August 9, 2024

To,

BSE Limited
P J Towers,
Dalal Street,
Mumbai – 400 001.

Scrip Code: 533096

National Stock Exchange of India Limited
Exchange plaza,
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051.

Scrip Code: ADANIPOWER

Dear Sir(s),

Sub.: Transcript of Investors / Analysts Conference Call on Q1FY25 Financial Results of Adani Power Limited

Ref.: Our intimation dt. July 23, 2024 and July 27, 2024 and, 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: 2024.08.09 10:27:28 +05'30'

Deepak S Pandya
Company Secretary
Mem. No.: FCS-5002

Encl.: as above.

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"Adani Power Limited Q1 FY25 Results Earnings Call"

July 31, 2024

MANAGEMENT: **MR. S. B. KHYALIA – CEO, ADANI POWER LIMITED**
MR. DILIP JHA – CFO, ADANI POWER LIMITED
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 Q1 FY25 Results Earnings Conference Call hosted by ICICI Securities.

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. Please note that this conference is being recorded.

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

Mohit Kumar: Thank you, Sagar. Good evening. On behalf of ICICI Securities, we are pleased to welcome you all to the Q1 FY25 Earnings Call of Adani Power Limited.

Today, we have with us the Management Team represented by Mr. S. B. Khyalia – CEO; Mr. Dilip Jha – CFO; and Mr. Nishit Dave – AVP (Investor Relations). We will start with brief opening remarks, which should be followed by Q&A. Over to you, sir.

S. B. Khyalia: Good afternoon, friends. Welcome to the Earnings Call for the 1st Quarter of 2024-25. I have with me our CFO – Mr. Dilip Jha and the APL Finance team.

Adani Power Limited continues to grow from strength to strength, fueled by a vibrant power market, operating excellence, and an agile and capable team. The Indian economy is hungry for more power and the nation is blessed with most of the resources required to fulfill its needs. During the recently concluded quarter, APL posted a sharp year-on-year growth in PLF to 78% and greater power dispatch across all plants, aggregating to 26 billion units. APL's power dispatch under PPA has improved because of growing power demand, lower prices of imported coal, and competitive position in merit order stats.

Our strategically located open capacity also benefited greatly from high merchant demand and tariffs due to our competent fuel management and logistic capability. Our O&M excellence allowed us to fully capitalize on the peak demand opportunity by ensuring high plant uptimes.

As you all would be aware, we have now achieved almost full resolution of regulatory petitions related to domestic coal shortfall claims and recovered past dues from DISCOMs. Consequently, one-time revenue recognition of prior period items has come down significantly and our revenues as well as operating profit now primarily reflect ongoing business. Our constant endeavor to optimize fuel costs and to improve contribution per unit short has borne fruit in the form of a sharp growth of 53% in continuing EBITDA.

At the same time, our pragmatic management of cash flows and leverage has allowed us to bring down the finance cost. Consequently, Profit Before Tax has nearly doubled during Q1 FY25 on a recurring basis. As you can see, APL has opened its fiscal year 2024-25 on a very strong note, and we are confident of continuing to perform with all-round excellence on the path ahead.

Speaking of the future, the Mahan Energen Phase II Ultra-supercritical expansion project of 1600 megawatt capacity is well underway to achieve its targeted completion by June2027. The outlook for India's thermal power capacity growth is very favorable. The government has revised its power demand projections within just two years. It estimates that peak demand will grow from 250 GW currently to 400 GW by 2031-32. This will call for 80 to 90 GW of additional thermal power capacity to meet peak demand, even if the target of 500 GW of non-fossil fuel-based capacity is achieved.

State governments have already started to call for bids for supply of firm power under long-term peak needs to meet power demand five to six years from now. Bids for supply of 6400 MW from thermal power have already been invited by three states, while more bids are expected from other states soon. We have started to take proactive steps for capacity expansion in view of this positive outlook and our long-term goals. We have started advanced preparation for setting up three more projects of 1600 MW each at Raipur, Raigarh, and Mirzapur. The Raipur and Raigarh projects are expansion of the existing power plants in Chhattisgarh, while the Mirzapur project in UP will be set up in a subsidiary company that we have acquired recently.

We are awaiting NCLT approval of the resolution plans for Lanco Amarkantak and Coastal Energen, which will expand our operating capacity by 1800 MW and add another 1320 MW of under-construction capacity.

