



“Adani Power Limited Q4 FY16 Earnings Conference  
Call”

**May 03, 2016**



**MANAGEMENT: MR. VNEET JAAIN – CEO, ADANI POWER  
MR. AMEET DESAI – GROUP CFO ADANI GROUP  
MR. PRAVEEN KHANDELWAL – POWER GROUP CFO,  
ADANI POWER  
MR. VINOD BHANDAWAT – CFO, ADANI POWER  
LIMITED**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Adani Power FY16 Earnings Conference Call. We have with us today on the call Mr. Vneet Jaain – CEO, Adani Power, Mr. Ameet Desai – Group CFO Adani group, Mr. Praveen Khandelwal – Power Group CFO and Mr. Vinod Bhandawat – CFO for Adani Power. 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 for 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. Vinod Bhandawat. Thank you and over to you sir.

**Vinod Bhandawat:** Thank you very much and Good Evening Ladies and Gentlemen. Warm welcome to all of you for joining Adani Power’s Earning Announcement Call for Q4 and the Full Year Results for Financial Year-Ended March 2016. You would notice that the company has posted superior financial and operational performance during the quarter.

First of all, I would like to highlight on the Volumes and the Financial Results of full year 2015-16.

The consolidated total income for FY2016 increased by 29% to Rs. 25,400 crores versus Rs. 19,800 crores in FY2015. Consolidated EBITDA for FY2016 increased by 44% to Rs. 8,755 crores compared to Rs. 6,083 crores in FY2015. Consolidated net profit for FY16 is Rs. 488 crores.

The Summary of the Quarterly Performance is:

Consolidated total income for the quarter Rs. 7,456 crores with consolidated EBITDA for the quarter at Rs. 3,271 crores and net profit at Rs. 1,173 crores. The company sold 17.1 billion units during Q4 FY16 versus 12.1 billion units in Q4 FY15, up by 41%.

For the quarter wise split of the sold units in Mundra it is 7,576 million units, Tiroda 4,917 million units, Kawai 2,267 million units, UPCL 2,285 million units and balance residual is for Bitta solar plant.

PLF for the quarter on totality basis was 79% and split between the plant is Mundra 81%, Tiroda 72%, Kawai 83% and UPCL 92%.

The average sales during the quarter realization was Rs. 3.19 per kWh and the weighted average coal cost was 2.17 per kWh.

During the quarter we recognized our compensatory tariff of Rs. 1,376 crores out of which APL was 364 crores, APML was Rs. 214 crores and APRL was Rs. 798 crores. The explanation to the recognition of this has been adequately explained in the Notes to Results and I am not repeating the same. If you have any questions, I will be happy to answer them. CT claims for

APL not pertaining to the quarter is Rs. 188 crores and in APRL is Rs. 559 crores and the total CT not pertaining to the quarter is Rs. 747 crores.

The total Change in Laws recognizing during the quarter is Rs. 512 crores out of Rs. 251 crores pertaining to earlier quarter. The EBITDA during the quarter was 3271 crores as compared to Rs. 2027 crores in immediate preceding quarter and normalized EBITDA after removing the effect of the prior year quarter is Rs. 2273 crores which you noticed has improved from the previous quarter.

Finance cost in Q4 was Rs. 1547 crores compared to Rs. 1318 crores. Finance cost was higher due to onetime charge on account of option premium and fair valuation of interest swap derivatives.

The company has completed 5/25 scheme in the Adani Power Limited and all its subsidiaries. On a consolidated basis the external debt is 39400 crores and ICD debt of Rs. 6600 crores.

To augment the long term resources of the company, the company proposes to issues 52.30 million warrants to the promoters of the company on a preferential basis which could result in equity in flow of Rs. 1700 crores in the next 12 months. In the ensuing quarters, we are confident that with the improve domestic coal availability and resolution of tariff related matter consequent to the appellate order Adani Power would be able to deliver superior financial performance. I now handover to Shri Ameet Desai – our group CFO for strategic inputs.

**Ameet Desai:**

Thank you Vinod. Good evening Ladies and Gentleman. As Vinod explained, you would have previewed the results we have much superior financial performance for standalone in each company and therefore at the consolidated level.

Our operating parameters in terms of operating performance:

In terms of SHR and coal consumption and PLF have also recorded significant improvement. There are two other matters. One of it is touched upon by Vinod in his initial remarks which is the commitment shown by the promoters in terms of additional infusion of equity. Which as for the SEBI and decided formula would get infusion of about 1700 crores in to the company during the next 12 months and as most of you are aware consequent to the favorable order that we received from appellate tribunal, we are now in front of CERC in terms of getting the final number decided and crystallized in the form of an order from the CERC which is a time bound 90 days process and we expect to wrap that up therefore by 1<sup>st</sup> week of July 2016. With this remarks, I will hand it over to you for questions.

**Moderator:**

Thank you sir. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of Mr. Venkatesh Balasubramaniam from Citi. Please proceed.

- Venkatesh B:** Sir, my first question is just clarifying that the total compensative tariff is Rs. 1376 crores in the quarter. The Change in Law is Rs. 512 crores. Correct sir?
- Vinod Bhandawat:** Total for the quarter is Rs. 1376 crores.
- Venkatesh B:** And Change in Law is Rs. 512 crores. How much does it contain in 1225.90 crores for its prior period. I don't know if you shared out of the compensatory tariff. How much is the prior period did you share that could you repeat it?
- Vinod Bhandawat:** Yes, Change in Law is Rs. 512 crores. I said it is 788 in prior period.
- Venkatesh B:** 788 crores?
- Vinod Bhandawat:** Yeah.
- Venkatesh B:** Okay sir and is it possible to share what was the contracted tariff realization in current quarter and how much was for the merchant tariff regarding sir.
- Vinod Bhandawat:** Contracted I already shared in my remark 3.19.
- Venkatesh B:** And merchant was sir?
- Vinod Bhandawat:** And Merchant I just tell you, merchant was 3.69.
- Venkatesh B:** And is it possible to share merchant sales in the quarter per unit?
- Vinod Bhandawat:** 1523 million units.
- Venkatesh B:** Thank you very much sir. One last question, more of a strategic question. Now once the CERC comes out with this by July, whatever is the force majeure related compensation is it possible.
- Ameet Desai:** I mean theoretical possibility certainly exists but we believe that the legal aspect of the case being what it is in terms of its strength. The chances at individual level I will ascribe them to be lesser than the average chance. But I think it would be realm of speculation as a company to say anything. We are working with all the parties concerned to try and bring resolution to this issue.
- Moderator:** Thank you. The next question is from the line of Shirish Rane from IDFC. Please proceed.
- Shirish Rane:** Sir, just first a number question. How does this APRL compensatory tariff for 790 odd crores and you said 559 crores prior period and that is not pertaining to Q4. Am I correct?
- Vinod Bhandawat:** Yeah.

- Shirish Rane:** Okay sir. The second question is on this process of realizing compensatory tariff especially for APRL and APML because those were not part of the APTEL judgment. Once CERC quantifies the methodology and number for the Mundra plant PPA. How will this process for APML and APRL work? I mean what I am trying to understand is how long does it take before we can sort of see some resolution on those PPA work?
- Vinod Bhandawat:** Shirish, that position is like this. The CT matter you know has already been appealed by these respective Discom with APTEL okay. Now the facts of the case are similar, little bit may be different. Like for example in APRL, we have gone with same facts Indonesian Regulation. So this is the basis of our petition and short fall of domestic coal. So basically the facts are identical with respect to APL matter and since matter is already being heard by APTEL. We expect similar direction to be given to the respective RERC to decide the matter in line with the APTEL order which was given in Adani Power case. So this is the same basis and we are also disclosed this in our financial that we expect the outcome based on APTEL order of 7<sup>th</sup> April.
- Shirish Rane:** So from our timings stand point since it is already in APTEL if APTEL gives similar directive it will again work in similar 3 to 4 months' period you should expect to be?
- Vinod Bhandawat:** Yeah. You know that law is settled and consequently this should be closed in similar timelines.
- Shirish Rane:** Fair point sir. I understand. Just another clarification in Mundra when the first 1000 MW PPA where we have booked 2 and half billion Rupees of compensatory tariff. Is there any prior period item there as well?
- Vinod Bhandawat:** In Mundra, we have booked 245 crores. Okay. And this is particular for full financial year only.
- Shirish Rane:** So 4<sup>th</sup> Quarter will be how much sir?
- Vinod Bhandawat:** 4<sup>th</sup> Quarter will be about 51 crores.
- Shirish Rane:** Thanks. Fine sir. Last question is on Tiroda. There has been reports of water shortage at Tiroda because of very bad water situation in the state. So is there a likely hood of forced closer of the plant or we have got water released from upstream and we can run the plant. What is the status?
- Vinod Bhandawat:** No. We don't expect any short fall in the production because we are expecting Madhya Pradesh government to release water for the plant.
- Shirish Rane:** Okay. So it will get released?
- Vinod Bhandawat:** Yeah. We expect normal operation.

- Shirish Rane:** So there is not likely to be any shut down or forces shutdown?
- Vinod Bhandawat:** No. We don't expect as of now.
- Moderator:** The next question is from line Bhavin Vithlani from Axis Capital. Please proceed.
- Bhavin Vithlani:** My question is on the Mundra-I, where we have booked 245 crores of compensatory tariffs? If you could help me on the procedure elapse because I understand we have not approached the CERC for this. So what is the way forward? Would it be covered in current CERC judgment or we will have to apply a fresh for this?
- Vinod Bhandawat:** The petition already filed with CERC and hearing already commenced and we expect conclusion in in the light of the APTL order because the main matter is not settled. Now the main matter being settled, principle being settled, we expect you know similar decision where the facts of case is similar.
- Bhavin Vithlani:** So the upcoming judgment of CERC which is in July 2016 will also have something which respect to Mundra-I as well. Is this fair to understand?
- Vinod Bhandawat:** No. This is separate petition. There will be separate order for this for bid one. This is a separate petition and CERC will give a separate order. For this petition and they will decide the way forward. Petition was filed 2 years ago. See, we were not recognizing because we know we did not have clarity as to how CERC will proceed or APTEL will give a direction. Once we have APTEL direction we felt that there is no point in not recognizing this and in one bid we recognize and one we do not recognize then it becomes very difficult for the people to understand the numbers.
- Bhavin Vithlani:** My second question is with respect to if you could highlight was there any cash flows from the compensatory tariff or Change in Law booked during the quarter or for the year from either Tiroda or Rajasthan plant?
- Vinod Bhandawat:** Tiroda we are getting full Change in Law and as and when the bills are getting due and from GUVNL also for bid-2 and bid-3 we are getting and we are expecting bid-3 to be resolved in Haryana very soon and APRL also we have recently got all the Change in Law order and based on the petition and the billing has been done. We expect billing to be realized very soon because we have started billing and there is no dispute in Change in Law.
- Bhavin Vithlani:** Okay. Because I was observing the debtors have gone up substantially during the year. So how much of the debtors are increased due to normal billing and what part could be attributed to the compensatory tariff?
- Vinod Bhandawat:** I can give the numbers but the increase is only because of compensatory tariff. There is no other reason for increase in debtors.

- Bhavin Vithlani:** Okay. If you could help us understand what is the quantum of cash flows from APRL and APML from the compensatory tariff?
- Vinod Bhandawat:** Compensatory tariff cash flows are yet to commence. But for the Change in Law we are getting APML full we have standard getting and APL bid-1 and bid-2 we started getting Change in Law. In Haryana we are about to get the Change in Law matter settled. As I told you, APRL Change in Law although it came towards the end of the quarter which we have now recognized and based on that we expect cash flow to commence soon become, this has not been challenged and we have raised the invoice.
- Moderator:** Thank you. The next question is from the line of Abhishek Puri from Deutsche bank. Please proceed.
- Abhishek Puri:** Sir, couple of things firstly on the reason fuel cost declined if you can share that is it due to the mix change or is there a decline in prices and for the full year if you can give us the fuel consumption break up also for the plant wise?
- Vinod Bhandawat:** This is a combination of both the dropping prices and higher domestic coal and now what is the second question Abhishek?
- Abhishek Puri:** The consumption for fuel if you can provide the break up at the plant level?
- Vinod Bhandawat:** Can you take it offline because to take 4 plants, to give all the numbers on the call is very difficult. But offline we will whatever is the requirement you can send mail to our IR and we will definitely answer.
- Abhishek Puri:** On your debtors, is it fair to assume the entire Rs. 7200 crores which has been recognized as compensatory tariff is a part of that Rs. 9000 crores receivable?
- Vinod Bhandawat:** Yes, it is largely.
- Abhishek Puri:** That rest of the business does not have much of issues?
- Vinod Bhandawat:** No issues on regular debtors.
- Abhishek Puri:** Right. For UPCL, the Udupi plant you said past period is 456 crores.
- Vinod Bhandawat:** Yeah.
- Abhishek Puri:** So that is also part of receivable?
- Vinod Bhandawat:** Yes.
- Abhishek Puri:** I was looking at the other number on the UPCL. So Q4 profit is about 126 crores where as full year profit is 151 crores.

- Vinod Bhandawat:** Full year profit is what it is?
- Abhishek Puri:** As per one of the notes to account UPCL profit for Q4 is 126 crores and for full year FY16 is 151 crores. Rest of the quarters did not earn any profitability?
- Vinod Bhandawat:** No. We had profit in Q1 but then we had a plant shut down in Q2 then there we have losses so that got offsetted there. So in Q3 and Q4, these profits were recouped what we lost in Q2 & Q3. where in the availability drop then we suddenly have losses but after the availability again improves we could recover all the losses and we achieved the targeted budgeted numbers.
- Abhishek Puri:** Right. You also mentioned the interest rate there it is had one time fees. What is the number that Rs.65 crores which is given in the notes to account?
- Vinod Bhandawat:** This Rs.65 crores is for the full year. So the total effect of that is about Rs. 140 crores of derivatives. This is fair value of five-year interest rate swap in APML and compared to the earlier quarters, this is a loss. When suddenly the five-year swap went down to 1.5 to 1.2 and we have taken swap for the APML and loans so they are fair value done. Compare to earlier quarter we had a loss here.
- Abhishek Puri:** Now the entire FX debt is now restated at the current FX level.
- Vinod Bhandawat:** Yes.
- Abhishek Puri:** Sir, My last question is on the APTEL Tribunal order that came through one of the parts also mentioned that the FX depreciation will not be a part of force majeure and Change in Law. Would that effect the calculation of compensatory tariff in any way going forward.
- Vinod Bhandawat:** We have done a preliminary assessment there will be no effect on the amount that we have recognized. In fact, we are likely to get more. So we have done this calculation and FX is still not yet clarified. And this juncture we would not like to comment because the matter still being decided by the CERC.
- Abhishek Puri:** In your calculation you are assuming the FX also as pass through.
- Ameet Desai:** It would be fair for all of us to wait for the outcome of the CERC. At a conceptual level we can clarify that our own assessment of the situation is that we might end up definitely getting what we have recognized but I think at this stage it would be only good for us all of us to just wait at the next quarterly call of the earlier whenever we have the clear update, we would like to update you.
- Moderator:** Thank you. The next question is from the line of Anirudh Gangahar from Namura. Please proceed.
- Anirudh Gangahar:** First question of Change in Law 512 crores is it possible to get a split between the 3 plants.



- Vinod Bhandawat:** Yeah. APL it is 282 APML is 118 and balance is for APRL.
- Anirudh Gangahar:** Sir, out of the total debt that you have mentioned Rs. 39400 crores how much that would be the foreign currency denominated now?
- Vinod Bhandawat:** About 9700.
- Anirudh Gangahar:** Sir could you help us with the revenue and EBITDA for Udupi plant, it has not given this time. Generally in every call you let us know the revenue and EBITDA as well.
- Vinod Bhandawat:** Which period?
- Anirudh Gangahar:** 4<sup>th</sup> quarter sir.
- Vinod Bhandawat:** For the quarter revenue is 915 crores and EBITDA is 360 crores.
- Anirudh Gangahar:** Just noticing that two items in P&L, one is the employee cost down sharply this quarter as compared to the rest. Any write-back one this front sir?
- Vinod Bhandawat:** This is one-off only and largely because of valuation of gratuities and things like that on actuarial valuation. But it is a one-off only.
- Anirudh Gangahar:** And this time we have seen a tax write-back as well what would that pertain to sir?
- Vinod Bhandawat:** That pertains to deferred tax on the solar asset that we acquired and also increased between the book value as per the books and the income tax on the mark-to-market of FOREX impacting fixed assets.
- Anirudh Gangahar:** So it is largely related to part of your debt and part of solar that's the way it is.
- Vinod Bhandawat:** Yes.
- Moderator:** Thank you. Next question is from the line of Murtuza Arsiwalla from Kotak. Please proceed.
- Murtuza Arsiwalla:** Just wanted to get a sense if you could give us clarity on how much of compensatory tariff and Change in Law you booked during the quarter? Of which how much belongs to the previous year or previous quarter so what would be the normalized profit for this quarter and if you could give similar guidance for the full year numbers FY16 also?
- Vinod Bhandawat:** I have already answered this but you want further details we will give you offline.
- Murtuza Arsiwalla:** Alright.
- Moderator:** Thank you. Next question is a follow up from the line of Shirish Rane from IDFC. Please proceed.

- Shirish Rane:** Sir couple of questions first. What is this Korba West acquisition pending. What approvals are awaited before we can complete this thing.
- Ameet Desai:** I think we are waiting for the final government approval.
- Shirish Rane:** Okay. Any time line one can expect 3 months, 6 months.
- Ameet Desai:** We expect this in this quarter but I think we should not really count our chickens before they are hatched when it comes to government's permission.
- Shirish Rane:** Sir the second part was on solar bids has Adani Power bid for any solar plants after whatever we would get from Enterprises?
- Ameet Desai:** No.
- Shirish Rane:** No. So all what has got a bid in Enterprises nothing is in Power at all.
- Ameet Desai:** Absolutely.
- Shirish Rane:** And sir, one last bookkeeping question. What would be the debt in Udupi at this point as the end of March '16?
- Ameet Desai:** Rs. 3920 crores.
- Shirish Rane:** This is the total debt sir.
- Ameet Desai:** Yes.
- Moderator:** Thank you. Our next question is from line of Anirudh Gangahar from Namura. Please proceed.
- Anirudh Gangahar:** On the finance cost of Rs. 1540 crore what is the derivative gain or loss included in the same for this quarter?
- Ameet Desai:** 180 crores.
- Anirudh Gangahar:** This is the loss.
- Ameet Desai:** Yes.
- Anirudh Gangahar:** Okay. And sir there are two components right derivative and MTM. So this is the sum of both.
- Vinod Bhandawat:** Mark to market is only Rs. 30 crores.
- Anirudh Gangahar:** Okay. And sir secondly on employee cost as you mentioned there was one-off. Can you quantify?

- Vinod Bhandawat:** Basically regarding change of assumption for actual valuation on retirement liabilities of Rs.86 crores. Yeah.
- Anirudh Gangahar:** And sir finally other income also seems to be high any one-off there for this quarter?
- Vinod Bhandawat:** Other income largely as Rs. 88 crores interest from customers. One of the customer we are able to recover delayed payment surcharge.
- Anirudh Gangahar:** Rs. 88 crore.
- Moderator:** Thank you. The next question is from the line of Bharanidhar Vijayakumar from Spark Capital. Please proceed.
- Bharanidhar V:** Sir there has been some media reports about 690 MW of solar power project being developed in Tamil Nadu so just wanted to understand if this comes under Adani Power's balance sheet?
- Ameet Desai:** No this doesn't come under Adani Power.
- Bharanidhar V:** Okay. So which group identity is executing this sir?
- Ameet Desai:** It's a subsidiary below the Adani Enterprises.
- Moderator:** Thank you. As there are no further questions. I hand over the conference over to Mr. Vinod Bhandawat for closing comments. Over to you sir.
- Vinod Bhandawat:** Thanking you once again in participating in our Earnings Call and if any questions are unanswered and you need additional information you may contact our IR department. Looking forward to speak with you once again. Thank you.
- Moderator:** Thank you. Ladies and Gentlemen on behalf of Adani Power that conclude today's conference call. Thank you all for joining us and now you may disconnect your lines.