



“Adani Transmission Limited
Q4 FY '23 Earnings Conference Call”
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MR. ROHIT SONI – CFO – ATL
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MODERATOR: **MR. SUBHADIP MITRA – NUVAMA WEALTH**
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Moderator: Ladies and gentlemen, good day and welcome to Adani Transmission Limited Q4 FY'23 earnings call hosted by Nuvama Wealth Management. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Subhadip Mitra from Nuvama Wealth Management. Thank you and over to you, sir.

Subhadip Mitra: Thanks. Good morning, friends. On behalf of Nuvama Wealth Management, welcoming you all to the Q4 FY'23 results call of Adani Transmission Limited. We are joined today by the senior management of the company led by Mr. Anil Sardana, MD, Mr. Bimal Dayal, CEO, Transmission, Mr. Kandarp Patel, CEO Distribution, Mr. Rohit Soni, CFO ATL, Mr. Kunjal Mehta, CFO AEML, and Mr. Vijil Jain, Lead Investor Relations. I would now like to hand over the call to Mr. Sardana for his opening comments. Over to you, sir.

Anil Sardana: Thank you, Mr. Mitra, and very good morning to all our analyst friends. Let me convey my thanks to you all to have joined us early in the morning. The year that went by and the results that we declared yesterday, I will proceed that by a bit of gratitude for the recognition that Adani Transmission received during the last quarter. Number one was the rank number one bestowed on Adani Electricity Mumbai by Government of India for the rankings that they did for various DISCOMs. And this is indeed very encouraging and very motivating for teams to now sustain and ensure that we hold that position and stay within the top DISCOMs in the country.

The number two, my gratitude goes to the ET Awards and the Jury Awarded Emerging Company of the Year Award to Adani Transmission. That amidst all that was being spoken and talked about was again very motivating and encouraging. And thanks to the Honourable Finance Minister to have handed over the award to us. The third recognition is noteworthy that came in from Frost and Sullivan, which gave us the Enlightened Growth Leadership Award 2022, which was for something that we take tremendous pride in terms of sustainable business practices and ESG disclosures and guide path.

So that is something that is really worthy of our commitment and therefore for someone to recognize that part and award us on the ESG side is indeed very encouraging. The last part is of course in terms of the governance aspect, the Institute of Chartered Accountants giving us the award for Excellence in Financial Reporting for the year 2021-22 within the infrastructure sector. So, I just thought as a company convey my gratitude to all the stakeholders, employees for having stood by us and particularly in the times when a lot was being stated. But the company continued to move ahead in its path of growth as also in terms of its performance.

And I am happy to report that the company gave yet another good performance during the quarter. And made sure that in terms of all the operating parameters, which is availability, supply reliability, the distribution loss, I think we gained. Distribution loss and the million units sold on all attributes we did exceedingly well. So that is how things stood by in terms of what we have

been able to achieve. The other aspects in terms of ESG as I said that is something that the company has aspirations to be within the top 20-25 companies globally. And therefore, we will continue our focus on various aspects which will get us those ESG rankings.

And make us being rated amongst those top companies. And to that extent whether it is MSCI, whether it is S&P, Sustainability Score or FTSE, we will continue to pursue those objectives by virtue of our sustainability efforts on different counts and eventually keep our eye on the net zero target by 2050 in terms of limiting the global warming to 1.5 degrees. I will wrap up very quickly by saying that we have marched well on our targets to the 20,000 circuit km company with 40,000 MVA in the operational terms when it comes to the transmission side.

On the distribution side we have done exceedingly well on some of the attributes linked to the customer, which is in terms of digital avenues, in terms of video call centre, in terms of having moved to reliability indexes which are comparable to the best in the world. And we are eagerly looking forward to working on two of the additional parallel or second licenses that we have applied in Navi Mumbai as well as in the Greater Noida area. In addition to the two licenses that we already hold which is at Mumbai as also in the Mundra, Kutch area.

