



“Adani Transmission Limited Q4 FY-20 Earnings Conference Call”

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**MANAGEMENT: MR. ANIL SARDANA – CEO, ADANI TRANSMISSION LIMITED**  
**MR. KANDARP PATEL – CEO, ADANI ELECTRICITY**  
**MR. KAUSHAL SHAH – CFO, ADANI TRANSMISSION LIMITED**  
**MR. RAKESH TIWARI – CFO, ADANI ELECTRICITY**  
**MR. JEET ADANI – VP, ADANI GROUP**

**Swarnim Maheshwari:** Ladies and gentlemen good day and I welcome you all on behalf of Edelweiss Securities on the FY20 earnings call of Adani Transmission. From the management today we have with us Mr. Anil Sardana – CEO, Adani Transmission, Mr. Kandarp Patel – CEO, Adani Electricity, Mr. Kaushal Shah – CFO, Adani Transmission, Mr. Rakesh Tiwari – CFO, Adani Electricity and Mr. Jeet Adani – VP, Adani Group. We would have our opening remarks from Mr. Sardana and then we will have the question and answer session. Over to you Mr. Sardana. Thank you.

**Anil Sardana:** Thank you. Welcome to all the analysts and investors friends for our Q4 FY20 and also the annual FY19-20 call.

Well, friends these are very unprecedented times, very unusual times. We are all privy to something that perhaps in our living times we had not seen or observed or experienced. Well, for most of us this will mean following what the power we are driving. However it's not the sale for essential services like ours. Both for transmission and distribution business this pandemic meant that against all odds in terms of movement of people, in terms of movement of men and machinery that we manage in such a way that we are able to ensure uninterrupted supply. We have all heard so many statements being made from the Corona warriors which is naturally something that we all empathize and relate to because we are absolutely indebted to all the doctors, the paramedical staff, the hygiene workers and the entire paraphernalia which is dedicating itself to the care of people who could be suffering from COVID. However equally daunting is the task for the power warrior, both at Adani Transmission establishment all across India as also for Adani Electricity Mumbai which is focused in the suburbs of Mumbai. It's been quite a challenge. But thanks to our drills on the disaster management which typically would normally foresee that we would train our people to deal with such situations of disaster for maximum of 48 to 60 hours. But in this case we are absolutely wonder stuck with the courage and the conviction our people have shown in the lockdown situation and their substations for as many as 48 days plus. Right from day one when the event unfolded our people opted is that instead of using the essential services passes and traveling across country we might as well lock in ourselves into substations which have been spread across 31 locations for Adani Transmission and since that day there has been two extensions. But our members have opted to stay there. We were open to swapping the staff; we were open to moving different teams in lieu of the teams that existed but hats off to power warriors that are there at the substations, they have done an amazing job for the call of duty and quarantined themselves and are making sure that all the operations and the availability factor remain at the top notch level which have been the case in the past too. So even during these torrid times these people have shown exemplary courage and sincerity. So I think more daunting has been the task for our power warriors at Mumbai where both one because of the situation in Mumbai and number two from the locations that many of our tasks moves around and maintain free power supply it's been a bigger challenge.

However maybe as to add they have still maintained absolutely uninterrupted seamless supply, people operate from homes and at this stage presence of uninterrupted electrons is the first most important to every human being including in important establishments like hospitals, nursing homes and other care locations. We're absolutely indebted to our people in these locations who

are moving around the street, going around the entire location in Mumbai including dense areas, difficult areas to maintain the power supply and make sure that the interruptions do not cause any harm or hardship to people at large.

So friends the test of time in these crisis moments has been exactly displayed by our people and we therefore feel that one should not only just talk about the fact that we have displayed very high level of availability in our network for an year '19-20 but that more so displayed during these last 48-50 days when our people have maintained similar level of availability braving all the challenges that they have on ground zero. So that was about the context in which we have all seen things pan out in front of us.

