9th November 2023

To,

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| **BSE Limited** | **National Stock Exchange of India Limited** |
| P J Towers, | Exchange plaza, |
| Dalal Street, | Bandra-Kurla Complex, Bandra (E) |
| Mumbai – 400 001. | Mumbai – 400 051. |
| | |
| **Scrip Code: 533096** | **Scrip Code: ADANIPOWER** |

Dear Sir(s),

**Sub.: Transcript of Investors / Analysts Conference Call on Q2FY24 Financial Results of Adani Power Limited**

**Ref.: Our intimation dt. 31st October 2023; 2nd November 2023; and 3rd November 2023, w.r.t. interaction with Investors / Analysts pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

In furtherance to our above-referred intimations, please find enclosed the transcript of the Investors / Analysts Conference Call.

The said transcript is also available under the Investors Section of the website of the Company i.e. www.adanipower.com

This is for your kind information and records.

Thanking You.

**Yours faithfully,**
**For Adani Power Limited**

DEEPAK SANATKUMAR PANDYA
Digitally signed by DEEPAK SANATKUMAR PANDYA
Date: 2023.11.09 18:04:57 +05'30'

**Deepak S Pandya**
**Company Secretary**

Encl.: as above.

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# "Adani Power Limited Q2 FY24 Earnings Conference Call"

## November 03, 2023

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| MANAGEMENT: | MR. S B KHYALIA – CEO, ADANI POWER LIMITED<br>MR. SHAILESH SAWA – CFO, ADANI POWER LIMITED<br>MR. RAJIV KUMAR RUSTAGI – VICE PRESIDENT (F&A)<br>MR. NISHIT DAVE – AVP (INVESTOR RELATIONS), ADANI POWER LIMITED |
| MODERATOR: | MR. MOHIT KUMAR – ICICI SECURITIES |

**Moderator:** Ladies and gentlemen, good day and welcome to Adani Power Limited Q2 FY24 Earnings Conference call hosted by ICICI 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Mohit Kumar from ICICI Securities. Thank you and over to you, sir.

**Mohit Kumar:** Good evening. On behalf of ICICI Securities, we welcome you to the Q2 FY24 Earnings call for Adani Power Limited.

We are pleased to host the Management. Today, we have with us Mr. S B Khyalia - CEO, Mr. Shailesh Sawa – CFO and Mr. Nishit Dave – AVP, Investor Relations. We will start with brief opening remarks by the management, which will be followed by Q&A over to you, sir.

**S B Khyalia:** Thank you. Good evening, dear friends. Thank you for joining us for the second quarter FY24 earnings call of Adani Power Limited. I am honored to address you on behalf of this dynamic and energetic company. I am pleased to report that in the second quarter of FY24, Adani Power has achieved exceptional financial performance, with remarkable growth in volumes, revenues, and profits. This success is a testament to the hard work and dedication of our team, and the unwavering support of our valued stakeholders.

The Indian power market and the broader economy have been on a robust growth trajectory over the last three years, breaking away from era of slowing growth. In the six months ended $30^{th}$ September 2023, aggregate power demand of the country grew by 7%, while peak demand has touched a record high of 240 GW. Power demand is projected to grow at a similar rate over the next few years.

These growth opportunities have created a conducive environment for the power sector, and Adani Power is poised to seize the opportunities that lie ahead. Most of our regulatory matters have found satisfactory resolution.

The recently commissioned Godda power plant has achieved operational stability and high levels of availability. The Mahan power plant, which was acquired in Financial Year 2022 has also been turned around successfully. Adani Power now is a financially strong organization with excellent revenue visibility, margin stability, and low leverage.

As we look to the future, the power sector in India presents a landscape of immense potential. While there is a strong focus on renewable energy, it is crucial to acknowledge that thermal power generation remains an integral part of India's energy mix. It serves as the cornerstone for supplying base load power and bridging the gap during periods of low renewable energy generation.

