



CONTINUUM

# Levanter Notes Investor Update

Q2 FY 22-23 – Operational and Financial Highlights

1<sup>st</sup> December 2022

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# Table of Contents

|     |                            |       |
|-----|----------------------------|-------|
| I   | Group Overview             | 4-7   |
| II  | RG Operating Performance   | 8-12  |
| III | RG Financial Performance   | 13-17 |
| IV  | RG Business Update         | 18-24 |
| V   | ESG Performance            | 25-26 |
| VI  | Frequently Asked Questions | 27-34 |

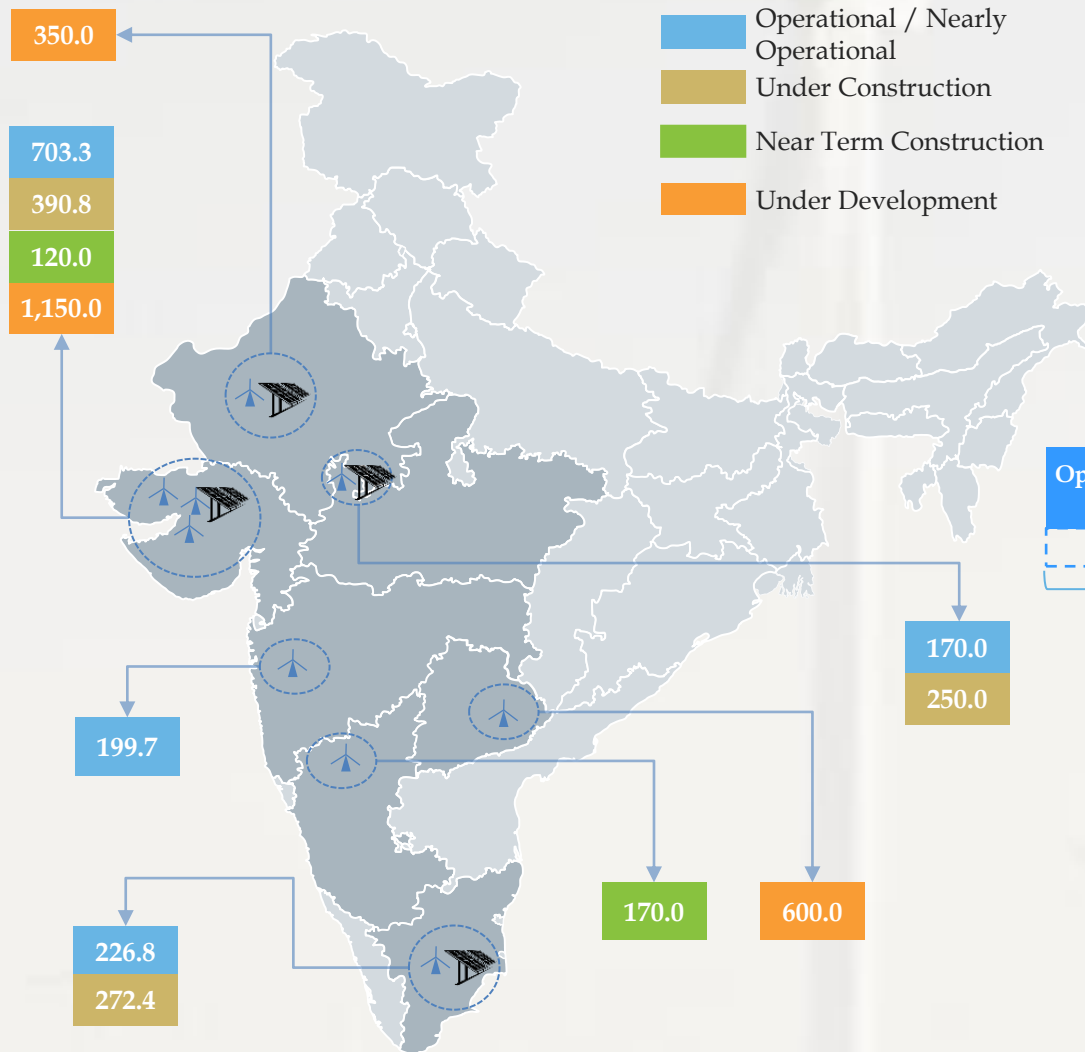


# I. Group Overview

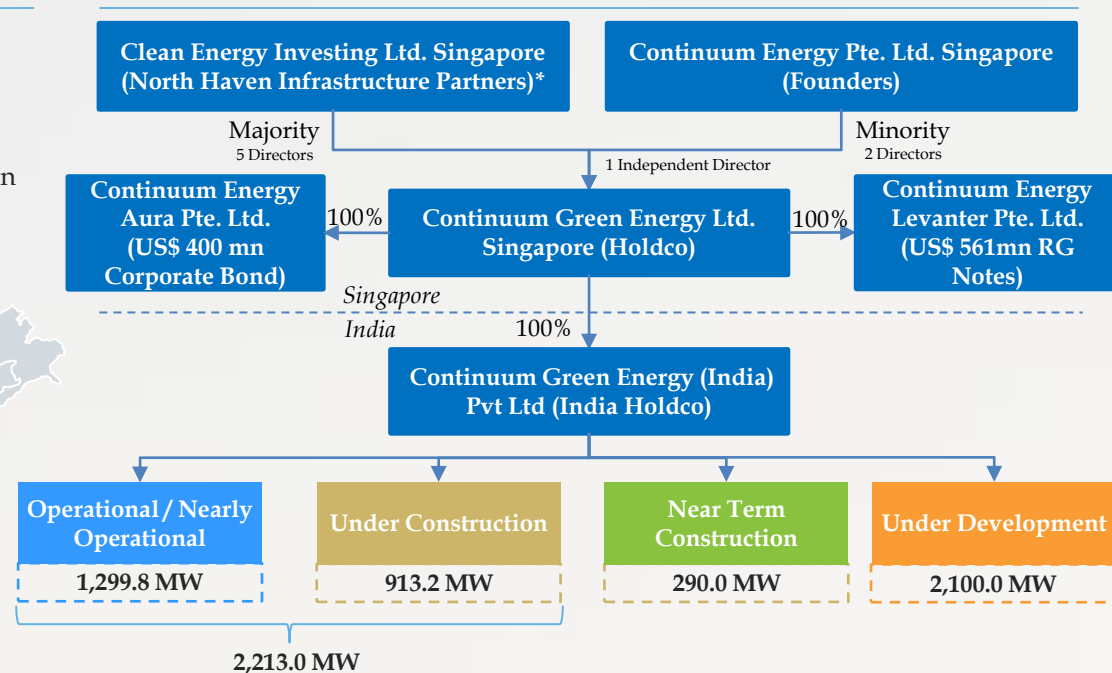


# Continuum Green Energy - Group Overview

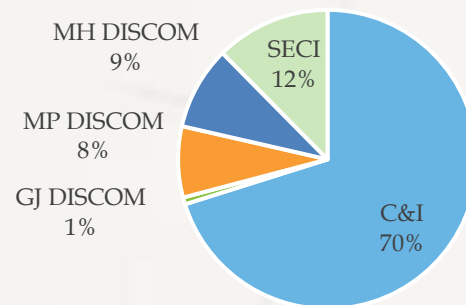
## Presence across wind-rich states with diversified off-takers



## Continuum Corporate Structure



## Off taker mix (2,213.0 MW Operational / Nearly Operational and Under Construction)



MPPMCL is MP DISCOM, MSEDC is MH DISCOM, GUVNL is Gujarat DISCOM

# Status of Construction of Projects

## Nearly Operational by Q3 FY 22-23

### Dayapar

126.0 MW (Wind)

- 25-year PPA with SECI at a fixed tariff of INR 2.51/kWh
- Financial Closure achieved
- 63 Inox-113 2.0 MW WTGs
- Project Status:
  - 126 MW delivered to site
  - 126 MW installed
  - 88 MW commissioned

### Morjar

148.5 MW (Wind)

- 25-year PPA with SECI at a fixed tariff of INR 2.82/kWh
  - Expect additional INR 0.11/kWh as a Change in Law compensation (add GST)
- Financial Closure achieved
- 55 GE-132 2.7 MW WTGs
- Project Status:
  - 220kV line and Pooling Substation completed and commissioned
  - 100% of the 148.5 MW WTGs delivered
    - ✓ 102.6 MW installed
    - ✓ 81.0 MW commissioned

