



“Adani Transmission Limited Q1 2018
Results Analyst Call”

August 10, 2017



MANAGEMENT:

**MR. KAUSHAL SHAH - CHIEF FINANCIAL OFFICER - ADANI
TRANSMISSION LIMITED**



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Moderator: Good day ladies and gentlemen and a very warm welcome to the Adani Transmission Limited Q1 FY2018 Results Analyst Call. As a reminder for the duration of this conference call, all participant lines will be in the listen-only mode. 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“*” then “0” on your touchtone phone. Please not that this conference is being recorded. I am now glad to hand the conference over to Mr. Kaushal Shah, CFO – Adani Transmission Limited. Thank you and over to you, Sir!

Kaushal Shah: Thank you ladies and gentlemen for your time in the afternoon. Good afternoon to all of you. I am pleased to share with you the consolidated financial performance for the first quarter of FY 2017-18 of Adani Transmission Limited. We have achieved another appreciating performance across the board. Let me just take first our operational highlights. Our all transmission lines of over 5450 circuit kilometers have consistently achieved more than normative availability ranging from 99.61% to 100%. So in almost all the cases, we are above 99.5% and we are eligible for the incentives as we discussed. I am pleased to inform you that CERC has approved the transfer of entire shareholding of RInfra WRSS two projects which is Maharashtra and Gujarat totaling close to around 3000 circuit kilometer yesterday and we expect to close the whole transaction in this quarter, so that is the development which has happened yesterday.

We have acquired two SPVs and is in the process of completing the acquisition of one SPV for which we have received a three LOIs from the Rajasthan. we have received the LOIs as on 31st march and we have just got this SPV acquisition completed. This we have received in a competitive tariff-based project, this is 350 circuit kilometers of lines and 16 substations on a BOOM basis. The tariff of the three projects was around Rs.100 Crores and our project cost will be in the range of around Rs.475 Crores to Rs.500 Crores. With the completion of all ongoing projects and acquisition of Reliance Infra Operational Transmission Assets, the total network of ATL will be around 11350 circuit kilometer,divided into 5450 circuit kilometers operational assets, approximate 2350 circuit kilometer under construction assets and 3521 circuit kilometer under acquisition assets of Reliance.

We will have 28 substations post the completion of these and more than 16200 MVA of transformer capacity across the country and Adani Transmission continues to be the largest private sector transmission company in the country. As the circuit kilometer increases, ATL will become beneficiary of digitization of Indian economy as our assets could be used for laying fibre cable. Substation is continuing asset of ATL and will likely to be used by other developers of transmission lines on lease basis providing additional income stream to ATL in future.

Now I will come to the operational highlights and financial summary. The tariff and the incentive income for the first quarter of FY2018 is Rs.487 Crores versus Rs.478 Crores of first quarter of FY2017. The consolidated EBITDA margin is at almost 92.3% and operational EBITDA for the first quarter is Rs.449 Crores versus Rs.448 Crores on the first quarter of FY2017. Details of the

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date and the cash balance, let me just give you, at a consolidated level we have a bank date of close to Rs.8997 Crores. We have a cash and bank balance including my DSRA is Rs.490 Crores. So at an consolidated level, I have a net debt of Rs.8507 Crores. On the project front, total project cost is Rs.4200 Crores all put together and out of which we have a capex till date, which we have done is Rs.2000 Crores. The equity infusion is Rs.790 Crores all put together till date while in the first quarter of 2017-18, we have infused Rs.119 Crores. So, my project cost is Rs.4000 Crores, it is not Rs.4200 Crores just a correction.

On the interest front, if you look at that from these things, we have a hedging cost of the SPV which Rs.10.67 Crores which needs to charge to the P&L, which otherwise normally is capitalized in the erstwhile GAAP. So if you remove that then we are at Rs.120 Crores versus Rs.95 Crores of Q1 of 2016-2017. So on interest front we are always competitive and as in our press release, we have mentioned that if you remove the one-time income which we have received in the last year Q1, then we will be having around 19% increase in the profitability mainly because of the savings in the interest cost. So this is what it is update from my sides. Now if you have any questions please let me know.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Nirav Shah from GeeCee Investments. Please go ahead.

Nirav Shah: Good afternoon Kaushal Bhai. Thank you for the opportunity. Sir, you mentioned about you being a beneficiary of digital India program, so that your assets can utilize for laying the fiber cables. Can you just elaborate on what can be the indicative size of this opportunity and from when can it start accruing to us?

