Adani Power Limited Q4 FY 19-20 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Power Limited Q4 FY 19-20 Earnings Conference Call. As a reminder, all participant lines will be in 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. Please note that this conference is being recorded. I now, hand the conference over to Mr. Suresh Chandra Jain, CFO of Adani Power. Thank you and over to you Mr. Jain.

Suresh Chandra Jain: Thank you. Hello, friends, good morning. Thanks for joining the earnings call of Adani Power Limited for the fourth quarter of Financial Year 2019- 20. I hope all of you and your families are safe, and are strictly following the guidelines for safety from COVID-19. With me on this call I also have Virendra Kasliwal who is the Business Controller, Rajiv Kumar Rustagi – Head of Accounting for Adani Power, Sunil Tokarawat – Head of Treasury, Adani Power and Nishit Dave, who is the Head Investor Relations for Adani Power. I hope you have gone through the results, press release and our analyst presentation.

The entire world is going through an unprecedented and challenging situation today. COVID-19 has put humanity at risk and India is no exception. You would be aware that the Indian government has announced that power generation and supply, being essential services, must be available on an uninterrupted basis during the lockdown period. We can humbly say that we have stood by our duty and obligation to the nation, and kept all our power plants operational throughout this lockdown period. Our teams have worked hard to ensure timely and adequate fuel availability and round the clock O&M of our power plants, despite working with a reduced headcount. You would also be aware that after the three quarters of tepid demand for power, India had started to see a smart growth in power consumption in January and February 2020. That gives us hope that once the economic activity resumes after the lockdown is lifted, we will start to see improving power demand once again. Even currently, some of our power plants are running at near full capacity, while the demand from Haryana, Rajasthan and Karnataka has also improved during the last few weeks. However, exchange prices continue to remain soft due to subdued demand.

Let’s now discuss the business updates of the company during the fourth quarter and FY 2019-20:

Our subsidiaries Raipur Energy Limited and Raigarh Energy Generation Limited had participated in the bidding process for medium term PPAs under the Pilot Scheme II, which was being managed by PFC Consulting. Both the companies are favorably placed to get PPAs of 350 megawatt each for a period of three years.

Further, the CERC is hearing the petition filed by Adani Power Mundra Limited, as per the order of Supreme Court for compensation under Section 62 after termination of Bid-2 PPA. However, various regulatory and judicial hearings have been delayed due to COVID-19 lockdown, but we have started receiving fresh dates for them. Priority is being given to cases where hearings have already commenced, while new cases will be taken up later.

The APTEL is presently hearing the appeal in the Lohara Mine de-allocation matter, where MERC earlier had given an order for relief to Adani Power Maharashtra Limited on account of non-availability of coal. In this quarter also, we have not recognized any revenue against the said order as a matter of prudence, as a matter is *sub judice*. With respect to Rajasthan, the APTEL has concluded hearing and reserved the order on the review petition filed by Rajasthan DISCOM against its order approving change in law compensation for Adani Power Rajasthan Ltd. for domestic coal shortfall, under NCDP and SHAKTI. You will appreciate that a timely conclusion of these regulatory matters will lead to significant cash flows in form of compensation payment, including carrying cost during the current and next fiscal years.

Now, I will move on to the performance of the company in the fourth quarter of FY20. I'd like to mention that the operating and financial performance for this quarter is not strictly comparable to the corresponding quarter last year, as we started consolidating the performance of REGL and REL, formerly known as Korba West Power Company Ltd. and GMR Chhattisgarh Energy Ltd. from 20th July 2019 and 2nd August 2019, respectively.

Coming to the operating performance for Q4, during the quarter, the company registered an aggregate PLF of 66% for an operating capacity of 12,450 megawatt. In comparison, the company registered a PLF of 79% in the corresponding quarter on an operational capacity of 10,480 megawatt. During the fourth quarter of the current year, two units at Mundra and one unit at Udupi were under overhaul, which affected plant availability. In comparison, no units were under overhaul during the corresponding previous quarter. Coupled with the overhauling, a subdued power demand and increasing penetration of renewable energy, which primarily affected the Kawai and Udupi plants, resulted in lower PLF in Q4 FY20. Sales volume for quarter four FY20 was 16.6 billion units, which is similar to the sales volume in the corresponding previous quarter, mainly due to addition of REL and REGLplants.

