



“Adani Enterprises Limited Q3 FY21 Earnings Call”

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MR. ROBBIE SINGH – CFO, ADANI ENTERPRISES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Adani Enterprises Limited Q3 FY'21 Earnings Conference Call. We have with us today, Mr. Vinay Prakash -- CEO, Mining Services and IRM, Adani Enterprises Limited; Mr. Ramesh Nair -- CEO, Mundra Solar PV Limited; Mr. Robbie Singh – CFO, Adani Enterprises 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 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. Robbie Singh. Thank you and over to you, sir.

Robbie Singh: Thank you. Hi, good afternoon, everyone. This is Robbie Singh CFO of Adani Enterprise. AEL has been a successful incubator since 1994. We have created five infrastructure unicorns as independent listed entities with strong businesses, and the sustainable growth model. Our constant endeavor to invest in strategic infrastructure space has translated into profitable returns for our shareholders. As our core business continues to sustain long-term growth, we are making significant progress in our new segments comprising of airports, roads, water and data centers. The model of building new business and creating value has delivered returns at a compounded annual growth rate of 32% to shareholders since inception. In the last three years, demerger of Adani Green Energy Limited and Adani Total Gas Limited has boosted our shareholders return to 105% since announcement. In continuation of this process of incubating strategic assets, we have in our airports business taken over operations, management and development of Mangaluru, Lucknow and Ahmedabad airports during Q3 FY'21. We have additionally signed concession agreements for operations, management and development of Jaipur, Guwahati and Thiruvananthapuram airports as of 19th January 2021. Additionally, in our Roads business, we received LoA for Rs.1,838 crores contract for road project in the State of Kerala.

Coming to this quarter's performance, it has yet been another quarter of consistent operational and financial performance across our core business segments of mining services, integrated resource management and solar manufacturing.

Consolidated revenue for Q3 FY'21 increased by 6% to Rs.11,788 crores and EBITDA increased by 6% to Rs.939 crores vs Rs.884 crores in Q3 FY'20. The rise in revenue and EBITDA was predominantly in solar manufacturing on account of increased sales to the DCR segment in the sales mix. Profit attributable to owners stood at Rs.297 crores versus Rs.426 crores in Q3 FY'20. This was primarily impacted by one off exceptional write-off of Rs.79 crores, which was a result of termination of Palej Exploration Block by the Ministry of Petroleum and Natural Gas.

With this opening statement, I hand over to my colleagues, the leaders of respective business, firstly to Mr. Vinay Prakash. Vinay, over to you.

Vinay Prakash: Thanks, Robbie. Good afternoon to all of you. In the mining service business the company is an MDO for nine coal blocks with peak capacity of 100+ MMT per annum, including two projects at LoA stage. Further, the company has two MDO projects for iron ore, with a peak capacity of 16 MMTPA. These 11 projects are located in the state of Chhattisgarh, Madhya Pradesh and

Odisha. We've also forayed into the Washery Service business and have received LoI for Hingula Coal Washery of 10 MMTPA capacity from MCL.

The company has also signed coal block development and production agreement for two commercial mines, which is Dhirauli 3 MMTPA in the state of Madhya Pradesh, and Gondulpara 4 MMTPA in the State of Jharkhand. PEKB which is Parsa East Kante Basan coal block has been operational since Feb 2013, and it is the first and only captive opencast coal mine with the washery in the country producing at the peak rated capacity of 15 MMTPA. GP3 coal mine was opened up in April 2019 and Talabira II and III was open in December 2019.

Coal mining production volume increased by 6% at 5.1 MMT, with 4.2 MMT coming from PEKB, 0.6 MMT coming from GP3 and 0.3 MMT coming from Talabira mine in Q3 FY21 against the production volume of 4.8 MMT in Q3 FY'20 where 4.7 MMT came from PEKB and 0.1 MMT came from the GP3. Further, the coal dispatch increased by 33% at 4.4 MMT, with 3.5 MMT coming from PEKB, 0.6 MMT from GP3 and 0.3 MMT from Talabira in the Q3 FY'21, against the dispatch of 3.3 MMT for PEKB in Q3 FY'20. The production volume in nine months FY'21 increased by 3% at 10.9 MMT versus 10.6 MMT in nine months of FY'20. In Q3 FY'21 EBITDA was constant at Rs.344 crores as compared to Q3 FY'20.

In terms of Integrated Resource Management business, the company provides end-to-end procurement and logistics services to its customers. We have developed business relationship with diversified customers across various end user industries. Our IRM business continues to maintain the leadership position as the number one player in India. The volume for this quarter increased by 5% at 21.4 MMT in Q3 FY'21 versus 20.4 MMTs in Q3 FY'20.

