"Adani Transmission Ltd. Analyst Meet"

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Anil Sardana: Very good afternoon. My name is Anil Sardana and I am supported by Mr. Kaushal, who is the CFO of ATL. So moving on to the agenda for the day, which is the presentation for Adani transmission, since you have seen, since morning details about group, etc. so I am not going to repeat some of the aspects that have been talked about. But Adani transmission truly takes its position of pride within the utility and energy portfolio that exist and we have plans to continue to keep our position upright. Robbie mentioned about the fact that there is a 3 pillar progression that is now being pursued by every company which is making sure that we have a proper plan on execution excellence, operations excellence and of course the capital management excellence.

But at ATL we also have one pillar which we call as growth excellence. So we have execution excellence, we have proper programs and initiatives that we monitor around those pillars called execution excellence, operation excellence and the growth excellence and then of course the capital management excellence which is there. So this is from the group, but I will show you about how it is there at ATL. Of course this is again a group slide, but more important part is that, ATL continues to be tremendously reliable in terms of its prediction for availability as also profitability. Again one of the fantastic business in terms of transmission, surprisingly there are not many companies who understand this business or pursue this business, but I shared this many of you individually when I have talked to you. Transmission per se is fill it, shut it, forget it. So it is actually not Hero's ad, that Hero Honda's motorcycle ad is actually for ATL. Because once you build it, honestly you don't need to do anything. You are bang on predictable for next 35 years in terms of how you will deliver your promissory estoppel So this is there. And of course, distribution which personally for me has been a passion after having worked at BSES and at Delhi in my earlier avatar and of course later on in terms of what one could do at Mumbai as well. But I am fully familiar with Mumbai geography for a long time. So Adani Electricity Mumbai is something that we will talk about more. It is going to be again one of those areas and many of you would be our customers, so by virtue of that I can only promise you that two years from now, you will see altogether a very different entity and I can also say, I will buy it at a cheaper price than what you pay today. So that is a bigger caveat than anything else.

Now very clearly the icons that you see on the slides, many of you are familiar, of course the top one again talks about what has been our strength in terms of how we have executed projects. We have now a large customer base in Mumbai and hopefully over years this will only continue to grow, not just in Mumbai but then more geographies than Mumbai. We also have a very small distribution venture which is today managed by the ports business in Mundra, that is by the way a licensee. So one has to see as to how that licensee also get benefit of our experience. But there will be many more that we will talk about in times to come. The experience of AEML of course is something that we not only wish to use for other discoms but will continue to make sure that AEML still benefits from the Era in which we are living. We are all very lucky to be in ages when you have artificial intelligence, you have virtual reality, you have data analytics and you have all the IoT that is there and today it can't be more useful than in a consumer facing business. So it is a very strong sort of integration exercise that is happening. And of course on the transmission side, we were the first ones, many of you may not be aware. First ones to build 765 KV line in this country which was indeed in Maharashtra and then of course we have several

765 KV lines today. So we are one of the pioneers and the only company to have 500 KV DC in South East Asia, private company because all others are state owned. China also has, Power Grid of course has, and I was one of the lucky ones to have built the first HVDC line when I used to work at NTPC because that time there was no Power Grid. So when we started, in fact I could say with pride that we are one of the first ones to have coined the concept of having high voltage DC systems in this country. So, like the way we did first time the combined cycled gas based projects in those times. So that has been the case.

In terms of financial side, very predictable as I mentioned, the assets now which will grow in future will be TBCB assets. So the tariff base is going to be very advantageous to us. I will show you in terms of what Robbie was mentioning as to what it really means to us. It is not just promising but it is actually fantastic example of how infra funding can actually catapult the entire picture of those assets and the returns. So we will give you the example very soon. Right now the proportion is, we have 54% contribution coming out of the rate of return assets and the balance coming from TBCB. That is going to change over a period of time because rate of return assets will crawl through the return on equity from the distribution business, whereas the TBCB business hopefully will grow much faster and therefore will have direct contribution into that. Young company as you see, the license period that is there in front of us is very long for transmission assets and of course 17 years for the distribution assets. But you know all that the distribution will live till perpetuity because the way the act is and many of you may have even seen the amendment document. The electricity act amendment document which is of course hopefully going to go to parliament some session perhaps. Very clearly envisages that herein after if there is no track record which is bad, the distribution will automatically get extended. So that is the change that we are seeking and pursuing and therefore that will be another sort of advantage in terms of how things are. Today our regulated asset base is $4 billion. So it is a very strong growth trajectory that we have seen and of course in terms of performance. Again very lucky to be in transmission business which is the only business where throughput is not important. So where is the risk coming in power sector? It comes from throughput. Because if there is no off take, there is no sort of discipline by the discom you get into challenge, but in this business first of all our customer is not discom and I have clarified this to many people. Our customer is regulators. But since regulators can't do business, therefore they have created the concept of pool. So many of the people mistake as if pool is something which is a mechanism to pay, no. It is a mechanism of business because pool is nothing but a place which regulator has created with a manager to the pool. Okay? The STUs and CTUs are nobody to control the pool. They are just managers to the pool. So they just pay as determined by the regulator and as announced by the regulator. So I think this clarity is very important because distribution business aside, they cannot choose one particular line. They can't say if suppose, there is a discom, assume X discom, like the way they can choose a generating station and say let me trouble this because its fixed cost is high or its variable cost is high or for some reason I don't want to buy from this guy. But they can't pick and choose a transmission asset even if it belongs to private sector. They have to choose the power system for the entire grid system or they have to accept all the elements of the power system because these elements of the power system are designed by an independent system operator who goes to the regulator, gets a pre-approval and thereafter the contracts are awarded. And the moment the contracts are awarded process then stops. We have to go and get the license from the regulator even before the construction starts and we have to get the tariff accepted. So that is a beautiful process. It is a beautiful process in which we have zero risk with regard to either customer and we have zero risk with regard to your asset. And many of the other people should note why transmission always gets paid. Because it is a part of the O&M in the ARR**.** And as you know in the TRA, O&M gets paid the first and O&M for discom is just 5% to 7%. Therefore, transmission always gets paid. In 70 years of history, not a single transmission asset has never been paid, has never been the case. So I think these are some of the very important aspects and of course…