Let me quickly move over to the key issues for which we have all got together to discuss. ATL Group of companies all our transmission SPVs as also Adani Electricity normally has done quite well during the year '19-20. Our growth paradigms continue to display growth and improvement in operational performance. We have displayed very clearly that on a Consol level our EBITDA number moved 50% year-on-year basis as the also our consolidated comparable PAT grew by about 26% on year-on-year basis. But for one write-off as you saw which was on account of the fact that we refinanced the entire Indian rupee loan with long term financing at competitive price as also with the friendly terms we had to incur that some cost which is to write-off the fee that we had paid for the previous funding. But for that cost the Q4FY20 as well as the FY20 would have looked further improved from the current numbers that you see.

Coming to the individual businesses; the EBITDA for the year for Adani Transmission reached very closed numbers to Rs. 2500 crores which was an impressive 21% year-on-year growth. The interesting part is we continue to maintain very high percentage of revenue has our EBITDA number in the transmission segment of business which was as high as 91.8%. Similarly, the PAT grew by about 34% year-on-year when it comes to the transmission side of the business. On the distribution business if you look at the annual EBITDA it crossed Rs. 1,800 crores, so it's well better than the previous year, so therefore I don't have to talk about those numbers alone. The operational EBITDA margin also recorded a higher number because as you know the normative number is about 22% but we registered 24% of our revenues.

The company is doing well on the topline and bottom-line numbers has also continued its commitment towards the capital management program as you have known from time to time, both at the ATL SPVs, ATL level as also at Adani Electricity Mumbai, the capital management programs have actually come to fruition before the end of March 2020. Adani Electricity Mumbai also got investor in form of Qatar Holdings who have taken 25.1% equity from ATL to become one of the partners at AEML level as also besides this Adani Electricity Mumbai completed the entire refinancing. In addition, Adani Electricity Mumbai also stitched up the line of credit for their entire CAPEX plan for 5 years. But the way the entire CAPEX plan has been worked out Adani Electricity Mumbai will be able to self-finance CAPEX for many years thereafter. In fact, we are we are hoping that it will be for the life term in terms of the way the entire program has been planned.

Coming to Adani Transmission; again the capital management program has been completed during the year and as you all are aware, we shared with you before, first we refinanced the US\$500 million of the Indian rupee denominated debt that was there for funding of various programs and then we worked on a very new product which is the long-term USPP. This US\$ Private Placement that you saw refinanced six operating assets which we have commissioned in the recent times, so we could the finance and also upsize our debt. We could eventually get \$400 million for that and which is again a manifestation of the kind of faith that the investors have reposed in our programs, in our growth strategy.

Coming to the last wing of what I mentioned in terms of growth the company is sitting on a very decent order book, in fact as things unfold we almost are touching close to about Rs. 10,000 crores worth of orders in line of sight. AEML as you know have programs which will be upwards of Rs. 1500 crores of CAPEX every year, in addition to that we have to now work on a recent approval towards the last quarter of previous year, an HVDC link that we have to provide between a generating hub within Maharashtra to one of the substations of Adani Electricity Mumbai. It's a sizable project. It has tremendous promise of bringing in 1,000 MW, almost as if the generating station is getting connected on a solid line basis to network of Adani Electricity Mumbai and this is necessary because of the fact that the existing assets which have stood the test of time for Mumbai are now nearing almost end of their life. Maybe in 4 to 5 years many of these assets will start to retire and therefore arrangements had to be made to make sure that the load end connected generation is provided on a robust basis to Mumbai. That's what we will achieve through that HVDC link which the planners, the policymakers have also accepted as a suggestion from our side, we have received the initial approvals and we are now progressing on the next steps.