### Rajkot - III

239.9 MW (Wind Solar Hybrid)

- PPAs with C&I Consumers in Gujarat
- Financial Closure achieved
- 37 GE-132 2.7 MW WTGs and 140 MWp from Waaree Solar
- Project Status:
  - 220kV line & Pooling Substation operational
  - 100% of 99.9 MW WTGs delivered
    - ✓ 91.8 MW installed
    - ✓ 83.7 MW commissioned
  - 100% of 140 MWp solar modules delivered
    - ✓ 105.0 MWp installed
    - ✓ 70.0 MWp commissioned



# Status of Construction of Projects

## Under Construction and expected commissioning - Q1 FY 23-24

### Ratlam II

250.0 MW (Wind Solar Hybrid)

- Brownfield expansion of Ratlam I project site with capacity of 99.9 MW wind & 150.1 MWp solar
- PPAs with C&I Consumers in Madhya Pradesh
- Financial Closure achieved
- 37 GE-132 2.7 MW WTGs contracted
- Solar equipment under contracting



### Bhavnagar

300.8 MW (Wind Solar Hybrid)

- Greenfield Wind solar hybrid project with capacity of 118.8 MW wind & 182.0 MWp solar
- PPAs with C&I Consumers in Gujarat
- Financial Closure achieved for 280.7 MW
- 44 Senvion - 130 2.7 MW WTGs contracted
- Solar equipment under contracting



### Dalavaipuram

272.4 MW (Wind Solar Hybrid)

- Greenfield Wind solar hybrid project with capacity of 118.8 MW wind & 153.6 MWp solar
- PPAs with C&I Consumers in Tamil Nadu
- Financial Closure achieved
- 44 GE-132 2.7 MW WTGs contracted
- Solar equipment under contracting



### Kalvad I

90.0 MW (Wind Solar Hybrid)

- Greenfield Wind solar hybrid project with capacity of 35.1 MW wind & 54.9 MWp solar
- PPAs with C&I Consumers in Gujarat
- Financial Closure to be achieved
- Wind & solar equipment under contracting



337.5 MW of wind turbines contracted on supply, install, commission, operate and maintain basis

INR 33.2 bn of 18-20 year tenor senior INR project debt tied up in local markets in this quarter at sub 9% p.a. for 803 MW of C&I projects



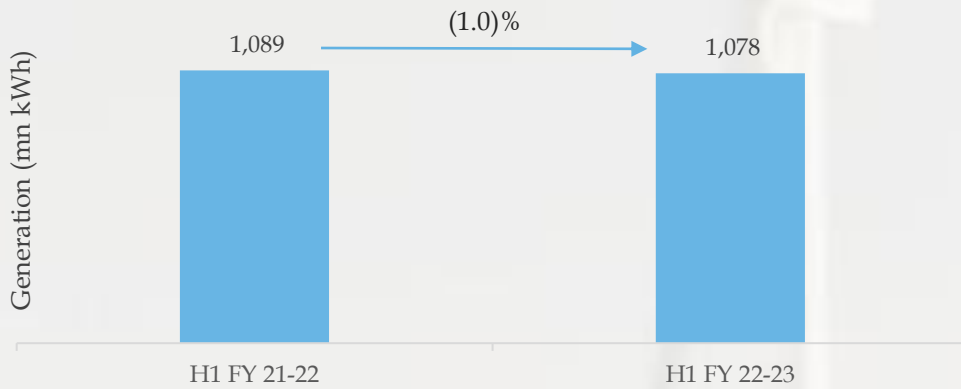
## II. RG Operating Performance



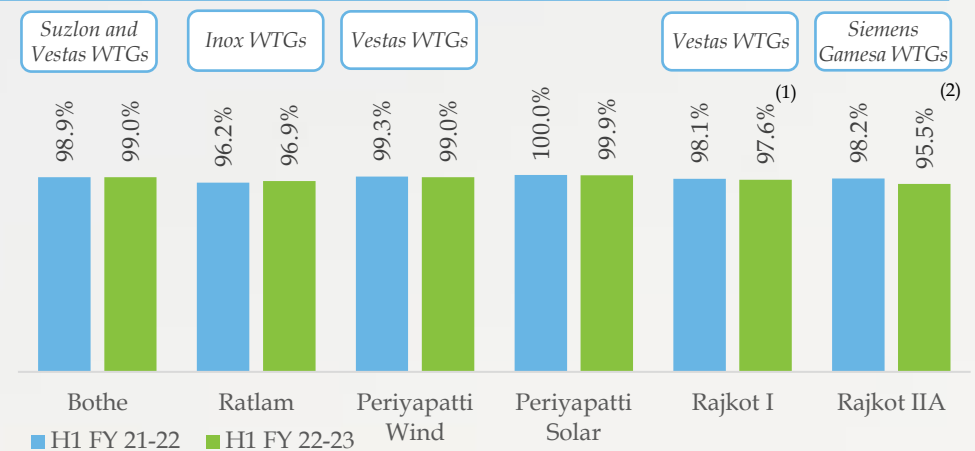


# RG Operational Performance - H1 FY 22-23

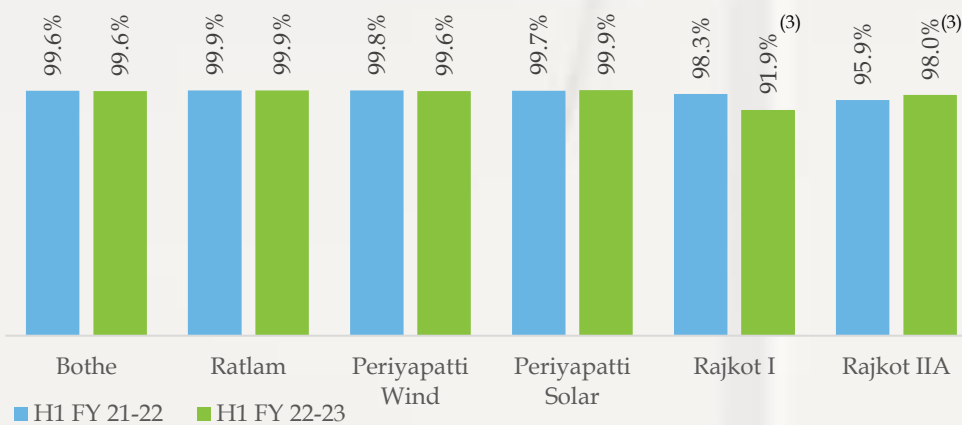
## Restricted Group Performance



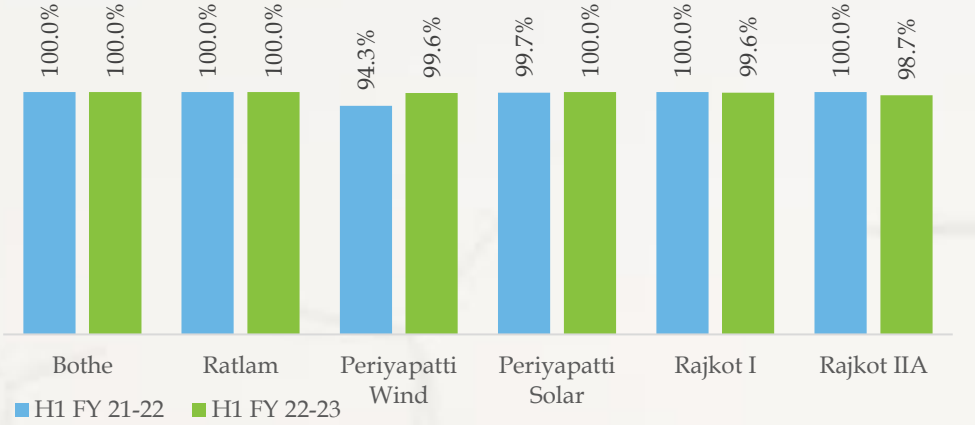
## Wind turbine / Solar availability



## Internal grid availability



## External grid availability



The Performance Ratio for the solar farm was 81.4% for H1 FY 22-23 vs 81.7% for H1 FY 21-22

Note:

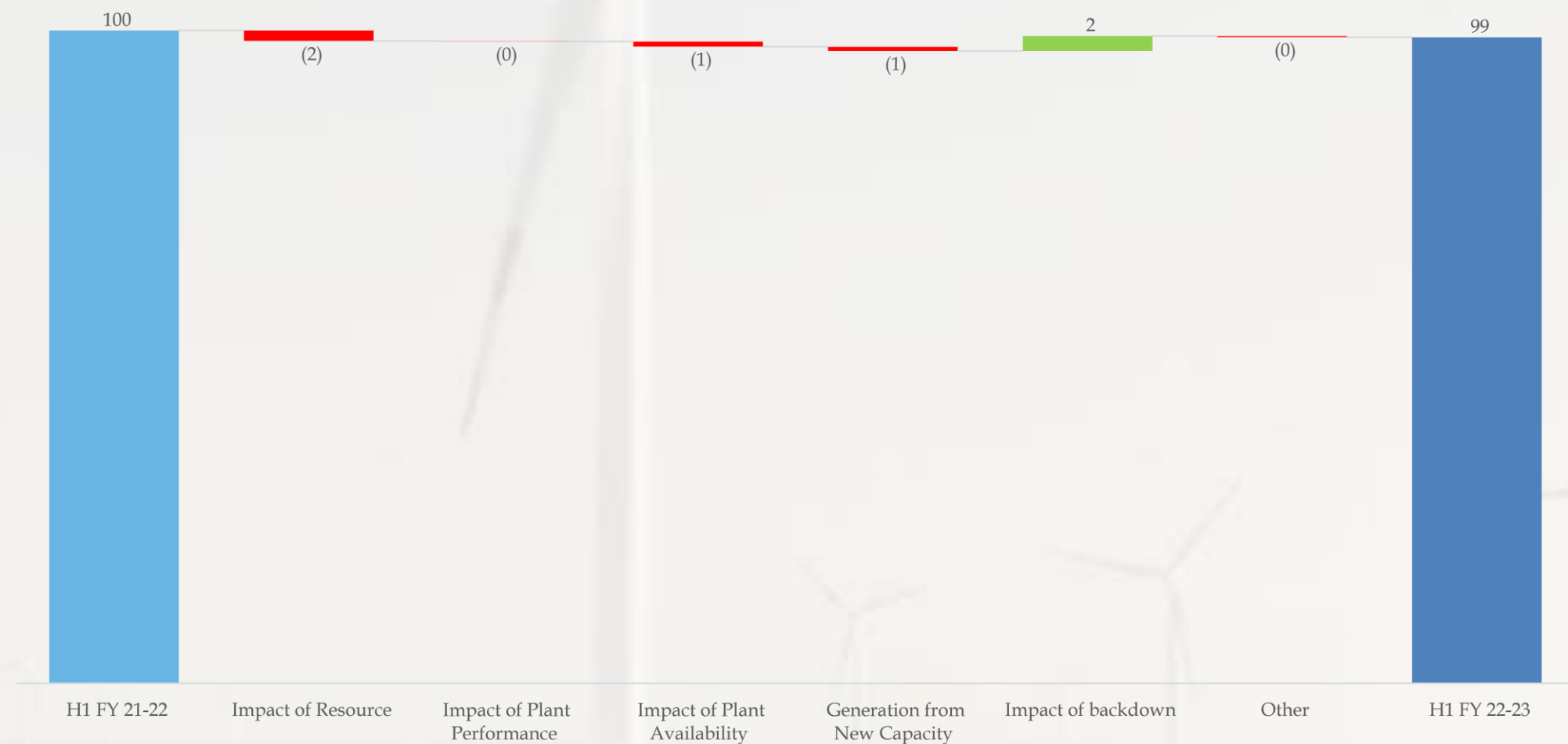
(1) Implementation of software upgrades on 19 turbines

(2) Turbine down due to transformer failure, restoration delayed due to crane availability

(3) Downtime due to reshuffling of internal lines because of construction of the Rajkot - III

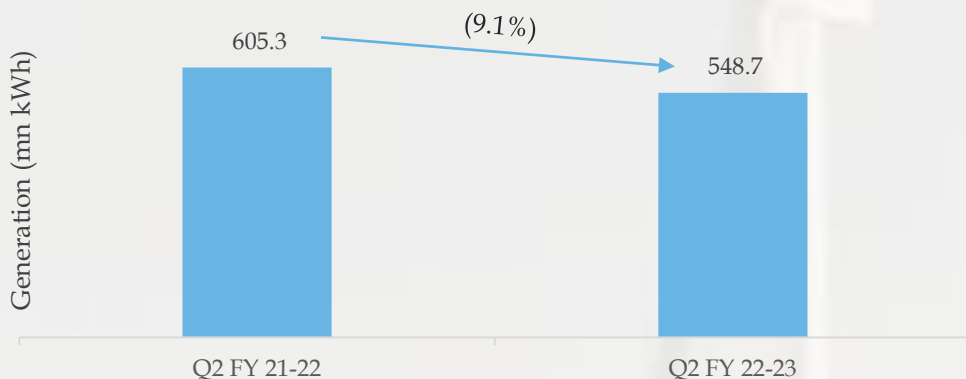
# RG Operational Performance – Waterfall Analysis (H1 FY 22-23)

Waterfall of Generation from H1 FY 21-22 to H1 FY 22-23

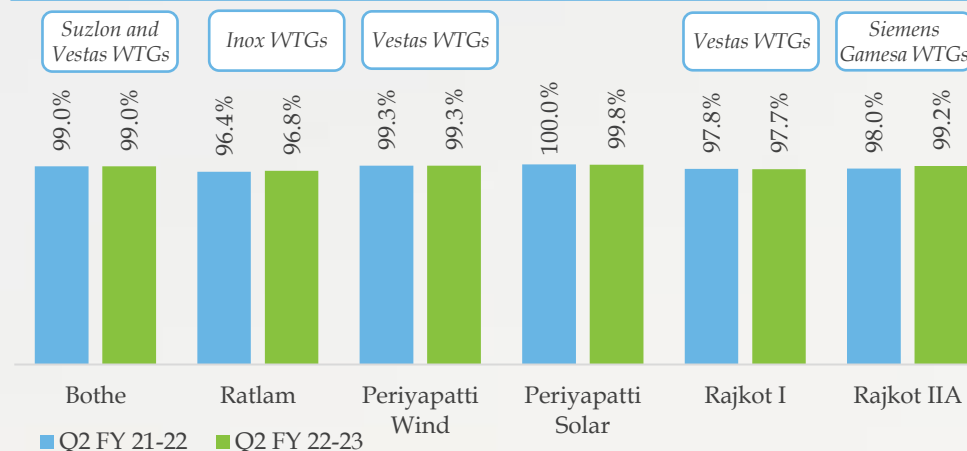


# RG Operational Performance - Q2 FY 22-23

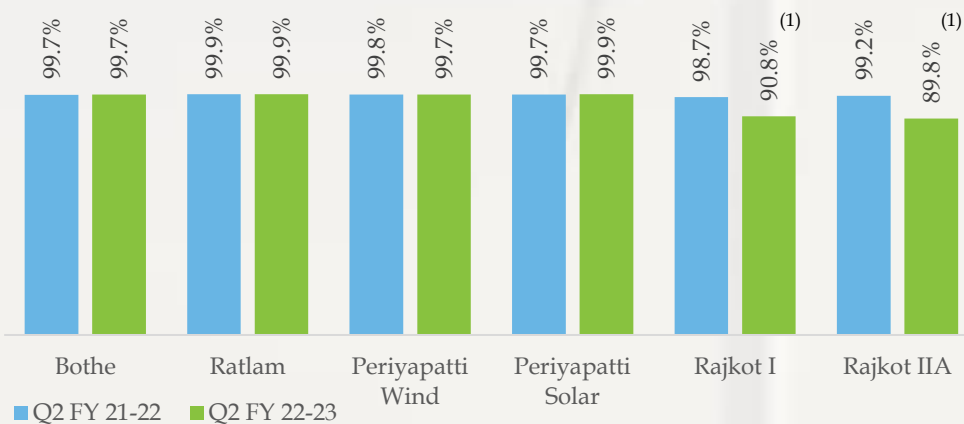
## Restricted Group Performance



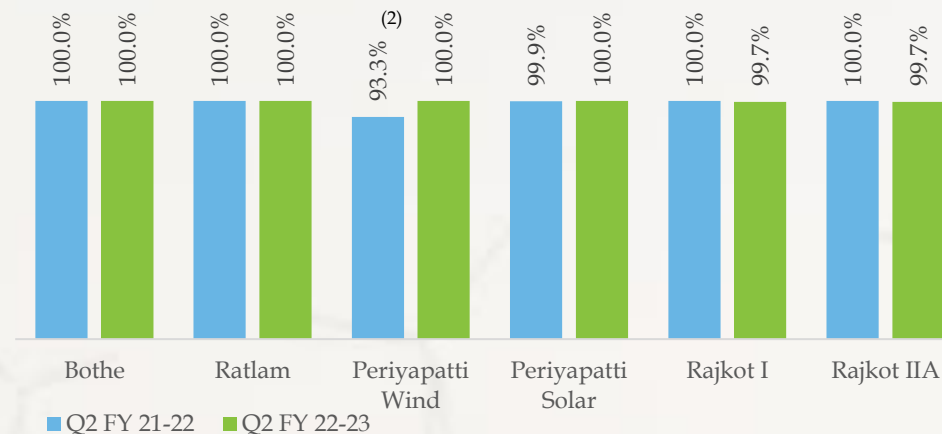
## Wind turbine / Solar availability



## Internal grid availability



## External grid availability



The Performance Ratio for the solar farm was 81.5% for Q2 FY 22-23 vs 82.0% for Q2 FY 21-22, implying a 0.5% p.a. degradation