I am sure that you will have a number of questions and I have my two colleagues, Bimal and Kandarp both supported by their subsequent, their teammates and each one will be able to respond to various questions that you may have and we look forward to a good participation. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Yes, good morning, sir and thanks for the opportunity. My first question is on the transmission pipeline build-up. I understand that the pipeline has gone close to around Rs. 500 billion of projects worth are under bidding and another Rs. 500 billion is under approvals. So how do you see that, of course, it's a large opportunity, but last year we hardly participated in or won any material bidding compared to earlier years where market share was much higher. How do you think about this pipeline?

Bimal Dayal: So, thank you. Thank you very much for this question.

Anil Sardana: Bimal, before you go ahead, just Mohit, it's interesting to see the change. I didn't notice it before. I think you moved to ICICI Securities. So, you're welcome.

Mohit Kumar: Yes, thank you. Thank you.

Bimal Dayal: Thanks Mohit for this question. I will probably take a little step back and give you some parameters for this financial year as well and then really zoom into your question as well. I think one of the things which we ended up doing this quarter, this year has added almost 1700 odd

circuit kms to reach almost towards our goal of 19,779 circuit kms. We operationalized almost four key projects as well. Just as a comparative, we did 1104 circuit kms previous year. Just as a growth comparison, the country's network grew by 3% in terms of lines and we ended up achieving 8% growth.

In terms of the transformation capacity as well, the country grew at the rate of 7% and by virtue of a few of these projects, we grew at a much faster pace of 26% transformation capacity. Now for the pipeline, I'll start with the very close input which is the pipeline we have under construction. For the coming quarters, we are actually looking to commission at least four very key projects. And I think this will add almost 3000 circuit kms to what we already have. Now the interesting part, this sector is sitting with so much of bidding which is coming up as well. I think for us, we are actually looking at the TBCB pipeline of 66,000 crores.

And our belief is this will take place in 12 to 18 months. And I believe that after this GIB clearance by the Honourable Supreme Court, we envisage that the Rajasthan Corridor bidding would start. And I think this would start in a few weeks-time from now and I think we would certainly participate in that pipeline build-up as well. However, our underlying forecast on let's say our annual capex, we continue to give this guidance of INR4,500 crores to INR5,000 crores in transmission in the next two to three years. I hope that answers your question, Mohit.

Mohit Kumar:

Yes sir, it does. My second question is on the distribution licensee. Of course, on the new distribution upcoming licensee where we are trying to get the approval, what sort of timelines do you think the regulator will take to a decision either way? I think we filed last year somewhere. I think it has already been six or months.

Kandarp Patel:

Good morning, Mohit. This is Kandarp Patel. You must have noticed that we have applied for parallel license in Navi Mumbai as well as Western UP, Jewar district. And we have also applied for additional area which is also a second license for our Mundra distribution utility. Now all the applications have been filed with the regulatory commission and it has reached to almost half of the process which is required to be undertaken by the commission. So public notice were issued in all the three, in two cases and public objection have also been received. Now commission has to again issue a public notice from their side and then invite objection.

And once they deal with that objection, then they will be able to decide on that license application. As far as UP is concerned, now they should, they will ask us, we hope that they will ask us to issue public notice very soon because last month on our application they had some queries and we have replied all those queries. So, we expect that in another couple of months the process should get completed at least in Mumbai and Mundra area. And another one or two months for UP area.

Mohit Kumar:

Understood sir, thank you. And best of luck.

Kandarp Patel:

Thank you.