Kaushal Shah: I think it will take some time. We are just working on this because of these cables and all of that facility which will be provided. Now if you look at the power grid, they have a substantial income moving forward as they have sizable substations and other things which is there. So we are also as we are growing on this particular front. Moving forward also we will have this benefit of that income available to us moving forward. Now the quantum of income how much it will be available, it will be too premature to tell today, but I think what I am trying to hint you is that there is a scope in the future for such kind of revenue.

Nirav Shah: Okay, but any timeline indicative that says second year... say from FY2019 or FY2020 onwards, we can start accruing this income?

Kaushal Shah: Frankly I think we should be having such kind of an income now depending on the new bid projects and other things which are coming up in that particular places and then how our substations and other things are being utilized. So I think it is premature to tell anything but may be from 2020 onwards this kind of income, we can assume.



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- Nirav Shah:** Fair point Sir. Thank you Sir and all the best.
- Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Kaushal Shah for closing comments.
- Kaushal Shah:** Okay I think we are progressing well as communicated earlier. We have received the CERC order for that Reliance assets and we are hopeful to closing the transactions in the current quarter, so that from next quarter onwards, the revenue from the Reliance transmission line, two transmission line at least will be part of Adani Transmission, so that we are working very hard. Rest, I think we believe that our operational efficiency and then the cost of capital efficiency will continue to be there. So that will definitely benefit to the shareholders moving forward. Anything else in the last question if anybody wants to ask otherwise we can conclude this call.
- Moderator:** We have a question from the line of Lokesh Garg from Credit Suisse. Please go ahead.
- Lokesh Garg:** Good afternoon. Sir, I just want to ask you basically from a sector perspective, what are the opportunities incrementally in terms of bidding pipeline that you are seeing in transmission assets and what is your stance on the same?
- Kaushal Shah:** If you look at this overall the government is talking about \$40 billion kind of opportunity which we will be coming up over next five years timeline. But what I am just saying that in a very, very conservative basis which we believe that every year even if let us say 15,000 to 20,000 circuit kilometers of bidding project comes. We expect that if not more at least we will have 10% to 15% share of that 20,000 circuit kilometers which will be coming and this can be taken care from my free cash flow as you are aware that every year we are generating around Rs.600 Crores to Rs.700 Crores as a free cash flow and after adding the Reliance and all of the assets we will have more cash flow being generated. So based on that we are easily able to take a project of Rs.2500 to Rs.3000 Crores maybe every year moving forward and that is what we are expecting. So on a very conservative basis, we believe that every year there will be if not more minimum bidding projects in totality of around 20,000 circuit kilometers will be there.
- Lokesh Garg:** While on a normative basis that is easy to understand because something like that has been a run rate for the last few years, total combining including PGCL, but is the pipeline there right now?
- Kaushal Shah:** We have pipelines currently available of around 6000 to 7000 circuit kilometers some of them is the UP projects and there are certain other projects also in the various states. So that UP projects which is Ghatampur is the larger one which is coming up and there are other projects are also on the pipeline and bidding process is on. So we feel that the state also generally will come out with many projects apart from the CERC which the center is working on. So this is what we are looking at as an opportunity.
- Lokesh Garg:** Thanks a lot Sir.



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Moderator: Thank you. We will take the next question from the line of Nischal Shah from Reliance. Please go ahead.

Nischal Shah: I just wanted to confirm the gross and net debt number ones?

Kaushal Shah: Rs.8997 Crores is the gross date out of which Rs.8000 Crores is for the operating companies and the remaining Rs.1000 Crores is for my projects under execution, so total Rs.9000 Crores and I have a cash of Rs.490 Crores as on June 30.

Nischal Shah: So net debt comes to Rs.8500 Crores around?

Kaushal Shah: Yes.

Nischal Shah: Okay. Thank you.

Moderator: Thank you.

Kaushal Shah: Just to update you on highlight , we have a couple of orders in areas which we are expecting to come any point of time as you know the hearing and everything has been completed and we are pushing hard through the regulators to conclude that petition which we have filed, so that if we received that in this quarter then there will be a substantial level of cash flow and the income which will be available to the company which I have covered last time while talking these and my new projects which are under construction most of them we are expected to be in operational somewhere in June 18, some of them will start from April, so they will start from June 18 onwards so that we will have revenue and the tariff coming up from that projects.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Adani Transmission Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.