



“Adani Power Ltd Q3 FY16 Results Conference Call”

February 12, 2016



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Moderator: Ladies and gentlemen, good day and welcome to the Adani Power Ltd. Q3 FY16 Results Conference Call. We have with us today on the call Mr. Ameet Desai – Group CFO, Adani Group, Mr. Praveen Khandelwal – Power Group CFO, Mr. Vinod Bhandawat – CFO, Adani Power and Mr. Pranav Mehta from 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, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. I now hand the conference over to Mr. Vinod Bhandawat – CFO. Thank you and over to you sir.

Vinod Bhandawat: Good afternoon ladies and gentlemen. Warm welcome to all of you for joining Adani Power’s Earnings Announcement Call for third quarter of the financial year 2015-16. You would have noticed that the company has posted superior financial and operational performance during the quarter. I would now share some of the major highlights of the results announced.

Adani Power makes turnaround with a quarterly net profit of Rs. 102 crores. Consolidated total income for quarter increased by 12% to Rs. 6211 crores versus Rs. 5538 crores in quarter 3 FY15. Consolidated EBITDA for Q3 FY16 at Rs. 2027 crores versus Rs. 1793 crores in Q3 FY15 up by 13%. The company sold 16.61 billion units in Q3 FY16 versus 14.73 billion in Q3 FY15, a growth of 13%. Preferential allotment of equity shares worth Rs. 1100 crores have been done to the promoters. I would highlight on the volume and the operating performance during the quarter. In the current quarter the company has sold 16.6 billion units as against 15.10 billion units in the prior quarter due to improved PLS. Merchant sales during the quarter was 1329 million units. effective capacity during the quarter is 10479 MW. Mundra contributed 7481 million units, Tiroda 4714 million units, Kawai 2370 million units and UPCL 2028 million units. PLF on totality basis was 77% and the split between the plants is Mundra 80%, Tiroda 68%, Kawai 86% and UPCL 81%. The average sales realization as Rs. 3.28 per kWh and the weighted average coal cost was Rs. 2.27 per kWh. During the quarter we have recognized compensatory tariff of Rs. 805 crores, out of which APL was Rs. 234 crores, APML was Rs. 407 crores and APRL was Rs. 165 crores. And out of the tariff recognized the total claim under of Change in Law is Rs. 288 crores. Here again I will clarify, out of Rs. 805, Rs. 288 crores is under Change in Law and CCEA Guidelines is Rs. 206 crores. Above figure of change in law includes Rs. 105 crores with recognized in APRL covering only two levies, which is sales and excise duty and out of which Rs. 24 crores pertain to the current quarter. EBITDA during the quarter as mentioned earlier is Rs. 2027 crores compared to Rs. 1824 crores in immediate preceding quarter. Out of which UPCL contributed around Rs. 320 crores. EBITDA margin 33% as compared to 32%. Finance cost in Q3 was Rs. 1318 crores compared to Rs. 1065 crores in immediate preceding quarter largely due to refinancing of rupee loans and impact of one-time refinancing charge during the preceding quarter. On a consolidated basis the total external term debt is Rs. 41,000 crores, an ICD debt of Rs. 6500 crores. The acquisition transaction of KWPCCL will most likely be completed in March 2016 as approval from some of the authorities are pending. Our total results reflect improved power generation from the total installed capacity of 10,480 MW in the ensuing quarter we are confident that with improved domestic coal availability and resolution of tariff protected regulatory

measures, Adani Power will be able to deliver improved financial performance. I now hand over the session to Mr. Ameet Desai – our Group CFO for strategic inputs.

Ameet Desai:

Thank you Vinod and thank you ladies & gentlemen. I would try and keep it very short as Vinod said there is a clear turnaround with quarterly net profit that we have registered for the quarters Rs.102 crores. We have seen an all-round improvement in our operating performance parameter largely driven by higher PLF. We have also successfully integrated Udupi Power Company in our operations and ensured that the plans which were otherwise not operating at even the basic optimal capacity are now running full stream and we continue to remain optimistic about the sector given the National Tariff Policy, much better availability of coal in fact we are getting 100% linkage coal wherever we have linkage. And we are foreseeing resolution of our tariff issues at the appellate tribunal in the near future but in the meanwhile as Vinod explained we have started receiving payment under Change in Law from Maharashtra Utility and we have also got a signal that Gujarat would start being that. So all in all gradual but a definitive positive shift in momentum in the operation performance. Over to you for questions.