Kaushal Shah: And just to add, we are absolutely current as of now for all the receivables. Whether it is from Rajasthan or whether it is from Maharashtra or whether it is from Central.

Anil Sardana: And of course Robbie mentioned about the fact that as management we are very clear that we will remain investment grade and that is our commitment, so that we will make sure that our discipline with regard to being investment grade continues.

Friends, this is that slide which now shows you about how ATL is dovetailing its own commitment to what are those three pillars. So you see the concepts being similar in terms of how we look at the execution excellence, how do we look at the operations excellence, how do we make sure that our customer management is clearly focused towards the vow factor that we have to get from the customer and how do we do our capital management. And I am going to show you two case studies which will actually give you a very beautiful glimpse of how the value is accrued and the value is created at ATL. So that is I think the most important part. So we continue to pursue this in terms of how ATL is able to consolidate its position. This slide shows you how we have grown. So in 3.5 years if you see the history of the company, we have grown 3 times in our physical assets. We have grown 2.7 times in our asset base. So the RAB has grown 2.7 times and of course the EBITDA has grown 2.5 times. So the growth is evident in terms of how things have moved and we hope that we will continue to maintain this in the times ahead also.

Now let me split in terms of performance for you, ATL and AEML. So I am going to show you 2 slides which will give you details in terms of what does this growth mean. So the top on the left hand side that you see is the number of projects that are in rate of return concept. So you have these 4 projects here. Of course, fully operational tariff that is shown is Rs. 1,900 crores and this is the project cost that you have the outlay. The operating TBCB projects, there are 12 now and of course you can see in terms of the project outlay and Rs. 860 crores of the fully operational revenue and we are very lucky that at this time we have a very healthy pipeline, 8 projects under construction and with the outlay of Rs. 6,100 crores, Rs. 880 crores of revenue that will sink in into the system. If you have gone to our website, you will find there is one large project where we have stood L1, we have not included that, that is the 9th project which will have again a revenue of about Rs. 225 crores. So very large project that is about to come to us in shorter time and of course as we talked about, the growth that you see here in terms of the TBCB, in terms of RAB has really been moving very healthy and this is what we told that the fully built EBITDA that you see is going to be moving even healthier. Right now it is 45% from center, it will move to 54%. So the TBCB pipeline is going to even strengthen our relationship with the federal system more in terms of power system.

Moving to AEML, as I said I will show you one slide on ATL, one on AEML. Many of you were asking me just post lunch as to how the CAPEX stream looks like. So if you see here, again very strong in terms of how the CAPEX stream will be seen in the next 5 years. In fact, our entire estimation was much lower when we took the enterprise. This is actually a blessing in disguise because when we got in, we found that perhaps the incumbent did not spend much capital during the last 4-5 years. So all of that has now come onto us and we will therefore be able to really take this forward in terms of what you see and this does not include by the way, the transmission asset which is HVDC. So that is over and above that. So this is entirely for Adani Electricity Mumbai but with one eye, clearly we will monitor the tariff. As I mentioned, we do not have to make the wheeling charges go up and that is the reason why we are going to be spacing it in such a way that whatever reduction we do in the bulk or bulk power cost and our capital cost reduction, we will add the wheeling charges to that extent, so that the tariff eventually is not impacted adversely for our customer.

