



**“Adani Transmission Limited  
Q3 & 9M FY2022 Earnings Conference Call”**

**February 03, 2022**

**MANAGEMENT:**    **MR. ANIL SARDANA – MD & CEO, ATL**  
                          **MR. ROHIT SONI – CFO, ATL**  
                          **MR. RAKESH TIWARY – CFO, AEML**  
                          **MR. VIJIL JAIN – LEAD INVESTOR RELATIONS, ATL**

**ANALYST:**        **MR. RAJARSHI MAITRA - INCRED EQUITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Adani Transmission Q3 FY2022 and 9M FY2022 earnings conference call hosted by Incred Equities. 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 ‘\*’ then ‘0’ on your touchtone phone. I now hand the conference over to Mr. Rajarshi Maitra, InCred Equities. Thank you and over to you Sir!

**Rajarshi Maitra:** Thank you. On behalf of Incred Equities, I welcome you all to the Adani Transmission 9M FY2022 conference call. From the management today, we have with us Mr. Anil Sardana, MD & CEO, Adani Transmission Limited, Mr. Rohit Soni, CFO, Adani Transmission Limited, Mr. Rakesh Tiwary, CFO, Adani Electricity and Mr. Vijil Jain, Lead Investor Relations. Without further ado, I would like to hand over the call to Mr. Anil Sardana for his opening remarks post which we will have the Q&A session. Thank you and over to you Mr. Sardana!

**Anil Sardana:** Thank you Rajarshi. Thank you so much. Once again good afternoon and welcome to Q3 FY2022 earnings call. You would have got the press release and the details so let me give you a quick overview and then we can certainly have the Q&A.

Let me start by saying that in the quarter there were two, three key highlights on the ESG side. The one was we subjected ourselves to external accreditation by Dow Jones S&P Global Corporate Sustainability Assessment Survey and basis which ATL got 63 out of 100 score which is the third highly score in the India in our power sector side and power sector means all companies whether it is green, whether it is transmission, whether it is combined, whether it is group, all companies put together that is our score which is something it is a very happy welcome score especially this also includes our Adani Electricity, Mumbai, Dahanu plant, so there is a coal based plant in it, there is distribution business in it, there is transmission business also in it, so therefore it is an overall evaluation and we are very happy with the score.

By the way for your information, S&P Global Average of electricity utility sector as they call it, is 38, so you could do a fair degree of some extension in terms of fact that how does it compare with the Global Average on Sustainability. The other good thought was that the CII on the four key indexes which are part of the integrated reporting which are human, social, economic and environment they assessed us compared to several other companies which were there, in those categories particularly for environment and eco-sustainability category and we are very happy to have got the Platinum and Gold recognition as a part of

that. So ESG continues to be a good commitment, but as I mentioned before in several calls, the outside perspective is now for every one of you to see.

Coming to the operational performance, the business-wise we acquired MUL which we had then negotiating and eyeing for a long time. This of course for acquired through the APSEZ which is Adani Ports & SEZ business, but more important point is that today MUL will have the tenacity to be expanded into the neighboring municipalities and neighboring areas and therefore we are going to make this into formidable utility and distribution utility in the years ahead.

In terms of other aspects, our transmission side reliability was 99.7 during the quarter, we had cumulatively added 3830 kilometers in nine months in the transmission systems duly including what we have added during the quarter. The distribution customer reliability performance was 99.9%, distribution loss which is like an AT&C loss was 6.53% during the quarter and as I mentioned this quarter does not matter much, it has just a rolling one which is important, so please await at the end of the year because that will be around below the targets that regulator has given us. The million unit sold in Mumbai business was 14% high as compared to the Q3 of the previous year, not surprising because the FY2021 Q3 was the COVID infested period though of course the period too has COVID thus far better time compared to the previous wave that one saw, so I am hopefully you are at this stage safer and stay in that way in the days ahead too.

Now moving to the other part very quickly as far as ATL standalone is concerned Q3 revenue is up, the EBITDA is up by 17.2% compared to the Q3, it is Rs.762 Crores, the PAT is up 24% compared to the previous quarter, it is Rs.239 Crores and of course cash profit is also up in the standalone transmission business.

Coming to Adani Electricity standalone while the revenue is up Rs.1797 Crores compared to the previous years of 1588 Crores, the EBITDA number is lower 406 compared to 475 I will come to that in a second and PAT is lower at Rs.38 Crores compared to Rs.271 Crores. Now these two numbers are lower because there are three one-off items, one is the cash part which is the reversal in the revenue side of Rs.62 Crores which was on account of the FBSM power bill, the one which was reversed previous year quarter not this time, so therefore it shows that. Then one-time deferred tax assets creation of Rs.129 Crores and the other one is the forex mark-to-market of Rs.40 Crores, so between these three it is Rs.231 Crores.