Coming to the financial performance. Consolidated revenue for Q4 FY20 was Rs. 6,328 crores as compared to Rs. 8,078 crores for the corresponding previous quarter. This difference is mainly due to recognition of carrying cost of Rs. 1,198 crore during the corresponding previous quarter. Apart from this, lower volumes in Mundra and Udupi also affected the revenues. Operating expenses have also increased due to a higher provision of an additional Rs. 184 crore and impact of unfavorable foreign exchange movement in Q4 FY20 as compared to the corresponding previous quarter.

As a result, EBITDA for Q4 FY20 was Rs. 360 crores as compared to Rs. 1,964 crore for the corresponding previous quarter, but if we take out the one time and exceptional income, the normalized EBITDA for the quarter is Rs. 1,274 crore as compared to Rs. 1,537 crore. This EBITDA decline is mainly due to lower sales on account of lower PLF at Mundra and Udupi.

Now, I will move on to performance for FY20. First the operating performance, PLF for the year 31st March 20, was higher at 68% as compared to PLF of 64% in FY 2018-19. Sales volume for FY20 stood at 64.1 billion units as compared to 55.2 billion units for the previous year, an increase of 16%. This improvement in performance is due to improved domestic coal availability at Tiroda and Kawai. Implementation of high powered committee recommendations for GUVNL PPA at APMuL, and additions of REGL and REL in July and August of this year.

Coming to financial performance, the total revenue for FY19-20 was Rs. 27,842 crores compared to Rs. 26,362 crores in the previous year, a growth of 5.6%. The revenue for FY20 includes net one-time recognition of Rs. 1,285 crore toward regulatory income pertaining to prior periods. In comparison, the one-time revenue recognition was Rs. 2,966 crore for the previous year.

EBITDA for FY20 stood at Rs. 7,059 crores as compared to EBITDA of Rs. 7,431 crore for FY19. One time provisioning as a part of expenses in FY20 was Rs. 341 crores compared to Rs. 145 crores in the previous year. So, overall the swing in exceptional items in FY20 is R. 2,881 crore. If we adjust the exceptional and one-time revenue recognition, as well as additional provision, normalized EBITDA for FY20 was Rs. 6,104 crores, while it was Rs. 4,611 crores for the previous year. This EBITDA increase is mainly due to higher units sold in APML and APRL, and in APMuL due to implementation of SPPA.

Depreciation for Q4 FY20 is Rs. 768 crores as compared to Rs. 692 crores in the corresponding previous quarter. This increase is attributable to consolidation of REGL and REL. Similarly, depreciation for FY20 is Rs. 3,007 crore, which is higher than the charge of Rs. 2,751 crore for the corresponding period mainly due to the inclusion of REGL and REL.

Finance cost for Q4 FY20 was Rs, 1,244 crore compared to Rs. 1,357 crore for the corresponding previous quarter. The finance cost for FY20 was Rs. 5315 crores as compared to Rs. 5,657 crores for the previous year. This reduction is mainly due to term debt repayment, interest rate reduction, MTM gain on derivatives, and was partially compensated by additional interest on REL and REGL.

Consolidated book debt outstanding as on 31st March 2020, excluding working capital is Rs. 34,707 crores as compared to Rs. 30,570 crores as on 31st March 2019. The debt balance at the end of March 2020 includes term debt pertaining to REL of Rs. 2,966 crore, REGL Rs. 942 crore, and debt drawdown for our Godda project, which is Rs. 2,109 crore.

Working Capital debt outstanding as on 31st March 2020 is Rs. 7,705 crores as compared to Rs. 6,452 crores as on 31st March 2019. This increase is attributable to higher level of operations in the current financial year and additional working capital debt for REL amounting to Rs. 214 crore.