Note:

(1) Downtime due to reshuffling of internal lines because of construction of the Rajkot - III

(2) Curtailment due to delay in competition of high voltage green corridor by utility, which was completed in March 2022 and we have not faced any curtailment since June 22

# RG Operational Performance – Waterfall Analysis (Q2 FY 22-23)

Waterfall of Generation from Q2 FY 21-22 to Q2 FY 22-23





### III. RG Financial Performance



# RG Financial Highlights

- DSRA is funded in cash representing next six months of interest and scheduled principal amortization payment
- INR 3,924 mn cash balance as of 30 Sep 2022 net of working capital facility drawdown
- Timely serviced the Notes on 9 Aug 2022 (US\$ 23.0 mn) for:
  - ✓ Coupon: US\$ 12.4 mn
  - ✓ Scheduled Amortization: US\$ 1.4 mn
  - ✓ Mandatory Cash Sweep: US\$ 9.1 mn
- Historical Financial Covenants

| 12 months period ending                | Jun 21 | Dec 21 | Jun 22 |
|--|--------|--------|--------|
| Debt Service Cover Ratio               | 1.41x  | 1.72x  | 2.01x  |
| Fund From Operations to Net Debt Ratio | 2.7%   | 12.3%  | 14.2%  |

- Recap: Distribution covenants as per the Indenture are:
  - ✓ 100% of eligible surplus above DSCR of 1.5x, 60% for 1.4x to 1.5x, 50% for 1.3x to 1.4x, nil for less than or equal to 1.3x
  - ✓ If FFO to Net Debt ratio is less than or equal to 6%, only 75% of the above surplus is permitted to be distributed (Only in the scenario when DSCR is equal to or higher than 1.5x)

## Debt payment schedule

| Period (in year)                               | Aug-21 | Feb-22 | Aug-22 | Feb-23 | Aug-23 | Feb-24 | Aug-24 | Feb-25 | Aug-25 | Feb-26 | Aug-26 | Feb-27 | Total   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| As a % of notes size<br>Scheduled amortization | 0.750% | 0.625% | 0.250% | 0.250% | 0.750% | 0.500% | 0.750% | 0.750% | 1.000% | 1.000% | 1.250% | 0.000% | 7.875%  |
| Mandatory cash sweep                           |        |        | 1.625% | 3.500% | 3.125% | 3.750% | 3.125% | 3.875% | 3.250% | 3.875% | 3.000% | 9.750% | 38.875% |
| Total repayment                                | 0.750% | 0.625% | 1.875% | 3.750% | 3.875% | 4.250% | 3.875% | 4.625% | 4.250% | 4.875% | 4.250% | 9.750% | 46.750% |

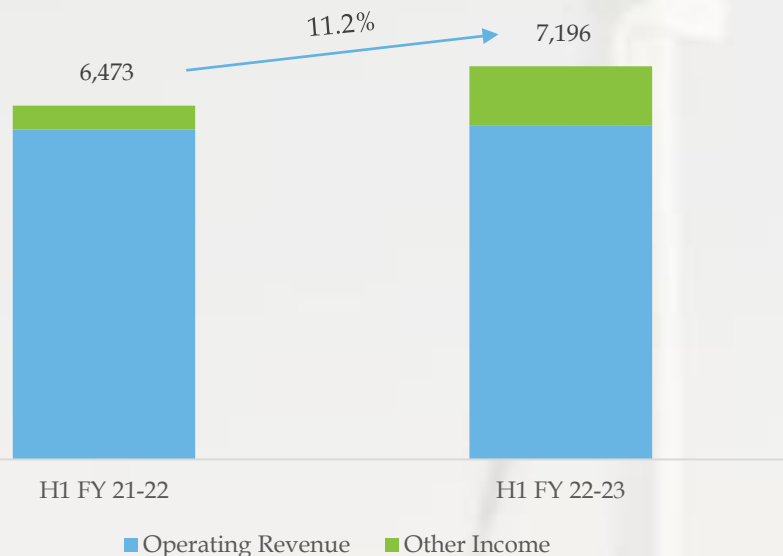
Cash released after building DSRA and meeting DSCR and FFO / Net debt requirements

Cash to be released only after building DSRA and meeting MCS, DSCR & FFO / Net debt requirement at end of each period

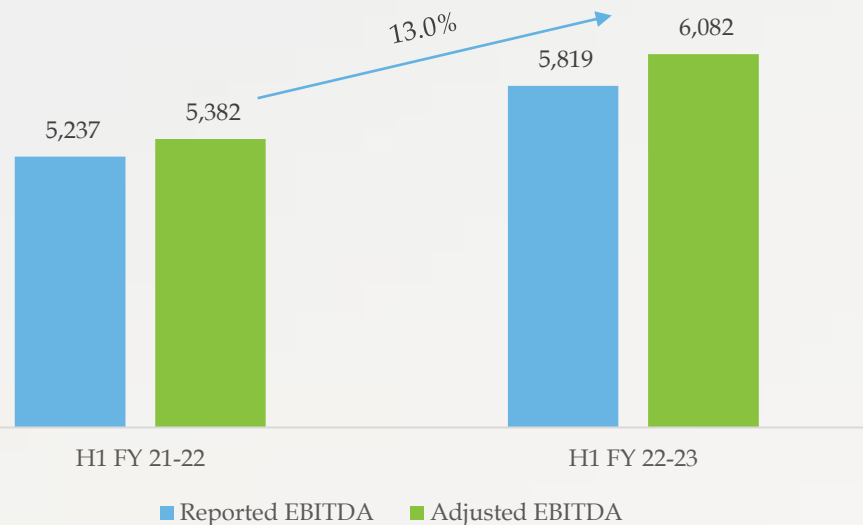
Equivalent to last approximate 6 months cash locked up + DSRA

# RG Financial Performance - H1 FY 22-23

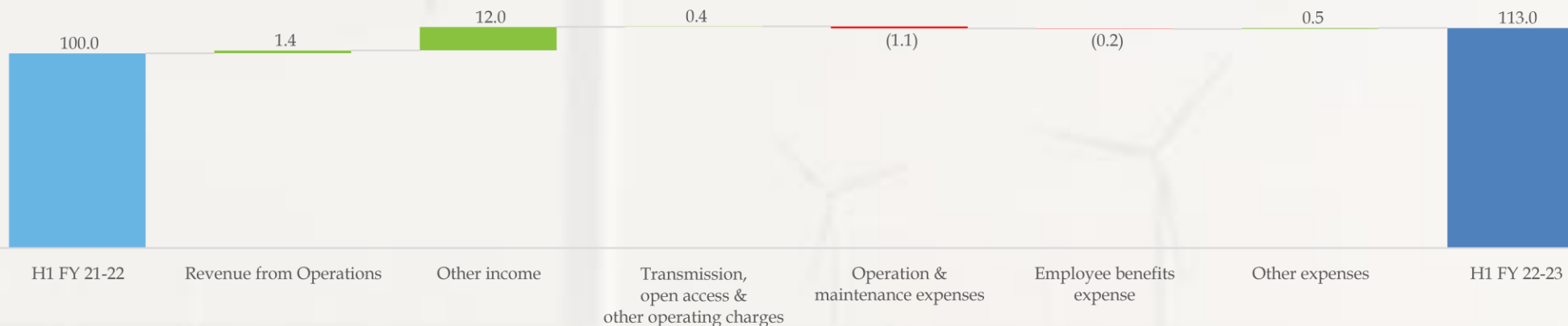
## Restricted Group - Revenue (INR mn)