In addition to this, we are also evaluating further brownfield expansion projects of 4,800 MW and inorganic opportunities of more than 1,000 MW, which together will take our target capacities to 30.67 GW by FY 29-30. We are following an agile business model and integrated approach for augmenting assurances on project execution and operational front. We are also focusing on enhancing fuel security through commercial mining licenses under an asset light model. We are highly confident of delivering value-accretive investments to our stakeholders by capitalizing on our core strength.

I would like now to invite Mr. Dilip Jha – CFO, to speak about the Financial Results, followed by a question-and-answer session. Thank you and over to you, Dilip.

Dilip Jha: Thank you, Khyalia Sahab. Good afternoon, friends. I hope you all have downloaded the result presentation that we have uploaded on the website.

Adani Power Limited has delivered yet another quarter with strong financial performance, with higher volume and revenue, improved profitability, and very healthy credit indicators. The company achieved excellent PLF of 78% and sales volume of 24 billion units in Q1 FY24-25. In comparison, it had posted 60% PLF and 17.5 BU sales volume in Q1 FY23-24. Almost all power plants contributed higher PLF and volumes on back of higher power demand under PPA and in the merchant market. The second 800 MW unit of the Godda Power plant was commissioned at the end of June last year, due to which the effective operating capacity was lower in Q1 FY24. In the recently concluded quarter, full generating capacity of Godda was available, which has contributed to higher volumes.

Continuing operating revenue for Q1 FY25 grew by 29% to Rs. 14,717 crores as compared to Rs. 11,370 crores in Q1 FY24. Continuing total revenue grew by 30% to Rs.15,052 crores in Q1 FY25 as compared to Rs. 11,612 crores in Q1 FY24. Import coal prices for Q1 FY25 were lower as compared to Q1 of last year. Due to this, tariff realization in some PPAs with pass through of import coal prices was slightly lower. At the same time, merchant tariff realization was strong in Q1 FY25 and resulted in higher contribution.

This reduction in import fuel price was also reflected in the significantly lower growth in fuel cost for Quarter 1 FY25, which was 17%. As a result, continuing EBITDA for the quarter grew by a strong 53% to Rs. 6,290 crore as compared to Rs. 4,121 crore in Q1 last year.

During Q1 FY25, APL recognized a comparatively much smaller amount of Rs. 422 crore as one-time prior period revenue on account of regulatory orders, as compared to Rs. 6497 crore in Q1 last year. The reported revenue and EBITDA now reflect the quarter's performance to a great extent providing adequate clarity into the numbers.

Further, as highlighted by our CEO Mr. Khyalia earlier, we have been able to keep finance costs firmly under control with the stated aim of reducing leverage. We have utilized regulatory cash flows to prepay debt during the previous financial year, making the balance sheet very healthy, improving our credit ratings to AA family and helping reduce interest rates.

Finance cost for Q1 FY25 was Rs. 811 crore as compared to Rs. 883 crore in Q1 FY24. On the other hand, depreciation was higher at Rs. 996 crore versus Rs. 935 crore in the two quarters respectively due to the commissioning of Godda plant. This outstanding operating performance and cost control led to continuing profit before tax for Q1 FY25 nearly doubling to Rs. 4,483 crore versus Rs. 2,303 crore in Q1 FY24. After considering one-time items, the reported profit before tax for Q1 FY25 was Rs. 4,906 crores as compared to Rs. 8,800 crores for Q1 FY24 due to one-time regulatory income of more than Rs. 6,000 crores in Q1 last year.

The company has recognized tax charge of Rs. 993 crores on consolidated basis during Q1 25 as compared to Rs. 40 crore in Q1 last year. This tax includes both current and deferred tax for the Godda plant and deferred tax for APL as standalone entity. For Q1 FY25, profit after tax is Rs. 3913 crore as compared to PAT of Rs. 8759 crore for Q1-24, and as I explained, this is due to one-time, prior period regulatory income recognition in last year, which was approximately Rs. 6,500 crores.

APL has now firmly established its credentials as a dynamic and profitable leading power producer with high liquidity and excellent creditworthiness. It is poised squarely to convert the upcoming growth opportunity into profitable and secure investments that generate value for all stakeholders.

In the coming quarters and years, we hope to see more exciting developments and strong performance with you on a consistent basis and hope to engage you closely in discussions about our process. I would now like to request the moderator to open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Uma Menon from Bernstein. Please go ahead.

Uma Menon: I just had a couple of questions. The first one being, if you could please provide an update on the completion of acquisition timeline on Lanco Amarkantak, and if there are any updates on other acquisitions planned, such as KSK Mahanadi and the Coastal Energen plants. Thank you.