So all in all as I said on the operational side the company continues to do well. Our people have shown exemplary courage to even brave these difficult times and continue to maintain the same operational levels. On the growth side the company has more promising growth in the times ahead with very solid CAPEX outlook for the company. On the softer side of the programs and initiatives like programs for ESG, programs for our power purchase (PP), the company's commitment as again steadfast. We are going to be in the second year this time when we will have the integrated reporting. As you are all aware that in the transmission segment we were the lone utility in India to have produced our integrated report last time and this will be the second year in the running when we will have the integrated reporting. This is not just from the point of view of what we report but from the point of view of what is an embedded commitment to all the key aspects of environmental benignness, the social connect with the community not just the target community but that the larger sense of community as we work along and of course the governance aspect that we are trying to absolutely embody and make sure that they are part and parcel of all that we perceive at Adani Transmission Group of Companies. Now Qatar Holdings is participating, their participation is also a very welcome sign because such partners not just behold our value system but they also abet and assist in terms of ensuring that we raise the bar further and we would more than welcome their participation and make sure that we not just have

them as partner but we have many learnings not just from them but by virtue of their connect with the other peer communities in which they hold their presence. So all and all the ecosystem expands and we are going to be certainly benefited by the expanded ecosystem also. So I'm going to stop here and therein by virtue of your questions which we would welcome we would be able to communicate several additional aspects that we may have not covered in the first part of the communication. Thank you so much.

**Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities.

**Mohit Kumar:** Thank you for the uninterrupted power supply in Mumbai and that allows us to work from home. Congratulations on the successful capital raises in various forms in the quarter. I have three questions, first is on what is the kind of capital expenditure you expect for FY21 and FY22 and has anything changed due to COVID? Secondly on the payment side, we keep hearing that the payment is only 50% given that the DISCOM situation remains very-very bad which means that our collection should be on the lower side, can you comment on that? Thirdly, what is the kind of commissioning do you expect on the TBCB side in FY21 and is there any change due to COVID or similar number you can give for FY22 over the worth of project which will get commissioned and the incremental revenue in FY22?

**Anil Sardana:** Thank you for reaffirming that as a Mumbaikar you are able to enjoy seamless power supply during these difficult times. So I am sure this will certainly motivate our teams. Coming to your other questions, you asked about what's the kind of level of capital investments we will be able to do considering the present times, well one has to only hope that the work on ground commences soon enough, number one. Number two would be one would hope that the call for the workers to move back also gets a better sense because it's very ironical that I forgot mentioning and I will use your question to mention that we retained all our workers at our worksite. For all these 1.5 months we took care, created camps for them with proper social distancing, made sure that their boarding and lodging is akin to their being safe and healthy with the object to that once the COVID situations relent itself to them working we will immediately commence work. The current social pressure that's getting exercised on the workers by virtue of the calls being made that these people come back to their hometown and stuff like that is a matter of worry. At this stage we haven't seen signs but if the social pressure continues to mount on these workers one won't be able to hold them beyond a particular point despite having incentivized them etc. So at this stage, with all the estimates that we are conveying to our analyst friends and investors is based on what we foresee based on the fact that we assume that the work will commence if not immediately on 17<sup>th</sup> when the lockdown period is likely to over by somewhere maybe a week or two latest from that. So basis that we hope that we will have close to about Rs. 3,000 crores worth of capital investment, CAPEX plan for ATL Group of SPV and close to about Rs. 1,500 crores plan by virtue of Adani Electricity Mumbai. So that's the plan right now. I would refrain from giving guidance for '22 except to give you a clue that it could be more of less of similar nature. Your other question, Mohit was that the payment par during these times is going to be partial and I don't think so you are very far from your estimates in