Adani Power is committed to leveraging our strengths and capabilities to contribute significantly to India's energy security and sustainable growth. We will continue to invest in cutting-edge technologies and explore avenues for cleaner and more efficient coal-based power generation.

The Company has also continued to maintain its leadership in matters related to ESG and achieved higher scores than its global peer group average in a number of evaluations. As a responsible corporate citizen, we will continue to work on our ESG initiatives, supporting social projects and community initiatives in harmony with the United Nations' Sustainable Development Goals, and support the local communities where we operate, with a focus on positively impacting lives and improving livelihoods.

In conclusion, I am confident in the bright future that lies ahead for Adani Power. Our unwavering commitment to excellence, combined with the robust fundamentals of the Indian power market, positions us well for continued success. I look forward to working closely with all stakeholders as we embark on this exciting journey together. Thank you for your interest in Adani Power, and I now invite Mr. Shailesh Sawa, CFO of the Company, to take you through the financial highlights for the recently concluded quarter.

**Shailesh Sawa:** Thank you, Khyalia sir. Good evening, friends.

Let me begin by saying that Adani Power has now cemented its position as a highly competitive and reliable power generator. I am pleased to share some key developments that have contributed to our financial transformation.

The successful resolution of our regulatory issues has brought much-needed clarity and stability to our operational landscape. It has also redefined our path forward, and created a foundation upon which we can build a financially resilient future.

Further, we have judiciously utilized the cash accruals to reduce the debt on our balance sheet. This strategic move, in addition to our improved operational profitability, has enabled us to emerge as a financially stronger company.

We have maintained high levels of plant availability under our contractual commitments, which has enabled us to fully recover fixed capacity charges under PPAs.

Also, capitalizing on our competitive strengths, we have been able to utilize our untied capacities gainfully in the merchant and short-term markets, which has helped us improve our profitability further.

We have a clear vision of ensuring that Adani Power remains a financially strong power producer, delivering value to our stakeholders.

I hope you have downloaded and gone through our earnings presentation, which has been uploaded on our website.

I will now cover the performance updates for the quarter and half year ended 30th September 2023.

I will start with the operating performance. We have maintained high availability of our power plants consistently by following Reliability Centered Maintenance, utilizing cutting edge technology.

During Q2 FY24, APL achieved consolidated PLF of 58.3% and power sales volume of 18.1 Billion Units, which were substantially higher than the performance during the corresponding quarter of FY23. This also includes the performance of the 1,600 MW Godda power plant, commissioned in the first quarter of this financial year.

During the quarter, PLF and dispatches improved due to higher power offtake in Mundra, Udupi, Raipur, and Mahan plants apart from the incremental contribution of Godda, which has ramped up its operations satisfactorily in a short time after commissioning.

Coming to financial performance, during the second quarter of FY 2023-24, APL registered a strong all-round growth on the basis of higher operating levels.

Here I am comparing the recurring revenue of Q2 FY24 with the reported revenue for Q2 FY23, to highlight the fact that we have achieved stellar revenue and profitability growth even without considering one-time income in the recently concluded quarter.

We posted a strong 44% growth in consolidated recurring revenues before considering one-time income, as compared to reported revenues of Q2 FY23. Recurring revenue for Q2 FY24 was Rs. 12, 155 Crore.

This revenue growth was on account of high availability of our fleet, inclusion of Godda plant, higher dispatches under contracts due to growing power demand, and also merchant sales.

In comparison, a reduction in imported fuel prices resulted in fuel costs increasing at a lower rate i.e. 29% for Q2 FY24, while other operating expenses increased by 27% largely due to inclusion of Godda power plant and high PLF.

As a result, Recurring EBITDA for Q2 FY24 grew by 85% to Rs. 4,336 Crore before considering one-time income, over the reported EBITDA for Q2 FY23. This demonstrates the inherent profitability and cash flow generation ability of the Company.

Depreciation charge has increased over Q2 FY23 due to the commissioning of the Godda power plant. On the other hand, finance cost has been under high degree of control due to our efforts at deleveraging through prudent utilization of surplus cash flow.

