



# “Adani Transmission Limited – Q2 and 1H FY22 Earnings Conference Call”

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**MODERATOR: MR. SWARNIM MAHESHWARI – EDELWEISS  
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**Moderator:** Ladies and gentlemen, Good day and welcome to the Q2 FY22 Earnings Conference Call of Adani Transmission Limited hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities. Thank you and over to you, sir.

**Swarnim Maheshwari:** Thank you. Good morning everyone. On behalf of Edelweiss, I welcome you all to Adani Transmission in Q2 and H1 FY22 Results Concall. From the management today with us we have Mr. Anil Sardana – MD and CEO of ATL, Mr. Rohit Soni – CFO of ATL and Mr. Rakesh Tiwary – CFO of AEML and Mr. Vijil Jain from Investor Relations. I would request the initial remarks from Mr. Anil post which we will have the Q&A session. Thanks and over to you, Sir.

**Anil Sardana:** Hope the onslaught of COVID must be easing out a bit in your areas too. Coming back to the quarter that went up we must start by saying that like before we continued with our reliable operations. We make sure that the supplier viability both in the transmission segment as well as in the distribution segment was of highest standards. The other parts related to the after-effects of COVID we saw continuing improvement in collection efficiency. In fact, during the quarter it was way upwards of 106% in the distribution side and it continued to be good on the transmission side as well and the e-payments continued to be solid 68.5% up from what used to be lower than 40% prior to COVID.

The operational performance on the distribution loss side and various aspects related to the reliability of the system, as I said continued to be as good as we had budgeted for. During the quarter, we commissioned two of the transmission systems incidentally both system part of the federal green corridors. One was the Fatehgarh Badala system in Rajasthan where the annual revenues right now expected to be about Rs. 50 crores could be higher once we go in for change in law since a lot changed because of the bird issue, (GID) the Great Indian Bustard issue for which we had changed the route much before the others got impacted.

The second line we commissioned during the quarter is the Bikaner Khetri Transmission system where the annual revenues to be build would be about Rs. 110 crores. Also during the quarter, we got one contract from Madhya Pradesh this is a state contract where the full year billing will be about Rs. 145 crores or so and we have to now execute that contract. So, that has been the operational highlights during the year. Very quickly moving on to the segment of ESG very happy to inform that the ATL group on a consolidated basis expressed its alignment to SBTi which is the net zero targets complying to 1.5° temperature rise. Also in addition to that ATL joined the United Nation energy compact which is a part of UN global compact as we are all familiar in terms of the SDG which is the sustainable development goals, but in pursuit of sustainable development goal number 7 which is related to affordable and clean energy ATL formally joined that part which is called the UN Energy compact and this is a new initiative of UN and pursuit of SDG 7 and we will be happy to be part of that.

Coming to the financial side very quickly the quarter that went up saw the revenues moving up to an extent that the PAT numbers moved quite healthy on a consolidated basis the PAT was 35% higher

compared to the previous year on a quarter basis. On a half yearly basis about 27% higher at about Rs. 726 crores compared to Rs. 570 crs in the previous H1 of last year. Both transmission on a standalone basis and distribution on standalone basis did quite well on each aspect of its business and in the cash profit side also the company maintained the robust cash flow and the cash profit for the year was about Rs. 1,565 crore in H1 and close to about Rs. 700 crore in the Q2 part. So, therefore that is more as the significant measure that we check to constantly be on the ball with regard to our CAPEX program.

The CAPEX execution during the half yearly was around Rs. 3,000 crores so we will stay on our target that we have been announcing every quarter that we will do a total of about Rs. 5,000 crores and we are staying on course in respect of that. The ratios continued to be robust, the debt service coverage ratio upwards of 1.9x the fixed asset ratio upward of 1.4x, the net debt to EBITDA much lower than what is permitted as the investment grade rating so it is at 4.5x down from 4.7x in the last quarter and the net debt to net worth 2.4x. So, all in all the performance of the company continues to be robust and continues to be on the upswing and we will be happy to build on whatever have been my initial remarks based on your questions and will happy to use those to disseminate further information that perhaps we have not discussed in the opening remarks. Thank you once again for joining the call and would be happy to take your questions.

**Moderator:** Thank you very much. We will now begin the Q&A session. The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** My first question is on what is the worth of projects which got commissioned in H1 and secondly which are the pending assets expected to get commissioned in transmission in FY22 in the next 6 months?

