the project commission because that time the plant has demonstrated its performance. So, in this half year what we have mentioned is the refinancing we have achieved from three of our, the sanction we have achieved.

In one case we have already taken disbursement. In two cases we are yet to take disbursement. But we have achieved the sanction. So, typically in refinancing there are two objectives for us. One is to extend the tenor of that loan which increases the free cash flow to equity for the equity holders.

And second is to reduce the interest rate because the lender changes -- the rating of the project also improves. Like in one of the projects we are targeting to take a AA rating, which will be known in a day or two to us. So, which will help us reduce the cost further. And as we have raised equity in our holding company, so we are expecting this to happen more in terms of the improvement in rating at the restricted group or wherever we borrow.

So, this refinancing is what we have updated in the presentation. And all three have achieved this purpose of giving us, you can say, debt release for growth. And also, because these are all 20-year debt, typically. So, it gives you long-term resources for growth and also reduces the rate. And of course diversifies our lender. Because, you know, some of these lenders we don't want to hit their funding limits in terms of each lender.

And there are a lot of new lenders which are coming to the mix. Like we are working with NaBFID. We are working with a lot of MNC banks also. So, it makes sense to diversify because all the segments of the market need to be tapped. And we are trying to do that.

Gopal: And we already refinanced at maybe 8.7, 8.9 with this new rating which you are expecting AA. Will it further reduce? If yes, by what percentage?

Nikhil Dhingra: So, 8.7 will be the rate which will be at AA. So, we are expecting that kind of rating. So, that is what we have indicated. Because that's a plant which has been operational now for more than 5

years. It's a group of NTPC, SECI. So, we are expecting a good rating there. And that 8.7 is assuming AA handle. And of course 8.9 is for a single A rated plant.

Gopal: Sure. Thank you very much, sir.

Moderator: Thank you. The next question comes from Deval from Mirae. Please go ahead.

Deval: Thank you, sir, for the opportunity. So, my first question is when you say INR4,200 crores of gross block addition from 1.2-gigawatt commissioned assets. So, is this after adjusting for the EPC EBITDA margin?

Nikhil Dhingra: No, no. It is not after adjusting for EPC margin. This is the gross block applied at the SPV.

Deval: Understood. So, can you help us? What would be the quantum of EPC that would get adjusted for this 1.2 gigawatt?

Nikhil Dhingra: So, the project is not yet capitalized. So, we will not be able to give that in terms of the project wise EPC margin because we need to fully capitalize it. But, of course, typically, as we mentioned, we try and do at least 10%-15% maximum. So, that is the broad range of margin we target. So, you can assume around that number.

Deval: Okay, because when I look at H1 EPC numbers, assuming a PAT of INR126 crores adjusting for tax, at EBITDA level, it comes around INR165 crores, which is almost 19% kind of EBITDA margin. So is this understanding correct?

Nikhil Dhingra: So, Deval, what happens is, this is a function of three projects we have done. And, as we said, basically, we have two companies. So, this is part of the EPC contract. And, of course, this is a three project. So, in terms of the three projects together, that is the sort of margin. And, of course, we have cost, right, in terms of the cost. So, PAT is the right number to look at rather than EBITDA.

Deval: Understood, sir. Because for 1.2 gigawatts, it might cost around INR3.5 crores per megawatt. And, after adjusting for EPC…

Nikhil Dhingra: So, Deval, here, one thing I would like to highlight is, because of the MOOWR, right, we did not pay duty. So, that is why this cost is slightly on the lower side, right. Typically, if you pay duty, then the cost is slightly higher. And tariff will also increase. But, in terms of the INR4,200 crore, which we are seeing, is basically only very small element on which duty was paid.

Manoj Kumar Upadhyay: So, the other point is, I think it is important to note here, is that even in the past, what we have shown, even in DRHP, some 14%, 15%, 16% of kind of an operating margin EPC. I think that is a number we will maintain in this also.

Deval: Understood sir, my second question was, can you help us with, what is the cost of debt for under construction assets, as well as the refinance cost of debt for the commissioned assets?

Nikhil Dhingra: So, in terms of the under-construction project, we are currently able to access around 9.4, 9.5 is the representative cost. Of course, as the base rate falls down, we expect this to also come down

along with the base rate fall of all these institutions and banks. In the operational asset, we have already shown 8.9, 8.7 is what we have achieved now for a stabilized asset.