Consequently, Recurring Profit Before Tax before considering one-time income grew by more than two and a half times to Rs. 2,443 Crore as compared to Q2 FY23.

After inclusion of one-time income on account of prior period revenue recognition of Rs. 2,781 Crore in the form of regulatory claims for domestic coal shortfall, carrying cost, and late payment surcharge, Profit Before Tax for Q2 FY24 was recorded at Rs. 5,224 Crore.

Profit After Tax for Q2 FY24 was Rs. 6,594 Crore, and included recognition of Rs. 1,371 Crore of deferred tax assets during the quarter.

Coming to our balance sheet and cash flows, recoveries of past dues have also added to the net worth of the Company. At the same time, we became a debt-light company due to prepayment of a part of our debt.

The liquidity situation has also improved as a result of better fuel cost recovery and timely payments from DISCOMs, which has resulted in a major improvement in the balance sheet health.

As mentioned previously, APL has reduced its leverage significantly, with total debt coming down to Rs. 32,214 Crore as of 30th September 2023, as compared to Rs. 42,252 Crore as of 31st March 2023. These numbers also include working capital borrowings.

As a result, key leverage indicators have improved significantly, pointing at a healthy balance sheet and strong cash flows.

For example, the Fixed Asset Coverage Ratio has improved by over 40% over this period, while Debt to EBITDA based on Trailing Twelve Month recurring EBITDA has become nearly half. It must also be noted that the contribution of the Godda plant to the Trailing Twelve Month recurring EBITDA is for only part of the period, while the project debt is reflected fully in the balance sheet.

This ratio will improve even further on a full year run rate basis.

Coming to ESG, our guiding principles are based on the UN Global Compact and Sustainable Development Goals. We follow the Global Reporting Initiative to report our performance on ESG parameters.

The focus areas of our activities follow the UN Sustainable Development Goals framework, and we obtain external assurance for ensuring the robustness of our reportage.

On the emissions front, while APL operates well below the statutory ceiling, we have also taken proactive steps to control emissions at the combustion level itself. We are utilizing Ultra-supercritical equipment exclusively for our new power plants.

Further, as a part of our efforts to conserve critical resources, we are focusing on reducing the consumption of fresh water at our hinterland plants, and to maintain it below statutory ceilings.

On an aggregate basis, APL has been able to stay consistently below the ceiling of 3.5 cubic metres per Mega Watt hour and operate the plants at an average of 2.3 cubic metres per MWh of specific water consumption.

At APL, we focus on three relevant areas from the UN SDG basket. These areas fall under Health, Education and Sustainable Livelihood. Both our internal and external activities, falling under areas of human resource development and occupational safety and and CSR activities respectively, cover these areas.

As part of our CSR, we have community development programs such as Good Health & Wellbeing, Quality Education, and Decent Work & Economic Growth running at various rural locations.

Further, as part of the SDG framework adopted for our business operations, we also have high quality training under Adani Power Training and Research Institute and an intensive health and safety initiative under Project Chetna.

As a result of our all-round efforts in adhering to high ESG standards, APL has received encouraging scores in various ESG rankings that are at the top of the national peer set, and better than the international sectoral average.

For example, APL has received the B Score for fulfilling climate change and water security commitments from the Carbon Disclosure Project.

We have achieved a score of 54/100 in Corporate Sustainability Assessment by S&P Global, which is better than the world electric utility average score of 33/100. Similarly, APL scored 3.5/5.0 in FTSE ESG rating, which is better than world utilities average score of 2.7/5.0.

Further, we aim to achieve Single Use Plastic-Free certification at all of our nine operating locations, up from the seven certified so far.

In conclusion, I would like to emphasize that APL now enjoys a high degree of revenue visibility through long term capacity tie ups, and fuel security through domestic coal tie ups and locational advantages.

APL has now entered the era of regulatory maturity, with all of the major regulatory issues pertaining to domestic coal shortfall having been settled satisfactorily.