**Anil Sardana:** In H1 we had commission elements like Ghatampur and Obra and also acquired operational assets Alipurduar during the Quarter 1 and if you want the annualized number of those I will give you in a minute and for the current quarter Q2 since you asked about H1 Q2 I have mentioned we had commission Fatehpur Badala which is Rs. 50 crore annualized number and Bikaner Khetri which is Rs. 110 annualized. Now Alipurduar which we acquired Rs. 150 crore annualized number and Obra and GTL Commission-I and Commission-II annualized number, I will give you Mohit in a moment.

**Mohit Kumar:** Sir my question what was the addition to gross block due to addition of all these new projects, is it Rs. 2,300 crore, is my number correct?

**Anil Sardana:** Must be because you must be checking from the point of the changes that have happened in the total gross block, but if you are okay we will email you.

**Mohit Kumar:** Sir, there is a dearth of transmission base in H1 how do you see the next 6 months do you expect a substantial amount of projects to get bid out?

**Anil Sardana:** You must have seen some bit of activity in change of regulations in the transmission what they have done is that what used to be earlier part of the low dispatch centers purview to approve the planning part of the transmission system which was bogging things down and delaying things down. They have

amended that part of the regulations and now given to (NCT) National Committee on Transmission. So, therefore what they have done is that the transmission planning aspects was not getting through very quickly and was causing challenges for the renewable capacity addition and that change has now happened and that will bring tremendous amount of alacrity into more and more transmission lines being rolled out in the times to come. You must have also seen that about three weeks back first guideline from (GNA) the General Network Access which I used to talk about it in the previous call that finally got announced which will mean that now the transmissions system will be getting planned on a bottoms up basis rather than the top down basis. What it means is earlier our transmission system used to get decided based on announcement of a generating facility and in order to evacuate that generating facility the transmission system used to get connected to that generating system to its nearest cooling station, but now the way the transmission system will get designed is how the low centers are going to get evolve and how a consumer will have a flexibility or a discom will have the flexibility to source the power from anywhere they want. So, that is going to be the biggest change and of course it will take time, but those are some of the new evolution and I guess it is for several of those efforts that you did not see too many tenders coming in though of course there were tenders, but now I guess in the quarters that come by you will see high tender activity with regard to those tenders.

**Mohit Kumar:** Sir pardon my ignorance but has the GNA been notified for the future or is this the guideline as of now?

**Anil Sardana:** No, it has been notified for the future because when we say notified for the future Mohit we need to be mindful that eventually whatever ministry of power has notified that has to be converted into an action document by the regulator and therefore that action document is what we will have to wait for.

**Mohit Kumar:** Last question, do we have order on HVDC transmission element of Mumbai already or is this still work in progress?

**Anil Sardana:** No, we have not yet ordered. The approval from NERC has been received just about a 7-10 days with regard to the entire packaging concept and the budgets etc. etc. so that is a big step in that direction and now we are moving towards the next step which is to issue the global tenders.

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

**Swarnim Maheshwari:** The first you know in the recent regulations that you mentioned about the changes in the regulations that is taking place, we understand that the ticket size has also been reduced in the latest bid that you see, so any take over there as we are also seeing the new competition coming in, so erstwhile if you see there was just about kind of an if I had a say a [15:05] market in the bidding now you are replacing more and more participants, so just some color over there?

**Anil Sardana:** That is a very good point that you have raised I guess the ticket size has to be seen from two perspective. Number one anything above Rs. 500 crores by CAPEX network of the transmission system will not be in the purview of the NCT which is the National Committee on Transmission so that is one big change that has happened so many things will now start getting into the central purview.

The second part that is important is the competition part which you said in terms of qualification requirement the ticket size has been lower that is a healthy stuff because if you are going to have transmission systems which are going to be of smaller in nature you should permit smaller players to also participate so that those players are able to part take in that and complete those projects at decentralized locations and accordingly the market place for the larger players could be to take up these projects which are of the larger value. I guess this is a part and parcel of the market place and we welcome this part. I do not see that this will impact anything in the long term it may have a bit of short term impact in terms of the fact that some of those smaller players could get bullish to look at even larger project, but that is okay that is a part and parcel of the system, but we believe that having more competitors actually creates a better pool in the system and therefore that is welcome from our perspective.