Moderator:

Thank you very much. Ladies & gentlemen, we will now begin with the question and answer session. The first question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.

Abhishek Puri:

Couple of things. Firstly, the interest cost seems to have gone down quite drastically in this quarter from 13% odd to almost 10.9% on an average. So if you can throw some light on that, so how it has gone down and secondly for APML the compensative tariff has gone up in Q3 versus Q2 while the generation seems to be flat and I would assume that the fuel cost has also come down. So while the compensatory tariffs have gone up from Rs. 160 crores odd to Rs. 2015 crores, so is there any one off component over there?

Ameet Desai:

I think Vinod will explain the second part of the question about the compensatory tariff etc, but on the first part your observation is valid. Starting April this year we have started receiving the benefit of elongated loans and consequent reduction in interest rates for all our rupee term loans and as we speak we have completed reorientation which is commercially typically it is called 5/25 for all our loans including for Udupi as we speak and the interest rates which were in the previous year hovering at around 12.5% have now come down to 10.8%, which is showing in this result. The other thing is in the previous quarter when we moved the loan tenure under 5/25 we gave exit to certain lenders and we had to incur one-time charges which were written off in the previous quarter about Rs. 80 crores as revenue expenditure which is not featuring here. So you have clearly the benefit of that amount in this quarter vis-à-vis the previous quarter and in the interest and finance charges there is always an element of movement of Forex rates between the ends of two quarter and for quarter ended 31st December the movement has been less adverse compared to September and June and therefore that has also contributed to lesser interest and finance charges. These are the three major reasons why you are seeing this but largely directionally now all our rupee loans are at 10.8% which is a

great positive compared to 9 months in the previous year. I am handing over to Vinod to give answer to your second question.

Abhishek Puri: Sir just to clarify here would it be right to say that almost Rs. 2200 crores of promoter loans have been converted into equity also? The announcements that have been made.

Ameet Desai: No, I think total of Rs. 1120 crores is what promoters have contributed to the equity to the extent of 5% of share capital under the preferential allotment route. Price at which they have subscribed to this equity is about Rs. 28 plus versus the current market price of whatever, 24. I believe, and that has helped us reduce at least our outstanding loan by equivalent amount. And this is no conversion of loan. We got fresh infusion of equity and we paid off outside loans which were of course higher interest rate out of this amount on an immediate basis. But these transactions were done in the last few days' yesterday and today therefore the impact of that would be partially felt in this quarter and every quarter from next quarter onwards.

Vinod Bhandawat: Yes in the APML as you mentioned we have a one-off of Rs. 77 crores on account of CCEA enough for CCEA that got crystallized once the workings for complete for earlier years?

Abhishek Puri: I am sorry, I did not get it. This Rs. 77 crores is for

Vinod Bhandawat: Under CCEA guidelines in APML for prior quarters.

Abhishek Puri: And this will be related to changes in law or -

Vinod Bhandawat: No, this is for shortage of linkage coal in unit 4 and 5 where we do not have the formal linkage.

Moderator: The next question is from the line of Venkatesh /Atul Tiwari from Citi. Please go ahead.

Venkatesh B/Atul Tiwari: Yes sir, actually I missed that part where you were sharing I think the sales from each of the generation plants, sales. Can you please share it again?

Vinod Bhandawat: Mundra 7481 million units, Tiroda 4714 million units, Kawai 2370 million units, UPCL 2028 million units.

Venkatesh B/Atul Tiwari: Sir again I think I missed the Kawai number.

Vinod Bhandawat: Kawai 2370.

Venkatesh B/Atul Tiwari: Is it possible to share the generation numbers also sir, please?

Ameet Desai: See sales and generation are always same numbers. This is going to gross up with aux only.

Venkatesh B/Atul Tiwari: No, that is what. What are you sharing?