Adani Power is now poised to take off successfully for the long haul as India's power demand grows strongly in line with its economy. We have also demonstrated our capabilities repeatedly in efficient project execution and turnaround of acquisitions.

In a nutshell, APL is a financially strong and agile entity with ample growth headroom, and enjoys valuable backing of the large and diversified Adani portfolio.

Thank you for your patience, and I would now like to open the forum to your questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is on the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

**Nikhil Abhyankar:** Is it possible for you to give the availability of Bangladesh plant? Also, the revenues, EBITDA, and PAT for H1?

**Shailesh Sawa:** Bangladesh plant achieved a PLF of 69% and in terms of the revenue for H1, total revenue was Rs. 3,500 crores, fuel expense was Rs. 2,500 crores, EBITDA Rs. 892 crores and PAT after providing for depreciation and finance cost was Rs. 100 crores. The availability was 99%.

**Nikhil Abhyankar:** Where do you procure the coal for this?

**Shailesh Sawa:** We have an FSA and we have been procuring from the open market as well, which is largely imported and to a small extent we also use domestic coal.

**Nikhil Abhyankar:** And currently as of September, we have got trade receivables of around 105 billion, so is there any disputed amount part of this where we are waiting final judgment?

**Shailesh Sawa:** No, largely all our issues have been resolved. What you see in the balance is basically income recognized on September 30th, but subsequently the money was realized. So, there is no large outstanding towards prior period regulatory claims now.

**Nikhil Abhyankar:** How much was the unsecured perpetual debt paid off during the quarter? And also, how much was outstanding at the start, say March '23? And how much was paid? And how much is remaining as on date?

**Shailesh Sawa:** The perpetual debt at the beginning of the Financial Year, April 2023, was about Rs. 13,000 crores and on September 30th, it was Rs. 9,000 crores. I am giving you the rounded off numbers.

**Nikhil Abhyankar:** And how are we placed on the orders for Mahan 2? Have you placed all the orders or is something remaining?

**Shailesh Sawa:** The main BTG order for Mahan Phase-II expansion has been placed with BHEL. It happened about 2.5 months back, which takes care of the substantial component of the packages and balance as we move forward, will be taken care of.

**Nishit Dave:** Just one thing to add. So, actually in this project we are going with Split Package Contracting Philosophy, so there are a large number of packages to be awarded. So, there is the main EPC BTG package which has been awarded to BHEL and then there are number of other balance of plant and other contracts which should be awarded over a period.

**Shailesh Sawa:** As Nishit rightly pointed out that it is not an EPC contract-based philosophy. We are going on Split package-based philosophy. There are approximately about 50 packages that have to be contracted. BTG being the biggest one has already been placed with BHEL and the team is in the process of placing the orders of contracting for the rest of the packages.

**Nikhil Abhyankar:** Do we have any plans to add more thermal capacity going forward?

**S B Khyalia:** We have already given the plans of about 6,000 MW total over and above what we have today let us say 15,000 MW, I am talking about rounded-off numbers, so that is already planned and under active consideration to develop.

**Shailesh Sawa:** And we got expansion projects as you know that we have many locations and most of them have the adequate infrastructure to go for expansion, so we are evaluating it as Mr. Khyalia mentioned and we will move forward once these plans are formalized.

**Nikhil Abhyankar:** And sir just a final question, what is the total CAPEX expected for Mahan 2?

**Shailesh Sawa:** Mahan Phase-II CAPEX is about Rs. 12,500 crores.

**Moderator:** Thank you. The next question is from the line of Nirav Shah from GeeCee Investments. Please go ahead.

**Nirav Shah:** Good evening, sir and congratulations on fantastic numbers. So, few questions, firstly, we have a sizable open capacity, at the same time our balance sheet has strengthened a lot, so what is the strategy over here in terms of will we keep it this way or will we look to tie up a part of it or just if you can elaborate on the strategy going forward?