**Swarnim Maheshwari:** Sir like this was a very novel thing you also kind of observe that the players from the infra segment the construction segment they have started participating now and in fact I understand one of them also one of small contract also, so would you be a bit careful about actually in this small ticket size projects?

**Anil Sardana:** I do not want to comment on the outlook of the competitors. I would add to very quickly suggest that eventually this is a 35 years play and one therefore needs to have that mindset. One needs to have that kind of an outlook. Now if these players get into monetize also the lock in period we can say that is positive because in the past also you would have feel that ATL got opportunity to procure a lot of lines developed by the EPC associates as well as some of those developers which did not have a very long-term horizon or a long-term outlook of holding those assets for 35 long years. So, all in all eventually this is part and parcel of market play as I said. There will be players who will come in and then eventually after they construction place they will try and monetize that to their advantage good for us also, good for our shareholders too because to then this construction does not show up and they start to see the revenues from day one. So, I guess it will be always a mix of the two.

**Swarnim Maheshwari:** So, we can look at environment growth opportunity is with us that is how we wish to?

**Anil Sardana:** That is true.

**Swarnim Maheshwari:** Sir my second question I think there has been a lot of hue and cry about the coal demand supply equilibrium so I just wanted to know whether your thoughts over there, is it just the under investment of capacities along with the demand how it is and how it is going to pan out and more importantly does it really push for more and more transmission projects specifically for the renewable sites?

**Anil Sardana:** Let me read your question from the perspective of the demand issues related to our Mumbai distribution businesses not therefore underplay that question assuming that this is not related question it becomes related from our dispute distribution perspective because you are right in terms of the fact that the tariff will be exchanged through the roof and I am happy to see now back to normal, but yes what happened. My personal analysis of the situation is that each year just about monsoon or just about period post monsoon you always see problem with regard to the coal supply, there is nothing new it happens each year. However, each year the coal is procured during this interim period from the seaborne markets thermal export markets. This time was one of the rarest time when the international coal prices

were booming along with the other commodities and therefore this was the first time that those of the stations which were in any case buying imported coal because they were designed to use that coal even they stop buying considering the fact that they will not be part of the merit order because the coal cost were upwards of \$160 US per metric ton. In such situation those whom used to shift during these post monsoon period to imported coal obviously it did not have that solution and therefore there was a double run in terms of the fact that we did not have domestic coal and we did not have the imported coal at the same time and this cause this entire aspect of demand supply gap and when these stations did not get domestic coal and had to shut down that is when the supply situation deteriorated and the issue with regard to the fact that during these period you also have a little bit of radiance issue and therefore even during the day time some bit of impact was happening on the solar output, but that was not that big an issue. Bigger issue was the fact that the thermal units close to about 25,000 megawatt had to be of bar because they did not have coal. Now it is important therefore this continue to have clarity with regard to what is going to be base load strategy. One aspect that has become very clear that the government of the day must plan for base load strategy. If we are not going to have coal because it is a bad name then we must have alternative like nuclear or other alternatives which are there going to be available in these times when you will have the base load demand in any case which is unlikely to be met by other alternates. So, that is a bit longest and answer to your question, but according to me that is what cause this entire point.

**Swarnim Maheshwari:**

Do you see what government expediting for this renewable corridors?

**Anil Sardana:**

There is no other alternative to that the renewable corridor will be fast forwarded and in fact this entire policy change has been done with that narrative in mind and they have announced that very clearly that since this green corridors were getting delayed that is what compel them to take it over the original load dispatch centers and the entire planning process to the NCT which is the centralized body.

**Moderator:**

Thank you. The next question is from the line of Anupam Goswami from B&K Securities. Please go ahead.

**Anupam Goswami:**

Sir my question is on do you see any opportunities in the stress asset in the transmission project and that is what margins in return that we can expect from these?

**Anil Sardana:**

Anupam there are not too many private sector assets that I will call in the category of stress assets left out just about very few and the smaller ones because the last on the block was WKTL the Warora Kurnool which we picked up. There are one or two which are there with the lenders and I guess either the lenders will have to go through the process or those will evolve through the NCLT process, but just about last few not many left out. Now whatever is left out will be with those which are either been constructed by the private sector and they might want to exit those or it will come through the national monetization policies. So, those two categories is what will evolve during the times ahead.