With this I give it to have Mr. Ramesh Nair to talk about Solar Manufacturing. Ramesh?

Ramesh Nair:

Hello, everyone. Mundra Solar has established the largest vertical integrated solar manufacturing facility of 1.5 GW at Mundra in the (EMC) Electronic Manufacturing Cluster that we have in the Mundra SEZ along with R&D and other facilities. Q3 solar volume stood at 285 MW against 283 MW in Q3 FY'20 while EBITDA has increased about 3x to Rs.259 crores versus Rs.84 crores in Q3 FY'20. The stellar performance was basically supported by the increase in DCR sales. The adverse impact of increasing inputs costs, especially, of various other raw materials, was cushioned by significant cost reduction initiatives taken by the business.

We're committed to bringing down the cost to the lowest global benchmark and focus on the DCR and EPC segment to have sustainable growth in the coming period. That's all from me.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Nirav Shah from GeeCee Investments. Please go ahead.

Nirav Shah:

I have a few questions. First is on the solar module manufacturing trend. So what was the mix between DCR and exports in Q2 and Q3 compared to say last year, just want to figure out how the mix change has happened for us?

- Ramesh Nair :** I'm not able to tell you quarter wise but in the current year we practically have not exported any quantity. We have been completely in DCR segment and in the comparative quarter, we probably would have exported roughly to the tune of around 250 MW. So that is the basic change that has happened in the business.
- Nirav Shah:** Our order book is completely for DCR only right now?
- Ramesh Nair :** We are practically into DCR because DCR has come up in a big way in the country on various segments. So we are practically focusing on DCR. So the strategy in the current year is to serve DCR and then any residual volume will go into other segments,. Last year, while DCR wasn't there, so the focus was on exports and about one-third of the volume actually went into exports, primarily the US market.
- Nirav Shah:** So broadly, the 30% margins or somewhere around 9 million per MW of EBITDA is a sustainable number on this current mix, if that remains the same?
- Ramesh Nair :** Yes.
- Nirav Shah:** The second question is on the mining business. If you can just confirm that about the Chandragupta OCP in Jharkhand, whether we were L1 and if yes, when can we receive the LoA for that particular mine?
- Vinay Prakash:** We are L1 in Chandragupt, but we are still awaiting the confirmation
- Nirav Shah:** Third question is on the airports front. Any upfront payments we made in Q3 or even in Jan, and any pending balance that we'll have to pay and by when?
- Robbie Singh :** In November, we took over the first three airports and payments for the same are in process. And once we complete the concession agreement on the next three airports, we expect to make further payments as per already declared numbers in April this year.
- Moderator:** Thank you. The next question is from the line of Mohit Kumar from IDFC. Please go ahead.
- Mohit Kumar:** A question to start with airport, sir, how much is the CAPEX layout which is seen in FY'22 and FY'23 given that all the airports we should be taking over by this quarter end?
- Robbie Singh:** Yes, we will come up with a formal statement on airport business plans as part of our annual results. By that time, we would have completed the full CAPEX program and be closer to the timing of the concession on the remaining period, but we would be ready by April.
- Mohit Kumar** On the Australia mines, when do we expect the production to start, what is the kind of volume we are looking for FY'22 and FY'23, what is the kind of CAPEX you already incurred?
- Robbie Singh:** Majority of the CAPEX we've already incurred. Mine should be entering into the basic production this year on schedule. We should be ready by August and then we expect the ramp

up to start full production will take about 60 to 90 days and then on a run rate basis it will be producing close to 10 MMT in initial phase and then up to 15 MMT as we have already planned.

Mohit Kumar Has all the railways infrastructure ready to evacuate the coal?

Robbie Singh: It will get ready by about end of July this year.

Mohit Kumar Thirdly, on the MDO, what are the kind of CAPEX layout we are looking over next three years? Have we received the LoA for all the mines which were under consideration like Bailadila, Gidhmpuri Paturia, Gare Pelma? Secondly, on the mines which we won recently in the last quarter, have we received the final confirmation from the government and what is the kind of incremental run rate we could see over the next three to four years from these mines?