terms of the fact that the DISCOMS who have been allowed by law and by the regulations and guidelines including by CERC and by State regulators have opted to make close to about 60% payment to us in the transmission side and the rest will carry 20% interest as per the regulatory guidelines. So it will have the late payment surcharge which for the period of up to 90 days has been permitted to be at the rate of 12% instead of 18%. As far as Adani Electricity moving is concerned, they have done an exemplary job in terms of running their drills whichever areas or whichever kind of category of customers they had the automated meter reading facility, they have raised the bills through the readings that the downloaded through the servers and the rest we have done on the estimation basis. So they have been e-pushing the bill and they have been e-collecting the payment. Since they are on the rolling basis I guess and since the regulators permitted them the late payments surcharge in Mumbai, they seem to be doing a reasonable job in terms of collection. Though of course it's not going to be any time at the same level because we really appreciate that the consumption as well as the payment avenues are both going to be stymied. When it comes to consumption the industry and the commercial is clearly under lockdown and inactive and therefore the enhanced consumption will be primarily of the residential category of customers. But as far as the e-payment avenues are concerned those who have the e-payment avenues have contributed and the payment classically in the month of April would be about 60%, so Mohit that's part of your second part. Third part is we have only hope that the COVID may not extend its lockdown especially from the point of view of our supply chain. While our work has started and we are continuing to erect transmission towers and lines wherever material was available to us but needless to add, the material cannot be for long period. We will need the supply chain to open so that we can have uninterrupted supply of materials and same would be true for Adani Electricity Mumbai. I can only tell you that we have stocks ahead for the next 60 days on a very comfortable basis but one would hope that we will have uninterrupted supply of material even thereafter.

**Mohit Kumar:**

So there is no guidance for FY21 as far as commissioning is concerned as of now?

**Anil Sardana:**

Whatever numbers that I have said may not lead to capitalization on a concurrent basis in similar numbers but you can easily assume that for Adani Electricity it will be at least the 75% of the capital spends as the capitalization as far as Adani Transmission is concerned that will also depend on the fact that we mostly use to complete our projects ahead of schedule as you know that and most of our capitalization plan during this year was also ahead of schedule. But there is a likelihood that because of force majeure that the users may take—users I mean either generating station or the DISCOM—they would therefore want to make payments not from the date of capitalization but from the date that they will be legitimately permitted by their regulators as the date for their usage, so you will have to wait. Therefore, I'm not punting a number. We are waiting for some of those aspects to get cleared by the regulator.

**Moderator:**

The next question is from the line of Dhruv Muchhal from HDFC Asset Management.

**Dhruv Muchhal:**

If you can share the EBITDA for the under construction transmission projects excluding the HVDC and the Vikhroli line.

**Anil Sardana:** Can we provide you those details separately because I think if my sense goes, we have shared on our deck, the tariff numbers as we had bid out. For your sake you can take the calculations with 90% of that tariff number as the EBITDA number because I don't have it off-hand especially because some of the projects now because of COVID will have 2-3 months of schedule here and there.

**Dhruv Muchhal:** When I see your presentation earlier used to give it, this time the revenue number but I think this time it's not there, probably I will get it from your team.

**Anil Sardana:** Please send a mail to Vijil and you will have the answer because for us it's a very transparent, you can actually draw the P&L for last 35 years because in the TBCB once the tariff number is public and known and accepted by regulator you can take 90% as the EBITDA number.

**Dhruv Muchhal:** Second question was on the HVDC line, if you can give us more clarity, is it approved and if not what are the further steps that are required?

**Anil Sardana:** As I clarified in my opening remarks HVDC project stands approved and it's a line between a place called Kudus in Maharashtra and Mumbai where the termination is likely to be at Arrey substation. The total line length, connected length is likely to be 80 km. it's going to be state of art high-voltage DC project. High-voltage DC project will mean that the generating facilities around Kudus will be as if they are deemed to be connected to Mumbai directly without interruption. So the islanding facility and other aspects that we have been so familiar with Mumbai will be available with this novelty even for Mumbaikars later, so that's the biggest advantage. The project cost is estimated to be 6000 crores plus. The project schedule is somewhere close to about 36 months.

**Dhruv Muchhal:** This will be a regulated model, right?

**Anil Sardana:** It's going to be a regulated project.

**Dhruv Muchhal:** So 36 months should we assume from now—my model building purpose—should I start from now?

**Anil Sardana:** You can start from 1<sup>st</sup> September of this year.

**Dhruv Muchhal:** And last two things, I went through the MYT which was recently out, so in the MYT it seems that the regulator has approved CAPEX for Adani Mumbai is at around Rs. 500 crores odd, so should we assume—but of course you have bid a higher number, there are higher numbers—so should we assume the Rs. 1500 crores or it could be lower?