**Moderator:**

Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Sir my first clarification is this our transmission Warora Kurnool is getting consolidated as of now or is it still work in progress and secondly what do you expect to end the AT&C losses for the quarter was higher compare YoY and you have given some explanation, can you please comment on that?

**Anil Sardana:** The first part of your answer the WKTL by and large all elements are still under construction is a small element which is operational and therefore it will take its time to be operational. So, it is not getting consolidated in that sense it still a part of the CWIP. Coming to your second point in terms of distribution loss being 7.64% during the quarter compared to some figure of 3 point that we saw on the quarter previous year. The explanation given there is correct because AT&C loss is something that we derive based on the million units that we pay for evaluate by million units that we collect. It is basically that shortfall in million unit that we collect is considered to be a part of the loss. Now in terms of the fact that we were allowed to build on an average basis during the COVID months, during this quarter Q2 of last year caused we lost artificially what you saw. So, that is a very correct explanation of what actually transpired during that time whereas 7.64 itself is one of the very low AT&C losses because in this almost 7% will be the technical loss. So, that is the situation because the commercial loss will be hardly 0.64%.

**Mohit Kumar:** And what is the benchmark for current year FY22?

**Anil Sardana:** No, there is nothing called benchmark the figures that has been given by the regulator is still upwards of the figure that we have achieved now. So, we will be well within the regulatory requirements.

**Mohit Kumar:** Lastly what is the CAPEX for the H1 you did in the Mumbai discom area and what do you expect to end up in FY22?

**Anil Sardana:** Discom I have the total figure of upwards of Rs. 3,000 crores close to about Rs. 1,000 crores in the H1. All the Rs. 6,000 crores you can say about Rs. 2,000 crore will be transmission and another Rs. 1,000 crore will be distribution.

**Mohit Kumar:** Can I expect a similar run rate in H2 for the distribution?

**Anil Sardana:** For the purpose of guidance, I would still want to maintain what we say that we will do Rs. 5,000 crore out of which Rs. 3,000 crore will be transmission and Rs. 2,000 crore will be distribution.

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

**Swarnim Maheshwari:** Sir, just coming back to the distribution business now so the last bid that we saw was outstanding and after that we have been seen a bids, so what really happening on the bidding side over there that is the first question and other related question do you see that once the amendment of 2020 which passed which we are not sure whether it will happen in the winters or again in the summer because elections are looming again, so do you think that once that gets actually passed we will actually see some sort of privatization picking up from the distribution perspective?

- Anil Sardana:** So the first part of your question related to Chandigarh my sense is that those are being processed for award to the party which had quoted the highest bid. I am sure it is only a procedural delay and it should soon be happening both for in fact the Dadra and Nagar Haveli as well as Chandigarh. As far as the act is concerned yes we are hopeful that in the next session of the parliament of the act gets passed several vistas will get opened for the distribution to be accentuated through parallel licenses because now then the word will not be parallel license. The word then would be that you will be approved distribution company is the word that the act has used and once that is approved by either a central regulator if you are a multistate participant or a state regulator if you are state participant and based on that you will have the opportunity to go and start doing distribution based on the sealing tariff concept. So, it will have its initial gestation period because the regulator will have come back with those guidelines, but the same time yes I will see that will certainly get accentuated.
- Swarnim Maheshwari:** I was looking at this recent issuance of \$700 million of raise that you have done, so if you can just tell us about the tenure size and the cost debt over there?
- Rohit Soni:** It was a \$700 million facility to finance our project under construction predominantly \$300 million for the TBCB and \$400 million for the HVDC and with the revolving credit and we expect this to be done within say three years for HVDC and one and half years for our TBCB group so post that we look at what would be the financing arrangement post the project completion.
- Swarnim Maheshwari:** And what is the rate that we are got this?
- Rohit Soni:** I think the press release carries that is close to around 8% all in cost is the value what we have including hedges.
- Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities for closing remarks.
- Swarnim Maheshwari:** So, I would like to say thanks to Adani Transmission Management for allowing us to host the call. Thank you Anil sir it has always been insightful and Wish you a Very Happy Diwali. Did you have any closing comments?
- Anil Sardana:** Thank you to you too for organizing this and thanks a lot to our analyst friends. Happy Diwali to everyone, stay safe, stay healthy and let us hope that this Diwali one would be able to see the COVID going away from India. Thank you.
- Moderator:** On behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us and you may disconnect your lines.