In conclusion, I would like to say that while the entire economy is facing challenging times, the power sector is not affected adversely, beyond delays by DISCOMS in processing bills and the delays in regulatory proceedings due to the lockdown. As per RBI policy on COVID-19, banks and NBFCs have been permitted to allow moratorium of three months on payment of installments and interest of term loan, and interest on cash credit and overdrafts. This accommodation is a welcome step towards in managing liquidity satisfactorily. We are confident that once India starts to move towards normalcy, we will see improved power demand as well as improved cash flows. We are very much on track with our long term business plan, including capacity additions. I would now like to open the floor for Q&A. Please go ahead operator.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Apoorva Bahadur: Couple of questions and obviously more around the COVID -19 impact. So firstly on the medium term PPAs and Pilot -II. Now we are favorably placed for signing PPAs for almost – **700MW** for three years but I believe these bids were called before the COVID-19 epidemic struck. So what do you feel now that going ahead the crash in the power demand that has been. Do you foresee states actually going ahead and signing PPAs for this or do you think that it could be again called off?

Suresh Chandra Jain: I believe your apprehension about bids being called off statement is based on the past experience with the pilot scheme, and it is a good observation. If we all believe that post lockdown we will come back to the growth path, India would need to recover at a faster pace because of the lockdown for last more than one month. There may be a delay in signing and implementation of these PPAs, which we originally expected to happen by June. So we have taken the likelihood of this delay into consideration and adjusted our budget accordingly. We have also taken into consideration the monsoon factor. In case the PPAs are not operative, by June, then there could be a further delay by about another three or four months.

Apoorva Bahadur: Okay. So effectively by say around September onwards, we’re expecting it to be operational?

Suresh Chandra Jain: Yes, to best of our knowledge, but let’s see how the COVID -19 situation evolves.

Apoorva Bahadur: Right sir understandable. Sir secondly on you Godda project, I believe that the work would have been impacted, obviously the execution part. So any delays would obviously lead to more IDC. So are we in discussions with the Bangladesh authority for getting this cost pass through?

Suresh Chandra Jain: We are monitoring the Godda project very closely. Fortunately, we have adequate material and manpower available. You would be aware that the government has already allowed few industries and construction activities outside municipal limits to operate while following social distancing norms. This has allowed the Godda project work to resume. As of now, per our internal assessment, we do not foresee any delay, and monitor the situation closely. This is based on our recent assessment, which our team is doing continuously.

Apoorva Bahadur: Okay, fine. Sir one last question, if I may, and this is on the various regulatory hearings that are going on. So, assuming that these do come in and there is possibly a favorable order and obviously large sums of money are involved. So do you think that given what the financial condition of state and DISCOMS is right now, the realization of this payment could be an issue? And maybe we could have to make certain, probably give certain discounts over there or we basically renegotiate or will we stick to our guns and probably wait for the states to clear the payments while adding carrying cost going ahead.

Suresh Chandra Jain: So, as far as your first observation is concerned, yes there are going to be some delays which mentioned in my speech also. Due to the lockdown, in Rajasthan for example, our hearings are over and the order is still reserved. So apart from the delay in regulatory procedures, we may have to deal with the current situation of DISCOMS. So I agree that there are certain challenges right now. Having said that, we have been hearing that the government will take certain measures to provide liquidity to DISCOMS. Both PFC, RECs, as I understand, have been actually working on providing liquidity to DISCOMS. In any case, we have not factored the entire receipts in the ensuing financial year. Once we get the order, the payments be phased out over a period of time, and as you rightly pointed out, we will be compensated on account of the carrying costs. So, that is how we are not facing any economic effect, except the delay. In case the amount is finalized and DISCOMS are not able to pay, then we are entitled for LPS. So on both the counts, we are protected in economic terms. Ultimately, it will all depend how India is able to control the COVID -19 and restore the overall normalcy in the economy.

