



“Adani Transmission Limited Q4 FY18 and Full Year
FY18 Earnings Conference Call”

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LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Adani Transmission Limited Q4 FY18 and full year FY18 Earnings Conference Call. We have with us today on the call, Mr. Anil Sardana – CEO and Managing Director, Mr. Kaushal Shah – CFO and Mr. Jay Ambani. As a reminder, 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 ‘*’ followed by ‘0’ on your touchtone phone. Please note that this conference is being recorded. I am now glad to hand the conference over to Mr. Anil Sardana. Thank you and over to you, sir.

Anil Sardana: Thank you Ali and very good afternoon to all the analyst friends. Welcome to this call. I am very happy to be a part of Adani Transmission team and we look forward to your continuing inputs. We will strive to provide you all information so that you can help get across your inputs to us for continuing improvement as also for you to be able to give the rightful information and advice to your investors.

So, friends I must say that the team did a fantastic job last year continuing in the last quarter and the results are in front of you. I am sure you would have also received the mail which is short and crisp and just to give you the headlines:

While the quarterly performance was good, annually the company has been able to register very healthy growth. That is all been possible through very robust operating performance in the existing operating projects. The availability which is the key criteria for the company to earn its tariff was maintained upwards of 99.83 and in some cases right up to 100% which clearly meant that the company earned its due incentive besides earning what is due to it.

In addition, the projects which the company has the ongoing projects have had reasonably good understanding of that and I can make a remark rather than give guidance that they are well within the time frame and within the cost that where envisage for those projects. So, therefore we are very happy to indicate that we should be able to complete all of those projects within the current financial year and therefore the company will continue to help register good growth in its financial numbers as well. As regards the acquisition that Adani Transmission had announced which is the first venture into the consumer business, the retail business which is related to the Mumbai operations which incidentally also gets us the transmission businesses across Mumbai region including Maharashtra and also the connected generation projects. The work related to that clearly has been also indicated in the presentation as moved ahead except that MERC taken more time procedurally to ensure that under section 14 license gets transferred to Adani Transmission.

Between the two key stakeholders as per the SPA, work has progressed on most of the CPs and therefore the entire effort is there as soon as any MERC is done with their work which is public hearing and subsequent announcement, we should be able to conclude our efforts as per CPs. There has been therefore a constant dialogue between the 2 sides and things have progressed well. My colleague, CFO, has indeed worked very hard to make sure that the entire

financial arrangements for consummating the transaction has put in place all of that is already progressed quite ahead quite in advance. We have confirmations with regard to the entire requirements of the Funds. So, that is the general outlook.

So, besides the information that you already seen the brief deck is there is more information that we can provide you across the call we will be able to do that. Otherwise you are most welcome to send your queries to our CFO colleague and also his team mates and we will endeavor to respond to that as soon as we hear from you. But we will certainly look for your perspective in terms of your inputs and observations that you may have, and we will strive to certainly continue to internalize that and improve on whatever more we need to share with you based on the reports.

So, I am going to stop here and is there anything Kaushal that you would want to add otherwise we can take the questions.

Kaushal Shah: Yes, good afternoon. I think we have send the detail presentation which reflects an answers I believe most of the questions you have in mind regarding the date and the CAPEX which we have incurred during the year and updates on the BSES has which Sardana Ji has already covered up. So, I think we can straight away start with the question-answers, so that we can utilize the time more effectively to explain the results and the business. Thank you.

Anil Sardana: So, over to you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Shirish Rane from IDFC. Please go ahead.

Shirish Rane: Sir, couple of questions. First when I look at the Q4 numbers vis-à-vis Q4 FY17 numbers EBITDA seems to have dropped to by about 50 odd crores rather 70 odd crores to 487 crores. That is given in the presentation which you have sent. So, what was the cause for this?

