



“Adani Power Limited Q3 FY18 Results Conference Call”

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**MANAGEMENT: MR. VINOD BHANDAWAT- CFO, ADANI POWER LIMITED**  
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**Moderator:** Ladies and gentlemen, Good Day and Welcome to the Adani Power Limited 3<sup>rd</sup> Quarter FY18 Results 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 ‘\*’ 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. Vinod Bhandawat – CFO, Adani Power. Thank you and over to you sir.

**Vinod Bhandawat:** Thank you Ali. Good afternoon to all. I welcome you to the earnings call for the 3<sup>rd</sup> Quarter and nine months for FY17-18 for Adani Power. With me I have Rajat Kumar Singh – Group Head, Resources, who will take charge as the company’s CFO from 1<sup>st</sup> February, 2018. Thank you for joining us. I hope all of you have already gone through the published results.

The recent concluded quarter has been quite eventful for us. We have received all the approvals required under the scheme of arrangement for a slump sale of the 4620 MW Mundra power project from Adani Power Limited to its subsidiary, Adani Power Mundra Limited. With this, the transfer has been completed and the scheme is effective, the effect of which has been given in the standalone Q3 results of APL.

We have also signed a PPA for the net capacity of 1496 MW with Bangladesh Power Development Board, to be supplied from a Greenfield 1600 MW Ultra-Supercritical power plant to be set up under our subsidiary Adani Power (Jharkhand) Limited at Godda. The project is estimated to cost around 13,450 crores and will comprise two 800 MW Ultra-Supercritical units that will be commissioned by May 2022. We have already received all necessary approvals for the project, and development is under progress.

Average O&M availability for the quarter FY18 was 94%, which was the same as achieved in Q3 FY17. However the average PLF was low for this quarter at 58%, compared to about 69% achieved in the corresponding quarter last year. The Q3 FY18 PLF on plant wise basis is as follows; Mundra 61%, Tiroda 61%, Kawai 43% and Udupi 55%. Divergence between the O&M availability for the plants and the PLF was primarily due to three

reasons, which are: Shortage of domestic coal under e-auction, Forced outage at Udupi, and scheduled maintenance.

Net units sold in the quarter were 12.63 billion units in Q3 FY18 which was lower as compared to 14.9 billion units sold in Q3 FY17. Cumulative units sold for nine months of FY18 were 40.08 billion units while for 9 months of FY17 it was 43.89 billion units.

Plant wise sales in terms of net units sold for Q3 FY18 were 5.64 billion units from Mundra, 4.31 billion units from Tiroda, 1.31 billion units from Kawai and 1.36 billion units from Udupi.

We will now move forward to the financial performance. Lower billed availability and lower volumes led to reduction in total revenues from Rs. 5491 crores in Q3 FY17 to Rs. 4916 crores in Q3 FY18.

Average PPA realization during the quarter, which excludes the change in law receipts pertaining to prior periods, was Rs. 3.69 / kWh as compared to Rs. 3.53 / kWh in Q3 FY17, while composite merchant and medium rate realized during the quarter was Rs. 3.73/ kWh and the total volume of merchant was 947 million units, as compared to Rs. 3.45 / kWh during the third quarter of FY17 with merchant volumes of 934 million units.

Weighted average fuel cost of Q3 FY18 was Rs. 2.75 / kWh versus Rs. 2.47 / kWh in the corresponding quarter. The reason for this increase was an increase in domestic and international coal prices over last one year, as well as a greater mix of imported coal due to domestic coal shortfall.

During Q3 FY18 we recognized compositary tariff of 168 crores, compared to Rs. 136 crores in Q3 FY17.

Consolidated EBITDA for Q3 FY18 was Rs. 800 crores or 16% of revenues as compared to Rs. 1,364 crores or 25% of the revenues in Q3 FY17. The reasons for lower EBITDA were arrears of transmission charges of Rs. 287 crores, most of which did not pertain to Q3 FY18, apart from lower revenue from fixed capacity charges on account of lower billed availability.

Finance charge for Q3 FY18 was slightly lower at Rs. 1,411 crores as compared to Rs. 1,430 crores in Q3 FY17.