Apoorva Bahadur: Okay, so we will not basically renegotiate for a settlement with the DISCOMS, even in case of favorable order and just wait it out basically?

Suresh Chandra Jain: No, there's no question of negotiation. These regulatory orders are long overdue. You all must be waiting for these regulatory dues to come.

Apoorva Bahadur: For quite some time sir.

Moderator: Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Sir just a couple of questions. Sir in terms of your discussions with the LDCs we are seeing any demand improvement even at a certain level and what is the view on that over the next couple of months or three months?

Suresh Chandra Jain: Rahul, when the lockdown was announced suddenly in the last week of March, we saw the Kawai plant facing low demand in Rajasthan. The SLDC asked us to put the plant under Reserve Shutdown. Thereafter, during the extended lockdown period, when the Government announced some relaxations, we have restarted operations at Kawai. Similarly, the Udupi plant in Karnataka is also being operated. The Tiroda plant in Maharashtra is fully operational. WE have also started supplies from Mundra gradually to GUVNL. So all plants are operational right now. The main impact that we are feeling right now is on the power exchange, where the prices are very low due to low demand, which affects our open capacity. However, we are not looking at the operations from a purely commercial benefit perspective right now. Our foremost duty, as part of Adani Group's policy, is to keep plants ready at all times to provide electricity to all consumers of these States where we are supplying power

Rahul Modi: Right sir that is helpful. Sir secondly, sir one question that has been coming up over the last, couple of weeks is that some states have written to certain, I'm not sure it's applicable to you, but some states have written to certain IPPs, stating force majeure and not wanting to pay fixed charges for the period of the lock down. So just wanted your view on the same as to, have you received anything certain what is your view on that as such, because that can set a precedent or a wrong precedent for the entire sector. So, just wanted your view on that?

Suresh Chandra Jain: Rahul, you must have gone through the clarification issued by the Ministry of Power. There was some confusion that DISCOMS were allowed to not pay for three months. Under that circular, some DISCOMS have given force majeure notices to us also, which we have appropriately replied to stating that these force majeure conditions are not applicable under the current situation. Secondly the non-availability of funds cannot be a force majeure event as per the PPA. So, very clearly this force majeure notices are not applicable. Very importantly, again, the Ministry of Power has already clarified that the capacity charges of PPAs are payable, once we declare our plant availability, by the DISCOMS as per the PPA terms. This is an important clarification. We have accounted for capacity charges fully in the recently concluded year. The auditors are well satisfied with the clarification issued by Ministry of Power.

Rahul Modi: Perfect. Sir, my next question is on with regard to coal prices globally do you see any kind of softening in terms of, demand softening so, leading to some distressed purchases which you can do or is anything available on the coal price front globally for imports?

Suresh Chandra Jain: This is a pertinent question Rahul, and I believe it also refers to the recent volatility in crude oil prices we have witnessed, when WTI futures fell to a negative price. As a long term oil sector professional, I continue to follow the oil sector. Even Brent Crude today fell almost close to $19 per barrel from an average of $60 earlier. Forwards for May and June have also come down drastically. Now unlike the oil industry, the coal market does not face a storage problem. Of course, we have seen some softening of coal prices. The HBA index, which was around $90 per ton last year has now come close to $60 per ton. Post this lockdown, we may see a further softening, perhaps about $5 to $6 per ton. I'm sure, considering the overall supply demand position there will be some more correction, but it will not be as volatile as we have seen in case of oil. This softening in coal prices will help us in our Mundra plant as only Phase I and II units have SPPA, while for Phase III units, we don't have an SPPA in place after termination of the Bid-2 PPA. It will also help the power offtake from Udupi, where due to the low coal prices, the plant will be better placed under the MOD.

Rahul Modi: But sir domestic coal availability has improved over the last one month or at least by….

Suresh Chandra Jain: Yes. In fact, our coal stock is at an all-time high, which is good because we generally tend to keep stock for the monsoon season. There is ample domestic coal availability, and you might have also heard that Coal India Ltd. has represented to the Ministry that they should stop coal imports for meeting domestic production shortfall.