Dilip Jha So thank you for your question. Both the inorganic acquisitions of Lanco and Coastal, the awards are reserved. And we're expecting that the result will be announced very soon. So, we are waiting for the result.

S. B. Khyalia The other part which you have asked is KSK Mahanadi. KSK Mahanadi is under bidding, and its submission is probably today by end of business hours. So, it is still under bidding.

Uma Menon: Sure, sir. Thank you. And the second question is around batteries. With the lowering costs that we're seeing on batteries and the low tariffs that we saw, slightly lower than the tariffs we have seen on the SECI tenders recently. Do you see these as a threat to the merchant thermal portfolio?

S. B. Khyalia: See whether it is renewables or battery, they would be available during the daytime because batteries are yet not really competitive as compared to thermal power. The rates related to solar power are applicable during the day time, and we don't consider that going forward, it will have PLF of more than 55%-60% during day time. With that understanding only, all projections and investment decisions are being taken. However, solar power would be available only for 7 to 8 hours and for rest of the 16 hours, the base load would be met from thermal power only. So, if we take full load for 16 hours and let us say 55% for 8 hours, still the PLF would be above 70% which is very good PLF for a thermal power station.

Moderator: Thank you. The next question is from the line of Nikhil Abhyankar from ICICI Securities. Please go ahead.

Nikhil Abhyankar: I had a couple of questions. So, can you just elaborate upon how are we looking on tying up for PPAs for organic expansion and which states have come out with tenders and what will be the duration of this PPAs?

S. B. Khyalia: As we stated, three states are already there with their bids, Maharashtra 1600 MW thermal, UP 1600 MW thermal, and Rajasthan 3200 MW thermal. So, these three states are already there, totaling to 6400 megawatt. As per the resource adequacy report of the Central Electricity Authority, many other states are having deficits and there is an advisory to all the states that they have to ensure resource adequacy, because going forward it would be obligatory for the utilities to ensure 24 x 7 supply. So, we expect a lot of such bids and tenders will come. Therefore, whatever inorganic or organic expansion that we have planned, we are of the view that we will be in a position to tie up the long-term PPAs. And these PPAs of these three states, which I mentioned, are having duration of 25 years.

Nikhil Abhyankar: For the plants which are considering for acquisition, can you speak on how much of the capacity is tied up already and is there any merchant capacity available?

S. B. Khyalia: In case of Coastal Energen, the NCLT has reserved its order. NCLT has reserved the order actually for both, Coastal Energen as well as Lanco Amarkantak. In case of Coastal Energen, one unit of 600 MW is tied up under a PPA with Tamil Nadu and one unit is available for merchant sales. In case of Lanco Amarkantak, the entire 600 MW capacity is tied up under PPAs and 1320 MW, which is under construction and almost 70% complete, is open capacity available for use as merchant capacity, or we can tie up with the states against their bids, so it's available capacity.

Nikhil Abhyankar: Understood sir and sir almost 22% of the revenues have come from merchant, so how much was the merchant sale and in units that you can get? And if you can also talk about the spreads, how much spread or cross spreads have we earned on it, and what was it compared to last year?

S. B. Khyalia: In merchant sales, we had a revenue realization of Rs. 7.45 per unit on an average for the quarter and the fuel cost was Rs. 2.89 per unit, so there was a contribution of Rs. 4.56 per unit.

Nikhil Abhyankar: What was it compared to last years?

S. B. Khyalia: Last year the tariff was Rs. 7.57, so it was almost same but the coal cost was higher because of the higher coal cost of imported coal as well as in the auction also, where the premiums were very high because of less availability of coal. However in this year, the availability of coal from Coal India under the auction is also very comfortable and therefore in the auction, the premium has gone down. Last year the coal cost was actually on the higher side, it was Rs. 3.86 / unit and therefore the contribution was Rs. 3.71 as against the contribution of Rs. 4.56 this year. So, contribution has gone up almost by 85 paisa.

Nikhil Abhyankar: Understood sir, and sir mostly the sales will be in medium term or short term PPAs or bilateral trade or bilateral market?

S. B. Khyalia: It is mostly under bilateral contracts of less than one year and then there is some balance capacity, because you cannot tie up 100% under the short term PPAs where you have an obligation of take or pay. So even from the capacity that is available for merchant, 20%-30% is kept for the exchange sales also. 70% to 80% is tied up for less than a year under the bilateral agreements and balance is sold through the power exchange.

Moderator: Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.