**Anil Sardana:** So let me explain, what the regulator does, regulator for the first few years, first 2-3 years till such time that they have the line of sight on various schemes that we have projected to them, post the number and they have written that clearly if you read that MYT order that they have

taken the figures in line with the schemes that has been approved by themselves now because as you know we don't spend even a single nickel and dime until we have a prior approval for CAPEX from the regulator. For the last 2 years when they don't have the schemes naturally because their distribution schemes don't expect they are on the time, they previous 3 years the incumbent did not do the capital investment and that's visible by the number that you would see. Now what happens as we present schemes to the regulator, the regulator keeps approving those schemes and keeps approving the execution of those. Once we capitalize and through the MTR which is the midterm review which they are entitled to go to half-way the regulator then true up all of that capital. It's a beautiful system, nothing gets lost and everything comes back along with the carrying cost and we should also be aware of the fact in case of distribution, the advantage is that you get the quarterly depreciation advantage. So whichever quarter you capitalize the distribution CAPEX you get the advantage from that quarter itself. So that's the beautiful part of the entire system.

**Dhruv Muchhal:** Lastly after refinancing that we have done now, what would be the debt repayment for the next 2 years of FY21 and '22?

**Kaushal Shah:** As far as AEML is concerned we do not have any repayment schedule because it's a 10-year bullet which we will be doing it. For ATL there were two bonds, the first one is 2026 maturity so there also we don't have any repayment. So, only repayment which is due is for the ATL second bond which we did it in November and then the USPP. Both become due somewhere in the month of September and the next in the month of February which will be in the range of around \$12 million each. In terms of the liquidity risk we are fully covered and we do not have any short-term maturity profile, as you are aware that even the CP which we had earlier and the NCD each of 3 and 5 years, all of that we have refinanced to the bond. So the short-term maturity is less than 2% in the overall portfolio so we are very well covered with the liquidity risk.

**Dhruv Muchhal:** So your FY21 overall on a consol basis your repayment is about US\$ 35-40 million, about Rs. 300-350 crores?

**Kaushal Shah:** Yes, the principal repayment is Rs. 3-3.5 bn.

**Dhruv Muchhal:** Similar number for FY22?

**Kaushal Shah:** Yeah and then if you need exact number you can send us an email.

**Dhruv Muchhal:** No, broadly because of the refinancing we get a lot of up fronting of capital, right. So that is why I asked.

**Kaushal Shah:** Correct.

**Moderator:** The next question is from the line of Aimee Lee from JPG Asset Management.



**Aimee Lee:** Just wondering for your distribution business, the units sold seems now pretty much flatter, last year the EBITDA dropped by 22% so just wondering so just wondering what's the reason behind it?

**Anil Sardana:** EBITDA dropped by 20%, no?

**Aimee Lee:** 22%. I mean the distribution business.

**Anil Sardana:** No way, in fact EBITDA didn't drop at all on an annual basis. The EBITDA margins were 22% earlier now its 24%. In fact just to explain you the distribution business, the top line consists of the bulk power cost because that gets reimbursed, so therefore never go with any idea to be formed based on top line because if I reduce our bulk power cost; the top line will look smaller. But that does not mean that either my EBITDA or my returns will get adversely impacted. Distribution business, our bottom line is protected because it's on the concept of return on equity principle. It's got therefore no correlation to the top line. The EBITDA number will always reflect the build up to the ROE. So I think if you wish we can have a separate call, number by number we could clearly take you through the construct of how the EBITDA number will always remain steadfast in distribution business.

**Aimee Lee:** I just saw your press release I was just saw the Q4 without operation your EBITDA dropped by 22% so I am not sure it is something I should actually referred to or so you mean that the EBITDA should be kind of stable, right?