If you look at otherwise the EBITDA numbers would be far higher and PAT number will be virtually similar. So that is the situation with regard to AEML and because of which consolidated you saw that what would have been otherwise Rs.508 Crores PAT became Rs.277 Crores because of this Rs.231 Crores of one-off adjustments that to play, of course the EBITDA number also had impact, but yes this is higher than compared to the previous year, because the revenue number is higher and cost numbers contained and of course the cash profit despite these numbers cash profit was 2.2% higher as compared to the previous quarter.

So those are the salient numbers that I thought I will read out, of course your questions will be welcome and I will use your questions to then perhaps cover something that I might have missed out. I am going to stop here and look forward to your questions. Thank you so much.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Mohit Kumar from Dam Capital. Please go ahead.

**Mohit Kumar:**

Good evening Sir. Four questions Sir. First why EBITDA has declined for Mumbai distribution in this particular quarter? That is the first question. Second is what are the capex in nine-months FY2022 and how do you see the capex for FY2022 across distribution and transmission and thirdly, what is the status of HVDC project, because you saw news item say where DA Tata Power has challenged, does it mean that the HVDC project in Mumbai, will stop for sometime or can you go ahead with the tender? Fourth is, how is bidding pipeline looking for the transmission assets especially in Q4? These are the four questions. Thank you.

**Anil Sardana:**

You had four questions. Let me start with the easier one. You asked about the HVDC news item that you saw. By the way this was challenged at MERC then it was challenged at High Court in Mumbai and it has been challenged at APTEL, so MERC declined, High Court declined and the APTEL has not given them the stay in the first hearing that took place, so there is no question of it being stopped, we are going ahead, a tender is already you must have seen in the papers that the ICD has been floated and we will go ahead and receive the tender and we will award the tender. So that is regarding the HVDC and we must respect others right to contest so that part is fine. Coming to the other part in terms of the fact that how does that capex for nine months look like and how is it stacking up. Mohit, I have always maintained that we had the target of Rs.5000 Crores if we recall for the year and we said last year we will beat back despite COVID and I can only confidently tell you that this year too we will beat that because up till nine months we have almost stacked about

Rs.4800 Crores of capex. So that is where we are and the run rate is good. Your next question was what is the pipeline for TL assets Q4? I do not want to specifically talk about Q4 because these are all in the pipeline, there was a pipeline of about Rs. 60,000 Crores out of which about Rs. 27,000 Crores the government seems to have announced that Leh to Hisar they will want PGCIL to do that over a period of next five years or so, so close to about balance Rs. 33,000 Crores will come up in the next whatever has been approved will come up in the next few months. That is what it is. Now coming to your first question which you said why EBITDA decline in AEML and with regard to what I had mentioned to you that there was a reversal of Rs.62 Crores last year was there in the revenue stack up which reflected in the EBITDA, so if you look at that part, so it is almost like-to-like basis, but I will ask Rakesh who is there from AEML to elaborate if you want to add to this, Rakesh!

**Rakesh Tiwary:** Thank you Sir. Thanks for clarification. What you said it is totally right sir. There was an provision which was reversed in the last nine months on account in FBSM valuing Rs. 52 Crores and there was also certain extra income which was there in the last nine months on account of other income. Coming back to the main operating income and the operating EBITDA, we clocked close to Rs.72 Crores higher EBITDA in terms of the operating performance of the AEML on a like-to-like basis for the nine-months period, because we added close to Rs.800 Crores in terms of wrap from the last year compared to this year. From an operating point of view, we have always increased the EBITDA. It is just that the other operating income because of certain accounting adjustments the overall earnings have gone down.

**Anil Sardana:** Thank you Rakesh. Mohit, do you have any followup questions?

**Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Investec. Please go ahead.

**Apoorva Bahadur:** Thank you for the opportunity. Sir in one of your presentations earlier, I recollect seeing an 8 lakh Crores opportunity for the transmission ordering or capex over the next decade, can you help us with what went into it as in post that factoring in the entire renewal 450 megawatt target or there was more to it?

**Anil Sardana:** If you look at the revise two new changes that have happened in the recent time. One is, the country announcing of COP-26 that they will actually have 500 gigawatts now of green resources, non-fossil resources that is the word used by Honourable PM Sir, so that would mean that you will have to have 500 gigawatt of non-fossil capacity that will get added, so

that is the first part. The second part that has changed in the recent times is the advent of GNA which is the General Network Access. Now what does that mean we had talked in the previous calls that means that every customer now will have the access of the network to route the power from wherever they want. These two aspects between put together will actually push the capital investment needed in the transmission system even far beyond what was stated in the earlier time, so we have to now wait and see when the new reports will come in from likes of Central Electricity Authority or Niti Aayog and the numbers are likely to be far beyond. Those are the two changes and we have to wait for updation of that number.

