



**“Adani Transmission Limited
Q1FY2023 Earnings Conference Call”**

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SECURITIES**

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Transmission Q1 FY2023 earnings conference call. 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 call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Ladies and gentlemen good day and welcome to the Adani Transmissions Q1 FY23 earnings conference call hosted by Edelweiss Securities. We have from the management side today Mr. Anil Sardana, MD & CEO, Adani Transmission Limited and Mr. Vijil Jain, our Lead Investor Relations. I now hand the conference over to Mr. Anil Sardana, CEO & MD Adani Transmission. Thank you and over to you Sir!

Anil Sardana: Good morning. Thank you Mike. I am joined by my senior colleague, CFO, Mr. Rohit Soni and also other colleagues from the IR and Finance team. In terms of very quick information from my side, the Q1 FY2023 had similar robust performance as previous quarters.

Let me start with our operational performance. We maintained transmission availability, supply availability as also achieved distribution losses which all confirmed the fact that the operational aspects are as robust as they ought to be as we aspire them to be. The million units sold during the quarter at our distribution network were 20% higher Y-o-Y basis clearly shows that the demand profile is now moving up. In addition to that our commitment on to make sure that we were to return the perpetual debt which was causing a bit of issues vis-à-vis the rating agencies and some of the investors were paranoid that with the moving share cycle the other alternate means to get quasi equity our equity would be a challenge so therefore we are very happy that we completed the primary equity transaction with International Holding Company wherein they acquired 1.4% stake at a price which augers well for investors, augers well for establishing on ground to work up the company and having mobilized about Rs 3850 Crores we could return the Perceptual instrument as well as the accrued interest because from cash flow perspective we were not paying the interest and to that extent now there is no additional debt in form of the long term perpetual debt and therefore vis-à-vis the rating agencies that issue are positive.

We also announced the acquisition of Mahan Sipat Transmission Line from Essar and that is in the works as we talk and hope to consummate that transaction in sooner time based on the clearances. The company is quest to be within the top ranking companies in the world on ESG side, it is a new front aspiration which I must express we believe fully and the company is genuinely putting its might in terms of covering all around areas on environmental, social and governance aspect. We have done very deep-rooted exercise in terms of benchmarking with some of the world’s best rated ESG Company not just in the energy sector but also otherwise learn for ourselves as to what exactly we need to be doing

you catch upon the gap area if I might take. On our side while that effort will continue we are very thankful to CRISIL wherein their ESG year book released in May 2022 recently they indicated ATL within the top three companies in the power sector on the ESG rating. Similarly, our ESG ratings done by S&P global give us a much better score compared to last year 20% improvement, we are not stopping there we are now looking at another 20% improvement in the next round.

The FTSE rating of 2021, the MSCI rating of 2021 also stay in our radar and we continue to work towards improved rating. In fact, many of you might have seen that the annual report that we published we actually set up a record, not by virtue of that record but by virtue of the pride that we give so much of disclosure that we ended up with 501 pages of annual report and all the data details and our commitment and our strength in terms of various aspect.

On various commonly understood aspects like zero waste to land fill, single use plastic free, being water neutral or water positive, I am very happy to tell the analysts colleagues that that is where we put our stake from the ground with 3rd party accreditation of having got certified at all our O&M sites and this is our international companies which have accredited us that we are zero waste to landfill now, similarly most of our units are now single use plastic free, from July the country has taken that part we are very happy that our efficacy has worked to a point that the country has adapted those norms. So we will continue to work on similarly on waterside we are much lower than what is a industry norm and even in our generic sessions we are far, far lower than what is the industry norms so we are very happy in the way our team has rallied to pick up heads and make sure that we will come out with benchmark numbers across various aspects of ESG.

Let me very quickly kind of talk about results because that is where some of those things that you see in your documents you always want to have dealt in the manner that the management uses, first and foremost because of the two special items one is mark-to-market which is non-cash at AML level where we had about Rs 115 Crs delta between this quarter and a quarter and half Y-o-Y as also up to Rs 88 Crores of the net of the MAT, the difference because of having recognized by the MERC order. These two if you see the cash profit at both ATL standalone and AML standalone if I were to convey to our analyst friend we are on a year-on-year positive on both sides having removed these one-time items so Rs 467 Crs cash profits without one time and ATL standalone Rs. 413 Crs last year Q1. AEML Rs 263 Crs cash profit compared to Q1 FY22 Rs 219 Crs. So Rs 731 Crs against Rs 633 Crs an increase of 16% in the cash profits. That is what the management consider as sacrosanct because that is where our performance lies.