What we have not shared in the past much but we have started to work on is the bottom stream that you see, there are lot of non-regulated income opportunities that are there, we are looking at the efficient appliance market, we have the power of bill, we have the power of knowledge of customer. By virtue of your bill, I can actually tell you that what kind of appliances you use, whether they are efficient, not efficient and therefore we can easily upsell, cross-sell based on the analysis of your bill itself and that is one part. We are going to be in smart home products. The e-security and entertainment on demand will be clubbed along with the offerings that we will have including perhaps fiber-to-home and for the new apartment blocks, we have already started talking to the new builders, but even in the old blocks, we will be able to offer some of the retrofit solutions that we are talking about. This is something interesting that we have started to work on. We are taking in big times safety in audits of the places of congression. So it is like mandir, masjid, gurdwaras, nursing homes, hospitals, banquet halls, all of such places of congression which are susceptible, we are offering pro bono services to all of these so that we are able to make sure that we will be able to protect people and therefore create that entire concept. You will soon see that we will actually build a property. We have talked about in the latter section. We are going to build a national property in terms of hashtag safety culture and these are some of the aspects that you will see being done and of course the flagship program under all of these will be One Adani, One service. So at apartments, we will get one bill for perhaps even gas, wherever Adanis have gas or others have gas if they are willing to sort of include us in terms of billing customers, so you will find perhaps electricity, gas, fiber, entertainment, e-security, appliances, all of these in one bill. So you will have One stop One Adani, One service concept. So that is what is going to drive our value.

Kaushal Shah: Just want to add, the strategy here will be that we will be doing more CAPEX that will enhance our return because it is a regulated asset and at the same time while maintaining our tariff. So that there is no increase on the tariff side, so that will be the biggest things which we will be doing it.

Anil Sardana: Moving onto the capital management part, we talked about the execution part, we talked about CAPEX, we talked about operational aspects that we will continue to see as to how we maintain that excellence. Moving to the capital management part, you will see that how the difference between a corporate funding or a corporate kind of models that you have seen and some of you asked question to Robbie in terms of that how do you defer from the government and he took example of power grid which is relevant for us in terms of how things are. You will find in the middle box what we have indicated as to how the operating project debt is made into lower cost with amortization which is friendly which eventually throws up and releases a lot of money to us and as you know from NPV perspective, if the money gets released in the initial years, that is a big boon for a growing company and therefore how do we really take advantage. In fact, when you look at this ratio of 0.84, just hold your horses, I am going to actually give you the case study in terms of how these things are giving us advantage.

Now, the first case study that I am going to be showing you is in terms of the recent bonds that we did. Just to show you is to how one is able to move to a long-term funding profile and you see here everything is long term in terms of less than one year is just Rs. 2.1 billion which is Rs. 210 crores which is less than 5% of our EBITDA. So that itself will also get extinguish but see the difference as to how you see the obligation. Now this is based on corporate funding profile and post commissioning, this is what our cost is now. We will see a stalk difference post the bond issuance. Similarly, you see FCFE, prebond issuance, this was the FCFE. Now I think the question that many of you asked what is the difference between the X system and a Y system, I think these bars will show you as to what way things differ and that is a very positive impact.

Kaushal Shah: This is very important, next 5 years by doing this program, our repayment profile from Rs. 1100 crores it has come down now to Rs. 800 crores. So, similarly that means I have some surplus cash available for the growth purposes and that self-sustained value-accretive growth which we will be doing and that is what we are trying to demonstrate over here.

Anil Sardana: So the second case study is actually perhaps an answer to why there are two multiples for some and why multiple should be 6 or 5 for somebody else. Now this is actual case. We have 7 TBCB projects that we commissioned. Details are there on our website. These projects had an original project estimate of Rs. 36 billion. So Rs. 3600 crores, we completed those projects with Rs. 3200, in fact less than Rs. 3200 crores, but we are taking the wrong figure right now. So that is the execution excellence in terms of how Rs. 3600 crore projects got completed at Rs. 3200. So that is first part. The second part in terms of operational excellence what we had assumed is our estimated cost of O&M was about what you see the figures as Rs. 0.5 billion and what we actually are now slating to spend throughout is much lower. So that is another advantage that we get, but that is from the EBITDA point of view. But from capital management point of view, when we look at, when we replace the corporate funding with the long term bonds, friends, this is the phenomena that occurs. We release Rs. 500 crores worth of equity which is 62.5% of the equity that we would have spent, if we would have followed the conventional business model. So what we did from the infra point of view if you see, we have the same debt as was originally envisaged, but we end up with 50% of the equity that we were to spend in the original scheme of things which we would have given us returns that were part of the threshold returns, say 16%-17%. But see what happens now based on this model and based on the return profile that we have, the optimized ROE is 55% and in addition, we got a release of equivalent amount of money if not more. In this case, it is more, but equivalent amount of money for us to do similar size projects again. So that is the beauty of it. So not only that the ROE of this project has actually catapulted to a phenomenal number, but we have also got money released for us to do an equivalent size project there and after. So I think that is the difference in terms of how you can take advantage of the long-term bonds especially if you are investment gradeand especially if you have history of executing projects in time and operating them with high reliability and at low cost. I think that is the beauty of how we are able to really catapult this.

Kaushal Shah: So that is what Robbie was telling about the book value. I want to just for the sake of repetition, on Rs. 4 billion, so original equity investment was Rs. 8-9 billion, now it is Rs. 4 billion and we have a PAT of Rs. 210 crores, means Rs. 2 billion which caters to 55% ROE. Now if you have a WACC of 11%, let us say net-net then you are earning 5 times now. So that is why we are talking about that why the book value of 2 versus 5 that is what we want to highlight that this is how the entire capital management. So three clear pillars we keep telling for the group and which philosophy has been replicated at the ATL level. One is the development or execution excellence, the second is once the plant becomes operational, the lines, then you have an O&M excellence and then the third one is that you do the capital management in such a way that you have a substantial return on the equity and this is all we are all trying to do bankruptcy remote structure, so that is also we are ensuring as we are moving forward towards that.