So, it also varies depending on the counterparty, like a SECI project or a restricted group project gets you a better rate. So, in the best case, in today's market, I think we can approach 8.5 in best case. And on an under-construction project, we can approach maybe 9.25, 9.3 in today's market. Right. That would be the thing. And the range could be 0.25% plus minus.

Deval: Understood, sir. Yes. That's it from my side. Thank you.

Moderator: Thank you. The last question comes from Nishant Gupta from Minerva Global Capital. Please go ahead.

Nishant Gupta: Hi, sir. Thank you for the opportunity. I had two quick questions. One is, is there any company-specific hurdle rate that you target for a project while bidding for it? I mean, why I'm trying to ask this is because the tariff has fallen to around 2.52. So, that is something. So, just wanted to get a sense what is a sustainable tariff that you enforce while constructing any particular project? That is the first question.

And the second one was, how do you see the monetization landscape going forward like are there still opportunities where some of the projects you can exit at a healthy IRR? So, these are two questions/

Nikhil Dhingra: So, in terms of the hurdle rate, as we said we target a mid- teen sort of hurdle rate. And, of course, these hurdle rates we have, of course, an integrated business model which helps us control time and cost. So, it helps us in a bid to get these hurdle rates. In the past also, we have been able to deliver on these hurdle rates. So, that's the sort of hurdle rate we target. In terms of tariff, see, tariff is a function of capex.

And, of course, a lot of macroeconomic variables like interest rates and dollar rates because some of the capex is imported and various other things are there in terms of the interest rate because the capex heavy business model. So, we don't target a specific tariff. We target a hurdle rate, which is FCFE, IRR, taking the cash flows of the 25 years and also you can say, the cost saving we can achieve through our EPC. So, these two are the sources. We don't take any upsides when we bid in terms of the refinancing rate or a top-up which we can get. These are upsides for us to take, if any.

And we keep a contingency of around 10% in the capex which we estimate while doing a project. In terms of the - just to give you an idea on the tariff, you are looking at the solar tariff. These are plain solar bids you are looking at, but when you look at the FDRE projects, the tariffs are in the range of between 4.4 to 4.7 sort of range. And we also won a tariff of 4.7 recently with the NTPC bid.

And when you look at hybrid, these are in the three handles in terms of 3.3 to 3.4, 3.25 now. So, all these three type of bids and when you look at battery, there are different sort of numbers, plain battery. So, in terms of each of these technology-specific bids, there are various upsides

and downsides possible. You can say in a solar, it's totally dependent on the - you can say the solar, where you are putting up the plant.

That will decide the revenue you generate, what sort of capex you are envisaging, whether you have control on land, connectivity. And when you're looking at a high FDRE, there are elements that are slightly higher than a plain solar because you are dealing in three technologies, solar, wind, and battery. How are you minimizing the risk possible in the FDRE configuration? So, that's important.

Of course, an FDRE offers you an opportunity to have high returns, but also offers you some element of risk. So, there is an interplay of how to minimize the risk and also make the good returns. So, that is why you see in an FDRE project, there are slightly less competitors as compared to a plain solar bid, purely because of the degree of complication in the project. And of course, a plain battery is slightly simpler, so you will see a lot of competition in the plain battery tenders also. So, that is on the hurdle rate.

In terms of monetization, we don't want to monetize the assets as of now in terms of going forward. We want to consolidate our assets. And also something which we can evaluate in the future is InvIT because that's a semi-monetization sort of a thing, but of course subject to various, whether it makes sense for the shareholders or not, in terms of the listing. Because in terms of our equity requirements, so monetization has been the tool which we have used in the past. Of course, because we were getting good value out of that.

And also it helped us raise resources for our capex. And of course, it was the lowest cost of equity which was possible while keeping the whole corporate structure intact. And of course, there is a capital gain implication when you sell assets. So, in terms of the mode of fundraising, there are various categories, preferences we have internally. So, where as of now, InvITs scores better than asset sale. If at all we want to go there, we have not yet decided at all to do InvIT or asset sale. But if you want us to compare today, we will rather say InvIT is better than asset sale.