## Restricted Group - EBITDA (INR mn)



## Waterfall of Adjusted EBITDA from H1 FY 21-22 to H1 FY 22-23

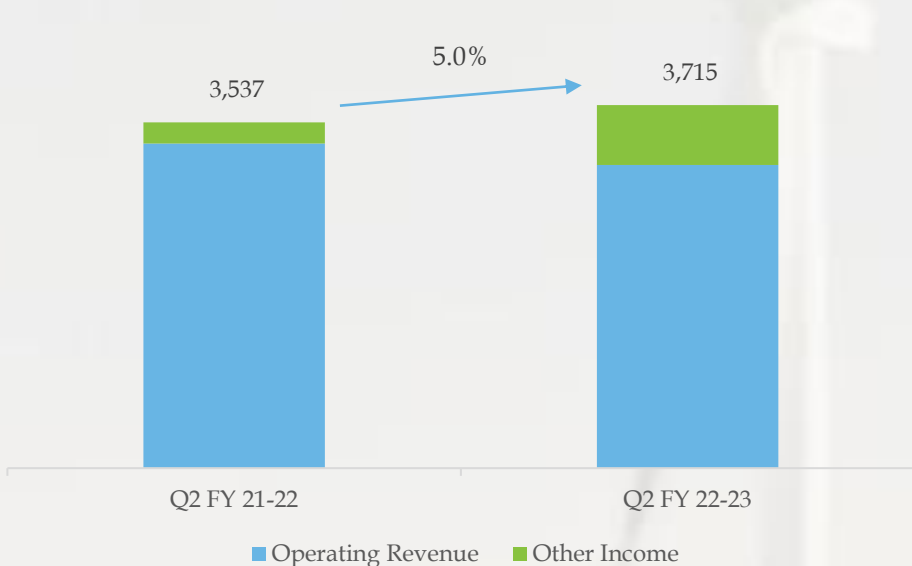


Reported EBITDA = Total income - Operating expenses

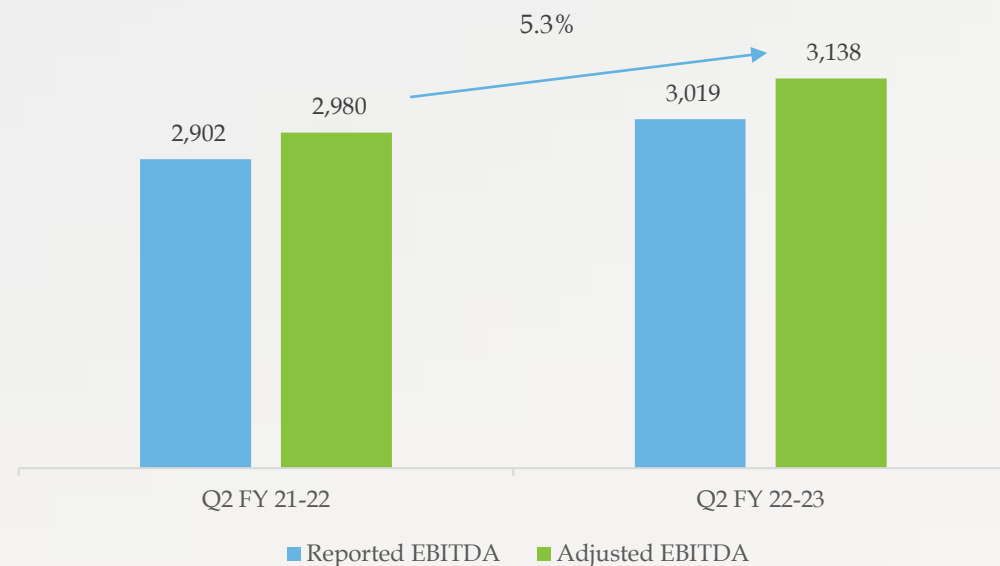
Adjusted EBITDA = Reported EBITDA + Common Overhead Expenses (paid out of distributable surplus) + Any Provision + Notional Foreign Exchange Loss

# RG Financial Performance - Q2 FY 22-23

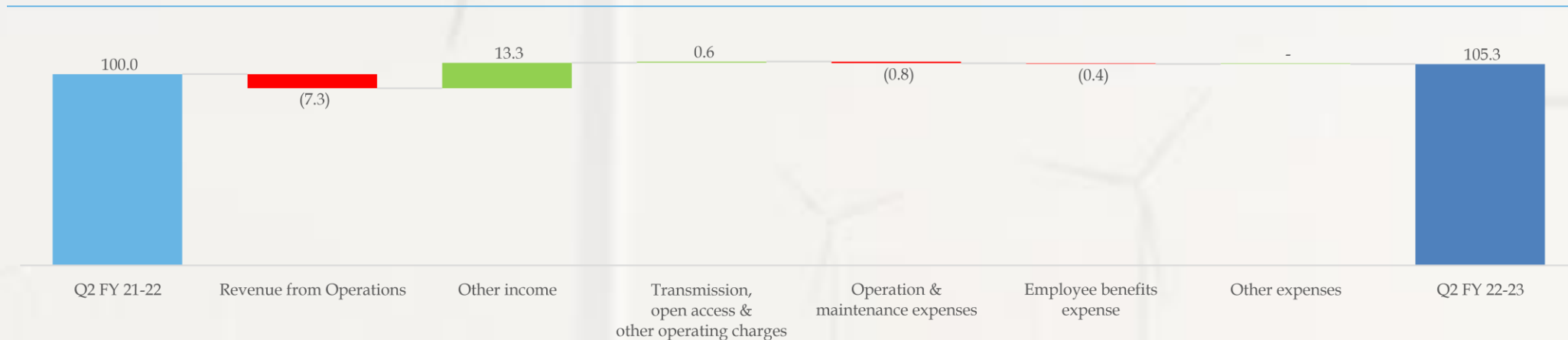
## Restricted Group - Revenue (INR mn)



## Restricted Group - EBITDA (INR mn)



## Waterfall of Adjusted EBITDA from Q1 FY 21-22 to Q1 FY 22-23



Reported EBITDA = Total income - Operating expenses

Adjusted EBITDA = Reported EBITDA + Common Overhead Expenses (paid out of distributable surplus) + Any Provision + Notional Foreign Exchange Loss



# Rotation of Auditors to Deloitte pursuant to Indian law requirement

## Auditors until FY22

- The entire Continuum Green Energy Group have been audited by Ernst & Young since FY 2013, including:
  - ✓ Continuum Green Energy Ltd and its two subsidiaries in Singapore by Ernst & Young LLP
  - ✓ Continuum Green Energy (India) Pvt Ltd (India Holdco) and all its 22 subsidiaries including operational, under construction and under development by SRBC & Co. LLP (Ernst & Young's member firm)

## Rotation of Auditors to Deloitte pursuant to Indian law requirement

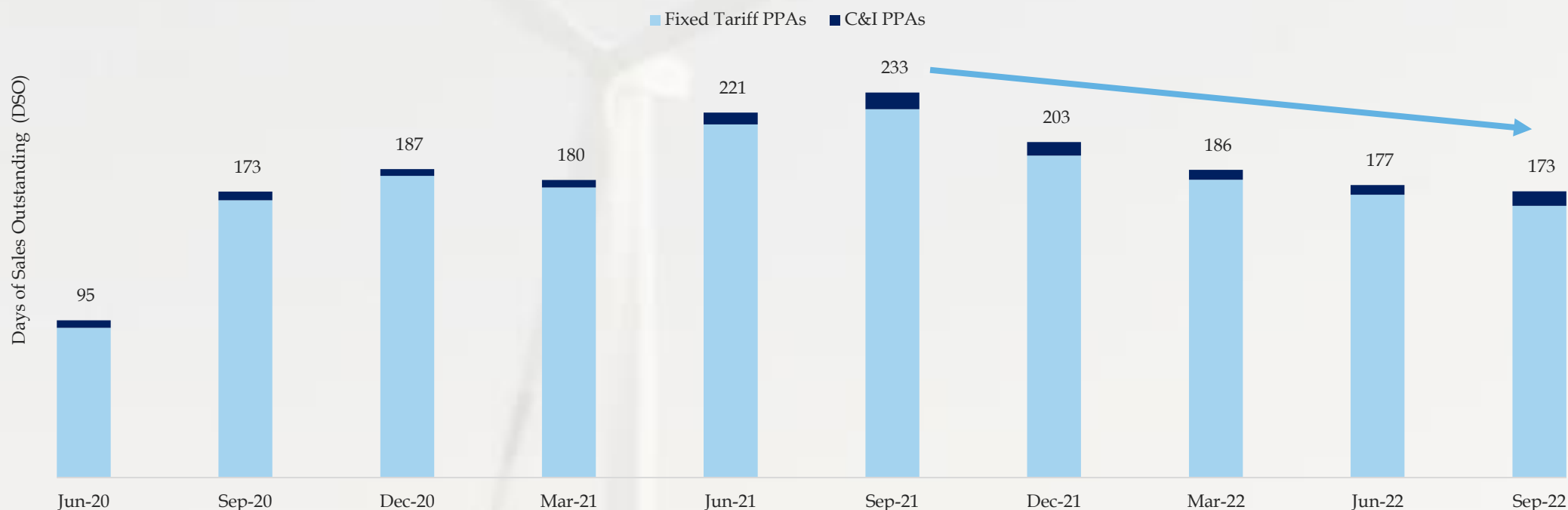
- With audit by Ernst & Young of India Holdco for consecutive 10 financial years, we are mandated by India's Companies Act 2013 to change the auditor for India Holdco
  - ✓ Similar laws exist in several jurisdictions like US, UK, EU, etc.
  - ✓ The rotation of auditor is mandated by section 139(2) and rule 5 of the Companies (Audit and Auditors) Rules 2014, and mandates that maximum term for an audit firm as auditor shall be two terms of five consecutive years
- In order to have the same Auditor across the Continuum Green Energy Group, the Group has decided to:
  - ✓ appoint Deloitte Haskins & Sells as the Auditor across Continuum Green Energy Ltd and all Indian and Singapore subsidiaries
  - ✓ appointment has happened in the annual general meeting of Sep 2022
- **All our quarterly and annual accounts beginning Sep 2022 ending quarter is being audited/reviewed by Deloitte**