Anil Sardana: Great. I think these two case studies were important from the point of view of how one is able to really take advantage of being investment grade and being able to access the infra capital which is there for companies to seek and I guess if this kind of thing is done in this country, this will indeed help all companies in this business provided that they are able to maintain a good track record of being investment grade and able to operate their plants well.

Kaushal Shah: Just to add one more thing that by doing these of capital structuring, originally in obligor group, we have a Rs. 600 crore free cash flow, now we will have a Rs. 950 crore free cash flow. Then we have some other TBCB projects and AEML, where also we are planning to do the bond issuance in a similar fashion, 10-year bullet. So this will have the free cash flow of around Rs.1800 crores plus by doing this refinancing, we will have a release of Rs. 500 crores, Rs. 5 billion of equity. So overall, we will have a Rs. 23 billion free cash flow absolutely available for growth after meeting all our obligations of interest, principal, O&M, repayment, everything and just to say that for this Rs. 23 billion of free cash flow, even if you consider 75-25 CAPEX cycles, self-sustained because I do not have to borrow anything for the equity purpose, you can easily do Rs.8000-9000 crores, Rs. 90 billion of CAPEX without borrowing anything on the equity front and that again 2 years once it becomes operational, we do the same cycle and then again we will have the same kind of an equity which will be available as a cash flow. So this is the model which we are following and that differentiate us from the traditional valuation parameters and all of that stuff.

Anil Sardana: Great friends, so we have talked about those 3 clear pillars and then of course we are all very clear that over a period of next few years, we have to make sure that the group's commitment on ESG becomes visible to all stakeholders and to that every company is clearly taking up targets in terms of what it has to achieve, but just to tell you that on the governance side, ATL is going to be one of the role models besides any other companies, for other companies to emulate within the group. So we are taking pride in terms of the fact that we are making sure that the relationship between ATL and 21 of its subsidiaries. There is no cross security, there is no cross guarantee between companies, so it is absolutely clean structure that is being facilitated. It has got an independent board, not only the number of independents is going to be more than number of nominee directors, but the audit committee now is only independent director. So earlier we used to have even a nominee director. So we have even taken that out. So making sure that it needs high stance of governance in every aspect and of course from management side, we making sure that things are communicated to external stakeholders, website has a very detailed compliance certificate. I do not know whether any one of you has had the opportunity to look at that. It is a very detailed submission that we do every quarter. So from every aspect, we are making sure that there is more not just a commitment, but there is more demonstration of how we can take the objective of governance across the stakeholders and the company.

On the environmental side, of course we are cautious that we have a 500 megawatt coal based project, so I am going to show you in terms of what we have done in terms of parameters, that are there and we are also conscious close to Mumbai which is a big habitat for people. It is impact on Mumbai geography and the neighborhood should be the least. But besides Dahanu we are in a very clean business, we distribute electricity, we transmit electricity which is the cleanest form of energy otherwise, but we are making sure that there are few things that we are doing in a very exemplary format. Let me give you some idea.

I think pre-lunch you saw the RONC and many of you may have noticed it has the monitoring facilities for renewables and it has monitoring facility for some of the genetic station, but I do not know whether any one of you asked question what about transmission? So friends, transmission is integrating itself into that RONC in a very distinguished format. All the transmission assets that we have all over India will not just be monitored but will actually be operated from this control room. So that is going to be the distinguishing factor and that is there is a complete tile space which has been allocated to transmission. So from beginning next few months, we will have all ATL transmission assets operated out of Ahmedabad. So that is going to be the power of how we are going to use the automation, how we are going to actually further reduce the cost because once we do that, then in that case our substations, all our substations, all our transmission assets will become unmanned and what we will have, we will have at different locations which is also scientifically decided based on what we have different criteria, mobile maintenance crews that is it. So there will be different location mobile maintenance crews which will be able to reach once we know where is the location as a fault or where is the attention that is needed. So that is the power of automation that we are trying to put together on this entire aspect.

And second part, I said two aspects, one is this, second aspect is we are going to be one of the first companies which will actually become zero auxiliary power consuming company. So we are making sure that at each substation, each location through solar and battery systems put together, we will have our auxiliary power generated through the renewable sources. Right now, we draw from the grid, we have transformers and we draw from that, but that we are going to make this absolutely neutral. So those are some of the distinguishing factors. This will not only give us that tag in terms of zero auxiliary power, but will also actually reduce our carbon footprint and also reduce our cost because today we import that power at commercial rates. So that will be a big advantage to us. Now this is friends a glimpse for you in terms of the comparison that you will see for Dahanu. This is Dahanu in terms of particulate matter compared to the Indian norms that exist. These are the norms of others, World Bank, Europe, China, all of the stuff. This is the SOx which is because of the FGD since FGD is there, the SOx is already contained. This is the content of mercury which you see compared to many others is a one-tenth and this is of course NOx that of course is again something which the Indian government has ordained in terms of containing it at about 300 level. So this is where Dahanu is able to actually achieve. Now many other projects today will have to add FGDs, will have to add facilities for control of SOx and NOx. Dahanu has to do none of those. It has got fully compliant with the environmental guidelines that exist and by the way last year we did a scientific residual life assessment study and we have established that the plant can live for another 2 decades and for one decade without any capital infusion. So that is the best part of how we plan to take this further.