- Ameet Desai:** I am sharing the sales number.
- Venkatesh B/Atul Tiwari:** So can you give us the gross generation numbers also?
- Ameet Desai:** See gross number grosses up with the auxiliary, aux consumption.
- Venkatesh B/Atul Tiwari:** Sir because what is confusing me is a little bit because you said Udupi sales is 2028 that means sales also includes some amount of third party purchase which you are purchasing and then selling.
- Ameet Desai:** No Udupi, there is not third party purchase. In Udupi we do not have any third party. These all are from generation.
- Venkatesh B/Atul Tiwari:** Okay. Sir on the second part in the compensatory tariff you said Rs. 288 crores is the change in law, correct. Now out of this Rs. 288 crores how much is for the current quarter third quarter and how much is for prior period?
- Ameet Desai:** For the earlier period it is 81 plus 65 , it is about Rs. 146 crores for prior period.
- Venkatesh B/Atul Tiwari:** Okay. Sir if I could just slip in one more question, now this Rs. 1100 crores which have been raised from the promoters, this will be used to repay loans, correct?
- Ameet Desai:** Yes.
- Venkatesh B/Atul Tiwari:** So now what was the total loans under cash balance at the end of the third quarter if it is possible to share it?
- Vinod Bhandawat:** We can share it with you, no problem but offline. I think we do not have that readily.
- Moderator:** The next question is from the line of Archit Singhal from Nomura. Please go ahead.
- Archit Singhal:** Sir firstly on the compensative tariff, just correct me if I am wrong, for APRL we have Rs. 81 crores which is electing to prior to period and for APML we have Rs. 77 crores which will lead to prior period. That is correct, right because just now you mentioned Rs. 100 crores number.
- Ameet Desai:** See 77 is not for change in law, 77 in APML is for CCEA guidelines.
- Archit Singhal:** Okay, so apart from that there is another Rs. 19 crores number which is a part of Change in Law and for other period.
- Ameet Desai:** Yes.
- Archit Singhal:** Sir secondly on the finance charges you mentioned about the movement of FX rate, so can you quantify this compared to last quarter, second quarter?

- Ameet Desai:** Rs. 125 crores.
- Archit Singhal:** So Rs. 125 crores was the impact due to....
- Vinod Bhandawat:** See in quarter 2 of the previous financial year we had a higher FOREX loss because the rupee moved over 150 paisa. In this quarter rupee only moved about 57 paisa, so the difference is about Rs. 125 crores.
- Archit Singhal:** Sir can you tell the FX loss in both these quarters?
- Vinod Bhandawat:** In Q2 it was 214, and in Q3 it is 87.
- Archit Singhal:** Sir just on Udupi if you can share the revenue EBITDA and debt number?
- Vinod Bhandawat:** Udupi is at Rs. 320 crores.
- Archit Singhal:** Revenue on EBITDA?
- Vinod Bhandawat:** Revenue is at Rs. 812 crores, EBITDA Rs. 320 crores.
- Archit Singhal:** And sir receivables from this plant?
- Vinod Bhandawat:** I will take it offline, Yes.
- Moderator:** We have a follow-up question from the line of Venkatesh B and Atul Tiwari from Citi. Please go ahead.
- Venkatesh B/Atul Tiwari:** Sir you said in the beginning of the call, the merchant sales in the quarter was 1329, correct?
- Ameet Desai:** Yes.
- Venkatesh B/Atul Tiwari:** Now, this is from which plant sir? Which particular plant have you sold this merchant from?
- Ameet Desai:** I think this is from different plants at different points of time. Largely from Mundra.
- Venkatesh B/Atul Tiwari:** Is it possible to share the similar number for first quarter and the second quarter of the current year if possible?
- Ameet Desai:** We do not have that readily but I think if you write an email to Vimal we will send it to you.
- Venkatesh B/Atul Tiwari:** And the interest cost in this quarter can we take that as a representative and I think it should fall even further, right?
- Ameet Desai:** No, I think I have given you a number. We had a 10.8% for all the rupee loan and that is after completing all the rupee term loans and 5/25, so that is going to be the number.