- Moderator:** The next question is from the line of Harsh Shah from Jeffries. Please go ahead.
- Harsh Shah:** Yes, so just to continue on the distribution bit, I would like to understand what's the status on the distribution reform right now. So, can you just throw some light on that?
- Anil Sardana:** So, the Government of India is envisaging to amend Electricity Act and the bill is already under discussion. It has taken quite a long time but what approach that we have taken that the existing Act itself provides for provision for parallel licensing. So, the path that we are pursuing doesn't require an amendment in the Electricity Act but as and when that Electricity Act is amended and they allow to create multiple distribution companies in the same geography, we will welcome that and that will also help us grow faster.
- Moderator:** Harsh, is the question answered?
- Harsh Shah:** Yes, yes. Thank you.
- Moderator:** Thank you. The next question is from the line of Subhadip Mitra from Nuvama. Please go ahead.
- Subhadip Mitra:** Yes, so my question is firstly with regard to the larger TBCB pipeline that we are looking at where you mentioned that we have a pipeline of maybe INR66,000 crores over the next 12 months. Do you see a large component of HVDC projects also coming up in this space because these are very large ticket projects. And would you be also participating for some of these HVDC projects?
- Anil Sardana:** Yes, this is not 12 months. I think it is 12 to 18 months and yes, there are HVDC projects as well coming up. And I think a lot of it has to do with the evacuation corridors of Rajasthan as well and some of the strengthening projects which are coming up which includes the static synchronous compensator (STATCOMs) as well. And of course, we will be participating as well. And I think we need to be mindful of the competitive intensity which I think is growing in this segment and one thing which we have committed to ourselves is that we will certainly be looking at profitable growth and winning the projects with the right kind of margins as well. But to answer your question straight, we will be participating.
- Subhadip Mitra:** Okay, understood. Secondly, with regard to the intrastate capex opportunity, I mean we hear of numbers as large as maybe INR2 lakh crores as an opportunity there as well, do you see any movements towards that?
- Anil Sardana:** Well, those are probably under discussion. I don't think much has come out. I think in our Q3 call, a very similar question came up. And I think we remain in this very similar status as well. Well, a lot of thing is under planning but not much has come out unless something really turns up. I am mindful of the fact that some of our competitors have certainly given almost an equal weightage here to the interstate projects or rather intrastate projects as well. And our guidance on that account also earlier has been that it is huge. We await the outcome here as well. So, unless my colleagues want to add anything.

- Subhadip Mitra:** Understood. Last question from my side is with regard to the Mumbai HVDC project, what's the progress there and when do you see that coming?
- Kandarp Patel:** Yes, so as far as Mumbai HVDC project is concerned, I am sure you must be aware that the litigation went up to Supreme Court. And we received the order from Supreme Court in our favour. After that, subsequent progress has been achieved on the ground. All the contracts have been awarded, all the approval process environment and forest and CRZ is progressing very well. We are expecting all those approvals by September this year. The laying of cable has already commenced in Mumbai and we have already achieved about 15 km of the progress there. Land at both ends is also we have acquired and it is in full possession of us. So substantial progress is going on and we hope that we will be able to complete the entire project in the committed timeline which is March 25.
- Subhadip Mitra:** Understood, sir. Thank you. That's it from my side.
- Moderator:** Thank you. The next question is from the line of Apoorva Bahadur from Goldman Sachs. Please go ahead.
- Apoorva Bahadur:** Hi, sir. Thank you for the opportunity. Sir, couple of questions, I think, firstly on the smart metering front, if you can share some updates over there. How are we progressing and then what has been the bottlenecks at the system level over there if you have faced any?
- Kandarp Patel:** So, Apoorva, we have already been awarded two smart metering contracts, one from BEST and the second from Assam. For BEST, we also closed our, all the contracts and Assam, we are in the process of closing it. And there are many biddings process, which is going on, just to name a few, is Chhattisgarh, Maharashtra, UP, Himachal Pradesh, then Uttarakhand. And now we are expecting a big tender from Tamil Nadu as well. Now as far as ATL is concerned, what we have done is we have developed a strategic tie-up with all metering manufacturers as well as communication providers and software companies. So going forward, one of the biggest worries was mainly from a supply chain viewpoint. And we have taken sufficient action on that part so that we don't face those challenges going forward.
- Apoorva Bahadur:** Sir, I understand there were a couple of project cancellations which were earlier awarded to us by the beneficiaries. What could be the reason behind this?
- Kandarp Patel:** So, it was not awarded to us, it was a bidding process and I think you are talking of UP bidding process. So, their expectations of the rate were very different from what we quoted and we said them that we won't be able to meet their expectations of the rate because as a distribution company we understand what is the criticalness of this smart metering solution. And we never wanted to give them a sub-optimal solution. So, they decided that they will not be willing to have the rates that we have offered and therefore they went for re-bidding. And you might have noticed that even in the re-bidding they have got a very little response.