Puneet Gulati: My first question is on your thoughts on the merchant power. Would you want to keep any more capacity open for merchants or would you rather tie it up with PPAs given the current demand supply situation?

S. B. Khyalia: As per our internal assessment, we are keeping around 20% under merchant. That should be a sort of balancing act, whereby we don't want to expose ourselves to market risk for more than the 20%, which is sufficient to take the advantage of higher rates from the market. So we are of the view that we should keep it around this 80%-20% ratio.

Puneet Gulati: So even for the expansion you would like to keep 20% merchant?

S. B. Khyalia: For expansion also, we would like to tie up through the long term PPA and only 15%-20% capacity we will keep for the merchant.

Nishit Dave: Just to interject here, Puneet. Actually, the capacity that we are acquiring under the NCLT route and others, those do not have full tie ups, but they are actually located very advantageously close to all the coal-bearing areas. So those capacities are well-suited for the merchant market. While the newer capacities that we are going to set up, the brownfield and greenfield expansions, for those we will look at full tie ups under PPA.

Puneet Gulati: And hence availability of credit, is there credit available for the merchant part of the capacity as well or we have to fund it out of your internal accruals?

S. B. Khyalia: Credit is available nowadays even for merchant capacity also. There is a clear indication from Government of India that since now the rates in the market are quite attractive, the financial institutions and banks should look at standalone viability of the capacity now since the merchant market is quite matured. So, the institutions and banks are open to look at funding the merchant capacity. Also in case of, let us say our Mahan Power Project, we have tied up capacity of 1320 MW out of 1600 MWt. So partial capacity is already considered by the financial institutions for funding though it is under the merchant capacity.

Puneet Gulati: And secondly, in your analysis, how are you protecting yourself against potential future carbon taxes? Do the PPAs have a clause which allows you a pass-through or is that a risk that you will be exposed to later on?

S. B. Khyalia: See, any carbon tax would be a change in law and therefore it would be passed through under the PPA. In fact, you may be aware that we already have a charge of Rs. 400 per metric tonne, which was called initially as Green Cess, which was later renamed as the GST Compensation Cess. The objective was to call it a Green Cess and when it was imposed, it was initially Rs. 50 per tonne, and it was made Rs. 100 and ultimately today it is Rs. 400 per tonne, which is allowed as pass through under the PPA. So similarly if anything further is imposed related to carbon tax or any tax, it will get passed through under PPAs.

Puneet Gulati: And can you also talk about the future acquisition opportunities apart from the KSK and Lanco? What others would you be evaluating or is available in the market?

Nishit Dave: Puneet, obviously we cannot give you names of these targets, but we are evaluating the opportunities as we come across them and we look at certain criteria for selecting and going through the evaluation process before we bid for them. So, for example, the quality of the equipment, how well the plant has been maintained, how well-endowed it is in terms of key indicators like water availability, transmission availability, whether it is close to coal bearing sites, whether it has got room for expansion. So those things are taken into consideration first and only then do we decide if we want to bid for a specific project.

Puneet Gulati: And so without the name, any intent on the size because I would presume those would come in faster and Greenfield will still take about five years to come from now?

Nishit Dave: There are ongoing evaluations and bidding is also going on, as we also mentioned earlier. We will look at good projects over there. But primarily, inorganic expansion is not really the key strategy that we are following. It is actually to get access to good sites, get access to capacities that can be turned around quickly and fulfill the demand niche that we find in the market.

S. B. Khyalia: See the company has good cash flow, so whatever opportunity will be available which fits into our objective, obviously we would be looking into that. Whatever will come and may be available, we would be looking into that.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah: The merchant power offers flexibility and promise of a higher reward. But of course, there is certain risk, especially in a leveraged business. While the PPAs give us predictability, but probably will lock us down to relatively potential of lower returns. What is our philosophy and strategy to balance risk and reward between merchant and the PPAs?

S. B. Khyalia: I think I have already answered this question earlier, but nevertheless for the sake of repetition, I would like to say that we have an internal strategy whereby we want to tie up 80% of the capacity through long-term PPAs which will give us stable returns. The balance 20%, we are keeping it open whereby we can optimize our returns by taking the advantage of good returns in the market. So that is the broad strategy.

Bharat Shah: Sorry, I missed that earlier part. My apologies. Secondly, likely given the way economy is growing and given the way it is a synergistic growth across many sectors, therefore, GDP growth is likely to be far more burgeoning type and combining among many sectors. Plus, given the trust of growth on manufacturing and industry, energy demand growth, we are likely to overshoot all projections. So, given 11-12% kind of likely electricity demand and the growth in the coming period on a per annum basis, what kind of our growth the picture would show? What kind of multiple do we see compared to overall energy demand growth in the system?