Rahul Modi: Right sir perfect. And lastly if you can help me with the debtors, which is beyond six months out of the Rs. 7,500 odd debtors?

Suresh Chandra Jain: You can get granular data from Nishit. However, broadly, I can tell you that we have hardly any debtors over six months for regular dues. There is a small amount in case of UPCL as one of the DISCOMs pays late, while we are usually paid on time in Maharashtra, Rajasthan, and Gujarat. The only significant delay is for the regulatory dues. By and large, our receivables are in control. If you go through our presentation, you will see that we have carved out the exceptional items both in way of income and expenditure and so that you can clearly analyze the operating performance.

Moderator: Thank you. The next question is from the line of Shirish Rane from IDFC. Please go ahead.

Shirish Rane: Sir, one question on this enabling resolution to raise Rs. 2,500 crore of various equity or equity linked instruments. What is the objective of raising this and maybe timeline and a particular instrument you have sort of in mind?

Suresh Chandra Jain: As you have rightly observed, this is an enabling resolutions only. This is meant for a situation where we might need to raise money quickly due to any extended or unexpected delays. So, we have just kept an enabling resolution in place so that we can raise money by way of the instruments, if needed. There is no firm plan as of now.

Shirish Rane: And the second question is regarding the perpetual securities. During the six months or during the year, the securities amount has gone up to Rs. 8,615. At the same time, there is a footnote which says we have serviced Rs. 615 crores on the perpetual securities. So, does that mean that you paid interest worth Rs. 615 crore on the perpetual securities during the year?

Suresh Chandra Jain: First of all, let me clarify that it is not interest payment, because the perpetual securities are part of our equity and reserves. We have paid a dividend and it is payable on a selective basis. We have paid a dividend of Rs. 612 crore as we have disclosed in the Notes and Cash Flow statement. However, it is neutral from a cash flow perspective, because the perpetual contribution from the Group has also increased to the extent of Rs. 615 crore.

Shirish Rane: So, in other words, if I were to say that this was more done to manage the rating or how should one think about it, you paying dividend and perpetual securities going up, you could have might as well not issued the dividend and not increase the perpetual securities?

Suresh Chandra Jain: This does not impact our ratings, as it is cash neutral.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Funds. Please go ahead.

Dhruv Muchhal: Sir one question was on the receivables. Now, we understand that the DISCOMS position will be difficult. And they have taken that 50% reduction, the Ministry has allowed them 50% payment security. So most probably they will not be paying the full dues. So how do you think the position on receivables in working capital management pan out over the next three months versus six months as this, because it seems the demand will remain weak and DISCOMS position will remain tight. So, how do you think the management of working capital will happen over the next six months?

Suresh Chandra Jain: This is a very pertinent question, Dhruv. DISCOMs are facing challenges in collecting their dues from retail customers, while most industries are closed, due to which their liquidity situation may be impacted. The RBI has recognized this and allowed deferment of interest and principal payments. Further, the RBI has also allowed banks to reassess working capital requirements of the borrowers and also adjust or increase the working capital requirement by reducing the margins. Thirdly, it has also given approval for short term to medium term loans, which are known as COVID-19 loans., In fact we have also received the loan for a short period and now we are looking for a medium term loan. Last but not the least, the RBI has announced the LTRO mechanism to infuse liquidity in the banking system and lower interest rates. The banks that participate in this can provide liquidity to borrowers by subscribing to NCDs or similar instruments. We are exploring all these liquidity measures being announced by the RBI. We have deferred our interest and principal payment which were due in March. We are already in discussion with all our banks, including the lead banks, to reassess the working capital requirement. I must also mention that considering the current situation,the banks are really supporting us to keep our liquidity completely in control.

Dhruv Muchhal: So based on this, probably this will still be in initial stage, but the banks are ready to help us in this. Probably to the whole sector this time because the receivables will be an issue actually?

