



“Adani Transmission Limited Q2 and H1 FY2020
Results Conference Call”

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LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Q2 and H1 FY2020 Results Conference Call of Adani Transmission Limited. We have with us today from the management Mr. Anil Sardana – MD and CEO of Adani Transmission Limited, Mr. Kaushal Shah – CFO of ATL, Mr. Ashwin Bajaj – IR Head and Mr. Jay. Ambani – Analyst, ATL.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anil Sardana. Thank you and over to you, sir.

Anil Sardana: Thank you and Good afternoon. Welcome to the Conference Call on Q2 FY20 Results. As we would have all seen the results and observed that the company continues to perform well on all fronts.

The transmission business registered very robust availability by virtue of which it earned the qualified incentive and performed very well on all fiscal and physical parameters. Similarly, on the distribution side the company achieved its targets with regard to AT&C loss rather bettered that has also achieved the very good fiscal results.

So, on the consolidated basis, the transmission group registered 63% spurt in EBITDA, and it crossed for the quarter Rs. 1,000 crores mark being Rs. 1,082 crores. The PAT number grew by about 82% and registered Rs. 230 crores for the quarter.

In terms of individual businesses, the transmission business registered EBITDA of Rs. 623 crores which was higher by 23% of the EBITDA of the previous year’s quarter.

The more important part is we continue to register 92% EBITDA number which by far is the best in the industry by close to about 200 basis points. Similarly, PAT grew by 37% at the transmission business to Rs. 158 crores from the previous quarter number of Rs. 115 crores.

The distribution business registered in EBITDA of Rs. 459 crores which was up by about 24% and as I mentioned the AT&C loss about certainly better compared to the rolling target for the previous year and registered 7.97% which is one of the lowest that Mumbai has seen.

On all other fronts whether it is the operational aspects, whether it is the ESG aspects, whether it is related to growth the company continue to perform very well. We sit on a very healthy pipeline of about Rs. 8,000 plus crores of CAPEX orders in hand that does not include the distribution business where the pipeline is showing us to be even stronger.

So, therefore the company not only did exceedingly well during the current quarter and in H1 if I may say but has an outlook which is continue to be promising for the future quarters too.

I would stop here and then look forward for your questions and use your questions to communicate if there is anything else that I would want to add to what I stated. So most welcome and look forward to your questions. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, I have two questions first is that can you please confirm how much YTD how many projects you have won under the tariff based competitive bids and what is the cost of each projects and what is the levelized tariff combined put together?

Anil Sardana: Mohit the entire Rs. 8,000 crores that I mentioned at the pipeline has been won through tariff based competitive bid projects and not a single project is now through the regulatory mechanism.

Mohit Kumar: No, I am asking for the YTD I think I believe you have won four project right this particular fiscal year?

Anil Sardana: YTD details we will subsequently send to you in terms of the four projects that we have won recently and so actually we have five projects that we have won during the YTD during the current year and you wanting to know now the amount that amount is not indicated here in the table. We will send you that separately.

Mohit Kumar: And sir how do you see the rest of the fiscal year in terms of the opportunity and is it something which has come of some kind of let us say possibility of the worth of transmission bid project which can be bid out in FY21, FY22 do we have any say a simple number for industry?

Anil Sardana: In fact, for industry if they actually start putting the lines for execution it will be impossible for any player to do the survey and execute that. My sense is that you will have another Rs. 20,000 crores worth of projects in next six months.

Moderator: The next question is from the line of Harsh Agarwal from Deutsche Bank. Please go ahead.

Harsh Agarwal: I just have very basic question on a quarter-on-quarter basis your revenues and EBITDA are down a little bit, can you just walk us through what is the reason for that is it seasonal or what role?

Anil Sardana: You are reading Quarter 1 to Quarter 2.

Harsh Agarwal: Correct.

Anil Sardana: So that will be seasonal on account of the AEML because AEML the number split is different. In Q1 load will be very heavy in terms of summer month.

Harsh Agarwal: And then even on Slide #8 for example where you talk about operational assets availability there is this minimum there is a chart that shows the maximum, minimum and average even there the

minimum one the lowest bar I see for this quarter is 93.64 what is driving that this is all transmission I am assuming?

Anil Sardana: Yes, this is completely transmission, that is related to one of the lines that we had got from KEC if you recall and in that assets one of the towers had to be replaced by KEC at their cost and they wanted time for that and we agree to the time when the seasonal demand is less. So, therefore this availability was because of that tower replacement, the work, which was done this time, but we will make up for this in the subsequent quarter.

