"Adani Power Limited Q4 &FY18-19 Conference Call"

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MANAGEMENT:	**MR. RAJAT KUMAR SINGH – CFO, ADANI POWER LIMITED** **MR. SURESH JAIN – CFO (INCOMING), ADANI POWER LIMITED** **MR. VIRENDRA KASLIWAL – HEAD (BUSINESS CONTROLLER)** **MR. RAJIV RUSTAGI – VICE PRESIDENT (FINANCE & ACCOUNTS), ADANI POWER LIMITED** **MR. ASHWIN BAJAJ – INVESTOR RELATION HEAD, ENERGY BUSINESS** **MR. NISHIT DAVE – GENERAL MANAGER, INVESTOR RELATIONS**

Moderator: Ladies and Gentlemen, Good day and welcome to the Adani Power Limited Q4& FY2018-19 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, 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. Rajat Kumar Singh – CFO of Adani Power. Thank you and over to you, sir.

Rajat Kumar Singh: Good afternoon everybody. Hello friends, good evening. Thanks for joining the earnings call of Adani Power Limited for Q4 and FY18-19. With me I also have Mr. Virendra Kasliwal who is Head of Business Controller, Mr. Rajiv Rustagi who is Head of Accounting for Adani Power and Mr. Ashwin Bajaj – Investor Relation Head for the Energy Business.

I also have the pleasure to introduce you to Mr. Suresh Jain who is taking over as a CFO of Adani Power Limited from me while I move to a Group-level position in Corporate Finance. Some of you may be familiar with Suresh, as he was the CFO of Essar Steel before joining the Adani Group, and prior to that he had a long career with Essar Oil and IOC. I am sure you will engage actively with Suresh going forward, and I wish him all the best.

Moving to our results,FY19 has been a year of steady improvement in operational and financial performance of Adani Power which is evidenced in our numbers. The revenue was Rs. 26,362 crores up 25%. EBITDA was Rs. 7,431 crores up 20%. This was on the back of PLF going from 55% last year to 64% in FY19 and total sales volume of 55.2 billion units, up 15%. The key factor driving PLF improvement was greater availability of domestic coal under fuel supply agreements.

Now moving on to operational performance, Average Plant Load Factor for the fourth quarter of FY19 more than doubled over the previous year to 79%, mainly driven by greater domestic coal availability. The PLF in Q4 FY19 for the plant individually was: Mundra 83%, Tiroda 85%, Kawai 76% and Udupi 47%. Average Billed Availability for Q4 FY19 also more than doubled to 91% over Q4 FY18. Billed availability for the plant individually was Mundra 92%, Tiroda 95%, Kawai 91% & Udupi 87%.

Net units sold, in aggregate, were 16.6 billion unit in Q4 FY19 and 55.2 billion units for the fiscal year ended 31st March, 2019. Plant wise sales in term of net unit sold for Q4 FY19 was 7.6 billion units from Mundra, 5.7 billion units from Tiroda, 2.1 billion units from Kawai and 1.2 billion units from Udupi.

Auxiliary consumption improved to 5.95% for Q4 FY19 versus 6.13% during Q4 FY18 due to higher volumes in all plants.

We will now move forward to the financial performance for the quarter. Total revenues for the fourth quarter of FY19 were higher by 94% at Rs. 8,078 crores on account of greater volumes and better realizations, primarily owing to the Mundra PPA amendment. Average PPA sales realization for the fourth quarter of FY19 excluding prior period change in law receipts was Rs. 3.84 per unit. The Q4 FY18 figure was Rs. 3.77 per unit.

Composite merchant and medium-term rate realized during the quarter was Rs. 4.4 per unit with a volume of 1.05 billion units, as compared to Rs. 4.69 per unit during the fourth quarter of FY18 with merchant volume of 259 million units. Weighted average fuel cost for Q4 FY19 was Rs. 3.11 per unit, while it was Rs. 2.71 per unit for Q4 FY18. The year-on-year basis increase was mainly due to increase in landed price of imported coal, including the foreign exchange impact.

Now moving onto revenue recognition, during the quarter we recognized Rs. 2,785 crores as additional revenues on account of Change in Law claim pertaining to FY19 as well as the earlier years. Of these Rs. 353 crores was in Mundra mainly towards carrying cost, Rs. 2,365 crores was in Tiroda towards domestic coal shortfall and carrying cost, and Rs. 67 crores was in Kawai towards duties and taxes.

Apart from this in Q4 FY19 we derecognized Rs. (-) 1,650 crores of claims recognized as revenues, including compensatory tariff claims for the Lohara coal block matter in Tiroda, where APTEL order is still awaited.

Consolidated EBITDA for the quarter was 39% higher over last year at Rs. 1,964 crores. EBITDA for FY19 was 20% higher at 7.431 crores.

Now moving on to finance cost, finance charges for Q4 FY19 were almost flat at Rs. 1,357 crores over Q4 FY18. For FY19 the finance charges was slightly higher due to higher unsecured debt utilization during the year and unfavorable FOREX movement.

Now moving on to the Balance Sheet, consolidated external debt excluding working capital and NCDs as at 31st March, 2019 is Rs. 35,078 crores approximately. The project debt on APL standalone book is Rs. 232 crores, on APMUL that is Mundra book it is 10,923 crores, on APML books it is Rs. 10,616 crores, on APRL it is Rs. 5,587 crores and on UPCL books it is Rs. 3,213 crores.

The past few months have seen various landmark developments in the power sector regulatory field, including the Hon'ble CERC's approval for the Supplementary PPAs signed by us with GUVNL on the line of High Power Committee's Report. The approval makes the amendment effective and we have started billing the Gujarat Discoms with revised tariff with effect from 15th October, 2018 based on the pass-through mechanism for imported coal price. We have also started supplying power under the additional capacity of 434 megawatt that has been tied up under the supplementary PPAs.

This is a significant positive development. and goes a long way in restoring the economic viability of the Mundra Power Plant while supplying power to consumers at competitive rates. Similarly, Carrying Costs are now allowed as claims under the change in law clauses as per various orders of the Hon'ble Supreme Court and the Maharashtra Electricity Regulatory Commission, given in relation to our petitions and appeals. With this development, we expect to see an improved cash flow profile with a higher degree of certainty which will enhance the financial stability of the Company. We are quite confident of delivering better operational performance in the coming year on the back of these developments.

I would now like to open the floor for Q&A.

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. Please go ahead.

Mohit Kumar: Sir I have two questions primarily sir on the I can just repeat the numbers especially for prior quarter numbers which you have booked in Q4 FY19 and out of the other income of 1,356 crores how much is the carrying cost for the past quarters?

Rajiv Rustagi: The additional income recognized on account of the carrying cost during the quarter including the prior period was Rs. 1,198 crores in the quarter.

Mohit Kumar: 1,198 crores, this is for the prior period am I right sir?

Rajiv Rustagi: Not entirely prior period, but most of it is prior period.

Mohit Kumar: On the top line how much is booked for the prior period and how much you derecognized, can you just put those number in perspective because you want to get the clarity on the recurring profit for Q1 FY20 I want some sense?

Rajiv Rustagi: The total income including derecognition pertaining to the previous quarters is Rs. 1,270 crores.

Mohit Kumar: 1,270 crores and this is all on account of Lohara coal block am I right?

Rajat Kumar Singh: Largely for Lohara Coal block.

Mohit Kumar: Anything which you booked on positive side for apart from Mundra I get the number of 313 crores am I right?

Rajiv Rustagi: On account of Mundra we have recognized Rs. 711 Crore as the revenue on account of the Supplementary PPAs which we have entered with GUVNL, of which Rs. 300 crores approximately is pertaining to the previous quarters and remaining Rs. 400 crores is on account of the current quarter.

Mohit Kumar: Is there anything else sir on the topline which you booked for prior period for the quarter? Sir negative is 1,270 for this quarter am I right?

Rajiv Rustagi: Yes, it is pertaining to previous quarter.

Rajat Kumar Singh: This is pertaining to the previous quarters, which has been derecognized during this quarter. Considering the previous quarter bookings as well as the de-recognition, the net is minus 1,270.

Mohit Kumar: Is it possible for you to share this subsidiary wise revenue, EBITDA and profit number for the quarter and for the full year?

Rajat Kumar Singh: For the quarter revenue for Mundra. including other income is Rs. 6,017 crores, and for APL from Bitta Solar it is Rs. 31 crores, Tiroda is Rs. 2,488 crores, Kawai is Rs. 1,162 crores, Udupi is Rs. 792 crores. So, total for the quarter is Rs. 8,078 crores. For the entire year Mundra is Rs. 12,252 crores. Bitta Solar is Rs. 112 crores, Rs. 10,097 crores is for Tiroda, Rs. 4,145 crores for Kawai and Udupi is Rs. 3,511 crores. The consolidated total revenue is Rs. 26,362 crores. In terms of EBITDA for the quarter Mundra is Rs. 2,726 crores, Solar is Rs. 27 crores, Tiroda is Rs. (-) 1,130 Crore essentially because of the de-recognition, Kawai Rs. 340 Crore, Udupi is Rs. 148 Crore, so total is Rs. 1,964 Crore. For the entire year Mundra is Rs. 2,458 Crore, Bitta Solar is Rs. 105 crores, Tiroda is Rs. 2,704 crores, Kawai is Rs. 1,328 crores, and Udupi is Rs. 993 crores, so total consolidated EBITDA is Rs. 7,431 crores.

Mohit Kumar: Is it possible to share the PAT numbers?

Rajat Kumar Singh: PAT number for the quarter, again Mundra is Rs. 1,848 crores, Bitta Solar is Rs. 13 crores, Tiroda Rs. (-) 1,087 crores Kawai Rs. 66 Crores, Udupi Rs. (-) 40 Crores,, and consolidated PAT is Rs. 635 crores. On full year basis, Mundra is Rs. (-) 1,044 crores, Bitta Solar is Rs. 48 Crore, Tiroda Rs. 193 Crores, Kawai Rs. 80 Crores, Udupi Rs. 126 Crores, and consolidated PAT for the year was Rs. (-) 984 Crores.

Mohit Kumar: Sir my last question sir when do you expect the Korba West to close and to come to so that we start doing revenues in our P&L?

Rajat Kumar Singh: For Korba presently, the Committee Of Creditors has approved our resolution plan, which had been filed with the NCLT Ahmedabad in the month of April itself, but for last one month it has been on vacation. They are expected to reopen in the first week of June. Two hearings on the Plan already had happened, but the third hearing has been scheduled on 6th of June. Assuming that the matter gets approved in the month of June, we would be able to commence operations only towards the last quarter of this financial year, because we would need around 6 to 7 months to get the equipment back, complete all the pending works and then start it.

Moderator: The next question is from the line of Nirav Shah from Gee Cee Investments. Please go ahead.

Nirav Shah: So, just one question on the Mundra front, post the Supreme Court order you started accounting for the pass-through of fuel from 15th of October, so has the 15th October to 31st December recovery of those fuel cost been accounted in Q4?

Rajat Kumar Singh: Yes this has been accounted in Q4.

Nirav Shah: Now there is zero under recovery I mean so Q4 so what is the component of that I mean if you can give the breakup?

Rajat Kumar Singh: It is very simple. As per the PPA which has been approved by CERC, which is in line with HPC recommendation, the fuel cost becomes full pass through subject to an HBA Index cap of $110 per ton which gets reviewed every five years. Similarly FOREX also is fully pass through, based on SBI TT rates prevailing 15 days before it. So, the entire fuel cost for all practical purpose is a full pass through. In terms of tariff, it will depend on what HBA Index is prevailing at that point of time. We have already taken a positive impact of Rs. 711 crores, which includes the impact for the quarter as well as for the previous quarter from 15th of October. Apart from this fuel cost pass through, we have to give a 20 paisa per unit discount in the Capacity Charge and minimum 5 paisa discount towards share in the mining profit.

Nirav Shah: And sir second question is can you just share plant wise working capital debt that we have outstanding as of March?

Rajat Kumar Singh: APL the holding company, working capital outstanding for 31st March, 2019 is Rs. 120 crores, APMUL Rs. 1758 crores, APML Rs. 2,411 crore, APRL Rs. 1,177 crores and UPCL Rs. 986 crores, so a total of Rs. 6,452 crores.

Nirav Shah: And the total promoter debt outstanding is?

Rajat Kumar Singh: We have a ICDs as promoter debt of Rs. 4,627 crores and on top of that we have Rs. 8,000 crores as perpetual security, basically the ICDs which were converted to perpetual security.

Nirav Shah: So, total is 12,000 crores including ICD in perpetual?

Rajat Kumar Singh: That is right Rs.

Rajat Kumar Singh: 12,627 Crores.

Moderator: The next question is from Shirish Rane from IDFC. Please go ahead.

Mohit Kumar: Is this 434 megawatt supply has started from the first of April or was it started somewhere during the last quarter?

Rajat Kumar Singh: We started the supply immediately after the CERC order , which came on 12th April.

Shirish Rane: Is there any discussion with Haryana now for revisiting that I think there is some discussion?

Rajat Kumar Singh: We already have ongoing discussions with Haryana and they have to complete certain internal processes first. As you are aware the impact in Haryana is not that significant, because only 30% of Haryana PPA is affected by imported coal price hike, and the balance is essentially based on domestic coal. In case of Gujarat we had two PPAs 1,000 megawatt each, and then further 434 megawatt has to be supplied as per the HPC report. In case of Haryana the capacity for fuel cost pass through is close to 400 megawatts. If you consider the the impact on an overall basis, out of 100%, the 83% to 84% is borne by Gujarat and approximately 13% is to be borne by Haryana. We are continuing to discuss this with Haryana. We are hoping to resolve and signed the revised PPA with them at the earliest, but we are unable to put any specific date at this point in time.

Shirish Rane: Sir last question this is Lohara coal block where I think our case is too strong why it is taking so much time, do you think the store get hard completely in this fiscal year?

Rajat Kumar Singh: The Lohara coal block matter is at APTEL level and we are hoping that during at least this financial year it should get sorted, but at the same time we have reversed certain income which we had booked earlier, just to be on a conservative side. I think it should get resolved during this quarter, because the principle of compensatory tariff already has been recognized by many regulators including MERC, APTEL, and the Supreme Court. So, I think gradually all the positive orders are coming. You have seen already in case of APML that all the prior period orders have already come, and the only order remaining is the Lohara matter. We believe the principle here also remains same, so we should expect the order anytime during this financial year.

Shirish Rane: Sir has the payment from Gujarat started based on the new CERC orders?

Rajat Kumar Singh: Yes of course. In fact when we raise the bill for the prior period also post the CERC Order, but for the prior period also they have paid more than 50% and the ongoing billing is based on revised tariff only. So, that payment is ongoing.

Moderator: As there are no further questions, I would like to hand the conference back to the management team for any closing comments.

Rajat Kumar Singh: As you would have already seen most of the issues that Adani Power faced, especially the Mundra issue, are being resolved, The Mundra issue has been fully sorted except for the Haryana PPA, which we expect to be resolved during this financial year. Of course the incremental impact will be limited. Similarly, as per Adani Power Maharashtra is concerned as you have seen all the regulatory orders are in place, except for the Lohara coal block de-allocation related order, which we expect to be resolved during this financial year. Significant amount of payment for the prior period regulatory orders also has been received during the last financial year, and the management is confident that we will realize the balance payment for the orders which has been received during this financial year as well. As far as Kawai is concerned. you are aware the Rajasthan DISCOMs have already paid 50% for the NCDP claim and balance 50% the matter is at APTEL level. we believe this also will be resolved during this financial year. As far as Udupi is concerned it is a cost plus tariff, so of course there is no issue. So, I think we are on a journey now that is relatively smooth. The focus is going to be definitely in terms of higher availability, while PLF is a function of actual demand. Also, as far as financing cost is concerned, we believe going forward, because of various fundamental improvements, the Company's ratings should improve and we would be able to negotiate a better interest rate with our bankers. So, the focus during this financial year on the operating side is essentially billed availability of the plant, and on the financing side how to improve the working capital utilization as well as interest cost reduction. So, that will be our objective as a team from Adani Power Limited, and with that I would like to thank all of you for joining this quarterly conference call. Thank you very much.

Moderator: Thank you very much. On behalf of Adani Power Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.