Suresh Chandra Jain: Right, Dhruv! While most of us are staying home and working from home, in Ahmedabad Bank branches with whom we deal, almost 70% of the staff are present regularly. They are really working hard and taking our proposals forward, to provide us liquidity to the best of their abilities. I really appreciate the kind of the dedication they have shown in the last one month.

Dhruv Muchhal: Sir but I was just wondering because generally, say for us also, it is relatively high, although not significantly but decent portion. So, is there a risk that the proposals will be stuck because of the grounds like debt to EBITDA or debt equity or other matters, or there is a special window that they will try to open just for the working capital and this short term measures?

Suresh Chandra Jain: The important question here is if the additional liquidity requirement is due to operational reasons, or due to this crisis. The real issue is the extension of working capital cycles due to delay in payments by DISCOMs. In this way, stretched cash cycles are being supported working capital facilities. So existing covenants have not affected this, but even if we were to go for long term borrowings, we are quite confident that banks will consider relaxations.

Dhruv Muchhal: Okay. And sir, there were also talks that there could be some relief from Coal India Limited also, in terms of payment to Coal India Limited and Railways, but that has not come yet if I am not wrong?

Suresh Chandra Jain: Yes, you are absolutely right. On one hand, we are not getting paid timely by customers, and on the other, the RBI has provided liquidity through various measures. We have been addressing the issue of advance payments for coal rigorously with Coal India Ltd. and the Ministry through our industry association. I believe the proposal to accept LCs instead of advance payments is under active consideration. We hope to obtain clarity about this in the next couple of weeks.

Dhruv Muchhal: Sir LCs anyway we have to still give some balance sheet to the banks to give you an LC so probably hopefully they give you?

Suresh Chandra Jain: We have the receivables against which LC facilities can be given.

Dhruv Muchhal: Okay. Back date receivables okay. And sir just lastly one quick thing on the operation side now, we understand the demand has fallen significantly and there will be a lot of low level of operations at your plants. So, how does it impact operationally in terms of ramp up, ramp down and does it have a significant operating impact or things can work out smoothly?

Suresh Chandra Jain: Dhruv, as I had said earlier, while entire India, including Doctors, nurses, policemen, and bankers is fighting the COVID-19 war, we are not treating the business on a purely commercial basis. Our first duty is to provide power as per the requirement of the DISCOMS. So even if we are asked to shut down units at various plants, in Rajasthan, Karnataka, etc. in view of the slump in demand, we are keeping them ready for generation as required. In fact, we have restarted the units as and when required during the last month. Our workforce and contractors at various plants are ready to start operations as soon as the power is scheduled. During the period of the lockdown, we are putting our duty to the nation first.

Moderator: Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

Swarnim Maheshwari: Sir I have two set of questions, these are on cash flows specifically. The first one you have actually addressed, to a previous participant, about this unsecured perpetual security, I'm looking at the cash flow from financing activity. And I see that, we have raised about Rs. 615 odd crores from the perpetual securities, and there is the distribution of about Rs. 612 crores on the perpetual securities. This distribution pertains to the dividend part is a fair assumption or this is the principal component? what is it exactly?

Suresh Chandra Jain: This is the dividend part only.

Swarnim Maheshwari: Okay. So, sir the dividend part then is basically, you know 8000 crores was our perpetual security at the beginning of the year and if my understanding, if my memory is right this was actually we were to pay about 12% on this perpetual security. So, these 612 crores for the full year it doesn't actually it is hardly about if you look at it about close to 6.5 to 7%. So, where is the miss, have we not paid fully, what is it exactly?

Suresh Chandra Jain: Let me explain. Firstly, the unsecured perpetual security of Rs. 8,000 crore was raised in phases, and not at once. Secondly, as per the terms, declaration of dividend is at the option of Adani Power. So the amount of dividend announced is lower due to gradual issuance of the securities.

Swarnim Maheshwari: Okay, fair enough sir. But if I look at the balance sheet, Rs. 8,000 crore amount was there at the beginning 31st March 2019 end so that has already come into phases. Presently, I'm talking from 1st April 2019 to 31st March 2020. But I understand that this is at the option of the company whether to actually provide for the full year or not. Is that a correct understanding?