Now in terms of similar levels of work on revenue as well as, revenue of course I would not take pride entirely because it is also because of the higher cost of the input power not so higher cost of sales but it will get captured in terms of the revenue gap in the distribution business. So the operational EBITDA again on consolidated basis saw an increase of about 10% to Rs 1213 Crs versus Rs 1107 Crs in Q1 of FY2022.

Friends that is the way the details are in the management part some of the aspect related to debt we have our debt service coverage ratio maintained at 1.9 in entire FY2022, fixed asset coverage ratio 1.3 same as previous year FY2022 also 1.3. Net debt to EBITDA slight increase 4.9 because of some of the projects under construction and net debt to net worth 2.7 as was previous year. The total external debt about at the end of Q1 FY23 was Rs 27,252 Crs and if I include the subsidiary debt then Rs 29,479 Crs. So that is the way the numbers stack up that is in case you would want to have any details on that yourself that you have, you can always let us know and we will support you.

Those are the details that I thought I will share with you and now I look forward to the questions and anything that we were missed out we will recover it through your Q&A. Thank you so much.

Moderator: Thank you Sir. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Good morning Sir. Sir what is your thought on electricity amendment and the fact that the government is thinking allowing multiple licenses do you think it is better can you just comment on that?

Anil Sardana: While we discuss Q-o-Q basis, every quarter when they get back to the cabinet they make amend so eventually what will make to the Parliament and get approved from the Parliament one will have to wait and see because there has been a lot of tinkering that is gone into that part and my impression about the act is always welcome sign to be progressive in terms of making good some of the issues that have been bothering the investor community in terms of large investments in Gencos, large investments in Transcos because the last mile continuous to be indisciplined from the hands of several state Discoms and at least the good part is that the act amendment looks forward to discipline when they are making sure that we will have to operate through letter of credits, they will have to have advances, provided and the empowerment is been given to the SMBC to accentuate that effort. Now in addition to that there are odd issues with regard to we have a gaps that existed in terms of the regulatory commission, the APTEL, the fact that the APTEL does

not have ceased in terms of enforcing their order to the state commission and therefore large amount of contempt powers are being given so those are all the welcome signs and in addition to that of course the important point about RPO, the fact that there will be suo moto tariff increase in case those RPOs are not met are all very important aspects in terms of India's commitment on I&D piece as well as in 2030 commitment, I am not talking about the net zero commitment of the 2070 because that so far into the play arena. But I am talking about what eminent and what is something that all have to be careful about achieving by 2030 so that is my simple answer to the point we will welcome amendment to get reached out as soon as possible.

Mohit Kumar: Understood Sir. Sir secondly on the TBCB bidding of course Q1 we have not seen any bid how do you see this panning out in next nine months are we seeing more bids happening or it is something which is holding up the bid right now?

Anil Sardana: Mohit I think there has been headwinds in terms of the fact that the movement related to renewable projects has slowed down. There is now a way for renewable projects to get accelerated on request of green hydrogen and you must have seen the movement that SECI has been told to aggregate the requirements of green hydrogen vis-à-vis urea vis-à-vis ethanol requirements vis-à-vis ammonia requirement in refineries and also other requirement as put forth by various users because grey hydrogen and gray ammonia are already in use and SECI will come out with that aggregated tender for entire green hydrogen to displace first the import part so that import part gets replaced by the indigenous generation of green hydrogen and this could well be dollar denominated so that the cost of RE will reduce. Now why I am telling you all of this because this will lend fast forward very large corridors of transmission because these quantities are going to be humongous, imagine, I will just tell you that therefore corridors to evacuate this kind of a RE and maintain this kind of the RE is going to be very large and there will be aspects like ranking at the CTO level and stuff like that which is a part of the hydrogen mission, the case that is already there in front of you our sense is that today close to about 52000 worth of transmission TBCB assets have been already approved out of which 24000 only in right now under different stages of tendering. The PAT number will be balloon once the aspect related to RE aspects related to GNA. Both start getting integrated. I would say one will have to wait for few more quarters before we see the movement on that but until then we will have to meet you with the orders that we have in hand so that our capex guidance that we have given continuous to be steadfast as also that we continue to fill up our order pipeline amongst the tenders that are due in the area.

Mohit Kumar: Understood. Lastly Sir as it tendered all the packages for CPC or is there something pending and when the work is expected to start and when is expected to commission and is there provision for if I remember it correctly laying a double line in this particular and increase the capacity in the future?