Venkatesh B/Atul Tiwari: Sir the other questions is on your O&M cost, if you actually look at your O&M cost in the consolidated numbers in the first quarter this was around – rather I would call it admin and other expenses. Under that head I think for the first quarter I think that number was almost like Rs. 485 crores but for the next two quarters, second quarter and third quarter this has come down to Rs. 327 crores and Rs. 315 crores. Why exactly are your admin and expenses which basically everything other than employee cost falling on a quarter on quarter basis.

Vinod Bhandawat: No, this is largely because of the lower open access charges. Earlier we were paying open access charges about Rs. 35 crores per month, now we are paying about Rs. 25 crores. So about Rs. 30-40 crores there is reduction in the per quarter open access charges.

Venkatesh B/Atul Tiwari: Some kind of an idea if you can give us on what could be possible fuel cost, I mean if we have to think about it under the falling coal price scenario and given that there is better availability of coal is it possible that this approximately Rs. 2.16-2.17 kind of coal price can actually dip below Rs. 2 next year?

Ameet Desai: Yes, I think next year we will definitely expect the reduction in the coal price because we are already taking some steps to do that plus availability of coal under linkage has also improved significantly. So yes, those kind of numbers are possible to think.

Moderator: Next question is from the line of Shirish/Mohit Kumar from IDFC. Please go ahead.

Shirish/Mohit Kumar: Sir two questions. First, I was a little confused by this compensatory tariff and change in the CCEA guideline compensation. Can you just tell the total compensation number then break it down into compensatory tariff normally and the CCEA guidelines and how much cash out of that we would have received?

Ameet Desai: I think just for everybody's clarity that CCEA number is a one-time affair whereas change in law in compensatory tariff are the recurring number, so CCEA number for the period is Rs. 128 crores and that for the earlier quarter – out of Rs. 128 crores Rs. 77 crores is for the earlier period. And what was your other question?

Shirish/Mohit Kumar: What is the total compensatory tariff?

Ameet Desai: Rs. 805 crores for the quarter.

Shirish/Mohit Kumar: And this includes Change in Law everything, right?

Ameet Desai: Yes.

Shirish/Mohit Kumar: And out of this Rs. 805 and Rs. 128, how much of cash we would have got during the quarter?

Vinod Bhandawat: We have received about Rs. 200 crores.

Shirish/Mohit Kumar: And which state would have paid us this?

- Vinod Bhandawat:** Maharashtra.
- Shirish/Mohit Kumar:** So Maharashtra has basically paid you for compensatory tariff or mainly for change in law and the CCEA ?
- Vinod Bhandawat:** Yes mainly for Change in Law.
- Shirish/Mohit Kumar:** Sir do you have the breakup of this 805? You gave the breakup but I could not get it properly sir, if you can just break it down in terms of plant wise it would be helpful.
- Vinod Bhandawat:** APL is Rs. 234 crores, APML Rs. 407 crores and APRL Rs. 165 crores.
- Moderator:** Next question is from the line of Archit Singhal from Nomura. Please go ahead.
- Archit Singhal:** Sir a few questions. One was, what was the merchant tariff in this quarter?
- Vinod Bhandawat:** Rs. 4.08.
- Archit Singhal:** Sir can you share anything on the coal, the total quantity consumed or coal mix versus for each plant?
- Ameet Desai:** I think we would not be able to give it to you immediately. We can take it offline.
- Archit Singhal:** Because last quarter you mentioned about the imported and domestic mix for various plants.
- Vinod Bhandawat:** I will first come to APML. Imported 15%, domestic 85%. Total quantity consumed 2.96. APRL, 1.15 all imported and APL 100% imported. UPCL 100% imported.
- Archit Singhal:** And sir the quantities for Mundra and UPCL?
- Vinod Bhandawat:** Mundra quantity is 4.28, UPCL is 1.12 million units.
- Archit Singhal:** Sir last question from my end, any update on the APTEL I guess the hearings are over for the compensatory tariff case. So what is your sense when can we expect the....
- Ameet Desai:** We all can expect it in this month and because the hearings have been completed, all the written submissions were done, so as much as you we also expected this month before the month end.
- Moderator:** The next question is from the line of Inderjeet Bhatia / Amit Sinha from Macquarie. Please go ahead.
- Inderjeet Bhatia / Amit Sinha:** What is the quantum of foreign currency denominated loan now?
- Vinod Bhandawat:** Rs. 10,500 crores across four units.