This is another commitment that we have. Today, we have only 280 million units in Mumbai that are consumed from the renewable sources and see the change in 3 years, we will have it 10 times. So we are moving from 3% to 30% in terms of the mix of how green power will take a role and friends, one of the reasons why we will be able to contain the cost is going to be this because today we can take advantage of how the renewable cost is panning out in terms of the mix at the Mumbai consumptive center. So that is a big change that we are going through. Then of course several projects on the social side, that is being done both at AEML as well as ATL and this of course are spear-headed through the Adani Foundation which is doing an exemplary job in many areas. You will find two flagship projects, in fact 3 flagship projects in Mumbai area itself. One of course I told you that we will build this property #safety culture and I gave you some example of places of congression. You might find some more properties in the years ahead. The second part that we are doing is in terms of creating Indian Institute of Women Skill. So today for the needy women, there will be a skill institute, but it will be exclusively for women and you will find even the meter readers, the bill distributors being women. So that we are able to use that skill of women to do several of those aspects in the days ahead.

The third part that we are doing, foundation has a very fabulous program in which they train the local women from villages and they name it as Sanghanis, a fantastic program. It is actually one accolades of various institutions worldwide. The Sanghanis which are there, we are now taking this to the next level. The Sanghanis in Mumbai will be trained for quality of life improvement in slums. So they are going to be the ones for improvement of quality of life through a dialect with the people and the local residents. So these three will be flagship programs of Mumbai that are already underway. A lot of work has already gone ahead in terms of the social aspects. On the governance side, I think we have talked about how we are moving from the current situation to what we are going to be moving in the days ahead. A lot of work around how the compliance has achieved, how the internal auditors independently handled reported to the audit committee chairman and the audit committee reviews that, how we are making sure that Kaushal bhai mentioned about bankruptcy remote. But just to simplify, it is not with that objective, but the objective is that there should be highest standard of governance when you deal between one company to the other and by the way, Robbie perhaps didn't mention this part. One of the objectives of those verticals and went in passing that we do not have a group concept. There is no concept in terms of Adani group because each company is standalone. There are no dealings between the companies other than in the routine course of business. So there is a possibility that Adani Power maybe buying coal from ports through ports that is possible, but otherwise there are no transactions, no commercial interest between one company to the other. So Adani Transmission and its subsidiaries they play between each other as per the proper established governance norms, but there are no interactions or no engagements with the other company other than promoter companies, other than promoters.

Now this is another just an example, I think I am going to just pass this very quickly how internal audit related points come in many times. For example, a point came in, in terms of how do we know that actual patrolling is happening or not. People are going. We immediately convert that into taking advantage of my telecom experience, converted that it will capture the tower location of telecom, not tower location of electricity. So the person when he goes, he will have to press *1 which will give the location of that person based on the telecom tower. So you know he is there and he will capture of course the photograph of tower, many good people could ask if he is capturing the electricity tower location, but all towers look alike. So you would not know which tower has he snatched the photograph, but the telecom tower location will tell us it is of which area, which location, so that is exactly what we have done. So these are all systems that we are integrating in terms of using the IT part.

So friends, that brings me to the last slide and I am very conscious of the fact that despite covering Shantigram, we have completed within our slated time of 50 minutes which are there. So the last slide is that it is a very compelling investment proposition for all stakeholders and it is a real growing company. You see the growth that we have given you examples, you have seen in the pipeline and we have also given you a glimpse of what it will add close to about Rs.1000 crores worth of EBITDA that it will have based on the pipeline that is already in our hands and in terms of execution excellence, operational excellence, certainly second to none. We actually benchmark ourselves to the global part. Even with QIA, that we partnered, we have already discussed in terms of the fact how we will do peer exchange between us and Hong Kong Power where they are already partners. And as you know today, China Light & Power and Hong Kong Power are the two world's best distribution company in the world because during my previous assignment also, we used to do peer exchange with China Light & Power because in terms of parameters, they are the best because like Mumbai they also have underground cabling systems so that makes comparison further worthwhile because many other companies will have overhead systems like if you go to any other company. For those who are interested, just to know, there are 5 utilities which are the best in the world in terms of distribution because that is my passion area therefore I keep a tab. Number one is TEPCO, of course which is the Tokyo Electric Power Company which has a SAIDI and SAIFI which is less than 5 minutes that means in a year a customer does not see more than 5 minutes of interruption, this is what it means. Second best there are claims between the Dubai electricity distribution system and of course the system in Georgia Light which is again these two are known to be number two occupiers. The third position is typically taken by Baltimore Gas & Electric, Florida Light & Power and Potomac. So these are the guys who have the third position. So these utilities are the utilities to watch and China Light & Power is the one which typically sits between 2 and 3, slot 2 and 3. So that is where they are and it is our endeavor that in few years from now, we should have parameters similar to China Light & Power and Hong Kong Power. So that is what is one of the takeaways of our partnership with QIA. So friends, and that of course everything else you are aware. That brings me to an end. We will look forward to any questions which you may have and happy to answer those.