Kaushal Shah: So Shirish, during the year we have a couple of things in the acquisitions related cost which we have already incurred which is for this business development of GTD business and as per the Ind AS accounting standard I need to recognize that in the books of account. Similarly, last year we did not have the GMR asset as well as the Reliance asset for the whole year. Now GMR asset was some part of the year and current year that was reflected for the full year. Similarly, we have the reliance asset which was not there last year which has been reflected during the current year and then what we have done is that to make the robust performance of 100% we have taken some special maintenance activity also at the various site also. So, this has led to some additional cost on this particular front.

Shirish Rane: So, basically the one-off costs of acquisition related and the maintenance cost and some amount of continuity some assets were not there last year which have come here should this 3 things relate to this?

- Kaushal Shah:** Correct. So, moving forward Shirish, we will keep maintaining the EBITDA of 90% and upward. That is what we are just trying, and we are trying to optimize very well it is possible to make sure that the EBITDA run rate is north of 90%.
- Shirish Rane:** Sir, also this quarter there is a higher other income of 68 crores. What does it comprise of? Is it financial income?
- Kaushal Shah:** So, what we have done is that we have given an advance to the Reliance of 2,600 crores total, 2,602 crores total. So, we have as per the agreement entitled 10% interest on the same. So, which we have recognized in the books of account.
- Kaushal Shah:** Both have been recognized.
- Kaushal Shah:** Yes, expense and income both.
- Shirish Rane:** So, there is an interest expansion the interest side of it and there is other income there is an interest income you would have been booking, correct?
- Kaushal Shah:** Correct.
- Shirish Rane:** And this will continue till the acquisition is completed?
- Management:** Yes, this will be continued till the closing date. So, at the time of closing this will be adjusted.
- Shirish Rane:** And then, so the other income will stop from that day essentially?
- Kaushal Shah:** That is correct.
- Moderator:** Thank you. The next question is from the line of Amit Golchha from HDFC Asset Management. Please go ahead.
- Amit Golchha:** Sir, there is an item in the balance sheet perpetual securities. Can you explain EBIT about it what interest rates you have taken this and is it to fund the R-Infra asset?
- Kaushal Shah:** Correct, so we have been telling that the reliance asset where we need to give some advances. We have some promoter support, and which has been provided in the form of perpetual equity where we will be taking out these from the equity type of instruments. This is a deeply subordinated instrument. The rate of interest is 11.8% on this.
- Amit Golchha:** And interest on this will be below P&L? Will it be the appropriation section? Where have we provided?
- Kaushal Shah:** So, it is kind of an equity also because we will be paying both principle and interest on issuing the equity type of instrument till the time it will be accumulated or accrued rather.

- Amit Golchha:** And is it a convertible security?
- Kaushal Shah:** No, it is not a convertible security.
- Amit Golchha:** How would we paying back to promoters? Interest you are saying you will be accumulating?
- Kaushal Shah:** See, let me just explain to you on that as per the agreement this is the perpetual instrument whereby promoter is entitled to receive back this money before only dividend distribution and they will not have any right to get this money back. So, once we have this equity type of instrument in place we will refund this money along with the accrued interest. And the agreement is a shareholder loan but since it is a perpetual in nature, this is classified as an equity because it has all the components of equity type of instrument.
- Amit Golchha:** And you will not be expensing out the interest in the P&L?
- Kaushal Shah:** No.
- Amit Golchha:** And sir if you can throw some more light on the projects under construction what is the timelines for commissioning and what stage we are at?
- Kaushal Shah:** So, this is a very good question. I think we keep telling that the Adani Transmission has a great track record of execution and we are following that same practice. We have all the projects which are under construction will becoming operational during the current financial year in a phased manner. This will be starting from the Q2 onwards till the March and we will also start generating the revenue during the current financial year from these projects. If you look at my CAPEX slide, overall we have to spend around 4,000 crores on this entire. We have already spent around 2,700 crores till March and after that couple of 100 crores. So we are in a very advance stage of completing and this is at a various stages of operationalization and because of that element-wise we will get it operational and we will start also generating the revenue. The equity which we need to put in we have already covered in our presentation that total equity required is around 11,050 crores out of which we have already put in close to 1,000 crores. So, nothing much is left for this projects to have any equity and internal accrual. And I am happy that this entire equity is funded from the internal accrual which will be generating a good equity return.
- Amit Golchha:** Kaushal I think the original costs of these projects was somewhere around 4,000 crores only the CERC estimated cost? What was that number?
- Kaushal Shah:** CERC estimated cost was much higher. This was our internal budget and in fact we will be doing it even lower than the estimate which have been given to you but for then a conservative methodology I am just keeping with at 4,000 crores currently and we will update you once the project is getting over. But this is much below the CERC original estimate.

- Amit Golchha:** So, this includes the three projects which we got earlier than the Rajasthan ones, Suratgarh and the other three smaller projects?
- Kaushal Shah:** So, this includes Rajnandgaon, this RRWTL then CWRTL then we have Sipat, these we have ATRL that is the Rajasthan Project and then the PPP-8, 9 and 10 projects.
- Amit Golchha:** How much is the total levelized tariff of these projects put together?
- Kaushal Shah:** These all put together should be in the range of around 500 crores.
- Amit Golchha:** Levelized tariff?
- Kaushal Shah:** Yes.
- Moderator:** Thank you. The next question is from the line of Shirish Rane from IDFC. Please go ahead.
- Shirish Rane:** Just couple of clarifications. Sir, one on these perpetual securities which you have said, so will this get repaid once you complete the acquisition? Is that how it is structured?
- Kaushal Shah:** No. It has nothing to do with the completion of acquisition. It helps for the closure of acquisition. This will be repaid out of the equity or equity type of instrument which we are planning to do it. So, I think Anil ji would like to add few things on this.
- Anil Sardana:** You have said the right way. This is the interim support given by the promoters. It has been parked today and we obviously wish to mop up equity and that we do in the due course of time and will share it with you to make sure that the acquisition that we are doing get funded out of equity for the equity portion.
- Shirish Rane:** So, it is more stop-gap arrangement structured in a form of perpetual security?
- Anil Sardana:** That is correct.
- Shirish Rane:** Till you get a sort of a backup equity funding or equity instruments whichever, whatever kind of instruments is....
- Anil Sardana:** Absolutely.
- Shirish Rane:** And sir second question was more on the Parbati Koldam acquisition what is holding it up and by when will it get completed?
- Kaushal Shah:** So Shirish, in PKTCL we have been following it up with this PGCIL and R-Infra both. Because R-Infra has to put internally to the PGCIL but till there is a first write off refusal it seems that it will take some more time. I am not able to commit any time on these while our efforts are on for these. But for the time being this for your technical purpose there is no

update as of now that when it is likely to get the permission while saying that our efforts are completely on to do this.

Shirish Rane: So, is there any issue from the Reliance Infra side?

Kaushal Shah: Not from the Reliance Infra side, I think what you are saying is that PGCIL has a first right of refusal and probably that board is as holding on to it because of that this has not moved forward.

Shirish Rane: So, basically the PGCIL first right of refusal decision one way or other has not come through and which is what is holding the sale process?

Kaushal Shah: Correct.

Moderator: Thank you. The next question is from the line of Swarnim from Edelweiss. Please go ahead.

Swarnim: Sir, my question is on Dahanu PPA, I understand that Dahanu PPA is expiring in the next 12 months and so what is the status over there? I think you guys were looking to renew that?

Kaushal Shah: These are already being reviewed renewed for next 5 years.

Swarnim: That is renewed for the next 5 years.

Kaushal Shah: Yes.

Moderator: Yes, sir. Since there are no further questions, I have the conference over to the management for any closing comments they may have.

Anil Sardana: Thank you Ali and thank you to all the analyst friends to have joined this Q4 FY18 Call. We look forward to you joining us on Q1 FY19 Call and do provide us to your inputs. And just in case as I said if you have any questions, do address them to Mr. Kaushal Shah and we will make sure that him and his team will respond to you promptly and we will certainly value your inputs. Once again thank you and good day.

Moderator: 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.