Anil Sardana: Yes, Mohit very important question. First of all, the award for the converted station HCBC are on both sides have been made so very reputed global company so people had make announcement themselves, the award for the transmission part cable has also been issued. The clearances part has progress part both sides land has been completely done. The engineering part has been awarded to a Canadian consultant and detail engineering part has also to an Indian consultant for tandem working. The work on ground has started in terms of the soil investigation, initial works like boundary walls, filling, all of those works have started. Now your second part of the question was being we working towards the two circuit or single circuit plus all the civil works and the right of phase will capture the second circuit also so that the second circuit once get approved will get execute it faster and one does not have to lay a new trench nor a new right of way it will all be worked out in the phase I itself. So that is the answer for your question.

Mohit Kumar: So what is the commissioning timeline Sir?

Anil Sardana: The timeline states at first at 48 months of the date that the MERC had approved and I guess that is 2025 March/April.

Mohit Kumar: Understood Sir. Thanks and all the best Sir.

Moderator: The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.

Apoorva Bahadur: Thank you for the opportunity. Sir wanted to understand I am looking at your presentation Y-o-Y the significant losses have increased slightly and the collection efficiency is down any specific reason to it?

Anil Sardana: Apoorva do not go by those small changes here and there because those occur because of the denominator being different so therefore neither the collection efficiency is welcome because 99% versus 100% so you do not want to worry about becoming a saying that it is kind of drop. It is going to be because as far as the payment comes on the first day of the next month it will go to the next quarter so the collection efficiency is brilliant it is great and distribution losses of 6.95% again it is fantastic so I think you must be doing a splendid job and we do not want to worry about the difference numbers because these are all just a

maths which happens slightly changing the figure and we have to go by what naturally and but they are all fantastic do not have to worry about.

Apoorva Bahadur: Good to hear that Sir. Sir secondly in think in the last call you had highlighted that we will be venturing into smart metering as well so Sir if there is any update you would like to share on that how is the progress as far?

Anil Sardana: I think again a very good question so that thanks for that I did not cover it in my first bit. Yes, you are right. There is an ambitious plan of 25 Crores smart meters that the Government of India has floated and it is also part of the RDSS which Prime Minister recently announced. There are five states which are right now joined the bandwagon out of which two states north in UP and Bihar and the other one state in the western side which is two states in western side Madhya Pradesh and Gujarat and two states in the south which is Telangana and some of the Discoms in Maharashtra like BST and also AEML if I might just take the liberty, now all these companies are participating in those smart meter induction now, we have taken a budgetary outlook in terms of the current tenders and we believe these stack up to something like 10,000 Crores worth of smart meter already on offers and we clearly believe that we will have at least a good share of wallet out of this and we have been prequalified in Madhya Pradesh, prequalified in Bihar UP in the last stages we are executing 7 lakh smart meters in Mumbai, we have been prequalified in the first round in GST so we moving big time into smart meter and we will have a large share of wallet because these are all going to be on TOTEX model where the investments will be by us we will give month-on-month billing which will mean that we will be part of their O&M and we will get our money on monthly basis so we are very good kitty and with reasonably good margin. So it is on and it is looking very good.

Apoorva Bahadur: So Sir we will be owning and leasing these assets also developing and earning the back end infra am I correct?

Anil Sardana: Absolutely right. We will be owning them, we will be owning the backend, we will be owing the entire value chain and we will execute that ourselves and we will maintain that ourselves.

Apoorva Bahadur: Great Sir and how much would be the budgeted capital allocation over here? What is the type of capex you see in totality for the same?

Anil Sardana: Right now we are budgeted by 2027 of course that looks bit conservative from our side but something like Rs 10,000 Crs.

- Apoorva Bahadur:** Okay and Sir returns will be similar to our utility business?
- Anil Sardana:** This is now unregulated business and I would presume better than that.
- Apoorva Bahadur:** This is very useful Sir. Sir last question from my side on and this is only privatization not for the Discoms, but for the transport we are hearing a couple of state governments are looking at it and there was some push from the center side so do you see this happening and if it happens what type of model will be entire transporting will be realized or the assets to monetize?
- Anil Sardana:** Apoorva you will see both kind of models, today you see the monetization that PowerGrid is doing on which some assets have been monetized but if you look at some of the large Transcos they are looking at all the assets being monetized. So both models will exists and as you rightly use in your narrative you rightly said that center has also come out with the draft policy and states are seeing a more meaning in it because they lose no control, control still vests with the state transmission utility and their independent system operation and they will have their advantage that once this is offloaded the entire spending will be done by the developer who takes over so it will not reflect in their budgets get them a lot of advantage in terms of cash generation.
- Apoorva Bahadur:** This is very useful, thank you so much. I will get back in the queue for more questions.
- Moderator:** We have the next question from the line of K. Nimmagadda from JP Morgan. Please go ahead.
- K Nimmagadda:** Thanks for the opportunity. I have couple of questions from my end. Firstly, on the transmission front you did speak about significant opportunity and we also have the secured plan in the infra rates side, so just trying to understand what is happening on the infra state for revenue is there any no step up from the states with respect to the spends over there and a part of the similar question, that you know recently we are seeing transmission projects is coming in, so what is Adani Transmission plan over here so if you can elaborate?
- Anil Sardana:** Adani Transmission will continue to pursue the opportunity whether it is on standalone transmission execution with their substation or it is combined with storage as you said, storage in any case is the part and parcel of any grid operations and it is very needed requirement, of course in our country more seen from the point of view of the renewables but as far as my personal opinion is concerned large storages which should be actually part and parcel of the grid system instead of people putting UPS in their building and their offices and their facility it should be the power quality should be the responsibility of the