**Shailesh Sawa:** We have a capacity right now close to about 3,000 MW, which is open capacity, and we keep deploying it, either the power generated goes to the merchant market or we keep entering into short-term contacts and then we keep renewing it as and when the tender comes. So, it is a two-pronged strategy. As you know, the merchant market has been quite good in last one year or so, which has contributed to achieving a good amount of EBITDA of what we have reported to you, and we will keep looking at the opportunities. If short-term, medium-term contacts are coming, we do apply and we like to employ our open capacity accordingly. But it is something which we are not very concerned about because last two years' experience has been very good in terms of deployment of our open capacity.

**Nirav Shah:** With the current net worth and net debt position, I mean what is the strategy to improve our ratings and at the same time to explore the dollar funding market?

**Shailesh Sawa:** Post-merger, the rating of the Company has already improved. We have been rated by CRISIL and India Ratings both. While India Ratings has given us A with positive outlook, and CRISIL has given A/Stable and now post-merger and with lot of positive developments that have taken place, we do intend to approach the ratings agencies again for review and hopefully in few months from now we can see it. Of course it will depend on their evaluation, but we are quite hopeful that the credit profile of the Company has improved significantly. We have a very strong case for rating improvement. As far as the international market is concerned at this point of time, we are not pursuing it.

**Nirav Shah:** And sir on the tax rate, we have had a good amount of profits coming in the last few quarters, so what is the position on the carry forward losses or by when will we expect to start paying or coming under the normal tax bracket?

**Shailesh Sawa:** We have carry forward losses as on September 30th, of about Rs. 24,000 crores - Rs. 25,000 crores and that will give us enough shield for some time, and then let us see how it goes and we may come in the tax bracket thereafter.

**Nirav Shah:** And last question is on our inorganic opportunities, I mean it in the media it's coming about for the 2 plants, but overall, what is the strategy over here?

**Shailesh Sawa:** See, I must tell you that today in our fleet of eight operating thermal plants, four of them have been acquired by us, and if you look at our track record, we have a strong track record of turning around these stressed assets. So, we do evaluate the opportunities as and when they come in the market or come to our notice and depending upon the cost benefit analysis, the cost at which it is available, we evaluate the terms then take a call whether we have to go for it or not.

**Moderator:** Thank you. The next question is on the line of through Dhruv Muchhal from HDFC AMC. Please go ahead.

**Dhruv Muchhal:** First question was on the Gujarat PPA; I think there was some readjustment in the last quarter. Does it continue even in the current quarter? And what is the approach that we are taking for that adjustment? Are we providing for it or is it part EBITDA or revenue?

**Rajiv Kumar Rustagi:** In the last quarter we took an adjustment of around Rs. 1,200 crores because of the index adjustment as per the CERC order, the tariff computation is based on the GR, based on the base rate as well as the CERC indexation that's for 6 months. So, considering this order, we have taken an adjustment of Rs. 1,200 crores and thereafter we are continuing to recognize the revenue based on the same method. So, there is no subsequent adjustment required.

**Dhruv Muchhal:** So, on recurring basis, it is in line with what the order or what?

**Management27:30:** Yes, with the CERC order.

**Dhruv Muchhal:** This was first. The second question was from a near to probably 3-6 months basis we are seeing that the coal inventory across the system seems a bit low, probably that will influence the availability of coal and probably even in the merchant market the availability of volumes, so how do you see this impacting us or influencing us for our merchant portfolio probably?

**S B Khyalia:** Actually, the inventory at our power station is quite good, and in recently concluded SHAKTI B(viii) auction, we have fortunately got good quantity and we don't foresee any issue for next three months. So, at least for the next three months, we are very comfortable and by the time, obviously the possibility of further production of coal going up is there and we don't see any challenge now in this field.

**Dhruv Muchhal:** So, for the next three months, you are reasonably secured in from your merchant market or from merchant coal?

**S B Khyalia:** Correct**.**

**Dhruv Muchhal:** And the last two quick questions is on the FGD, have we done the FGD CAPEX and if not, then what is the quantum that has to be done? What is the likely CAPEX that you will have to do in the next 2 - 3 years for that?