Participant: Sir, with the obvious slowdown in the interstate transmission ordering and definitely the shrinking of the pie, so where do you see the next round of growth, given that on the intrastate side we saw a lot of noise couple of years back and then nothing has really picked up?

Anil Sardana: So let me first give you the straight answer. The growth in the next few years will be on the green projects. See, all renewable projects are coming at locations where there are no substations. These are coming in desert area; wind is coming in coastal or mountainous areas where there is no evacuation substation. So the evacuation substation between those green parks, whether it is solar park or wind farms and the evacuation centers the consumptive centers, those lines is going to be one of the largest growth areas and typically government itself has assigned close to about Rs. 50,000 crores in the current financial outlay for them to support that. But besides that the total expected outflow will be close upwards of Rs. 125,000 crores on the transmission system related to the green project. So that is the first part. The second set of projects will be the interstate transmission system because when you have 365,000 MW of power, the interstate exchange is not more than one lakh. As you know we consume close to about 195 peak is what we have today taken in terms of used and therefore you need that kind of power particularly because gradually what will happen is that you will have renewables coming typically in the western side, the coal will be on the eastern side, the hydros will be on the northern side and you will need power at different point of time to move all the way into the other consumptive center and therefore you will need the interstate. The third is intrastate. Intrastate will not happen through the states, because states have no money. So that will all happen through TBCB. In fact, as we talk today, states like Madhya Pradesh, states like Jharkhand, states like Rajasthan, Rajasthan has already in fact announced the Rs. 6,000 crores worth of project already. So there are many states, UP has already announced Rs. 6,000 crores worth of projects. So there are many states which will have intrastate transmission system because they have no money and therefore they will only grow through TBCB as a natural phenomenon. So there is a very healthy pipeline for at least for next 4 to 5 years. In fact, it is only us as players, because we are limited players, we go back to them and saying please slow down the pace, because one activity that you have to do pre-bidding is the survey activity. It is impossible to expedite survey because you have to do a proper survey to know what exactly where the line will pass. So therefore there is only a particular pace that you can adapt. Of course there are new tools that have come in now and gradually with the advent of tool the pace is increasing, but yet you can do only as much. You can't do all the lines in just one go. So it will be very healthy pipeline.

Participant: Sir, some clarity on this QIA deal. So basically for all future CAPEX that we do in AEML, will they match that equity portion?

Anil Sardana: You know, I think if would have heard Robbie, he explained the fact that the CAPEX that we have, envisaged and which we showed you in the slide is fully funded. What he meant was that the Rs. 2,000 crores worth of subordinate debt that we have taken from them at AEML level, is with that objective in mind, that the equity that is needed for all the CAPEX that is there now gets fully funded. So we have to put as ATL we to put zilch money at AEML herein after. Everything is fully funded. The internal cash resources plus the subordinated debt will take care of all that we need to put in there even with that kind of CAPEX that we have shown.

Participant: What I understand is Rs. 3,200 crores is the equity which they have put in, Is Rs. 2000 is extra…?

Anil Sardana: If you remember what he said, Rs. 1,200 crores they have taken as 25% in the common equity. Therefore, the valuation of the equity is Rs. 4,800 plus Rs. 2,000 crores as subordinate debt, Rs. 6800 plus he said Rs.10,000 crores is the company's debt itself, put together Rs.16,800 and then he told you Rs. 3500 as the value for the HVDC plus the realty part. And all put together as Rs. 20,300. That is exactly the calculation.

Participant: Sir, this is largely bookkeeping. So on AEML do we have any regulatory dues or something in dispute that we are going to receive?

Anil Sardana: So there are regulatory assets. As a part of our agreement when we bought that asset, it was clear that all the past regulated asset which has not been approved as of now either are at APTEL or at MERC or at Supreme Court, as and when they come in whatever format they come, they will get back to Reliance Infra. We have two rights that we have built in for us. One is to deduct tax at the source, because once it comes becomes our income and the second is, if there are any dues that we have to take for the past period from them, we have the right to adjust that. So that is what is the situation till now.

Participant: So in between, so after we purchase from Reliance and sales of QIA, so anything we believe that we can receive?

Anil Sardana: So we already received recently close to about Rs. 500 crores on standby charges, that we won at the Supreme Court and those have been adjusted for the dues that they owed to us in terms of employee dues, leave encashment and all that stuff. So yes, we have received and that has been squared up. So that is the way it is.

Participant: On the QIA deal, what is the **term of the subordinate debt**?

Anil Sardana: So what exactly do you want to know?

Participant: In terms of the coupon or something on the sub debt which you need to pay to the QIA and what will be the term of, what is the tenure of the sub debt?

