

Annexure II: Approach & Methodology for Power Trading Business

Introduction

The parent company of CleanMax Fusion Power LLP, Clean Max Enviro Energy Solutions Private Limited ("CMEESPL" or "Company" or "CleanMax") incorporated on September 29th, 2010 is India's largest provider of solar based power to commercial and industrial ("C&I") customers. The Company was founded in 2011 by Kuldeep Jain, formerly global partner at McKinsey & Co.

CleanMax is in the business of providing renewable energy solutions to C&I customers including ground mounted & roof top solar power plants, wind and wind solar hybrid plants across various locations In India and Abroad. The Company is a customer-centric platform with integrated renewable energy solutions and customer-led growth enjoying superior economics vs typical utility business.

The Company has completed 490MW (as at Mar 2019) of solar rooftop and ground mounted projects and has strong 250 MW + pipeline across India for its rooftop and open access & group captive projects. Company signs Long-term Contracts/PPAs with high creditworthy off-takers and these contracts have protection clause including termination, pass through of future charges / duties, payment security etc. Company enjoys excellent quality of off-takers with over 90% of customer base comprising of MNCs/ sovereign or AAA/AA rated domestic companies with "Zero" payment default on payments across its entire portfolio. Further, weighted average receivable days for energy sales, post receipt of first payment, works out to be less than 15 days.

CleanMax is backed by Marquee investors like Warbug Pincus (largest PE investor in India), IFC and UKCI and has raised INR 455 crores equity from Warburg Pincus and IFC in 2017 and an additional INR 271 crore equity was raised from UK Climate Investments (UKCI) in April 2019. The company also enjoys support of marquee lenders and have received debt from all leading lenders like State Bank of India, IndusInd bank, NIIF (IDFC IDF), India Infra Debt, L&T Financial Services, L&T IDF, Yes Bank, , Tata Capital, PTC Financial Services, KKR, RBL & IDFC First Bank.

Profile of Operating Projects:

Following are key operating on ground open access projects operating in various states:

SPV Name	Project Size (MW)	Location	Offtaker	COD
KAS Onsite Power Solutions LLP	30	Dindugal, Tamil Nadu	Leading communications company	Mar'17
Clean Max Mercury Pvt Ltd	46.4	Sedam, Karnataka	Multiple offtakers	Mar'18
Clean Max Photovoltaic Pvt Ltd	46.4	Sedam, Karnataka	Multiple offtakers	Mar'18
Clean Max Power Projects Pvt Ltd	30	Ittigi, Karnataka	Multiple offtakers	Mar'18
Clean Max IPP2 Pvt Ltd	46.4	PD Halli, Karnataka	Multiple offtakers	Mar'18
Clean Max Enviro Energy Solutions Pvt Ltd	39	Sedam, PD Halli, Ittigi	Multiple offtakers	Mar'18

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Following are the key rooftop projects

SPV Name	Project Size (MW)	Location	Offtaker	COD
Clean Max IPP1 Private Ltd	44	Pan-India	Multiple Offtakers across India	FY 18, 19, 20
Clean Max Power1 Pvt Ltd	16.8	Pan-India	Multiple Offtakers across India	FY 19
CMES Infinity Pvt Ltd.	20.5	Pan-India	Multiple Offtakers across India	FY 19, 20
Clean Max Enviro Energy Solutions Pvt Ltd	5.1	Pan-India	Multiple Offtakers across India	FY 17, 18
Clean Max Enviro Energy Solutions Pvt Ltd	5.5	Pan-India	Multiple Offtakers across India	FY 18

Profile of Under Implementation Projects

SPV Name	Project Size (MW)	Location	Offtaker	COD
Clean Max Pluto Solar Power LLP	8.4 MW wind + 6 MWp solar	Hosahalli, Imdapur and nearby villages, Bellary, Karnataka	AA rated FMCG player	
Clean Max Deneb Power LLP	4.2 MW wind + 2.2 MWp solar		AA- rated global automotive equipment manufacturer	(Wind) – Dec'19 (Solar) – Dec'19
Clean Max Vega Power LLP	6.3 MW wind		AA- rated top auto component company backed by private equity firm	SCOD (Wind) – Sep'19 (Solar) – Dec'19

Regulatory Requirement

Section 12 of the Electricity Act 2003 provides that:

"No person shall

- (a) transmit electricity; or*
- (b) distribute electricity; or*
- (c) undertake trading in electricity,*

unless he is authorised to do so by a licence issued under section 14, or is exempt under section 13"

Furthermore, trading is defined as

"(71) "trading" means purchase of electricity for resale thereof and the expression "trade" shall be construed accordingly;"

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Accordingly, Electricity Act is explicitly clear that any activity relating for purchase of energy with an objective to sell it further to other consumers is a licensed activity and such transaction require Trading License.