Before we move on to the Q&A session I would like to mention a few noteworthy aspects of our business outlook. Firstly, we are looking forward to receiving coal allocation under SHAKTI for the Tiroda and Kawai plants soon. Once operational, this assured supply will reduce our dependence on costly alternative sources to a great extent, and help us maintain a steadier operational profile. We will be able to provide further details of the expected linkages once fuel supply agreements are in place.

Secondly the pace of the regulatory process has picked up and we are seeing a faster and more satisfactory resolution of outstanding petitions. We hope to see favorable outcomes in various Change In Law petitions in the months to come. At the same time we are continuing our dialogue with key stakeholders for a solution to ensure the financial viability of the Mundra power project. Now I would like to open the floor for Q&A.

**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 Abhishek Puri from Deutsche Bank. Please go ahead.

**Abhishek Puri:** Sir two things, one is the Notes to Accounts you have mentioned that in the number 3 Note that is 230 crores odd additional claim towards payment of power transmission charges. So that is the receipt that we have booked, right?

**Vinod Bhandawat:** Abhishek that's basically an expense, what happens is that the Regulator revises transmission charges of the power grid with arrears, for the arrears petition. So this is an expense for the transmission line.

**Abhishek Puri:** And that has been booked under the Other Expenses, because Other Expenses have shot up quite considerably?

**Vinod Bhandawat:** Yes, that's booked in Other Expenses.

**Abhishek Puri:** The whole amount of Rs. 230 crores is prior period or is it some part is for this period as well?

- Vinod Bhandawat:** This was prior period only.
- Abhishek Puri:** And in terms of the advances that we have given to Korba West for the acquisition, this Rs. 1,589 crores, how much is the interest component in this if you can mention?
- Vinod Bhandawat:** I didn't understand Abhishek.
- Abhishek Puri:** As per the Note 5 it says that you have paid Rs. 775 crores to the owners for 100% acquisition of shares and further advanced Rs. 1,589 crores to KWPCCL as intercorporate deposit, including interest accrued thereon. So has there been a discussion on the interest component, what is the rate and what is the total amount in this Rs. 1,589 crores?
- Vinod Bhandawat:** In this Rs. 1,589 crore includes the ICD interest. These are interest-bearing ICDs, so this is the cumulative interest and principal that we have to recover from Korba. As far as Korba is concerned there is a parallel exercise going on wherein the lenders are restructuring the loan, and through a OSDR process they will transfer this 51% to Adani Power.
- Abhishek Puri:** So this is the total amount that we have spent to acquire this Rs. 1589 crore plus Rs. 775 crore?
- Vinod Bhandawat:** Yes.
- Abhishek Puri:** And that should be considered as the equity?
- Vinod Bhandawat:** Rs. 1,589 crore is not spent entirely for operations, in the sense the part of this money has also gone to repay the Korba West loan. So we have been servicing the debt of Korba over the last two years, so that amount has gone to service the debt there.
- Abhishek Puri:** And that amount is included in the interest cost here or there is no interest, this is just an equity from Adani Power to that company?
- Vinod Bhandawat:** As far as we're concerned Rs. 775 crore we have paid to the erstwhile promoters and Rs. 1,589 crores, i.e. Rs. 1,300 crore plus interest that we have funded to Korba West as loans and advances.

- Abhishek Puri:** And lastly on the current operations I think they have been impacted because of the e-auction coal unavailability as you said, has the coal availability improved and any indication from the government when would you be likely signing the FSA?
- Vinod Bhandawat:** That work is going on at quite a fast pace and we are hopeful that FSA should be in place in one or two months.
- Abhishek Puri:** The coal availability, has it improved because we are still hearing a lot of plants don't have supercritical coal levels, even NTPC's plants. So has the e-auction coal availability improved?
- Vinod Bhandawat:** There is hardly any e-auction for power sector now, which was earlier reserved for power sector and there is highly any e-auction, so once we sign the regular FSA we will get the coal because Coal India is committed to give it under FSA.
- Abhishek Puri:** In terms of the outstanding from the Tiroda plant and the Haryana case where they have been ordered to pay 75% as relief claimed by the company, have you received any amount from the states?
- Vinod Bhandawat:** Yes, we received the full amount.
- Abhishek Puri:** The whole of 75%?
- Vinod Bhandawat:** Yes.
- Abhishek Puri:** Which should be Rs. 681 crores into 75% I should consider?
- Vinod Bhandawat:** About Rs. 640 crores because something would have been received prior to this. I think we got about Rs. 640 crores.
- Abhishek Puri:** And that is there in the cash balance?
- Vinod Bhandawat:** Yes.
- Moderator:** We will take the next question from the line of Rahul Modi from ICICI Securities. Please go ahead.

