

ReNew Power

Q2 Fiscal 2022 Earnings Conference Call

November 18, 2021 at 8:30 a.m. Eastern

Time

CORPORATE PARTICIPANTS

Sumant Sinha – *Chairman, Chief Executive Officer*

D. Muthukumaran – *Chief Financial Officer*

Nathan Judge, CFA – *Investor Relations*

PRESENTATION

Nathan Judge

Thank you, and good morning everyone, and thank you for joining us. On Wednesday evening, the company issued a press release announcing results for the first half and second quarter of fiscal 2022 ended September 30, 2021. A copy of the press release and the presentation are available on the Investors' section of ReNew Power's website at renewpower.in.

With me today are Sumant Sinha, Founder, Chairman, and CEO; and D Muthukumaran or Muthu, CFO. Sumant will start the call by going through an overview of the company and recent key highlights. Muthu will then provide an update on the quarter and then we will wrap up the call with Sumant reiterating our weather adjusted FY'22 EBITDA forecast of \$810mn and our MW Operating Guidance. After this, we will open up the call for questions.

Please note, our Safe Harbor statements are contained within our press release, presentation materials and available on our website. These statements are important and integral to all our remarks. There are risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statements. So we encourage you to review the press release we furnished in our Form 6-K and presentation on our website for a more complete description.

Also contained in our press release, presentation materials and annual report are certain non-IFRS measures that we reconcile to the most comparable IFRS measures, and these reconciliations are also available on our website, in the press release, presentation materials and annual report.

It is now my pleasure to hand it over to Sumant.

Sumant Sinha

Thank you Nathan, and a good morning everyone.

We are very pleased to host our first ever earnings call as a publicly traded company. We believe RNW is one of the most compelling investment opportunities in the renewable energy sector today. Some of you may be new to our exciting story and we will provide a brief overview of our company and near term strategy, followed by an update on recent developments as well as deeper dive into our first half and second quarter fiscal 22 financial results.

Looking at our portfolio on page 5, ReNew is one of the leading renewable energy companies in India and also one of the largest renewable energy companies globally. Our scale and vertical integration differentiates us in multiple ways including being more efficient and lower cost, having greater access to cheaper capital, and investing for the future to retain our competitive edge in a young and rapidly evolving market whilst maintaining industry leading EBITDA margins. We have a long track record of execution as well as delivering superior growth and returns over a long period of time. When we first started with our 25MW project about a decade ago, there were many companies that were interested in getting into the Indian renewables sector. Over time, we have been able to consistently grow faster than the industry while remaining disciplined with our capital allocation. Much of this success lies in our corporate culture of thinking ahead, making judicious investments for sustaining our competitive advantages.

We have renewable assets spread across the country which provides diversification and operating expertise in many states. By being local, we are able to capture synergies from acquisitions which most of our foreign competitors cannot avail. About 2/3rds of our portfolio is operating and much of the assets that are in development have PPAs. Our portfolio is also balanced between solar and wind.

On page 6, we remain on track to deliver our previously announced guidance. As of today, we have 7 GWs operating, up from 6.3 GWs we had operating on September 30, 2021 and we have about 400 MWs scheduled to be commissioned in the next couple of weeks. We continue to expect our FY'22 Adjusted EBITDA, excluding the impact of weather which was approximately \$40 million in the first half of this fiscal year so far, to be approximately \$810 million and we will have 8.2 GWs operational by the end of this fiscal year. We want to point out that ~95% of our expected FY'22 EBITDA is coming from operating or nearly completed capacity.

We expect to deliver EBITDA of over \$1.1bn annually from our 10.3 GW portfolio, which is nearly double our EBITDA that we reported last year. We have confidence in achieving this growth as about \$1.0 bn of EBITDA should be generated from commissioned projects or have a signed PPA and is in the construction phase.

Moving on to page 7, we believe we have a total addressable market of around \$200 - \$270bn. The majority of this market is in the bid market. The Indian Prime Minister outlined a five fold strategy at COP 26 which included getting India's non-fossil energy capacity to 500 GWs by 2030, 50% of India's energy requirements will be met by renewable energy till 2030, India will reduce its projected carbon emissions by one billion tonnes by 2030, carbon intensity will fall by 45 per cent by 2030 and India will achieve net zero by 2030. Today, there is about 8 – 10 GWs of auction scheduled over the next quarter and there are numerous more intelligent energy solution auctions in the works. The M&A opportunity is also very large which we see to be around 30 – 50 GWs. There is about 6 – 8 GWs up for sale currently. We have significant amount of experience with M&A having acquired over 2 GWs in the last five years.

A market we are also very excited about is the Corporate PPA market. To be clear, this is not rooftop projects and we are supplying customers from utility scale projects. We see a corporate PPA market of at least 25 GWs over the next few years.

We continue to believe that we will be able to deliver our aspirational goal of 18 GWs operational by the end of FY 25.

Turning to page 8, we reiterate our commitment to our shareholders that we will be diligent stewards of your money and only invest when the expected returns on projects are above our cost of capital. Today, we have a threshold requirement of 16 – 20% equity IRRs.