Anil Sardana: So we will give you those details. Right now, I am not very sure whether these people have declared that to their end in terms of media because we want to be conscious about the fact that how much have they declared. Once we get to know we will share it with you. Of course those terms we have signed up. So I don't want to say that we don't know, we know it. But we want to check with QIA, in fact that question was also asked by somebody yesterday and since we were not there we have send them a mail. Let us wait and see if QIA has declared that to their side or not.

Kaushal Shah: So but at least we can share that, it is a stapled equity. So what they are doing is that the Rs. 2,000 crores, let us say technical sub-debt we have to fund 75:25, instead currently they have funded and after 10 years this has to be taken out, this Rs. 2,000 crores sub debt.

Participant: Second, on the CAPEX side, you said that you need to incur Rs. 95 billion. I think the current pace of the AEML would be somewhere around 100 billion would be the gross block. So you are talking about doubling the gross block in the next 5 years and we believe this is the last year of the multiyear tariff. So have you filed the petition for the 95 billion?

Anil Sardana: That is right. Petition has been filed along with this because it is not us, it is the regulator which had the arrears of all these schemes which were filed long back but not executed. So many schemes are in fact old schemes which the regulator had approved and had lapse because they were not executed. So the interesting part is the regulator itself is insisting that you please execute these schemes because these are old schemes and in fact central electricity authority has sent a letter to MERC saying that Mumbai schemes have been languishing and if they are not executed, we will have problems in terms of the grid stability. So the regulator is after us. So the multiyear tariff has been filed with that. I gave you two hints very clearly that we have looked at the bulk power cost which is 70% of the ARR And because of the larger mix of renewables and because of the fact that the Mumbai peak happens in the afternoon, we are able to shave off that Mumbai peak completely by virtue of solar. And you may be aware that we recently tendered out a hybrid power purchase with the CUF of 50%. That means capacity utilization in the renewables itself to yield 50% PLF. That means we don't have to buy anything in the short term. So it is such a beautiful load curve that we have created that we will get cheaper power without committing for fixed cost for round the clock.

Participant: And can you please explain the other part of the Realty and others which gives it value of Rs. 35 billion which Robbie spoke off?

Anil Sardana: So instead of giving you further details, I just want to tell you that we are sitting on large tracts of land. Now we obviously can get that developed through other means and what we will have to pass on to the regulator is in terms of the lease charges for that land. That is number one. Number two, the largest part was HVDC. HVDC is a Rs.6,800 crores worth of project and HVDC if you execute on a normal 30:70 principle and the regulatory principal will itself give you the value that you will see will be a majority part of that Rs.3,000 which Robbie mentioned.

Participant: Will it be possible for you to explain the HVDC line, we haven't anywhere in the media or…?

Anil Sardana: Let me explain. Since it is already approved, it is there in the public knowledge. See, what is happening is, in Mumbai earlier we had 2,000 MW of load and we had 2500 MW of generation capacity which was the load and generation. Out of 2500, 500 was Dahanu and the balance was Tata Power. Over a period of time, Mumbai has moved from 2000 MW of load to 4000 MW of load. Whereas the generation has reduced from 2500 to a much lower figure today. As you know Trombay now is from 1950 has become 900 MW okay. So Trombay has reduced and Trombay, one of the units which is unit 5, was commissioned 1986. And the 180 MW gas based unit is end of life in the year 2019. So, maximum you can run is perhaps for another 6 months. Either you have to do a very high dosage of capital, in that gas unit, or you have to shut it down. So in such a situation Mumbai won't be able to island. So every time that there is a grid disturbance in Maharashtra, even Mumbai will see load shedding. In order to prevent Mumbai from seeing which Mumbai hasn't seen because of the past phenomenon of islanding, we have to virtually bring distant generation to Mumbai. Now Adanis what they did when they established Mundra project, they created HVDC link between Mundra and Haryana. What does it do? It is almost similar as your Haryana is Mundra. Because HVDC has a corrector that you cannot tap it in between and it is not asynchronous. So the HVDC means, whatever power you generate here virtually the same power lands up without any disturbance there. So Haryana virtually took advantage of Mundra as if it existed at Haryana or Haryana existed at Mundra. We are exactly stimulating that experience of taking power at Maharashtra and bringing to Mumbai through HVDC, as if that power station exists at Mumbai. So this is the concept. So by virtue of this HVDC line, you would have added 2000 MW to Maharashtra in a seamless way. So that is the entire technical solution that we gave to MERC, STU and CEA after a lot of deliberation that has got approved and that is what we have to execute now.

Kaushal Shah: And the tariff, important thing you should understand is the tariff. I mean, it will be across the users of Maharashtra, not for only Adani electricity consumers. So that is another advantage.

Anil Sardana: 6.9% of the entire Maharashtra transmission tariff.

Participant: It is part of AEML or…?

Anil Sardana: It is a part of AEML, it is going to be executed by a subsidiary of AEML, that is the way it is. But it is carved out of the arrangement with QIA. So ATL will parent that, not QIA, that is the point, okay? The parenting will not be done by JV, parenting will be done by ATL.