Moderator: Thank you. The next question is from the line of Chirag Mandavewala from Pioneer Invescorp. Please go ahead.

Chirag Mandavewala: I just wanted to know if after the tax announcements were done in September have we availed the lower tax rate and what have been implication of the tax change on our financials?

Anil Sardana: I am so happy that you asked this question because I forgot to mention that even after tax announcement right now we have taken the conservative numbers, we have not adopted yet the lower tax regime because we want to be completely sure so consulting experts once we take a final view on that is when we will try and bring the tax angle, but I am so happy you asked this question.

Moderator: Thank you. The next question is from the line of Lav Sharma from Lombard Odier. Please go ahead.

Lav Sharma: I noticed that you have announced some buyback of your onshore debt and also the Masala Bond, so if you can share what is the thought process around and how the capital structure going to look like going forward?

Anil Sardana: So Lav what we have announced right now is that we will replace our Masala Bond and some of the offshore FCCBs that we already had including some of the other sundry short-term debt that we had and we want to replace it with long-tenure debt which is going to be ECB all hedged of course and that is what we will pursue in the coming week. The letter has gone to the stock exchange after the board approval, we will formally be announcing that tomorrow.

Lav Sharma: So would you have a sense of how the maturity profile would be looking like going forward of your debt?

Anil Sardana: So this round about USD 500 million which will replace some of the existing instrument which were due in the next year or two will be replaced by a 20-year long long-tenure debt that is our expectation. We keeping in mind our license period, remaining license period, making sure that depending on how the some of the old assessed license period will continue to get extended, accordingly we will work on that further.

- Lav Sharma:** So basically going forward if I understand the shortest term debt which you will have on the balance sheet will be on the dollar bond, the existing dollar bonds.
- Anil Sardana:** There will be no short term debt.
- Lav Sharma:** Not short term what I mean is the shortest tenure would be the existing 2026?
- Anil Sardana:** The idea is to now since this is very steady have long term debt which is predictable, though of course amortizing side and we will have the foreign currency dollar bonds.
- Lav Sharma:** Any thoughts on if you are looking to replace the 2026 bonds as well, is there any plan or any thoughts on that?
- Kaushal Shah:** So we have a one bond, so let me just explain that so current debt profile of our Obligor Group has a one 10 year dollar bond which is maturing in 2026. It's 10 year bullet and the remaining is a rupee loan in the form of NCDs and the CP and the Masala Bond. So NCD is our two year, three year maturing profile and the Masala Bond is another two years to go. So what we are doing now is that we have a refinancing of complete rupee loan in whatever form we are currently through this dollar bond, and that has a tenure of let us say 20 years amortizing. And the bond which is currently outstanding which will mature in 2026 before three months we will do the refinance of that for another 10 years because the life of the asset you know matching with these things. We have a maturity profile up to 2036 for the assets which is offered as a security under these. So this is the situation.
- Moderator:** Thank you. The next question is from the line of Harsh Agarwal from Deutsche Bank. Please go ahead.
- Harsh Agarwal:** Just one more thing in your presentation you mentioned that the proforma EBITDA in FY23 will be about Rs. 32 billion assuming that all the projects are completed that you currently have under construction and under acquisition, can you also just help us understand the funding part of it, like you know, how much is the remaining CAPEX and amount to be spent on acquisition of these projects as end of October I guess and then what is the funding plan for that please?
- Anil Sardana:** So you are reading the fully built up transmission EBITDA FY23.
- Harsh Agarwal:** So I just want to know how much is the corresponding CAPEX like funding needs against that against the running project?
- Anil Sardana:** The CAPEX number against that which we have fine that is at Rs. 8,000 crores.
- Kaushal Shah:** So Harsh to answer your question, we have already done the CAPEX and the remaining CAPEX what we need to do overall is Rs. 8,000 crores. So with the existing CAPEX plus Rs. 8,000 crore we will end up doing that number.

Moderator: Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Sir, just wanted your view on how the distribution is working and in terms of the growth area in distribution over the next 12 to 18 months that we are looking for the company?