**Anil Sardana:** I have the figures are in front of me and as I see it the EBITDA number of Q4 for AEML is Rs. 275 crores and the previous year was Rs. 352 crores. So the decrease in EBITDA is mainly attributable to exceptional item of Rs. 88 crores on account of RAUA tax liability booked till December 2019 but adjusted in Q4FY20 due to advance ruling order. But be rest assured that the very construct of distribution business is such where you will not have any adverse impact on EBITDA and don't ever go by the top line.

**Aimee Lee:** So it's not affected by the volumes, right?

**Anil Sardana:** That's correct and also the bulk power cost.

**Aimee Lee:** I also hear that you mentioned in the payment that you seek through the transmission business calculations was around 60% am I right in that?

**Anil Sardana:** Yes, you are right because of this COVID time we have got the collections which are temporarily lower and that's because the permission was granted by regulators to the distribution company to make delayed payments for which they will have to pay a carrying cost of 12% per annum basis for every amount that they delay and I think they are availing of that facility. It doesn't worry us much because we have enough cash today for us and along with the carrying cost we should reasonably be in good situation.

- Aimee Lee:** I also remember you mentioned that there is going to be 10% of interest coming on that. So there looks a lot for me to just....
- Anil Sardana:** Yeah 12% of interest.
- Aimee Lee:** How about the distribution business from your side, how much collection do you see, have you received this period?
- Anil Sardana:** We said 60% in both the cases.
- Aimee Lee:** 60 for distribution?
- Anil Sardana:** Right.
- Moderator:** The next question is from the line of Mohit Kumar from IDFC Securities.
- Mohit Kumar:** On the EBITDA side, you just mentioned on the distribution that the EBITDA for Q4 is 476 but the number which I have in the slide, slide #39, it says 275. I understand that this quarter there has been lot of refinancing and so this is the reason distribution and transmission both the places the Q4 numbers are slightly far from the mark? Can you please explain, is there any exceptional in this, in this distribution what is exceptional amount in distribution and transmission in this quarter?
- Anil Sardana:** I am just checking, I will separately call you and tell you these details.
- Mohit Kumar:** Secondly on the gross debt in the slide #22 the cash and bank balance you mentioned as 46 billion. It also includes loans and assets I believe. Why the loans and assets are inclusive in the YOY? It will become 24 billion compared to barely anything at the end of FY19?
- Kaushal Shah:** It's very-very important to know that under what circumstances we have deployed that and it's been classified under loans and advances. So what has happened was that we had a surplus both at the ATL and AEML level. Now you know that the situation of the mutual fund market in the month of the March was very-very volatile and we have been advised by most of our bankers who have assisted us in the fund raising and all of that; that putting the money into the mutual fund will be creating a lot of issues because all of them first of all are giving the negative returns and the second the guidance of them has become too bad whatever has been happened with the Franklin Templeton. So we have gone with the group treasury policy whereby the group has guided us for the temporary parking of this fund at the higher interest rate for a very short-term period of a month or so and I am happy to inform you that we have received back ~60% of the money and we have a deposit lying with the banks which is earning 8% FD interest as of now and this is a AA+ rated banks and we have been able to negotiate that. So in all respects we wanted to preserve the cash and we have gone with the group treasury policy and as a result it is

classified as a short-term market investment for us it is cash which is available at any time when we needed it. So that's the answer for that. I hope I have just clarified.

**Mohit Kumar:** One more accounting question, the QIA invested Rs. 1,200 crores but minority interest which we are carrying at the end of FY20 is what Rs. 10.6 billion. Is there something which I am missing?

**Kaushal Shah:** Sorry, QIA invested Rs. 1200 crores and....?

**Mohit Kumar:** But the non-controlling interest in the FY20 balance sheet is Rs. 10.6 billion?

**Kaushal Shah:** So there is a minority interest you are talking about because we will have to carve out 25%, so that numbers we have worked out as per from the 31<sup>st</sup> December and 31<sup>st</sup> March, proportionate numbers which we have worked out.