- Apoorva:** I wanted to get some clarity on this Bangladesh PPA, if you could share the details, if this is cost plus basis and certain more details.
- Vinod Bhandawat:** This is largely where we are a fuel pass through and the regular capacity charges.
- Apoorva:** The IRR would be what, 15%+?
- Vinod Bhandawat:** Like normal 15-15.5%.
- Apoorva:** The capital cost is slightly on the higher side around Rs. 8.5 crores per megawatt, so what should be the reason for that?
- Vinod Bhandawat:** Capital cost is not high I would say in the sense one is it includes the transmission line cost because we are going to put up a transmission line from Godda to the Bangladesh border. Plus also it includes the requirement as per the new environment norms. If you remove these two items I think the cost is pretty competitive and of course land cost is little bit higher compared to the current scenario. But overall the cost is quite competitive if you remove these three exceptionals.
- Apoorva:** The PPA is in dollar terms?
- Vinod Bhandawat:** Yes it's in US dollar terms.
- Moderator:** We will take the next question from the line of Anirudh Gangahar from Nomura. Please go ahead.
- Anirudh Gangahar:** Firstly, just following up on the transmission cost, you mentioned it is included in the other OPEX. The total OPEX is about Rs. 472 crores if we take out Rs. 230 crores, your other OPEX seems abnormally low if we compare it to any time in the last probably 10,12 or 14 quarters or so. Is part of this also deducted from the top line and part of it is from the other OPEX, otherwise if not then how do we explain the other OPEX is much lower than what we had before?
- Vinod Bhandawat:** Largely because of the exchange gains if you remember, Rupee appreciated in this quarter, so the exchange gains has got grouped here.

- Anirudh Gangahar:** In part of other OPEX as well?
- Vinod Bhandawat:** Yes.
- Anirudh Gangahar:** And how much would be the exchange gain this quarter?
- Vinod Bhandawat:** About Rs. 120-130 crores as far as I remember.
- Anirudh Gangahar:** The second question would be if you could let us know the revenue on a plant wise so the realization on a plant wise basis like you do the previous quarter and also the plant availability so that we know which part apart from Udupi also got impacted?
- Vinod Bhandawat:** Plant availability I would say Mundra is about 98%, Tiroda 98%, Kawai 100%, Udupi is 65%.
- Anirudh Gangahar:** So the only under recovery was from Udupi only as far as fixed cost under recovery is concerned?
- Vinod Bhandawat:** One is this is theoretical O&M availability, whereas bill availability has been lower in all the plants; with Mundra also we have been forced to restricted power supplies because of coal, same with Tiroda and Kawai also. So the billed availability has been largely 64%-65% only.
- Anirudh Gangahar:** In all the plants basically?
- Vinod Bhandawat:** Yes.
- Anirudh Gangahar:** If you can help us with the revenue of the plants if possible.
- Vinod Bhandawat:** Revenue in terms of value?
- Anirudh Gangahar:** Either the realization per unit or just the total revenue buildup.
- Vinod Bhandawat:** I will give you the PPA realization, for Mundra Rs. 3.40 / kWh, Tiroda is Rs. 3.66 /kWh, Kawai it is Rs. 3.52 / kWh and Udupi is Rs. 4.80 / kWh.
- Anirudh Gangahar:** The Mundra is just a PPA part and the merchant part was?



**Vinod Bhandawat:** The PPA merchant and Change in Law and shortfall in domestic coal for Haryana portion which we are getting now from Haryana.