There are many opportunities to achieve returns above our minimum thresholds and whilst we have competitive advantages that allow us to achieve returns within our targeted ranges in the plain vanilla renewable energy projects, we expect that an increasing portion of our growth will come from areas that have higher returns and where there is less competition. We have competitive advantages in intelligent energy solutions, M&A and the corporate PPA market that many of our competitors will not be able to address for some time. We have a large market share of projects that require intelligent energy solutions which have higher returns and lower levels of competition. We also are one of the best positioned to be the consolidator of choice in India and these acquisitions have the potential to have higher returns than plain vanilla projects given the amount of synergies we are able capture as an incumbent of scale. We also are very excited about the corporate PPA market which provides significant upside to the guidance we have provided to investors.

We continue to be active on the M&A front as well. We have closed both of our recently announced acquisitions, a 99 MW hydro facility and a 260 MW solar project in Telangana. There is a significant amount of assets up for sale currently and, based on the current market dynamics, we believe that we can purchase projects and achieve a better return than in the plain vanilla renewable energy market.

We are on track to have 8.2 GWs of capacity operating by the end of this fiscal year. Currently, we have 7.0 GWs operating, or about 600 MWs more than our Capital Markets update about a month ago and we expect another 400 MWs to be online over the next couple of weeks.

We also received recent recognition by Fortune as being one of the top global companies that will change the world. In addition, we are the only renewable energy company to have received the lighthouse award by the World Economic Forum for our proprietary development of IR technology to improve the operations of renewable energy facilities.

With that, I will turn it over to Muthu to discuss the quarterly results.

D Muthukumaran

Thank you Sumant.

We have 7.0 GWs operating as of today; we were at 5.6 GWs at the beginning of this fiscal and are projected to end the year at 8.2 GWs. The 1.4 GW addition was particularly commendable given the challenges of COVID and supply chain disruptions.

Page 10 compares our revenues, EBITDA and Cash flow to equity to the comparable period in the prior year. Our revenues, or labeled total income under IFRS, in the first half of fiscal 2022 rose 26% year on year, while our adjusted EBITDA increased 28% and Cash Flow to equity jumped 84%.

Turning to page 11 which provides a reconciliation of weather adjusted EBITDA to our reported results, weather adjusted EBITDA in the first half of FY22 was ~\$470 million, or about 58% of our FY'22 weather adjusted EBITDA of \$810 mn.

Weather improved from last year although it remains below normal levels and had about a \$38mn negative impact in the first six months of this fiscal year. At the moment, there is no evidence to shift our forecasts of long term average, or normal, production levels. We would note that our projections have been verified multiple times over the past several years, not only by us but also numerous private equity and debt investors that invested in the company. We will continue to undertake studies to review the voracity of our wind resource forecasts.

Our FY'22 capacity additions remain on track to achieve our target of 8.2 GW operating by the end of the fiscal year. As Sumant mentioned earlier, we commissioned ~ 400 MWs of new capacity since the end of the quarter and added 260 MWs from the completed acquisition of solar assets in Telangana bringing our operational capacity to approximately 7.0 GWs today. Another 400 MWs of capacity is scheduled to be finished over the next couple of weeks which bring the exit operating capacity at the end of the calendar year to 7.4 GWs.

One of the frequent questions we get asked is about supply cost inflation. The project costs for MWs added during the first half of this fiscal year had very little impact for higher supply costs. Whilst there has been some increase in costs relative to budget for projects we are delivering for the remainder of the year, after considering the lower financing costs that we are realizing in the market today, we continue to expect that our projects under construction will deliver an equity IRR within our targeted range of 16 – 20%.

With regard to accounts receivables, we believe that the past due DSO at the end of the second quarter 2022 is at a peak level and they will improve going forward. The combination of company initiatives, legal and regulatory proceedings, government support, improvement in electricity demand for distribution companies, and a shift towards central government agencies that have a strong record of on time payment will result in a major improvement in DSOs over the next several years.

We are taking an even greater active role in managing our receivables with DISCOMs with continuous discussions and monitoring with offtakers through dedicated teams and senior management committees. We have even begun pursuing court actions for states that are particularly behind in payments and expect that over the next three months to get favourable court rulings.

With regard to Andhra Pradesh, the court has scheduled the next hearing to be in December which we expect will be the concluding hearing. We will continue to update the market on new developments but ultimately we are confident in winning the case and recovering past due amounts.

Finally on our balance sheet, we had about \$1 billion of cash and cash equivalents, and our Net Debt stood at approximately \$4.4bn..

With that, I will turn it over to Sumant for guidance and closing remarks.

Sumant Sinha

Thanks Muthu. I am very happy to report that despite the uncertainty around supply and Covid, we continue to be on track with our guidance. For this year, we continue to expect to achieve \$810 mn of EBITDA after excluding the impact of weather, \$40 million and have 8.2 GWs operational by year end.

Turning to slide 15, we are also reiterating our guidance provided during our capital markets day last month. Once our 10.3 GW portfolio is completed over the next 18 months or so, we expect EBITDA will be at least \$1.1bn. We expect that we will have about \$5.7bn of net debt on our books, or a 4.9x debt to run rate EBITDA leverage ratio, once the 10.3 GWs is completed. We expect our cash flow to equity run rate to improve meaningfully as well from \$192mn in the first six months of fiscal 2022 to ~\$400 million on an annualized basis once the 10.3 GWs are operational.

Importantly, our portfolio is fully equity funded. In fact, we do not need any new external equity for 18 GWs. At 18 GWs, our cash flow generation should self fund 2.5 – 3.0 GWs of growth annually without raising external equity. We will consider options in the future to recycle capital that could increase our growth, improve our returns and reduce risk.

With this, we will be happy to take questions.

QUESTIONS AND ANSWERS