## IV. RG Business Update



# Days of Sales Outstanding (DSOs)



- Receivables situation from DISCOMs has improving consistently
  - ✓ Late Payment Surcharge Rules 2022 announced in June 2022 have been implemented leading to accelerated collections
  - ✓ Received INR 1,781 mn during Q2 FY 22-23 and INR 924 mn in Q3 FY 22-23 (up to 30<sup>th</sup> Nov) from DISCOMs against electricity sales
  - ✓ Received Late Payment Surcharge of INR 101 mn from MH Discom in Q2 FY 22-23 and INR 52 mn in Q3 FY 22-23 (upto 30<sup>th</sup> Nov) along with the receipt of dues in Q3 FY 22-23.
  - ✓ MP DISCOM is paying historical outstanding invoices plus Late Payment Surcharge of INR 134.4 mn in monthly instalments (see details in following slides)
  - ✓ Late payment charges received are being accrued as “Other Income” in our P&L
- DSOs from C&I consumers at less than 20 days

# Days of Sales Outstanding (DSOs) (Cont.)

## Impact of Late Payment Surcharge Rules

- MP DISCOM (170 MW Ratlam I)
  - ✓ Has opted reschedule their dues till generation month of Mar 22 along with LPS amount into 40 equal monthly installments.
  - ✓ Has paid the installments due on 5<sup>th</sup> of each month since August 2022
  - ✓ Has cleared their dues for the invoices relating to generation during months of Apr 22 to Aug 22 which were due 2.5 months from invoice date along with the LPS amount of INR 13.6 mn for the period April to June
- MH DISCOM (199.7 MW Bothe)
  - ✓ Has already submitted, to the regulator, a plan for the payment, in phases, by Feb 23 for invoices till the generation month of Aug 22

| S no. | Generation Month       | Payment Date | Payment Status as of 8 Sep 2022   |
|-------|------------------------|--------------|-----------------------------------|
| 1     | Up to Mar 21           | Apr 22       | Received in Apr 22 along with LPS |
| 2     | Apr 21, May 21, Jun 21 | Jun 22       | Received in May 22 along with LPS |
| 3     | Jul 21, Aug 21, Sep 21 | Aug 22       | Received in Aug 22 along with LPS |
| 4     | Oct 21, Nov 21, Dec 21 | Oct 22       | Received in Nov 22 along with LPS |
| 5     | Jan 22, Feb 22         | Nov 22       | Received in Nov 22 along with LPS |
| 6     | Mar 22, Apr 22         | Dec 22       | To be received                    |
| 7     | May 22, Jun 22         | Jan 23       | To be received                    |
| 8     | Jul 22, Aug 22         | Feb 23       | To be received                    |

Fast reduction in DSOs expected over next 3 quarters

# Other Significant Regulatory Updates

## Power Purchase Agreement for 6.3 MW

### MH DISCOM challenges favorable order from Appellate Tribunal of Electricity (APTEL) regarding pending PPA for 6.3 MW with MH DISCOM, with Honorable Supreme Court

- On 18 Aug 2022, APTEL issued favorable order regarding the pending PPAs for our 6.3 MW capacity at Bothe project with MH DISCOM. Summary of the order
  - ✓ Directed MH DISCOM to immediately execute the power purchase agreement for 6.3 MW at the tariff of INR 5.70 per kWh, effective from the date of the application filed by us for the registration of the capacity i.e. Dec 2015 for a period of 13 years
  - ✓ For the electricity supplied till the date of the application filed, MH DISCOM shall pay at Average Power Purchase Price (APPC) for the power supplied from the date of commissioning (Dec 2014) – Received from MH Discom in May 2021
- In Nov 2022, MH DISCOM has been granted interim stay by Honorable Supreme Court against the APTEL judgement, however the Honorable Supreme Court has directed as under:
  - ✓ MH Discom to deposit INR 300 million with the Honorable Supreme Court
  - ✓ MH Discom to pay to us for the electricity supplied to MH DISCOM at the rate of INR 3.50/kWh
  - ✓ MH Discom to deposit the differential amount with the Supreme Court on a bi-monthly basis.
  - ✓ Listed the matter for hearing in Feb 2023

#### **Impact on Continuum**

- *Since the MERC order in 2021, we have been recognizing the revenue on 6.3 MW at APPC rate and have been creating a provision for the same amount to result in nil contribution to EBITDA. After the APTEL order we have reversed the provisions in our financial statements for this quarter.*

# Other Significant Regulatory Updates

## *Future Tariffs to be set to recover historical regulatory assets also*

### **Direction from Ministry of Power, GoI to State Electricity Regulatory Commission to ensure tariff are set without creating any regulatory assets and to recover historical regulatory assets also**

- In Nov 2022, Ministry of Power has written to all the State Electricity Regulatory Commission to ensure that
  - ✓ No regulatory assets should be created by the DISCOM; and
  - ✓ If created, there should be trajectory for recovery of the said cost along with carrying cost for not more than 7 years
- The directive was pursuant to the Electricity Act – 2003 and Tariff Policy – 2016 provision which states:

*“The facility of a regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as a very rare exception in case of natural calamity or force majeure conditions and subject to the following:*

  - a. Under business-as-usual conditions, no creation of Regulatory Assets shall be allowed;*
  - b. Recovery of outstanding Regulatory Assets along with carrying cost of Regulatory Assets should be time bound and within a period not exceeding seven years. The State Commission may specify the trajectory for the same”*
- In Nov 2022, Ministry of Power has also written to Power Finance Corporation Ltd and Rural Electrification Corporation Ltd to not lend to the DISCOM, other than the Revamped Distribution Scheme, with insufficient cash flow to meet their debt obligation, especially where DISCOM have accumulated regulatory assets
  - ✓ Directed to evaluate the ability of the DISCOM to service the loan basis actual cashflows rather than accrual accounting basis

### **Impact on Continuum**

- *Cumulative regulatory assets in India as of June 2022 were at a high of approx. INR 887.2 bn*
- *The adherence of the provision of the Tariff Policy is expected to result in increase in electricity tariff for the consumers*

# Other Significant Regulatory Updates

## *Commencement of Renewable Generation Obligation*

### Notification of Renewable Generation Obligation as per the revised Tariff Policy - 2016

- On 7 Nov 2022, Ministry of Power issued a notification seeking stakeholder comments on draft notification of Renewable Generation Obligation as per the revised Tariff Policy - 2016
- Tariff Policy 2016 stated that any generating company establishing a coal /lignite based thermal generation station after a '**specified date**' shall be required to establish such renewable generating capacity or procure and supply renewable energy '**equivalent to such capacity**', as may be prescribed by the Central Government from time to time
- In the draft notification, the Ministry of Power has proposed the
  - ✓ Specified date as **1 Apr 2024**
  - ✓ Capacity of renewable energy to be established / procured / supplied by new coal / lignite based thermal generating station to be **minimum twenty five percent (25%)** of the capacity of thermal generating station being established.

#### **Impact on Continuum**

- *No direct impact on Continuum*
- *Will enable India to achieve its goals of transitioning to renewable energy*

# Other Significant Regulatory Updates

## *Green Energy Open Access Rules*

### **Launch of the Green Energy Open Access Portal**

- On 6 Jun 2022, Ministry of Power notified the Green Energy Open Access Rules for promoting generation, purchase and consumption of green energy
- Pursuant to the rule, Ministry of Power launched the Green Energy Open Access Registry for management of long term, medium term and short-term open access transactions by the Grid Controller of India (formerly known as POSOCO) to inter state transmission system and intra state transmission system
- On 17 Nov 2022, Grid Controller of India issued the Procedure for Grant of Green Energy Open Access
  - ✓ In case of a regional entity, the application for registration shall be processed by the concerned RLDC within 7 working days for new application or 3 working days for renewal
  - ✓ In case of an intra state entity, the application will be processed by the concerned SLDC within 5 working days for new application or 2 working days for renewal, post which RLDC shall process the application within 2 working days for new application or 1 working days for renewal
  - ✓ If the SLDC, has not communicated any deficiency or refusal of registration, after receipt of application complete in all respects within 5 working days for new application and 2 working days for renewal, from the date of application, then the registration will be automatically forwarded to the respective RLDC for the review and processing

### **Impact on Continuum**

- *Boost to the C&I sales of renewable energy by streamlining the process of grant of green open access*





## V. ESG Performance



# ESG Performance

## Key pointers



0.51 mn tonnes CO<sub>2</sub> emissions avoided in Q2 FY 22-23 which is equivalent to the average **annual** carbon footprint of ~0.91 mn Indian citizens\*.