**Moderator:** The next question is from the line of Swarnim Maheshwari.

**Swarnim Maheshwari:** Couple of questions, couple of to start around distribution; so firstly if you feel there are some opportunities available in the distribution business, so are we looking to expand our wings in different cities?

**Anil Sardana:** All the opportunities that will come at the distribution we will certainly look at them favorably be it in the franchisee or in the PPP business, so at this stage the only opportunity that we are familiar with which is ongoing is the Orissa opportunity. So we are certainly participating in that and we at this stage that's what is on the anvil.

**Swarnim Maheshwari:** There was a media report today morning that your BSES, Rajdhani and Yamuna they were also on block?

**Anil Sardana:** We have no information because we read that news as much as you read that news. We are not part of that process.

**Swarnim Maheshwari:** But if on block you will be looking for that as well?

**Anil Sardana:** I can't comment anything at this stage because there are several factors that one has to look at from the perspective of the payments which are due to the generating companies which has a very formidable number and several other factors. So we will have to evaluate that part before we make any comment because it's not an easy venture.

**Swarnim Maheshwari:** Secondly, what would be the regulated equity at AEML at the end of FY20?

**Anil Sardana:** I got an indication from our friends that that they will separately let you know. You are asking for regulated equity of AEML or ATL combined?

- Swarnim Maheshwari:** First for AEML and then for ATL if you can provide but more from AEML perspective?
- Anil Sardana:** AEML will be Rs. 3400 plus whatever has got capitalized this year, so close to about Rs. 3700 crores.
- Swarnim Maheshwari:** Of the overall collections in Mumbai what would be the percentage from the online collection actually?
- Anil Sardana:** The online collection we had reached close to about 52% prior to lockdown but now it has reached 65%. Now with 60% of collection means 100% of what we have collected is online only.
- Swarnim Maheshwari:** On the transmission if you can just provide us with the active bidding pipeline before the lockdown what is the active bidding pipeline?
- Anil Sardana:** Active bidding pipeline is very strong in fact the numbers that have already been advertised pursuant to qualification is close to about Rs. 20,000 crores. It's a very strong pipeline.
- Swarnim Maheshwari:** Lastly if you can just elaborate more on this 500 bps improvement in the distribution margins in FY20. So what led to that and also the fact that, are there more levers over here that we can look forward to?
- Anil Sardana:** The very construct of distribution business is very simple. There are two or three factors which change the margin. Number one if you go below the loss of level AT&C loss level that the regulator has given you, so that becomes a clear advantage because you are able to retain larger percentage of that so that's one factor very clearly. The second is in terms of normative factors, so for example the O&M cost is normative, several of the other aspects which are emanated by regulator in terms of interest cost etc. become normative once the announcement is led by virtue of MTR and if you do any subsequent savings in those accounts that becomes an added advantage and third of course is the normal prescribed incentive which of course if you are entitled, if you achieve those aspects. Last but not the least that if you try and capitalize projects faster than what you had invested earlier you get the advantage in terms of the capitalization happening earlier and therefore the ROE kick starts early and the depreciation starts to come to your advantage early. So I think these are the simple factors that contribute. There is nothing else because everything else is a pass through.
- Swarnim Maheshwari:** So would like to assume that at least 24%-25% margins are sustainable and there could be some improvement from this numbers also?
- Anil Sardana:** Yes. I have been provided some of the figures while you were speaking. Since you had asked how much is the online, it's 65% to be precise, how much is the regulated equity, it is Rs. 3,700 crores, how much is the regulated debt, it is Rs. 2,600 crores and of course I mean that's what it is.

**Moderator:** Thank you. We don't have anyone in the queue.

**Swarnim Maheshwari:** Many thanks for such a vivid description. Would you have any closing comments over here?

**Anil Sardana:** Nothing else except to tell and convey that people should remain safe and healthy and wishing that the life comes to normal in sooner times than later so that one sees activity on ground and one sees that things start to fall in place. So that's what one will hope and stay safe. Thank you.

**Moderator:** Thank you. On behalf of Edelweiss Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.