**Anirudh Gangahar:** So this Rs. 3.4 / kWh excludes the 947 million units sold at Rs. 3.73 / kWh on merchant basis, right?

**Vinod Bhandawat:** Yes.

**Anirudh Gangahar:** The other question was on notes to account, Note 3 to the account itself in which there has been negative change in law this time around of Rs. 23.47 crores, what would the negative number be usually we will be only billing in compensatory tariff but negative number seems a little bit strange?

**Vinod Bhandawat:** There is some revision in the estimate of calculation. Right now there is no billing going on, just some accruing going on based on the previous MERC order and APTEL order. Now we are waiting for the final order to come out based on the Supreme Court order. Now during the quarter we revisited some estimation, so that has visited in a one-off kind of thing.

**Moderator:** The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

**Abhishek Puri:** Just wanted to check your PPA with the railways, has the supply commenced there?

**Vinod Bhandawat:** Yes it's going on for last 1.5 years.

**Abhishek Puri:** Any further PPAs that you have won in this quarter?

**Vinod Bhandawat:** No medium-term PPA.

**Abhishek Puri:** What is the remaining merchant capacity in these plants because I think your merchant sales has also declined in the current quarter?

**Vinod Bhandawat:** Merchant sales declined because we are allowed to sell pro rata to the availability declared under long-term PPA. Suppose if I have less availability on the PPA side then my merchant capacity also gets reduced accordingly. Otherwise I have untied capacity of 800 MW.

- Abhishek Puri:** Have you made any purchases from the open market this time?
- Vinod Bhandawat:** No, not really.
- Moderator:** The next question is from the line of Anirudh Gangahar from Nomura. Please go ahead.
- Anirudh Gangahar:** If you can help us with the coal consumed this quarter at various plants and the imported and domestic mix.
- Vinod Bhandawat:** APML total is 2.73 million tons, out of that imported is 0.41 MT, domestic 2.32 MT, APRL it is 0.53 MT imported, domestic is some small quantity. Total consumption is about 600,000 Tonnes, and in Mundra it is 3.07 MT which is all imported, and in UPCL it is about 0.59 million tons all imported.
- Anirudh Gangahar:** Any change from the September balance sheet as far as our debt outstanding is concerned, overall including the working capital debt?
- Vinod Bhandawat:** No significant change in the debt.
- Moderator:** We will take the next question from the line of Dhruv Muchhal from Motilal Oswal. Please go ahead.
- Dhruv Muchhal:** Any update or any fresh progress on the outlook for Mundra plant or discussion with the state governments or the bankers? The divestment of subsidiary is now done, so what should we look forward to?
- Vinod Bhandawat:** Still the discussions are on, so nothing is yet concluded. But discussions are still on and we are hopeful of positive outcome.
- Moderator:** We will take the next question from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.
- Girish Achhipalia:** Just wanted to have the gross debt numbers at the plant locations. If you can just help with the split please?
- Vinod Bhandawat:** Girish the numbers are largely the same, so there is no change because we have not taken any fresh borrowing with respect to what we disclosed in September. And normally we don't talk much about the balance sheet since

we don't publish it in Q3, but there is no significant movement in the debt as far as APL is concerned.

**Girish Achhipalia:** Debt repayment in FY18 and FY19 and what is leftover now like how much is debt repayment expected to be?

**Vinod Bhandawat:** The total debt repayment per quarter will be about Rs. 700 crores to 800 crores.

**Girish Achhipalia:** And how would be Mundra?

**Vinod Bhandawat:** Mundra is about Rs. 600 crores.

**Girish Achhipalia:** And next year would it be the similar run-rate.

**Vinod Bhandawat:** Same run-rate, yes.

**Girish Achhipalia:** Korba, when do you expect to kind of close the transaction?

**Vinod Bhandawat:** We will close it by March.

**Moderator:** As there are no further questions from the participants I now hand the conference over to Mr. Bhandawat for closing comments.

**Vinod Bhandawat:** I thank you all for joining our investor call and look forward to your joining the next Investor Call of Adani Power Limited.

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