Cumulative 8.11 mn tonnes CO<sub>2</sub> emissions avoided since inception across the Restricted group



Restricted group has planted a cumulative number of ~4,900 trees up to Sept'22



8.32<sup>^</sup> mn cumulative safe working man-hours across the Restricted 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)

\* As researched by the Japanese Research Institute for Humanity & Nature, the mean carbon footprint of every Indian citizen is estimated at 0.56 tonne per annum

<sup>^</sup> Revised due to reshuffling of manpower across projects



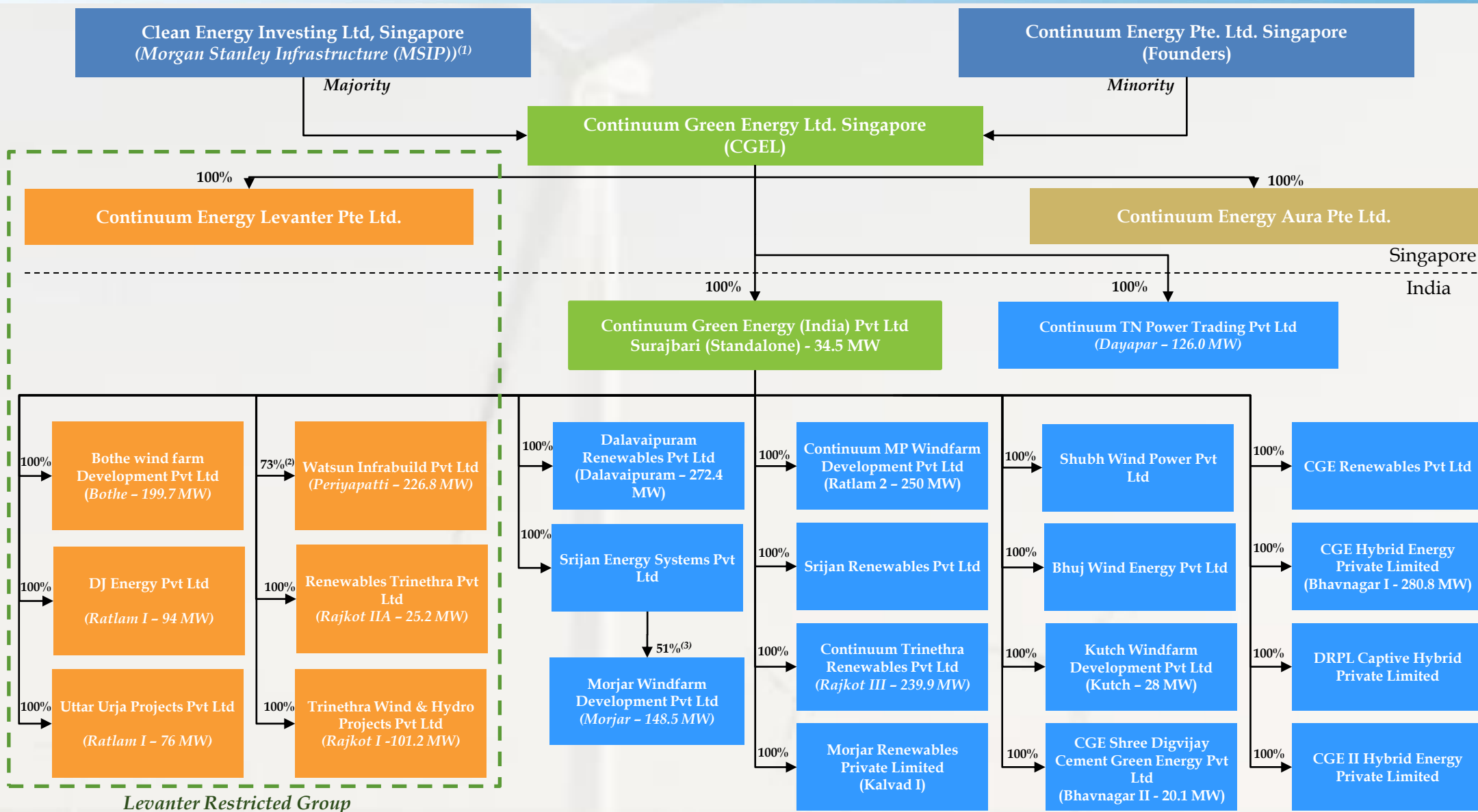
**Appendix: frequently asked information**



**CONTINUUM**



# Corporate Structure



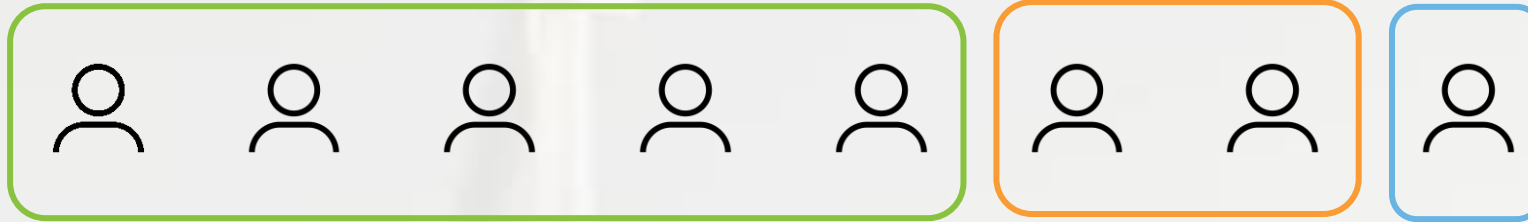
Note: (1) Clean Energy is a fully owned subsidiary of one of the fund entities managed by Morgan Stanley Infrastructure.

(2) ~27% held by group captive consumers

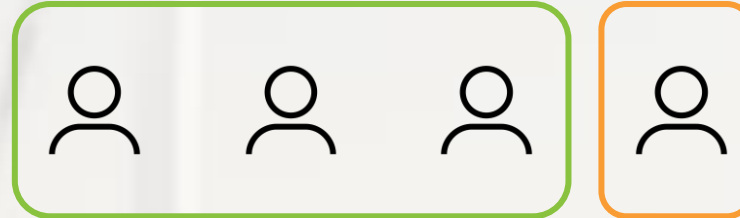
(3) 49% held by an affiliate of GE Energy Financial Service on a fully diluted basis

# Composition of Board of Directors

## Continuum Green Energy Ltd.



## Continuum Energy Levanter Pte. Ltd.



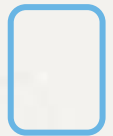
## Restricted Group Subsidiaries (India)



MSIP Representatives



Founders Representatives



Independent

# Why do we like C&I Business?

01 Auctions have reduced LCOE. However, higher tariffs in C&I than auctions **High margins**

**Inflation  
hedge**

Inflation hedge for operating costs 02

03 Highest value for wind-solar hybrid and wind compared to stand alone solar projects **Optimum value realisation**

**Revenue  
diversification**

Low consumer concentration risk and revenue risk 04

# 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

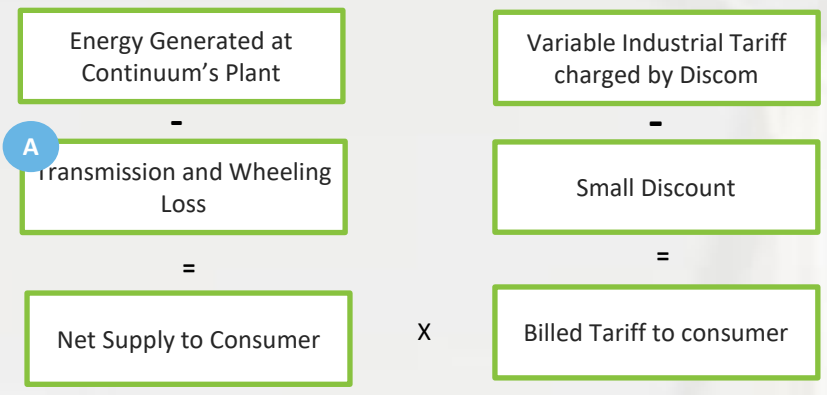
## Increasing tariffs charged by DISCOMs to C&I consumers

- 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 style="list-style-type: none"> <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 style="list-style-type: none"> <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 style="list-style-type: none"> <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?