CERC (Procedure, Terms and Conditions for grant of trading license and other related matters) Regulations 2009 provides that:

The applicant shall be a citizen of India, or partnership firm registered under the Indian Partnership Act 1932, (9 of 1932) or a company incorporated under the Companies Act 1956 or an association or body of individual who are citizens of India whether incorporated or not or an artificial judicial person recognized under the Indian laws.

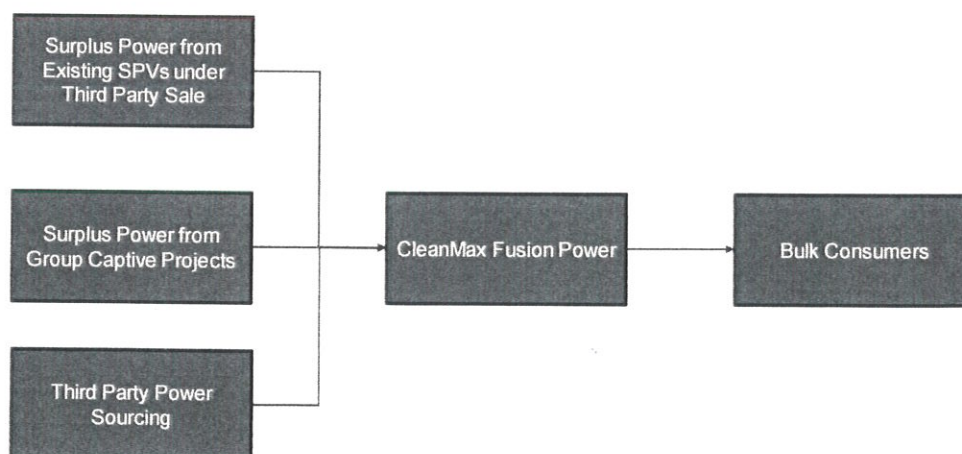
Considering various advantages available to partnership firms/limited liabilities company and ease of regulatory compliance, we intend to establish CleanMax Fusion Power LLP for trading business operations.

Approach & Methodology for Power Trading Business:

CleanMax operates more than ~300MW capacity supplying power to bulk consumers under open access. Furthermore, parent company has plans to build more than a one gigawatt capacity under group captive/captive model to meet the requirement of bulk power users.

Accordingly, CleanMax intends to build power trading business with following objectives:

- In-house requirements
 - Surplus power from existing SPVs under third party sale
 - Surplus power from group captive SPVs
- Third party power sourcing for bulk consumers



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In-house requirements

We envisage following in-house requirement of trading activities:

- Existing third party projects

CleanMax is operating ~200MW capacity under third party model for supplying power to bulk consumers in the state of Karnataka. Over the period there is possibility of surplus power being available in these SPVs on account of

- Higher generation than estimated
- Consumers not being able to purchase committed power
- Consumers exiting the PPAs

In the above scenario, we intend to use Trading license granted to CleanMax Fusion power to purchase the surplus power from SPVs and the same shall be further sold to consumers.

- Surplus Power Group Captive Projects

As explained above, CleanMax intends to build more than Giga Watt capacity under group captive model across various states.

Following is the definition of group captive as per Electricity Rules 2005

“(1) No power plant shall qualify as a ‘captive generating plant’ under section 9 read with clause (8) of section 2 of the Act unless-

(a) in case of a power plant - (i) not less than twenty six percent of the ownership is held by the captive user(s), and (ii) not less than fifty one percent of the aggregate electricity generated in such plant, determined on an annual basis, is consumed for the captive use:

Provided that in case of power plant set up by registered cooperative society, the conditions mentioned under paragraphs at (i) and (ii) above shall be satisfied collectively by the members of the cooperative society:

Provided further that in case of association of persons, the captive user(s) shall hold not less than twenty six percent of the ownership of the plant in aggregate and such captive user(s) shall consume not less than fifty one percent of the electricity generated, determined on an annual basis, in proportion to their shares in ownership of the power plant within a variation not exceeding ten percent;”

Accordingly, there is possibility that SPV operating under group captive model are allowed to sell upto 49% power to third parties without breaching the requisite conditions.

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There could be potential scenarios, CleanMax Fusion shall be used to purchase surplus power from group captive SPVs to sell power to external consumers (not shareholders in those SPVs).

- Third Party Power Sourcing

Owing to large installations for both open access and rooftop projects, CleanMax has built good working relationship with bulk consumers. We have come across multiple opportunities where CleanMax may source power for these consumers from projects apart from owned by ourselves.

We believe that Trading License granted to us help us meet opportunities as and when they arise.

For **Clean Max Fusion Power LLP**


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