Manoj Upadhyay: To be very specific to your answer to the question, actually, INR2.51 is not a bad tariff. It is because the capex has come down to the level that it is actually a good tariff.

Nishant Gupta: Got it, sir. I think with the declining solar modules and the cell prices, that is why you are saying that this tariff is sustainable, right?

Manoj Upadhyay: Yes. Because we have a project of INR2.44. And we know that we shared with you the number of capex. You can always calculate the return. So, that is why we are able to tell you INR2.51 paisa is a good tariff.

Nikhil Dhingra: Yes. The only change which has happened is the modules are now domestic. But there also we are seeing the price parity coming to let's say adjusted for duty. The price parity is almost there. And of course, in all our projects, we can buy cells from China. We do have that flexibility. So, yes. And the capex is on a downturn as we are re-emphasizing.

Nishant Gupta: Got it, sir. Just a quick follow-up. Is InvIT something like a year to 2 year kind of a plan or even further than that? Is there a timeline which you have thought about it?

Nikhil Dhingra: No. There is no timeline. Actually, we are just discussing ideas with you because you dropped an idea. We always don't ignore any idea. So, we like to discuss ideas all the time. So, there is nothing on the table on the InvIT front. So, it's something we have no plan of doing as of now. And we are not planning to do any InvIT as of now because we are able to -- see, InvIT is done for multiple reasons.

One is to raise equity, of course. Second is to extract cash in terms of every quarter you are able to take yield and all that. So, we don't see any challenge in that in terms of working with our lenders and, of course, getting the refinancings done. So, as of now, there are no compulsions or no drivers for us to attempt an InvIT. So, we have no timeline for it. You can assume it's not on the table.

We were just comparing options. When you said monetization, we said there are other options which are there for any company, not for us, for any utility company because it's a two-pronged business. One is yield. Other is growth, right? So, for the yield part of the business, InvIT could be a potential solution for any company, not for us. We have nothing on the table relating to InvIT as of now.

Nishant Gupta: Got it. Thank you for the detailed answer and all the best.

Moderator: Thank you. Ladies and gentlemen, I now hand the conference over to the management for any closing remarks.

Manoj Upadhyay: So, thank you very much for, again, attending the conference, and I hope your queries have been answered. If there are any further queries, my team and our Strategic Growth Advisors will be very happy to share with you. While we are in the growth side, I think you have asked some of those questions where we had a challenge also like GST, which our team handled very well.

And one of the learning, I think also it is important for me to share with you that we are doing this 1,200 megawatt project where four projects are getting together. So, the normal synchronization of the plant took more than what we thought of. I think that's also important to share with you.

So, fortunately, we are selling the power to the grid at a higher price than it would have been in the PPA. But then, again, the timeline, I think it took more than this because this is a very, very large plant, which was getting synchronized four plants together perhaps first time in India. I think also in this business, you must have seen that, in fact, last quarter, especially in the Gujarat area, it has been rained more than what we have expected.

Some of you asked questions, why the variation in the revenue? I think July, August, September is normally the season when you see our past track record also, you will find that this season solar is normally lower than the generation. Although, the last quarter has this one. I think some of you also asked on the PPA side.

I think some of the PPAs, we thought that should have happened in October, which might happen in this month or in next. This thing, because of the election also, we are getting repeated elections in this one. Well, SECI has to go to every state and do that. Sometimes, it goes to some level of

approval when the election gets announced and the whole thing gets stopped. I think that's also a learning for all of us that sometimes this can happen.

I think the good thing is that we are making good progress on that. Hopefully, as Nikhil was sharing, we should be able to conclude most of the PPAs in the next few weeks or 1 or 2 months. Again, I am very thankful to all of you for this thing. What I would like to tell you is that you must have seen the very great consensus at the COP29 level where this new business opportunity can come to India, where one can share, one can trade the carbon. That's also an opportunity.

Most of the countries have agreed their future plan that will really push the renewable adoption faster. Although our government was already doing that, but perhaps now with this commitment, they have to do even more than what it was. All these things will take this business or this industry to the next level. I am sure that we are all participating in the energy transition. We are fortunate that we are playing our role in this journey. Thank you.

Moderator: On behalf of JM Financial, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.