Suresh Chandra Jain: Absolutely correct. First of all, dividend payment is at the option of the company. Secondly, it is a cumulative dividend. So it's not that the dividend is due only for this year. It has been due from the time from which we first raised the securities, and not fixed according to the financial year.

Swarnim Maheshwari: Yes, got it sir. Sir secondly a bit tricky one but if I have to just look at the free cash flow for FY20 which is close to about 3,500 crores for APL. And if you look at your, interest cost obligations or dividend distribution obligations for the perpetual security, it is close to about five and a half thousand crores. And unfortunately, in FY21 of course, because of the near term issues, this number is more or less likely to be plus, minus 10 - 15%. So, do we foresee increase in debt in FY21 just on account of interest cost obligations?

Suresh Chandra Jain: As I have mentioned, the RBI has taken a lot of measures to improve liquidity and bring interest rates down. We have already seen reductions in MCLR and fixed deposit rates. We therefore expect interest rates on our borrowings to come down during the current year. We also do not envisage any additional debt in FY21 except for the Godda project. We also expect long-pending regulatory cash flow receipts during the current financial year. Due to these factors, we do not expect an increase in our combined debt, while we expect the cost of debt to be lower. Our SPVs are also seeing their ratings getting upgraded. Receipt of regulatory cash flows will help improve their ratings further, and help bring down interest rates. Lastly, you may be able to observe that while the interest cost booked is about Rs. 5,315 crore, the cash outflows are about Rs. 4,871 crore. This is because we do not service the interest portion of about Rs. 1,200 crore on the ICDs, and this amount gets capitalized, which helps improve cash flows. .

Swarnim Maheshwari: Okay, got it. Sir, , so if you can just tell us what is the current blended cost of debt and what is the benefit that can come through from the reduction in the interest rates in the absolute amount?

Suresh Chandra Jain: The overall reduction in interest rates that is being approved is about 1%, but it will become applicable mostly by the end of the first half of FY21. So the net impact for the year would be around half a percent. On our long term borrowings of around Rs. 27,000 crore, this will translate to interest savings of Rs. 120-150 crore. On working capital borrowings of about Rs. 7,700 crore, this 0.5% reduction on annualized basis will result into savings of around Rs. 30-40 crore. In this way, interest savings of around Rs. 200 crore for FY21 or Rs. 500 crore on annualized basis is possible

Moderator: Thank you. The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Sir just a follow up question. Sir the other expenses has increased quite significantly, can you just explain on that please?

Suresh Chandra Jain: Yes Rahul, as I had mentioned earlier, it is because of two factors which are one-time expenses and provisions. Firstly, we have made a provision of about Rs. 230 crore in FY20 in APMuL. This relates to refund of taxes and duties due to the Mundra plant being in an SEZ. However, we have made this provision after due consideration, while we are still pursuing the matter. Secondly, in FY20, we have carried out Annual and Capital overhauls of 11 Units, while in FY19 we had only carried out four overhauls. Altogether, this adds up to 278 days of overhaul, as compared to 120 days in FY19. There has been an increase in Repairs & Maintenance expenses because of this.

Moderator: Thank you. The next question is from the line of Mohit Kumar from IDFC. Please go ahead.

Mohit Kumar: Sir, I maybe repeating the question but I got dropped. So, pardon me. Sir how much is external debt as at the end of FY20 and how much internal debt and how much is your working capital borrowing at the end of FY20?

Suresh Chandra Jain: The external long term secured debt, excluding the Godda project, was Rs. 32,598 crore on 31st March 20, which includes Rupee Term Loans and External Commercial Borrowings. I have excluded Godda because the interest on the drawn down amount is being capitalized. The drawn down working capital lines as on 31st March, are Rs, 7,705 crore. All put together, external secured debt is Rs. 40,303 crore. Inter-corporate deposits from the Adani Group are Rs. 4,772 crore, while other unsecured loans are around Rs. 8,247 crore. So the total unsecured loan amount is around Rs. 13,000 crore.