- Apoorva Bahadur:** Right sir, understood. So, any reset on the expectations from the buyers that you are seeing especially on the bidding front for smart meters or does it continue to remain the same?
- Kandarp Patel:** So, Apoorva I am sure they will reset looking at the rates being finalized by other utilities in the country.
- Apoorva Bahadur:** Okay, got it sir. Sir, second question is for the Mumbai HVDC link. Now we understand that the central regulator released an approach paper yesterday indicating a potential transmission returns. So just wanted to know if we have any risk on that end given that most likely MERC will follow CERC if there is a rate reset. So, what are your thoughts on that?
- Anil Sardana:** So, obviously as per the statutory structure whatever the CERC or forum of regulator decides usually that is being followed by other state regulatory commissions as well. But Apoorva this is not the first time that CERC has proposed this kind of structure. It was also proposed earlier and it was debated. The issue which CERC will take a decision is that what is the requirement of capital that is required to be attracted in this sector. And what is the other competing sectors offer the returns. I think in those two parameters CERC will decide. And we hope that it might not change very significantly than what they are allowing right now.
- Apoorva Bahadur:** Right sir. Sir by when are we targeting the commissioning of this project?
- Kandarp Patel:** HVDC Mumbai project we are targeting to commission by March 25.
- Apoorva Bahadur:** March 25. So, it will most likely be in the next regulatory period. Fair enough. Sir one more question and this is on our plan to supply energy to the Mundra ecosystem. So, wanted to know if this entire infrastructure over there will be a part of the regulatory system say like a Dholera or will it be a completely one to one set up?
- Kandarp Patel:** So, it is the infrastructure that will be created by MUL will be part of the distribution company. So, it will be entire asset block will be a regulated asset. But you also might be aware that whenever any industrial customer asks for a supply the last mile connectivity investment has to be made by them or to be incurred by them. So, balance entire regulated block investment will be a part of regulated block.
- Apoorva Bahadur:** Okay. So, it will be governed by GERC regulations.
- Kandarp Patel:** Correct. And it is already currently being governed by GERC. So, the distribution company is fully operational. There are tariff being determined and there are customers which is getting supply and tariff is determined by commission.
- Apoorva Bahadur:** Understood sir. So last question I see a change in your name. Can you highlight the significance of why to go for this?
- Anil Sardana:** Yes so, the name changes because of the fact that we have gone much beyond transmission. As you know that in 2018, August we acquired the first retail distribution business. And since that

time, it dawned on us that now calling it as Adani Transmission Limited does not convey the entire ambit of our activities. We were wanting to for it to further pan out and as you know now that we are going big time into not just the play at Mundra and Mumbai but also, we have applied for additional licenses.

In addition to that we are contemplating expansion into multiple other energy solution aspects for customers, smart metering being one of those. But you will get to hear many more in the times ahead. So therefore, it is rather appropriate that we name the company to Adani Energy Solutions Limited.

- Apoorva Bahadur:** Understood sir. Thank you so much. All the best.
- Anil Sardana:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sushil from Nuvama Wealth Management. Please go ahead.
- Sushil:** Thank you so much for the opportunity. So, sir, I have one question. Can you give us the guidance of the capital, capex outlay for the next two, three years. And the breakdown between the businesses like transmission, distribution, other smart metering?
- Anil Sardana:** Well, giving a guidance for two to three years will not be fair but we have always maintained that we will attempt to do a capex of about INR6,000 crores per annum between transmission and distribution business. So that was with a breakup of around you could say close to about 4,500 for transmission and about 1,500 for distribution. We have always maintained and maintained course. Now with smart metering added to that you could add another close to about INR1,500 crore to INR2,000 crore per annum. So, we will target to be anywhere between INR7,500 crores to INR8,000 crores a year.
- Sushil:** Okay sir, thank you. That's it from my side.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants. I now hand the conference back to Mr. Subhadip Mitra for closing comments. Thank you and over to you.
- Subhadip Mitra:** Thanks. On behalf of Nuvama Wealth Management I would like to thank the management of Adani Transmission for giving us this opportunity to host the call. Sir, would you like to have any closing comments?
- Anil Sardana:** Thank you Mr. Mitra and thank you to all the analyst friends. I would only wish everyone safe times. And look forward to us converging for the Q1 of the new financial year. So, until then stay safe, have a great time. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Nuvama Wealth Management that concludes this conference. Thank you all for joining us and you may now disconnect your lines. Thank you.