Vinay Prakash: In fact, first, in commercial mining, we have already signed the agreement with the Ministry of Coal. Now we have to make the upfront payment, after which we'll be getting the vesting order with us. The likely timing to start these mines are ranging from 42 months to 44 months from the date of signing the agreement which was on 11th of Jan. As far as the other mines are concerned, we have two mines in LoA stage which is GP2 and GP1. We are likely to get their agreement signed very soon. In terms of starting of the mine, in the next financial year of FY'22, we are confident of starting minimum three mines, if not five mines. And then there's a ramp up plan. So, I think Saurabh can give you separately as what are the ramp up plan already agreed in the various contracts. So, GP3 and Talabira, which we started last year, will go for a higher volume this financial year FY'22 and they will achieve their peak capacity in FY'23. Similarly, three mines which we are very confident of starting in FY'22, we'll get to the peak either in '22 or in '23, there's one mine which is getting in peak in FY'22 and the other mines going to get in peak at FY'23. As far as our iron ore mines are concerned, Bailadila and Kurmitar, Kurmitar-we are taking over on 1st of April '22. So you will see in Q1 volume coming from Kurmitar also in Q1 of FY'22. Bailadila, there are certain local issues if gets sorted out we can start the mine in one year's time.

Mohit Kumar What is the CAPEX layout over next let's say FY'22 and FY'23 for this business given the knowledge we have at this point of time?

Vinay Prakash: Next three years, we are planning to have investment of around Rs.7,000 crores to Rs.8,000 crore on the basis of the current capacity which we have in hand. If we are in position to look at any approval faster than our estimated one, it may get increased or if we get any other mines added to our portfolio, the CAPEX may get increased.

Mohit Kumar Coming to Mundra Solar, what kind of run rate we are looking for FY'22? And is this margin 30%. sustainable? And do you think the mix of between the export and DCR will change going forward? And fourthly, are you looking to expand?

Ramesh Nair : Yeah, I think the run rate would remain the same, because currently we are able to do nearly about 1.4 to 1.5 GW. So we have gone beyond the capacity in terms of debottleneck initiatives.

So the run rate would remain broadly the same. And these margins are definitely sustainable because whole lot of DCR is expected to play out in the next 3-4 years, one is the CPSU scheme and second is the rooftop and the KUSUM scheme. KUSUM has a huge play of around 25 GW of DCR across next 3-4 years. So we do not see much of a threat in terms of these margins. In terms of expanding, we are evaluating it and at the right time, I think we will inform the market.

Mohit Kumar So on KUSUM Scheme, the traction which you can see which is higher than maybe a couple of quarters back. do you see momentum, in the KUSUM scheme?

Ramesh Nair : We see momentum in different states. But maximum momentum at this point of time on the rooftop side is basically in Gujarat. KUSUM EESL is a nodal agency. So they have come up with tendering and they have awarded contracts in different places and different states. So, I think there is a lot of traction because in the current year itself, for example, the year that you're talking by March '21, we would have done nearly 100 MW of sales in KUSUM alone, and nearly 100 MW of sales in the rooftop segment alone. As you go forward, and as the order fructify, I think we will see this numbers actually multiplying at least in the next year and a subsequent year, that's where the target is. So I think one good thing they've done is that they've also put the agricultural feeders also as part of the KUSUM scheme recently. So that expands the coverage of KUSUM. So I think the next year it will play out much more than the current year and then the subsequent year even more higher. So FY'22 would be much better than the current year and FY'23, '24 will be more higher to finish up this. This is one of those initiatives the government is taking on a long term scale, it actually helps the government in terms of structuring the economy better through this scheme.

Mohit Kumar Lastly on the road portfolio, how many roads we have in the right now including LoA or including L1? And have you financially closed all the roads and can we see some road getting operational over the next couple of years?

Management: Mohit, if you will just look at our "Investor Presentation" on Slide 23, you will get all road-related information. We have already done financial closure for about four projects and one is in process. And we have recently won one LoA in Kerala state for 42 kilometers. So once the concession is signed, we will go for that.

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

Nirav Shah: I have just two questions on airports. Any timeline when the awarding for the next six airports will happen? And earlier, it was in the media that along with the six main airports, six unviable airports will also be clubbed. So whether that still stays or government was also trying to restrict maximum wins to two per concessionaire in any round, so any update on these regulations?

Robbie Singh : Not yet other than what you've heard, but closer to the bidding we will guess we'll all know.

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

Mohit Kumar: One clarification. This airport, what are the kind of timeline we are looking for completing this acquisition? And, and I believe we're looking at acquiring entire 74% stake and 51% of GVK and the balance from the other stakeholders?

Robbie Singh: We expect to complete the transaction sometime in March. And then a couple of parts of the transaction might be a little bit longer than March, but we expect to close the transaction within the first quarter of next year.

Moderator: Thank you. So, ladies and gentlemen, as there are further questions from the participants, I would now like to hand the conference over to Mr. Robbie Singh for closing comments. Thank you and over to you sir.

Robbie Singh: Thank you, everyone. And thank you to my colleagues, Vinay and Ramesh for joining and also to the investors and Saurabh and team for all the work. Thank you so much.

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