- Moderator:** The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.
- Bhavin Vithlani:** My question is on your opening remarks where you highlighted we are expecting compensatory tariff from Gujarat as well. So I am slightly confused, is it separate from the CERC hearing which is going on and what is the quantum that we are looking for?
- Ameet Desai:** I think I referred to change in law because that is something that they have accepted to pay. We have raised invoice. They are scrutinizing it and we expect the payments to start and then continue from this quarter onwards. So my opening remarks, talked about the Change in Law part and then a few questions were asked and we have answered. Change in law for Maharashtra is something that we have been regularly invoicing and have been receiving the money from them.
- Bhavin Vithlani:** What would be the quantum if it is possible in terms of rupees per Kwh?
- Ameet Desai:** This quarter for Gujarat is Rs. 33 crores.
- Vinod Bhandawat:** It is about 9 paise per Kw but it is still pending to be reinforced. So I think it should be 16-17 paise, but right now it will be at about 9 paise and this pertains to only 200 Rs clean energy cess. So other items of Change in Law still considered by Haryana and....
- Bhavin Vithlani:** Second question is with respect to the new emission norms that have been enforced by the government of India. If you could throw more light on what exactly would be the capital expenditure requirement and do you believe even this under the Change in Law will be a pass-through in tariff?
- Vinod Bhandawat:** Yes, we have notified this as a Change in Law event. We have already done that and we are still assessing the impact of this but we are sure that if anything we have to do with will be covered in the Change of Law and we will get adequate compensation for additional cost which will incur for this purpose.
- Bhavin Vithlani:** My last questions, if I may, what is the PPA tariff now for Maharashtra and Rajasthan, accounting for the Change in Law and the compensatory tariff?
- Vinod Bhandawat :** I have the numbers without them. You want with them?
- Bhavin Vithlani:** Yes.
- Vinod Bhandawat :** We can take it offline then.
- Moderator:** The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead.
- Abhishek Puri:** Sir just one thing, on the fuel cost side you mentioned that the fuel cost can come down in the next year. Would the compensatory tariff automatically adjust for the fuel cost reduction or there is a true-up excise which has to be done?

- Vinod Bhandawat :** Yes naturally compensatory tariff but it will definitely come down. But we are expecting higher domestic coal consumption in Tiroda and also in Kawai. Of course Mundra will be largely on imported basis.
- Abhishek Puri:** For Kawai as of now we are using 100%.
- Vinod Bhandawat :** 100% yes.
- Abhishek Puri:** When would we start go get domestic coal there? Is there any policy through which we are looking at it or that will be through e-Auction right now?
- Vinod Bhandawat :** We are looking at through policies only.
- Abhishek Puri:** So a new linkage is expected out of that.
- Ameet Desai:** Yes.
- Vinod Bhandawat:** And if you can sir comment on this latest approval which has come through where have spoken to the banks for debt to equity conversion, which projects it is for and have the banks agreed to do it?
- Ameet Desai:** I think we have clarified this possibly when at the last quarterly call. Now there are two things that in case in the event of default in all the project loan agreement there is an enabling clause of conversion of loan into equity. This is historical, there is nothing new about it. There has been an amendment in the company's act which requires that there are enabling resolutions that companies do seek from their shareholders whenever there are such clauses in their loan agreements. So what we have done is only complied with the requirement of Companies Act in terms of obtaining and enabling resolution. This does not in any case indicate that there is going to be any conversion of loan into equity.
- Abhishek Puri:** Last thing on your one of your notes to account says that one of your solar companies have been transferred from the parent company to Adani Power now.
- Ameet Desai:** Yes, that happened as part of the demerger.
- Abhishek Puri:** So that 40 MW is the only asset that we will continue and going forward all the solar developments will happen at the parent level?
- Ameet Desai:** Yes, at Adani Enterprise as a jointly held entity between Adani Enterprise and promoter.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference over to the management for closing comments.



*Adani Power Ltd.
February 12, 2016*

Pranav Mehta: Thank you once again for participating in our earning calls. And any questions are unanswered or you need additional information you may contact our IR department. Looking forward to speak to you once again in the next quarter results.

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.