S. B. Khyalia: In my opening remarks, I have already stated that in the last two years, the Government of India has changed its estimates. And now the Government of India is of the view that by FY 31-32, the peak demand would be 400 GW. Out of this 400 GW, around 300 GW is to be met from thermal capacity. Today we have 217 GW and out of this, around let us say 10 GW will be scrapped because of the aging. So about 80 to 90 GW additional capacity would be required in the next 5 to 6 years. And there are obviously a smaller number of developers now available in the country. So, we have already stated that we have a very good expansion plan, whereby today we have 15-GW capacity, and we are planning to achieve at least 30 gigawatt by FY29-30. It all depends on how the future demand will come up. So, we will try to make our growth plans with the demand growth. And obviously, we are very bullish because not only that it will help us in absorbing our additional capacities but also, we are of the view that there would be good rates available. So, our realization could go up also apart from growth in terms of quantum.

Bharat Shah: In my earlier discussions with you, my impression has been that we are aiming at volume growth much higher than what Dilipji is just now mentioning because this will imply about 15% volume growth over next 5-6 years. But I thought we are looking at achieving a much better number than that?

S. B. Khyalia: I think we gave the same number; we have never given in terms of capacity numbers more than this. This is our announced and notified capacity to exchange also and to everybody. We have given the same number that we are going to have capacity of about 30 GW as against today's 15 GW.

Bharat Shah: And maybe then I've been more optimistic than what has been suggested. Therefore, revenues are likely to be growing at a rate faster since realization will probably improve.

S. B. Khyalia: Yes, that would be expected because, as I stated, if the economy is going to grow faster and the demand is going to be higher, in that case, the rate realization would be much higher. Our growth in terms of revenue would high be one because of the doubling of the capacity and the second would be because of the higher rate realization. So, there would be combination of this.

Bharat Shah: And by implication, profit growth would be even much higher because of the basic equation underlying that?

Dilip Jha: Yes, of course.

Moderator: Thank you. The next question is from the line of Raghav, who is an individual investor. Please go ahead.

Raghav: My question is regarding green ammonia blending project at Mundra site. So, I would like to know about the outcome of that and future prospect in terms of raw material and raw material cost if we implement further that green ammonia, that will be, I think, also beneficial for our greenhouse that our reducing carbon footprint?

S. B. Khyalia: We are carrying out a pilot study. So first we have to establish whether the green ammonia can be co-fired with the coal or not. Therefore, we are in the state of technical study at this stage. Once the technical possibility is established, then we have to consider the viability of the price of ammonia and also whether that would be available as pass-through under the provisions of PPA. So, it has to be seen from multiple angles. One is the technical feasibility, second is the market rates of ammonia and whether the power generated based on that will be allowed as pass-through under the provisions of PPA. If all things go on the expected lines and the rates are viable, obviously we will go ahead with that. So, at this stage, we are in the technical feasibility study stage. Therefore, it would be difficult to give the future roadmap. But we are trying to make it feasible so that we can reduce our carbon footprint.

Moderator: Thank you. The next question is from the line of Lakhdeep, who is an individual investor. Please go ahead.

Lakhdeep: What is the future of electricity supply to Bangladesh and how the payment situation is right now with the Bangladesh?

S. B. Khyalia: We have signed the agreement for 1500 megawatts and the PPA is for 25 years. So, there is no question of future as regards to the already concluded agreement. As far as payment is concerned, we have started getting good payments from last few months and every process is well established now. On an average 4 to 5 months of arrears is there for all the power suppliers of Bangladesh, so it is not that we are getting some different treatment. We used to have a similar situation in India also. So, the way we get the payment in India from the DISCOMs, similarly, we are getting payments from the Bangladesh also with some time lag, because of these are government utilities. So, there would be outstandings against our supplies. As per the process, now we are getting regular payments.

Lakhdeep: And are we expecting any increase in supplies to Bangladesh?

S. B. Khyalia: We have fully tied up our power project, so the entire power is going to Bangladesh. It's a dedicated power station to Bangladesh and it's not even connected with the Indian grid, and Bangladesh is taking full power.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments.

Dilip Jha: Thank you. Thanks a lot. It was really a very interactive session. And if still anyone wants any further clarification or any query, please feel free to approach us. And Nishit Dave is always there. Thanks a lot again, and See you soon in the next quarter.

S. B. Khyalia Thank you everybody.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.