Anil Sardana: The distribution business is doing very well. In fact in 12 to 18 months I would say beyond 12 and within 18 months we will have the hybrid generation that we have recently been pursuing for which we floated tender and the thing is offers is going to be up and above which will reduce our cost of power purchased further and that will make us much more competitive and therefore it makes our situation so much better considering the fact that our cost of power is already reduced you would have seen in this current quarter despite the fact that we bought 110 billion units more yet these are able to reduce the overall cost of power purchase. So the exercise is to become competitive in that account because that is the key and once our hybrid generation is up and about that will further come down. So all of this will help us reduce our tariff and become competitive. So distribution business all in all two key aspects one is power procurement cost to be reduced and the second important part is to make sure that we continue to reduce and improve on our AT&C losses. These are the two key areas on which there will be a change and of course continue to do technological intervention to make sure that both the softer and network aspects are improved vis-à-vis customer interface.

Rahul Modi: So the CAPEX that you know we were envisaging for the Mumbai area in terms of the transmission the larger CAPEX that was expected sir any movement on that front?

Anil Sardana: In fact it has moved very rapidly to an extent that we have already got the approval for high voltage DC system which is close to about Rs.6,000 plus crores and similarly lot of CAPEX for this year and the next year in terms of the transmission system that has already got approved. So I think now is the implementation which is the key.

Rahul Modi: So we have already won that?

Anil Sardana: In the Distribution, in the MERC parlance which is allocated to us I mean we propose and they approve. So the winning part is at ATL, their the part is approvals.

Rahul Modi: Sir, the growth aspect in the distribution business Pan India where all opportunities do you see coming because I think there has been a delay in the national tariff policy recently and there was host of privatization expected, so any view on that sir from opportunity in the distribution space?

Anil Sardana: So one would say that this entire spree of having elections and then the government that is what delays the process, otherwise I know for sure that there are state government which were contemplating announcement in terms of going by PPP route or franchise route. So they hold themselves back once the elections get announced in this country. One is only hopeful that you would see more opportunities in the days ahead because now it is very clear that the existing intervention have not work. So, whether it is a UDAY scheme or any other intervention that does

not seem to be coming up to speed vis-à-vis the expectation and therefore there will be change for the better.

Rahul Modi: So nothing tangible yet as a company you see and you are hoping that things would improve for us in terms of opportunity?

Anil Sardana: No, if you press me to quantify, I would say there is something tangible at Orissa where all the three distribution companies have been announced to be on the block and they have announced some eight franchise in the CESU area. Yes, there are tangible opportunity which are there in front of us and I am saying there are others which are also likely to come.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Given that the Reliance power operating body not functional for quite some time how you are managing your power purchase right now?

Anil Sardana: Mohit VIPL by virtue of not being operative for so long. We have given them a termination notice and to that extent the subject is right now under consideration of MERC. As far as managing power in lieu of that is concerned we have been able to actually reduce our cost because the cost of VIPL was more expensive. In order for it to be replaced on a long term basis, I told you that we have already gone ahead and announced the requirement of hybrid power which will take care of the load profile of Mumbai and will help us further reduce the cost of input power to the distribution area.

Mohit Kumar: Sir, what is the quantum hybrid power you are looking at, is it higher than the VIPL?

Anil Sardana: The hybrid power that we have taken approval is 350 megawatt plus 350 megawatt greenshoe option.

Mohit Kumar: Will that be sufficient enough for us to meet our demand?

Anil Sardana: Yes, we will have Dahanu plus this power which will be there. So those two put together will take care of the power which is consistent across the years because we do not want to commit to power which is going to be only for few months because then we will do the short term arrangements like the way we did during the current year and saved a lot of cost.

Mohit Kumar: So the capital expenditure we explained that we have got approval for Rs. 6,000 crores is this is over how many years, and this is related to any particular project?

Anil Sardana: This is related to a 500 KV high voltage DC project between Khudus and Mumbai and this is to be executed in the period of three to four years.

Mohit Kumar: What will be the general CAPEX in the area?

Anil Sardana: General CAPEX in the area between distribution transmission distribution put together will be somewhere around Rs. 1,500 crores.

Mohit Kumar: Sir, lastly on the Orissa you said that all three distribution franchise there are three distribution company in the fray so when do you expect this to be awarded and secondly what is the bid parameter on which they will select?

Anil Sardana: Mohit right now these people are going through the pre-bid discussions and this has been announced by OERC which is Orissa Electricity Regulatory Commission as you are aware they cancelled the three license which were earlier with BSES Limited and having cancelled those license these people have now come out with those tenders. So right now there they are having prebuilt discussion on all those things. So they have not decided the parameter, eventually which they announce I guess over a period of next few weeks.