Mohit Kumar: Okay, thank you sir. Secondly how much equity we have infused in Godda project as of now and how much remaining?

Suresh Chandra Jain: We have infused around Rs. 1,600 crore of equity in the Godda project. The total equity requirement is about Rs. 4,480 crore. So, we have still to infuse about Rs. 3,000 crores.

Mohit Kumar: And how much is our repayment obligations from external debt in FY21? Do we have enough liquidity to meet these obligations given the fact the compensatory tariff cases receipt will take some time to come?

Suresh Chandra Jain: We have been meeting our debt obligations regularly despite non-receipt of most of the regulatory dues. We have received a considerable amount of Group support over the years, which has helped us maintain sufficient liquidity. The cumulative amount of Group support is about Rs. 13,000 crore. Our debt obligations for FY21 are about Rs. 2,800 crore, and we are firmly committed to meeting them. Apart from the expected regulatory cash flows, we will also pursue opportunities to optimise our debt structure, when the market permits.

Mohit Kumar: Sure sir. Secondly on the compensative tariff out of 233 billion how much is recognized and how much is still to recognize and secondly sir on the Bid -2 PPA where are we right now, has the hearing proceeded do you think the hearing will get complete very soon. And when can we expect an order to be in place?

Suresh Chandra Jain: Mohit, we have given details of regulatory receivables in our results presentation. We have tried to cover some of the most common questions we are asked frequently. So, if you have any more questions, you are most welcome to get back to me..

Mohit Kumar: Sure, sir. Lastly on the cost of generation from the REL and REGL. The PPA which you won is around Rs.3.23 per unit if I am not wrong for the medium term PPA. What kind of fuel cost we envisage?

Suresh Chandra Jain: Both the plants are quite close to the source mines. REGL already has linkage in the form of a long term FSA. The coal price is expected to be in the range of Rs. 1.7-2.0 per unit.

Mohit Kumar: And you will get the linkage for the medium term PPA, am I right sir?

Suresh Chandra Jain: Yes, as of now once we get this one, we will get the linkage. That's why I was giving an indicative range. So, certainly at Rs.3.26 per unit, we will be able to make a positive contribution.

Mohit Kumar: And ar you still continuing the one gigawatt PPA with GUVNL ?

Suresh Chandra Jain: The REL tolling PPA term expired in December 2019.

Mohit Kumar: Okay. Understood sir. Sir lastly one bookkeeping question, in this quarter sir you have written of the revenue by 500 odd crores pertaining to past. May I know sir, what is this pertaining to?

Suresh Chandra Jain: We have reversed revenues in two cases. Firstly, we have reversed about Rs. 350 crore in UPCL related to the MYT periods 2009-14 and 2014-19, where the matter has been under regulatory appeals since the last few years. So the reversal was done as a matter of prudence. Secondly, we have reversed around Rs. 280 crore in APRL towards escalation in energy charges as per indexation, which might not be recoverable.

Mohit Kumar: One last question regarding COVID-19. Has the DISCOM approached you to give them some leeway in payment for the next two to three months? And our LPS is driven by PPAs So, actually the LPS is higher than 12% which have been recommended by CERC**.** am I correct?

Suresh Chandra Jain: You are very right. I did mention this earlier on this call. Today, we can see that our LPS is more than what we have been getting in the carrying cost, but more importantly, our first focus is to supply power. Everybody is contributing to keep the nation running, including the DISCOMs, which are facing a tight liquidity situation. The RBI has also announced measures to address liquidity. We are also beneficiaries of these packages, through working capital reassessment, short term loans, etc. Also, it is not that all DISCOMS are not making payment. We have been getting payments from DISCOMS. So it's not that everybody has stopped the payments, but we all have to rise to the occasion. Under the current situation, we have to see that first of all the plant is available. The second priority is that the required electricity is provided and thirdly, as and when the things get normal, we start collecting the payments. That's my submission.

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