grid operator so we will welcome this move and we will certainly participate in all of these and continue to maintain our shareholder of win as we have done in the past.

K Nimmagadda: Do they have the capabilities or what are our plans over here Sir in bringing the capabilities mainly?

Anil Sardana: We are capability enough we have in fact already maintained invertors which is far more difficult as we are that we do for AGL which is Adani Green and these therefore have capability, in fact I just wanted to say as a personal part we put 10 megawatt of battery way back more than six years seven years back in Delhi when nobody was even talking about storage, and we put it in the substation in the grid and gave benefits to the customer.

K Nimmagadda: Sir if you can also elaborate little bit on the infra side transition capex and what is happening on the, I mean which are the states that are actually states are doing that but just wanted to understand what is the current momentum like on that front?

Anil Sardana: I think you got it very well, there are states like UP Rajasthan Karnataka now Maharashtra and recently Gujarat has called for draft document that they wanted to give now entered into TBCB so very few states I would still say that hopefully have got on to doing this tariff based competitive bidding inviting developers like PowerGrid or ATL or others to power take in their need to do it intra state as you rightly said. By and large, it also shows their desire to get into the mainstream in terms of what is the latest with regard to technology what is the latest with regard to operation capability, that some of the others who are very inclusive and in any case are showing a signs of fatigue or burnout in the distribution are similar approach towards transmission either they are not doing it or is that they are doing it they are doing it with interest in view and doing it as much higher price etc., so that is why the center is now trying to put those conditions through RDSS those of you have taken interest and going through some of the conditionality of the revamp distribution system scheme, I will rely the fact that all of that has now been integrated there where they want the loans and grants from the Government of India the better shed this in nickel and iron because this is different and the previous one where they used to be money rolled out through tendering or launch but now this time this is through performance so that shows that this RDSS team which will have large as Rs 300,000 Crs will add and abide to the outset we all have been having that the distribution company is been shape up.

K Nimmagadda: If I may ask you what is the opportunity size that you are looking at solely on the intra-state part from what is out there for bidding?

Anil Sardana: I would say that the numbers that we have told you Rs 52,000 Crs of pipeline approved by Committee as very few lines this stake so I would say very clearly focused on to what gets approved because while we may have conceptual discussion but let us say on numbers what gets approved is what gets deliver so I would say that Rs 52000 inter-state rather than intra state.

K Nimmagadda: Thank you very much Sir.

Moderator: We have the next question from the line of Swarnim Maheshwari. Please go ahead.

Swarnim Maheshwari: Sir couple of questions, first one on the smart metering side, now the basic requirement for us the smart meter basic purpose for a smart meter is really to bring down the AT&C losses now we are implementing that at a Mumbai distribution in a big way where we actually see that our AT&C losses are already like you know one of the best and it is in single digit so what really is the purpose of this, is this transaction purely financial in nature what is it?

Anil Sardana: Very good question, I must complement you for seeking through this factor which we have debated for so long not just internally but even on a significant what is the role that smart meter has to play? Now if we slice and dice Mumbai network where we are executing the 7 lakh meter against 25 lakh customers that we have, how have been driven this magical numbers? It comes from the fact that amongst our entire networks in Mumbai there are customers in the eastern region and areas in the eastern region where we still have losses in pockets which is as high as 40% and as high as 30% now these are areas which are large re-habitated areas, slums and in order to make sure that eventually that we will deliver power where we can interrupt and individual customer if billing is not been paid for on an individual basis from remote all of that is possible through smart meter. And therefore we are very judiciously chosen this number of 7 lakh to be deployed in areas which are still those than blocks and such areas where because of political interference, legacy issues non-clarity of their existence, notices from the court that may be demolished and stuff like that, different categories we have all aggregated that into this 7 lakh number and therefore this is going to be commercially accretive, as you rightly asked the question and this will bring tremendous amount of empowerment to our operation staff which today is doing this work more by physical dogmatism which are time does not work against the mighty unconnected so this is what the answer to your question. But thanks for that question.