Moderator: Thank you. The next question is from Jay Prakash from HSBC. Please go ahead.

Jay Prakash: I understand there are some promoter loans outstanding on the balance sheet as of now, are there any plans in repaying them in this financial year?

Anil Sardana: Jay, it is a very pertinent question in fact the only question to which there are no easy answers. Yes, there is a large amount which is there on our balance sheet which is supposed to the return to the promoters, they have been very kind and nice to ATL, I would say, but the same time our commitment is that we will be only through an equity or equity like issuance that we will be returning their money. So we are waiting for such an opportunity and once that opportunity comes then we will be able to return that amount partly, but at this stage there are no clear plan to share. So the amount is still sitting there and of course it is very competitive to ATL, but from promoters' point of view it is a money locked in.

Moderator: Thank you. The next question is from the line of Harsh Agarwal from Deutsche Bank. Please go ahead.

Harsh Agarwal: But you know just quickly this Obligor Group debt on Slide #24 has gone up a little bit on a quarter-on-quarter basis from June to September again just curious why has that debt gone up is it because of FX or is it something sort of again short term happening there and also can you share the EBITDA for the Obligor Group for the second quarter and also the first half please??

Kaushal Shah: What you have said is right there is a minor adjustment you know technically we are allowed to keep Rs. 7,300 crores, we had Rs. 7,300 crores at the beginning. So during the interim period we are trying to optimize whatever is the treasury cost and accordingly you know sometimes we repay that and then roll over a little later. So the little aberration will happen, but overall this year for Obligor Group it will be in the range of around Rs. 7,000 crores.

Harsh Agarwal: The EBITDA number for Obligor Group

- Kaushal Shah:** We have to send you separately.
- Moderator:** Thank you. The next question is from the line of Prapti Gupta from BlackRock. Please go ahead.
- Prapti Gupta:** This is just a repeat question actually I missed it I heard on the Masala Bond refinancing for which the announcement to come tomorrow you also mentioned something on the 26 year bond the 26 maturity bond, can you just repeat that?
- Kaushal Shah:** So what we will do is that bond will also refinance, we will start that process before three-four months and then we will get that bond also refinance through these another bonds.
- Prapti Gupta:** So this another bond is a 30-year maturity bond?
- Kaushal Shah:** No, it will be 10 years it will be aligned with the life of the assets so which will be in 2036, so we will do it for another 10 years or maybe 8 years or something like that and this is what I have right now 2036 is based on 25 year calculation technically it will be allowed for another 10 years also. So it is not 2036 it is 2046, but for abundant precaution we are just saying that 2036 based on 25 years. Normally in India always license is getting renewed for another 10 years for the new TBCB projects currently all the tariff is also for 35 years. So if that happens let us say for these then we will be have a longer maturity for that 2026 bond as well.
- Moderator:** Thank you. The next question is from the line of Parth Jhala from Goldman Sachs. Please go ahead.
- Parth Jhala:** Just following up on the questions of the new issuance so the intention here is to do with USD 500 million issuance and clean out all the remaining debt at the Obligor Group is that right?
- Anil Sardana:** Yes.
- Parth Jhala:** And just on Slide #24 just to know if I am getting this right so this is the amount of debt sitting at these particular entities so say for example at AEML there is Rs. 8,500 crores of debt, Is that the right way to read this?
- Anil Sardana:** Yes, you are reading it right.
- Parth Jhala:** That is not the debt undertaken for the acquisition but that is the actual debt keeping under entity also right?
- Anil Sardana:** As of today, including further CAPEX that they may have done, you would have seen in previous quarter, it got reduced and got increased again so that will be basis the additional CAPEX requirement etc. So as you know the registered debt will continue to increase its CAPEX for AEML.
- Moderator:** Thank you very much. I would now like to hand the conference to Mr. Anil Sardana for closing comments.



*Adani Transmission Limited
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Anil Sardana:

So thank you friends. Thank you so much for your participation in the Q2 Conference Call if you have any further questions you are most welcome to send that across to us and team will ensure that you get your responses. At the same time wishing you all a very Happy New Year and we look for the Q3 conference call somewhere down February perhaps. Thank you, good day, bye.

Moderator:

Thank you very much. On behalf of Adani Transmission Limited that concludes this conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines.