



"Adani Power Limited
Q3 FY'24 Earnings Conference Call"
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MODERATOR: **MR. MOHIT KUMAR -- ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Adani Power Limited Q3 FY '24 Earnings Conference Call hosted by ICICI Securities Limited. Participants, please note this call is only for analysts and investors, and no media will be allowed to join the 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Kumar from ICICI Securities. Thank you, and over to you, sir.

Mohit Kumar: Thank you, Neerav. Good evening, everyone. On behalf of ICICI Securities, we are pleased to welcome you all to the Q3 FY '24 Earnings Call for Adani Power Limited. Today, we are privileged to join with the management team, Mr. S B Khyalia, CEO; Mr. Shailesh Sawa, CFO; and Mr. Nishit Dave, AVP - Investor Relations. We will start with brief opening remarks, which will be followed by Q&A. Over to you, sir.

S B Khyalia: Dear friends, good evening, and welcome to the Third Quarter Financial Year '24 Earnings Call of Adani Power Limited. As you all know, the Indian power market is growing steadily and strongly in step with the world-leading economic growth witnessed after 2020.

Power demand in this fiscal year has grown by 7.6% year-on-year till December. Thermal power PLFs have also improved and there is a growing realization that coal-fired power plants are a reliable and important part of our energy mix.

This favourable situation is also reflected in Adani Power's operating performance for the recently concluded quarter and 9-month period. Most of our PPA-based capacity, including import coal-based capacity as well as merchant capacity has achieved higher PLFs. In addition to this, the Godda power plant has ramped up its operations quite satisfactorily and established its position firmly in the Bangladesh power mix.

Similarly, the Company has also delivered stellar financial performance during Quarter 3 of FY '24, with higher sales volumes and the benefit of lower imported fuel prices. We have maintained high levels of plant availability, which is crucial for recovery of capacity charges and maintaining stable profitability.

Our regulatory issues have now been almost fully resolved and we now have adequate fuel cost recovery under PPAs. Steps taken by the government of India to encourage DISCOMs to make payments on time have worked and improved our cash flow.

The Mahan Power plant, which was acquired by us in Quarter 4 of 2022 has turned its fortunes around quickly and started posting profits by benefiting from our expertise in power sales management, fuel sourcing, and power plant operations.

We have repaid the entire outstanding sustainable debt of Mahan Energen Ltd. Similarly, we have also prepaid other secured and unsecured debt of APL from its cash flows and made the balance sheet lighter. Our capacity expansion program is well underway, and the 1,600-megawatt Mahan Phase II Ultra-supercritical power project is fully on track. We are also moving closer to the acquisition of Coastal Energen under a consortium arrangement, for which, we have received a letter of intent from its Resolution Professional.

On the operations side, we have undertaken an initiative for digital transformation of the business. We are building digitalization and analytics into all aspects of our organization's functioning, especially in power plant operations. Our Analytics Center of Excellence has identified more than 90 projects, which are being developed, tested, and implemented for more efficient, predictable, and safe operations along with better analytical and decision-making tools.

Coming to responsible and sustainable operations, our power plants continue to perform admirably by operating well under statutory limits for specific water consumption and CO₂ emissions. We have recently published APL's 9th ESG report following GRI standards, which details our efforts and achievements on various fronts.

In a nutshell, we are building a more agile, responsive, and sustainable enterprise for the future. The issues and challenges that we faced earlier are well behind us and we look forward to generating sustainable value for our stakeholders in the coming years, which are full of growth opportunities.

With this, I would now like to hand the call over to Mr. Shailesh Sawa, our CFO. Over to you, Shailesh.

Shailesh Sawa;

Thank you, Khyalia Sb and good evening, friends. The CEO has already given you a broad overview of APL's performance during the recently completed quarter. I will provide you with some more insights into it. I hope you have downloaded the analyst presentation for the quarter, which has been published on the stock exchanges and our website.

APL achieved a PLF of 68.6% and sales volume of 21.5 billion units for Q3 FY '24 on a consolidated basis as compared to 42.1% and 11.8 billion units, respectively, in Q3 FY '23. The figures for FY '24 include operating and financial performance

of the incremental capacity of 1,600 MW of the Godda power plant, which has come online in Q1 of the current financial year.

On a year-to-date basis, APL achieved PLF of 62.4% and power sales of 57.1 billion units till 31st December 2023 in comparison to 46.6% and 39.1 billion units in the first 9 months of FY '23.

Apart from the incremental addition from the Godda power plant, higher volumes were also contributed by the Mundra, Udupi, Raipur, and Mahan plants. A reduction in prices of imported coal has helped improve the offtake of power from Mundra and Udupi plants.

APL's merchant capacity enjoyed a strong logistics cost advantage because of being located close to the main coal belts of India. This allows us to gain the maximum benefit from the current surge in power demand.

As mentioned by the CEO, our plants have posted high uptime on a consistent basis which allows us to claim full capacity charges under PPAs and helps us generate a very stable core EBITDA.

Now coming to the financial performance, as you may be aware, our financial results in the past used to incorporate prior period revenue items, which were recognized due to regulatory orders for recovery of alternative fuel costs, carrying costs, and late payment surcharge from DISCOMs.

However, in order to give you a clear understanding of our quarter-on-quarter performance, I'll present an analysis of recurring revenues and EBITDA. On a recurring or continuous basis, the total consolidated revenue of APL for Q3 FY '24 grew by 72% to INR13,405 crores with an 82% growth in sales volumes. The apparent reduction in realized tariffs is primarily due to lower prices of imported and alternate coal, which reflect in the energy charges under PPAs. On the other hand, merchant tariffs realized during the quarter improved significantly, as we have detailed in our analyst presentation.

The fuel cost for Q3 FY '24 increased by only 36% over Q3 FY '23 due to lower fuel prices. This resulted in a strong growth of 242% in our recurring EBITDA to INR5,059 crores in Q3 FY '24 as compared to INR1,479 crores in Q3 of the previous year.

For the 9-month period, continuing revenue increased by 40% to INR37,173 crores in FY '24 with a volume growth of 46% as compared to the corresponding period of FY '23. Tariffs under PPAs and from merchant sales moved in a similar way to the quarterly change. Similarly, for the 9-month period of FY '24 also, continuing EBITDA was higher by 118% at INR13,516 crores, driven by a strong growth in

revenues and a reduction in import fuel prices that was witnessed over the current year. In comparison, continuing EBITDA was INR6,210 crores for the corresponding period of FY '23.

EBITDA as reported, inclusive of prior period adjustment has grown by 151% to INR5,009 crores for Q3 FY '24 as compared to INR1,996 crores for Q3 FY '23. For the 9-month period of FY '24, reported EBITDA has grown by 92% to INR22,743 crores as compared to INR11,851 crores in the comparable period of FY '23.

We have utilized the cash flows from operations, including the recoveries of past dues from DISCOMs very judiciously to reduce debt through prepayments. We have recently prepaid the remaining outstanding senior debt of Mahan Energen Limited.

As a result, the finance cost for Q3 FY '24 reduced by nearly 16% to INR797 crores versus INR946 crores in Q3 FY '23 after considering the incremental borrowing for the Godda power plant. For the 9-month period, finance cost was broadly similar to the corresponding period of FY '23, being INR2,568 crores versus INR2,588 crores.

At both standalone and consolidated level, our leverage and debt service indicators are now very healthy, reflecting a strong creditworthiness, setting the path to improve returns and creating growth headroom.

On a continuing basis, profit before tax for Q3 FY '24 was a strong INR3,261 crores in comparison to a loss of INR305 crores for Q3 FY '23. After considering one-time items, the reported PBT for Q3 FY '24 was INR3,210 crores as compared to INR212 crores for Q3 FY '23.

Similarly, continuing PBT for the first 9 months of FY '24 was INR8,006 crores as compared to INR1,136 crores for the 9 months period of FY '23. After considering one-time items, the reported PBT was INR17,234 crores versus INR6,777 crores for the two periods, respectively.

Profit After Tax for Q3 FY '24 was reported at INR2,738 crores as compared to INR9 crores for Q3 FY '23. For the first 9 months of FY '24, the PAT was INR18,092 crores after considering deferred tax credit of INR858 crores as compared to PAT of INR5,484 crores for 9 months of FY '23.

As you can see, Adani Power now generates strong profitability and cash flows on the back of gainful deployment of our high-quality assets and operational excellence. It is our endeavour to continue to deliver the company's full potential and create maximum value for our stakeholders.

Lastly, before I hand over the call to the moderator for your questions, I would like to share a personal update. Effective April 1, 2024, I will be transitioning to a new role at Group level in Group Regulatory Engagement function as part of a leadership development initiative that is in progress across Adani portfolio companies. I will be handing over the position of APL CFO to Mr. Dilip Jha, who is currently Finance Head of the Integrated Resources Management vertical of Adani Enterprise Limited. Mr. Jha has deep and varied experience in the finance field and has been associated with Adani since 2010. I'm sure you will enjoy interacting with him as well. Thank you.

And now over to you, moderator, for Q&A. Thank you.

Moderator: Thank you very much. The first question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Yes, good evening. Many congratulations for a fabulous set of numbers. Sir, a few questions. Firstly, has there been any repayment of unsecured perpetual securities during Q3? I mean, Q2, the balance was INR9,180 crores, and we are seeing INR1,000 crores deleveraging approximately on a sequential basis against our EBITDA of roughly INR5,000 crores. So I just want to understand any repayment of perpetual securities that has happened during the quarter?

Shailesh Sawa: Yes. You will ask the second question or I should respond now?

Nirav Shah: I think we can take it, yes.

Shailesh Sawa: Thank you for your compliments. Yes, perpetual outstanding now today is INR7,435 crores.

Nirav Shah: INR7,435 crores?

Shailesh Sawa: Yes, INR7,435 crores. The difference is what has been paid out of the surplus cash flows.

I must also clarify that, we have perpetual securities, we have unsecured support received from the Group, and long-term debt. We have three baskets of the debt. We have used cash flows judiciously to keep it balanced. We have retired and prepaid secured debt as well, unsecured debt and part of the perpetual security also.

Nirav Shah: Got it. So the actual cash outgo to -- on account of perpetual will be slightly more because there have been an interest component, which will be added? This is you're talking about the principal outstanding.

- Shailesh Sawa:** This includes the principal and approximately INR2,000 crores that has been paid and includes the yield on that.
- Nirav Shah:** Okay. So total is INR2,000 plus the INR1,700-odd crores?
- Shailesh Sawa:** Total both together is INR2,000 crores plus, little above INR2,000 crores, all inclusive.
- Nirav Shah:** All inclusive. Makes sense. And sir, what's the EBITDA for the first nine months for Godda and Mahan? Revenue EBITDA and PAT, if you can just disclose it separately?
- Shailesh Sawa:** Actually, we don't give these numbers separately. We have given the consolidated numbers. So that number I've just read out to you for your information.
- Nirav Shah:** Got it. And sir, I mean, any update on Amarkantak? I mean, where is the process right now?
- Shailesh Sawa:** Nothing right now. The COC has not taken any view on this as of now. So the process is currently on, and we cannot comment on the outcome and the timelines.
- Moderator:** The next question is from the line of Nikhil Abhyankar from ICICI Securities.
- Nikhil Abhyankar:** India is going through kind of a thermal capacity addition, even the government is asking everyone to add thermal capacity. Sir, basically, are we rejigging our plans to add thermal capacity in the long run?
- S B Khyalia:** Actually, last time, we already gave a target that currently we have a capacity of 15,250 megawatt and we have the plan to take it to 21,150 megawatts or so. So as of now, we have approximately 6,000-megawatt capacity addition plan that we have already shared.
- Nikhil Abhyankar:** Sir, this is purely greenfield or does it also include acquisitions?
- Shailesh Sawa:** This includes 1.1 gigawatt of acquisitions also which we thought probably could be in the offing.
- S B Khyalia:** It is both. Actually greenfield or brownfield as well as it may interchange also if one is not materializing, it may include the acquisition or some acquisition is not getting materialized, so we may add new capacity also.
- Shailesh Sawa:** So that is the target capacity as we speak.

Nikhil Abhyankar: Understood. And sir, regarding Mahan II, so what is the status of the project as in, has the EPC tender been finalized? And can you just share an update on that as well?

Shailesh Sawa: Yes. This is being implemented and the project implementation is in full swing. Some packages have been ordered and some more are in the process of being ordered. It is not on EPC philosophy, they're on split package concept basis. BTG has been already ordered with BHEL and the rest is on the way of being placed.

Nikhil Abhyankar: Understood. And sir, does this quarter's income include any past period adjustments?

Shailesh Sawa: Insignificant. Not much.

Nikhil Abhyankar: Okay. Sure, sir. I've got further more questions but I'll get back in the queue.

Shailesh Sawa: Thank you.

Moderator: The next question is from the line of Koundinya from Jefferies India. Please go ahead.

Koundinya: Hi, sir. Thanks for the opportunity. Sir, just a couple of questions. So firstly, on the capacity expansion plans. Outside Mahan II, can you help us understand what are the projects where you're looking at greenfield expansions? I'm not speaking about the acquisition part, but the greenfield or brownfield expansions which you may want to look at?

Shailesh Sawa: Our existing facilities have a potential to expand. So other than Godda, we have other plants where we can think of expanding. While Mahan's Phase II expansion is taking place, maybe at Mahan or Raigarh, we can add another 3.2 gigawatt of capacity. So if you look at what has been disclosed by us is about of 4.8 gigawatt of brownfield expansions. This could be at any of our locations. Mahan II is already underway and maybe at Raigarh, maybe at Mahan, again, we can have a Phase III as well there.

Koundinya: Understood, sir.

Shailesh Sawa: Brownfield what we are targeting is 4.8 gigawatts.

Koundinya: Understood, sir. And sir, on the acquisition side, you said Amarkantak which discussions are underway. But other than that, do you see any projects which are worth looking at or which -- I mean, where we will have certainty of PPA or FSA being tied up or any other assets in the pipeline which you think or what you need or even if you count or if you don't want to name the assets, what is the kind of

pipeline at an aggregate level that is existing already, if you can help us understand that, please?

Shailesh Sawa: You would have read our announcement about Coastal Energen Pvt. Ltd. The COC has given us the Lol and now it has to go through the NCLT process. So that is something which is definitely in the sights.

Koundinya: Understood, sir. Thank you very much and all the best.

Shailesh Sawa: Thank you.

Moderator: Thank you. Next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Yes, sir. Thanks for the follow up. So just one question. On our rating upgrade efforts, any update on that, when can we expect or any update on our efforts on the rating update?

Shailesh Sawa: You will have to wait for some time for that.

Nirav Shah: Okay, sir. Thank you.

Moderator: Thank you. Next question is from the line of Haresh from SVS Securities. Please go ahead.

Haresh: Hello. Good evening. Congratulations on a great set of numbers. Sir, can you just give a highlight -- I mean, just for the coming quarter, how much interest expense we are expecting to reduce? And can you just throw a light on the fuel cost for the coming quarters, please? Thank you.

Shailesh Sawa: As far as interest is concerned, now we are having a senior debt of about INR25,000 crores, which also takes into account the debt from Godda project, the interest on which was getting capitalized till the commissioning time. Now post the commissioning, that interest is getting added. So on the INR25,000 crores, we will have to incur the interest on that. There is no significant unsecured debt that is outstanding. Plus you can add about INR5,000 crores of working capital. So on INR30,000 crores, 9% give or take.

Haresh: Okay. Can you throw light on fuel cost for the coming quarters?

Shailesh Sawa: It will depend on how index moves. All the imported coal indices have settled now. They have come down significantly from last year's level. We'll not be able to comment on that. But in our view, prices have stabilized now. I think they will remain at steady levels. We don't see any further increase in the fuel cost.

- Moderator:** Next question is from the line of Aryan from Mehta Equities.
- Aryan:** Yes. First of all, congrats on a good set of numbers. I wanted to ask that as the things is being asked already, are there going forward, any debt reduction plans as of now, could you throw some light on it, please?
- Shailesh Sawa:** Thank you. See, in last 12 months or so, we have demonstrated as to how the surplus cash flow has been judiciously used by us in terms of reducing debt on our balance sheet. We have prepaid in Mahan Energen the entire debt for the Phase 1 project, which was acquired by us through the NCLT process, it is debt-free now. Although there's no written policy, but as and when surplus cash flow is there, we'll definitely look to reduce the high-cost borrowing. That is something we keep monitoring and take a decision as the need arises.
- S B Khyalia:** In terms of per megawatt debt, it is less than INR2 crores per megawatt, which is the best in the industry.
- Shailesh Sawa:** If I can be very precise, INR1.65 crores per megawatt is our senior debt now.
- Aryan:** Right. And I meant to ask that going forward, like our margins are improving subsequently. So moving forward, what can be seen towards the margins, PAT margins like to what extent can we see the rise in it?
- Shailesh Sawa:** I don't think we'll be able to give you any forward-looking guidance on this.
- Aryan:** Okay. Right. And this is sustainable as of now, what we have achieved?
- Shailesh Sawa:** Right.
- Moderator:** The next follow-up question is from the line of Nikhil Abhyankar from ICICI Securities.
- Nikhil Abhyankar:** Just a couple of questions. Sir, how are we meeting our coal requirement for Godda? Are we importing it or is it through e-auctions?
- Shailesh Sawa:** It is a mix of both. We are importing as well as using e-auctions.
- Nikhil Abhyankar:** And sir, what are the prices in e-auctions right now?
- S B Khyalia:** Something around INR3.5 per unit.
- Nikhil Abhyankar:** INR3.5. Okay. And a clarification on how much debt you have repaid in this quarter, sir, can you just give a split between how much of it was secured, unsecured and perpetual?

- Shailesh Sawa:** Yes. We have paid INR809 crores in Q3 FY '24 of the senior debt and INR2,000 crores of perpetual including yield on that. In January '24 also we have prepaid INR250 crores.
- Nikhil Abhyankar:** Understood. Okay. And sir, can you give us the quantum of merchant sales plant-wise?
- Shailesh Sawa:** No, that will not be possible.
- Nikhil Abhyankar:** Okay. And sir, just a final one. What will be the capex requirement for FY '24-25? And we are also in talks to acquire Coastal Energen. So what will be the total consideration for it and will it require any more capex?
- Shailesh Sawa:** Yes, consideration for Coastal Energen is around INR3,450 crores. That is our bid to COC, which has been accepted.
- Nikhil Abhyankar:** Okay. And will it require additional capex?
- S B Khyalia:** Maybe very small amount, not really a big amount because the plant is well maintained and in operational condition.
- Nikhil Abhyankar:** Okay. So should we -- after acquisition, will it be up and running from day 1 as...
- S B Khyalia:** It is already running. You must be seeing, both units are generating power and supplying it.
- Moderator:** As there are no further questions, I will now hand the conference over to the management for closing comments.
- Shailesh Sawa:** Thank you, friends. Appreciate your interest in Adani Power Limited. And in case you have any follow-up questions, Nishit and team, and myself will be happy to respond to your queries. Thank you so very much. Thank you.
- Moderator:** Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.
- Shailesh Sawa:** Thank you.