Participant: So the total CAPEX for the clarification is Rs. 68 billion plus Rs. 95 billion for the group?

Anil Sardana: For the (AEML) group, correct, absolutely, bang on.

Participant: The project will be developed with a regulated tariff mechanism?

Anil Sardana: Section 62.

Participant: Sir, your debt you talked about, 77% when you start and eventually you reach 87.5%. Is that easily acceptable by the lenders?

Anil Sardana: See, as long as the debt service coverage ratio and the project life coverage ratio that we talked about is healthy, lenders have not issues at all.

Participant: They have no issues with debt equity ratio at all?

Anil Sardana: Not at all. Because you see nothing is changing with regards to the earning potential. What you have saved is the capital cost of the project. Since you have saved, revenue remains same. And you have seen, we have not upsized the debt. The debt was 28 billion, the debt remained 28 billion. Revenue remains the same. So from their perspective they find that there is absolute nothing that they are actually losing.

Kaushal Shah: And what we are doing is that, we are creating a sweep mechanism also while doing the water fall. The structuring is done in such a way, let us say in some year, by any chance if my discounted EBITDA, future EBITDA, is lower than my existing debt then I sweep the amount to the senior redemption account before distribution. So we take care of the CAPEX also of that business, if at all is applicable of that lines plus these covenants**,** so they are very much comfortable. So you will not distribute before you comply with all these requirement, that gives complete comfort.

Participant: So it becomes restricted case in some sense.

Kaushal Shah: Yes, absolutely. If you have to do a compliance every six month, so you provide the compliance certificate and if you are within that, whatever you have committed, you are free to distribute that, if you are not, then to the extent of a shortfall, you have to feed the amount before distributing.

Participant: But is that equity, real equity, because you cannot reinvest it, right? It is like restricted…

Kaushal Shah: I have taken out at the first instance itself, right?

Anil Sardana: Don't confuse between that equity. See, as the project gets funded now, with those new bonds, that Rs. 28 billion is what they are funding. As far as the equity into the project is concerned, it is only 4 billion, because my project cost is Rs. 32 billion. So Rs. 5 billion is already out. That is a cash that got released and that is why when Kaushal bhai was telling you that stack up, he also said Rs. 5 billion is what I have got for myself to spend. So it is with us, it is not that it is somewhere in the hiding.

Participant: That is more in the nature of your cost savings, right, in that sense.

Anil Sardana: That is more in the nature of the cash that got generated, in fact we didn't upsize the debt. But when I brought the debt back to the same level as originally envisaged, that is a cash in hand. In fact, there is much more to it which we have not talked about. The amortization that we talked about, you know that is going to in terms of NPV when you look at, the cash that it will liberate in the initial years because in a typical corporate funding, all of you are aware, Robbie was saying each year virtually the MCLR is issued or in other words, India lenders will typically exhort from you 70% within the first 10 years whatever you may say. Whereas these guys will have amortization in which you will end up perhaps paying only 15% first 10 years. Maybe pay another 30% in next 10 years. So the amount of cash it liberates is amazing. We only gave a very simplified picture today. But since our friends understand financing, this is actually much sweeter than what we talked about.

Kaushal Shah: See, Rs. 5 billion we released upfront. The second is that over a period of 5 years, by the longer amortization period, I have a Rs. 15 billion in first five-year additional cash flow being generated. So that is the advantage. And even after this as I explained to you, my equity is 4 billion only. My PAT is Rs. 2 billion, Rs. 210 crores to be precise. So Rs. 2.1 billion. So we are giving comfort to the lenders in spite of these. So supposing let us say if my O&M goes high in any particular year, then still I have that Rs. 2 billion which is available which gives them a much more comfort that this can be swept and then they are secured from that. So that is the beauty of the entire structure.

Participant: Sir, on the opportunity on the distribution franchises that is coming up and otherwise on any cost plus that is coming up, if you can throw some light over the next 2 years?

Anil Sardana: See, first and foremost, right now as we talk there are 3 Orissa jobs which are on PPP basis up there for the bidding. So that is first part. The second part is that as we top 3 states, we know for sure have moved ahead with the franchise concepts. We are talking to those states in terms of qualification aspects, in terms of what are the conditions because franchise in the format that came in Rajasthan is very good. It is almost like a PPP named as franchise because if you spend more CAPEX than what is provided in the contract, you are allowed to go back to regulator. You know that is what exactly what we want because in distribution the reason why only section 62 works is because you don't know which colony will come tomorrow. You don't know which roads will be build tomorrow for lighting. You don't know which factory will come where. So you can never be sure about the fact that you will need only this much CAPEX. There has got to be a flexible system. The moment you do franchise, you are being sealed into a particular contract and said that now you deal with the discom and not the regulator. But in Rajasthan what we managed to do through policy advocacy that we were not required to deal with only discom, we could deal with regulator if the CAPEX was beyond a particular point. So we do a lot of advocacy in terms of these aspects with these respective state governments. Three state government at this stage are talking to us.

Moderator: No more questions. Thank you.

Kaushal Shah: Thank you. If you have any questions you can write to any of us. Thank you very much.