**Apoorva Bahadur:** By when is that expected, the pipeline numbers, annual year?

**Anil Sardana:** I am sure these people must be putting it together because this announcement from the PM came about three months back, so one should hope that in the next quarter or so we should get those numbers together.

**Apoorva Bahadur:** That is, it from my side. Thank you.

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

**Mohit Kumar:** Thanks for the opportunity once again. Sir, two questions; what is the peak demand in Mumbai in the last nine months, how has this number behaved in the last two years compared to pre-COVID? Second question, how much of this capacity is tied up in the long term and is there any gap and are you looking to fulfill, this is in the near term, I do understand that there is a 350 megawatt is expected to commission in the next fiscal, is there any other gaps which are pending? Thanks.

**Anil Sardana:** Mohit, just to convey the point that as regard the megawatt capacity permanent stack is in the trial, because it is still below the 1800 megawatt each that one saw in the previous year's pre-COVID, we are yet to reach that peak that as far as the million units are concerned, you have seen that the million units are already up in the current quarter as compared to the previous months because I said in my original remarks that the million units have moved 14%, they were 1874 million units in Q3 after 2021 in fact in 2020 those would have been even more, but in Q3 FY2022 is 2077, so there is a 14% jump in the million units, so the power demand certainly increased. Your other point is that we have ordered 700 megawatt that is the PPA signed up by Adani Electricity for the green power and that power will start progressively coming from the end of this financial year onwards, so that is the way it is working out and it is moving very well and we are very happy that

from 3% renewable, we will start moving and notching up to first reach 10% immediately and then all the way to 30% by the end of 2022 calendar year or 2023 financial year, so that is a very big boost in terms of what we will achieve and we are likely to push this to as we said before 50% by 2025 and 60% by 2027, so there is a big boost to the sustainability agenda with regard to green power.

**Mohit Kumar:** If I may ask are you looking up to tie up only hybrid or are you looking for another sources of energy to tie up this increased the portion of 70% which is battery or something are you looking at in the medium term?

**Anil Sardana:** Everything is certainly looked at, but you should understand that this is not crucial hybrid, it is not a hybrid as a name might sound, it is actually marriage of load curve to the generation, it is a very prudent exercise to make sure that the consumer does not pay for borrowing electricity when I can avoid paying those charges and therefore we have to marry the load curve with the sourcing of electricity and I think that is one of the reason why we have been able to reduce Re.1 from the input cost of power. So sourcing from other sources have you said whether battery or battery given impression that we are trying to source 24x7 whereas in the Mumbai like load, the loan did skew less than 50% during the hours between 12 o'clock and say 6 o'clock in the morning and therefore to say the least one cannot post electricity and pay for the fixed charges and burden the customer, so we are sourcing prudently to make sure that we marry the less low curve and that is the reason why the word that used is hybrid it is actually just a word but ultimately underneath is absolutely matching the load profile. Thank you.

**Mohit Kumar:** Thank you and all the best sir.

**Moderator:** Thank you. The next question is from the line of Rajarshi Maitra from InCred Equities. Please go ahead.

**Rajarshi Maitra:** Thanks for the opportunity. I just wanted to understand in terms of leverage, so what is your expectation going forward over the next two years what is the kind of debt levels that you expect in the company and also what is the kind of let us say EBITDA to interest or net debt to EBITDA that you focused for the company over the next couple of years and what is the comfortable level?

**Anil Sardana:** As we talk, our net debt to EBITDA is 4.5 and net debt to networth is about 2.4 and we have always maintained that we will continue to have this company as a part of investment grade rating and to that extent we will make sure that we will not have more than 4.5 as the ratio until of course we go in for any specific acquisition, so that is where we are. If you

want any specific numbers, they are with me, I can give you but as far as the ratios are concerned, we will stay absolutely within our internal target of 4.5 net debt to EBITDA.

**Rajarshi Maitra:** Thank you sir.

**Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Anil Sardana for closing comments.

**Anil Sardana:** Thank you so much and thanks for joining at the Q3 FY2022 earnings call and I wish you all to be safe and for the year ahead and the times ahead to be free from the current pandemic issues. All the best to all of you and your families. I look forward to you as joining us for Q4 FY2022 call, a quarter away from now. Thank you so much.

**Moderator:** Thank you. On behalf of InCred Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.