Swarnim Maheshwari: Sir thanks, so basically as we understand when we are really some kind of a bottom analysis and you have set it everything so this 7 lakh square meter this would actually entail how

many smart meters that we are talking about and you did mention that by 2027 you get that to installed totally?

Anil Sardana: So I think there are two parts to that puzzle let us not mix up, Mumbai 7 lakh will have executed much faster rather in fact will get executed over and year itself, as far as what I told you about nearly Rs 10,000 Crores was till 2027 but eventually my sense that we might do it even much faster. So those are two different aspects but I did not include Rs 10,000 Crores with the 7 lakh included in that that 7 lakh is outside of that because that we started executing much before this RDSS was invoked.

Swarnim Maheshwari: Fair enough. Sir in those small pockets where there are those notorious customers where we plan to do that smart meter, are the losses like pretty high at about mid teens kind of a thing?

Anil Sardana: I told you those losses are as high as 40% in some of those areas because, you cannot blame them because even their status is doubtful somewhere the court has told them that those areas have to be cleaned up, those areas are going under SRA so their status itself is not clear they are willing to join the mainstream provided their status becomes clear so we are trying to say in that case we should not deliver power or we should deliver through prepaid and we are trying to say that that today with the current technology it is not possible because that is humans, very dump cluster 30% people pay and we cannot disconnect those 30% people so 70% people then enjoy the advantage of the current status and we can at the most try and discipline it as I said through physical dogmatism but it does not work in very dense locality but this smart meter will do its trick.

Swarnim Maheshwari: Sir second thing is more of a general thing which is just wanted to understand that how we are looking at the competitive intensity of course there has been new bidders over the last two to three quarters that we have seen coming from other parts of the industries also so how do you look at this competitive intensity pretty sure you are taking your internal threshold limits but how is the overall market that you are witnessing at the moment?

Anil Sardana: I think the conclusion and there is no rocket science in understanding that when someone sees that there are some players which are making good business using out of the opportunity more players are likely to automatically join because there are no real entry barrier in terms of participating in TCBC etc., so that is bound to happen and they have to understand the risk profile and the executing methodology as others who have been in the fray have understood and it is nice to see those ways also then joining us in terms of advocacy and full theory so that more and more states will then start to come to TCBC so I

will always welcome competition. As long as those guys do not end up the way most of the past players ended up giving their assets to us of much below the par value at which they were prepare to execute those.

Swarnim Maheshwari: Sir moving on in the PGCIL which is they have this monetization pipeline so while they have still not decided but do you think that if there are about four or five visits every year that is likely to be bidded out so you will be actually making a big part of that inorganic through journey also, so you would be actually making bids for that?

Anil Sardana: We are watching this with interest in terms of what is evolving, I was to say go into the same in bid as they did before then you have the answer because it is an extension of same set of the peers going to be there and if others are not willing to participating incrementally then only anybody else has a room otherwise it is not going to be of any meaning so to me it could be is just more of the same.

Swarnim Maheshwari: Okay. Sir my final question is on Mundra have we started integrating that?

Anil Sardana: Absolutely, we have already moved the commissioned second license for the larger areas so we have started integrating and as I told you my guidance is that Mundra Utilities Limited will emerge to be largest Discoms in the country.

Swarnim Maheshwari: Okay. Sir just basic what is the current loss structure over there?

Anil Sardana: There is no loss. Today MUL operate mostly with very large customers industrialized customer, port customers so there is no loss. There is only technical loss nothing else, there is no loss.

Sonam Maheshwari: Sir that is it from my side. Thank you so much and wish you all the best.

Anil Sardana: Thank you so much.

Moderator: As there are no further questions, I would now like to handover the conference to Mr. Swarnim Maheshwari for closing comments.

Swarnim Maheshwari: Thank you so much for your useful and wonderful insights as always. Would you have any closing remarks over here?

Anil Sardana: Thank you Swarnim for organizing this and thanks to all the analyst friends who have joined the Q1 FY23 call, I have nothing more to add because the questions really enable me



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to cover every other aspect that I missed out in the opening statement so I wish you safe times and good luck. See you in the Q2 FY2023 call. Thank you so much.

Moderator: Thank you. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.