**Shailesh Sawa:** We have about 11,600 MW of capacity where we have to put the FGD in place. We have already placed the order for the FGD and the target date or the date by which we have to have FGD in place is between FY26 and FY27. We are well prepared, and small CAPEX will be incurred this year, and going forward, basis the need arising, we will keep spending it, but large CAPEX will only come towards last two years. We have already placed the order that is what something which I would like to clarify.

**Dhruv Muchhal:** So, large CAPEX will come in FY26-27, not before that?

**Shailesh Sawa:** Yes, in last two years, because FGD doesn't take much time. We require about 3.5 years to have a power plant in place, for FGD installation not more than 18 to 24 months, so large CAPEX will come only in last two years.

**Dhruv Muchhal:** And you will earn the regulated ROE probably somewhere in that regulated ROE range?

**Shailesh Sawa:** Across all our PPAs.

**Dhruv Muchhal:** And sir one last clarification on your PPT, you have given the merchant volumes long term PPA and this, so in the merchant volumes you even include PPAs, I mean plants where you have PPAs for say 2-3 years, those are also included in that or that is part of the long term?

**Shailesh Sawa:** The classification is PPA, medium term and long term both.

**Dhruv Muchhal:** For example, the 2-year PPA or 3-year PPA is part of PPA, it is part of medium and long term, right?

**Shailesh Sawa:** Yes.

**Moderator:** Thank you. We have the next question as a follow up question from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

**Nikhil Abhyankar:** Sir, can you give us the plant wise EBITDA of break up for Mundra, Tiroda basically all the plants?

**Shailesh Sawa:** We actually don't publish the plant-wise EBITDA numbers. Post the merger now we have a one single integrated Company with Mahan and Godda being outside as separate legal entities. So, numbers what we have presented, and we would like to present the consolidated number. If you want PLF plant wise that can be given.

**Nikhil Abhyankar:** No, sir I wanted the EBITDA and what is our average cost of borrowing as on date as on September '23?

**Shailesh Sawa:** It is a little above 9%, as you know the MCLR has gone up significantly in the last 16-18 months or so, and so the cost of borrowing also because it is MCLR linked borrowing. Current MCLR is about 8.45% and we are charged some margin on that, so our average cost of borrowing is around 9% plus few points 9.05% or so. That is the weighted average cost of all borrowings.

**Nikhil Abhyankar:** How much amount of our capacity is tied up with medium term PPAs?

**S B Khyalia:** Through medium term, we have 500 MW, and the rest is merchant.

**Nikhil Abhyankar:** Rest is Merchant?

**S B Khyalia:** Yes. We are talking about 3,000 MW under open capacity and out of that , 500 is tied up through medium term. So, effectively 2,500 is completely merchant.

**Moderator:** Thank you. The next question is from the line of Sumit Khimani from Subij Enterprise. Please go ahead.

**Sumit Khimani:** My question is about how do you see the political risk affecting to our Company, say for example, the Bangladesh situation is there, and another is the Indian political that every second day blame on the Company for doing some wrongs?

**Shailesh Sawa:** I think this call is on our performance and lets us focus the discussion on the numbers and Adani Power's operations. As far as Bangladesh is concerned, we have a legally binding PPA with them, which is backed by the sovereign guarantee. So, we say we are fully secured as far as our supplying power to Bangladesh is concernedand beyond that, we would not like to comment.

**Moderator:** Thank you. Ladies and gentlemen as there are no further questions from the participants, I would now hand the conference back to the management for their closing remarks. Thank you and over to you, sir.

**Shailesh Sawa:** Thank you so much to all the participants for your time and it was really great interacting with you. It is after a long gap that we are having this interaction with you, and we are happy to provide any information which you may require. You can get in touch with Nishit Dave who is our Head of IR, and we will be very happy to clarify or answer any of the queries which you may have. Thank you so very much. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes today's call. Thank you all for joining us and you may now disconnect your lines.