**B** Transmission and Wheeling Charges

**C** CSS and AS

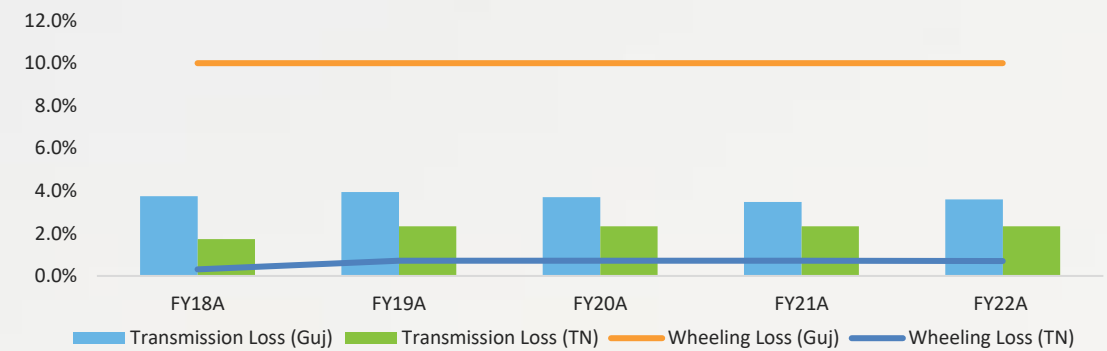
Small amount of admin costs/charges

Continuum's Net Revenue

**A**

Transmission Losses and Wheeling Losses are determined basis the expected energy flowing through the network and the technical design of the network

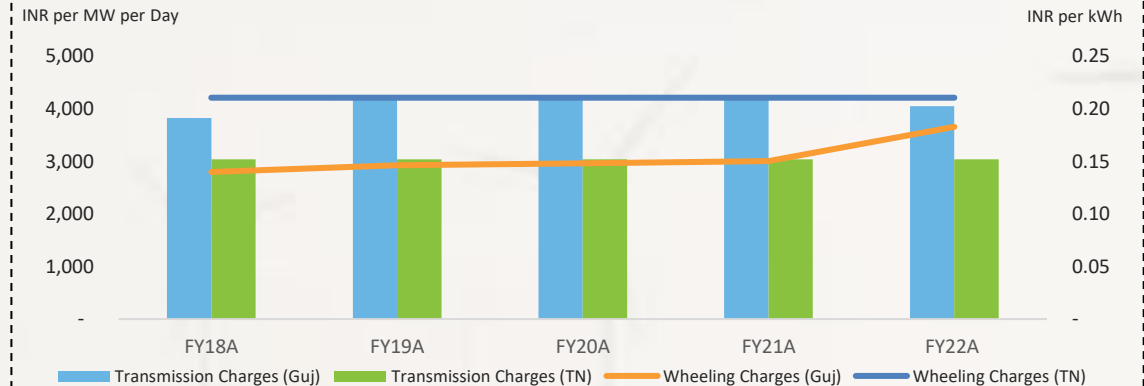
Historical figures show low variability



**B**

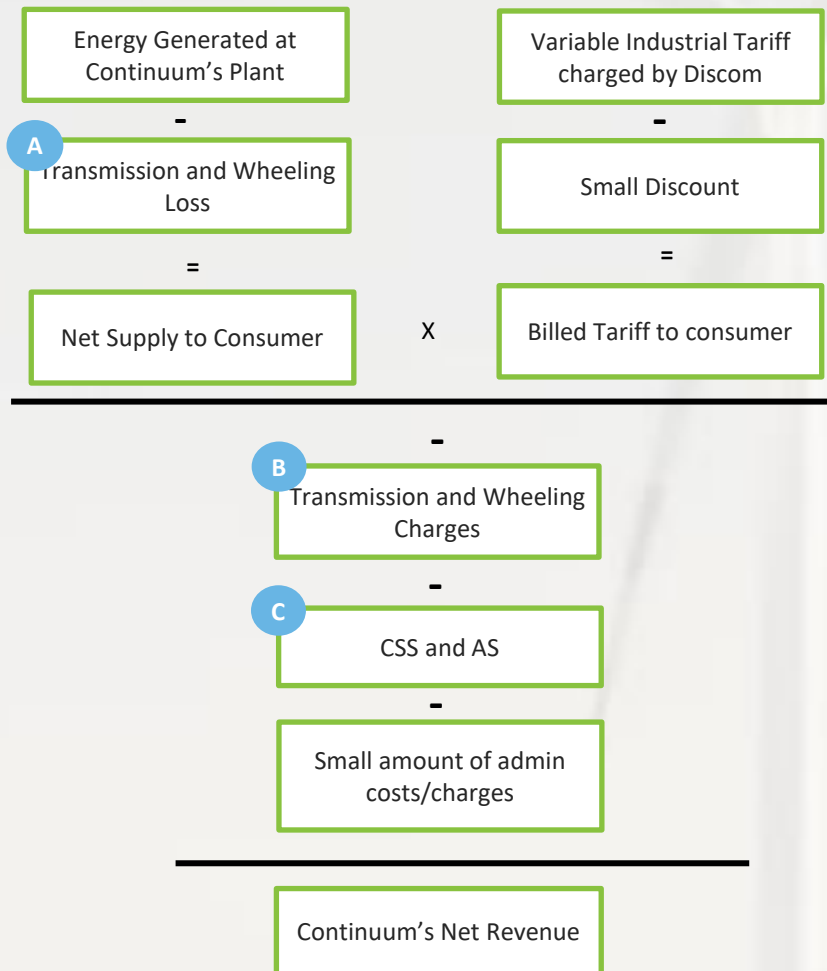
Transmission and Wheeling are regulated business and charges are determined by regulator on basis cost-based approach for the new capex incurred by the utilities or the opex as per the prescribed normative parameter

Historical figures show low variability





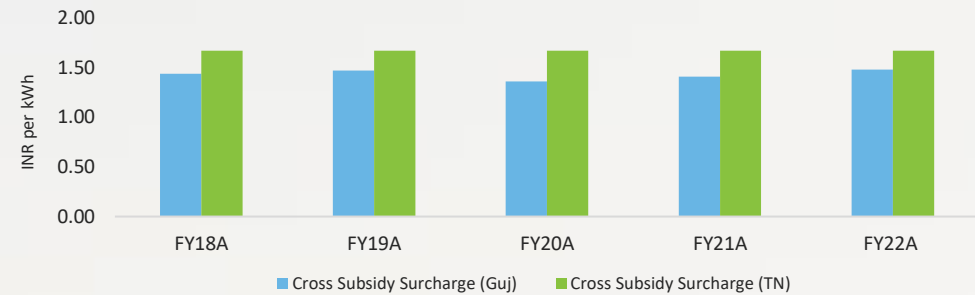
# How does our C&I Sale Model work? (cont.)



C1

## Electricity Act/National Tariff Policy mandate that:

1. Cross Subsidy Surcharge (CSS) & Additional Surcharge (AS) are not applicable to captive / Group Captive sales and is applicable only to third party non-captive sales
2. CSS be capped at 20% of the average billing rate to industries
3. **Since CSS is already at 20%, an increase in CSS will be accompanied by a 5x increase in Discom Tariffs**



C2

Additional Surcharge (AS) is determined by each state regulator based on 'stranded capacity' due to purchase of electricity by discom consumers under open access

Any material increase in this surcharge over time may be limited due to

- growing total electricity demand at the utilities; and
- Decreasing share of long term contracted capacities of Discoms

**Green Open Access Rules, 2022 provide that AS will not be applicable to renewable energy if fixed charges are being paid by such a consumers (Applicable for all Continuum consumers)**

C3

CSS & AS are not applicable to the Group Captive Capacity in Tamil Nadu Periyapatti Project

50% of CSS and AS is waived for Continuum's Rajkot Projects in Gujarat for 25 years period

# Hedges in place for Levanter RG Notes

- Executed Currency Hedging Arrangements for the life of Notes
  - ✓ Cross Currency Swap in relation to all USD denominated coupon payments through bond tenor
  - ✓ Call Spread on all principal payments (including mandatory cash sweep) and redemption at maturity by buying call options at the INR to USD spot rate on the date of each incurrence of onshore debt, and selling call options at strike rates At The Money Forward (ATMF) level (which range up to INR 95.94/USD for the last date of repayment at maturity of the Notes)
- We retain the ability to extend the sell call limits for principal payments in case of excessive volatility



Thank you



CONTINUUM

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