



“Adani Enterprises Limited Q1FY17-Results
Conference Call”

August 10, 2016



**MANAGEMENT: MR. AMEET DESAI – CFO & ED – ADANI ENTERPRISES
MR. VIMAL DHAMI – IR – ADANI ENTERPRISES**

Moderator: Ladies and gentlemen good day and welcome to the Adani Enterprises Q1 FY17 Results Conference Call. We have with us today Mr. Ameet Desai – CFO & ED, Adani Enterprises and Mr. Vimal Dhami – IR, Adani Enterprises. 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 the operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vimal Dhami, thank you and over to you sir.

Ameet Desai: Thank you lady, this is Ameet Desai, Good Afternoon everybody. I am sure most of you have gone through the results which have been put out on the website and to the stock exchange website. But some highlights that I would like to share with you. First and foremost, the financial results are published in compliance with the IndAS and the comparative result for the corresponding quarter have also been restated under IndAS. The major highlights, we have maintained leadership position as largest importer of coal with there has been a volume growth also, the price of the commodity has of course reduced significantly but we are close to 24 million tons for the first quarter against about 18.5 million in the corresponding quarter last year. We maintained our leadership position as largest importer of coal with 24 million tons of volume compared to 18.5 million in the corresponding quarter last year. MDO business is the real growth driver for us, 1 million tons last year 1st quarter, 2.1 million tons of coal dispatched this quarter. Renewable energy we have made a solid debutant entry with 648 MW solar project at Tamil Nadu which is the largest project on earth. City gas distribution continues with robust volumes & margins 97 million standard cubic meters, agri business maintains its position with 19% plus market share and we are leveraging the brand with additional agri products under the brand name Fortune. We have

completed the financial closure for 2 new contracts of 75000 metric tons for the grain silos and we believe that going forward with our pipeline of 1600 plus Mega Watts in renewable we will have more growth coming from MDO, renewable, Agri and City Gas business. To backward integrate our renewable business, we have been at an advance stage to complete our project of 1.2 Giga Watt solar manufacturing of cell and modules, this should be operational in the last quarter of this fiscal. So these are the main highlights of our results and the background facts, I would hand it over to you Ladies and Gentlemen for questions that you may want to ask.

Moderator: Thank you, Ladies and Gentlemen we will now begin the question and answer session. We take the first question from the line of Akshay Soni from Morgan Stanley. Please go ahead.

Akshay Soni: Just to start off wanted to ask on coal trading I know that you know you have maintained the position but just in terms of trying to understand the EBITDA again, we have seen a significant decline in there, is there any one off symptoms of provisions or anything that has come through this quarter or is just a you have pickup this at half a dollar now?

Ameet Desai: Yes it is just a price reduction, our EBITDA per ton is close to 90 cent and I think the commodity prices have softened considerably and we are able to maintain volumes with this kind of margin.

Akshay Soni: Okay so this then is a better thing for us to look at from a going forward perspective or do you think that there would be some level of revival in this. I think quality perspective.

Ameet Desai: There is a sense of revival that is setting in but I think we should let one more quarter go and then take a view but things I think have bottomed out is everybody's belief.

Akshay Soni: Understood and just in terms of the size of volume itself from 24 million tons versus an 18.5 million ton number you still do not seem to be seeing any weakness as versus what is happening in the rest of India right. Is there any reason that you are bucking the trend so much it would be little market share for rest of India.

Ameet Desai: It is not really bucking the trend as much but if you see there are coastal power installations which needs imported coal and I think if you therefore people read only the last July and September statement of the minister; if they read the November statement the minister himself said that as long as there is a freight saving the coastal power and near coastal power stations and cement & another plants will continue to depend on imported coal. So I think this is the quite normalized trend as you can see now but as I said earlier let us wait for at least one quarter and then start building our judgment for the future.

Akshay Soni: Understood, one more question on the coal trading just in terms of coastal movement has it started coming through in a significant manner yet or is this still mainly imports the 24 million tons.

Ameet Desai: No I think it would be some intra-country inter-port movement as we reported in Adani Ports Business we have already done a million tons in a quarter, so some of it would be translating in business here but I think it is a trend which is building up to say the least.

Akshay Soni: Understood it is still not sizeable but you continue to remain positive on it because of its significant contribution.

Ameet Desai: Absolutely.

Akshay Soni: Got it sir, one last question from my side and then let others take their turn, just on the Adani ports call yesterday the discussion that they are going to see a reduction in loans and advances from related parties, just wanted to understand how much, you do have a largest exposure if I

include Adani Agro as well as yourself in that number so just wanted to understand the perspectives of how the funding will be done to get that money would there be more debts that you would look to raise or is there a different funding plan in process?

Ameet Desai: Akshay that works in progress and therefore I would rather wait for some more time and when we talk about the actual September numbers you would get to see the total picture.

Akshay Soni: Understood, sure sir, that is it from my side.

Moderator: We will take the next question from the line of Shirish Rane from IDFC. Please go ahead.

Ashish Shah: This is Ashish. Sir, just a bit on the solar you know plant that we have put up in Tamil Nadu, so is the plant now completely constructed and commissioned or you know how will the schedule be. Secondly, what would be you know the latest estimate of the completed cost of the plant and the equity that we would have put in the plant and the debt.

Ameet Desai: So, I think plant has been almost commissioned completely. 360 Megawatts is operational and we have started billing and I think that we complete the project accounting including the residual performance guarantees and the balance payment, etc. It would be at least a few months before we can put out a clear number in terms of capitalization, total cost, total debt, etc. You will have to possibly wait for some time before we share that accurate information with you.

Ashish Shah: Right sir, sir secondly on the solar manufacturing facility, sir if you could just elaborate a little bit on what is the exact status at this point and how are we looking at in the facility coming up?

Ameet Desai: The facilities for 1.2 gigawatts in terms of size, it would manufacture cells and modules and it would have a total capital outlay of close to

1900 crores and we expect to completely put the plant to commissioning stage in the last quarter of this fiscal.

Ashish Shah: Right, so sir how are we arranging the funding for this 1900 crore plant.

Ameet Desai: I think 70% debt, 30% equity.

Ashish Shah: Right, sure sir, sir basically the entire investment will be completed in this financial year and by the end of this financial year, the plant will be.

Ameet Desai: Yes, I think if the plant goes through stream then it takes one more quarter to finalize the final running bills, performance guarantees, etc. Normally, there is always a spillover of at least a quarter.

Ashish Shah: Right, sir lastly for the coal trading business, I mean you know 24 million ton is like a very good number that we have seen, what would you guide for the full year sir.

Ameet Desai: We don't give guidance, Ashish you know that.

Ashish Shah: Fair enough sir.

Moderator: The next question is from the line of Nitin Idnani from Axis Capital. Please go ahead.

Rajarshi: This is Rajarshi here, sir my first question is on the change in accounting so that because of the Indian Accounting Standards, so for JV accounting what are the JVs where there has been a change from consolidation to just taking it in the bottom line?

Ameet Desai: So bottom line you have to anyway recognize for all the JVs. In case of our Agri business that is edible oil, we have 50:50 JV with Wilmar, therefore the consolidation there is only for the equity value so we

have only the reflection in the PAT level, rest of the lines do not reflect anything of our JV with Wilmar.

Rajarshi: Okay, my other question is in your notes to accounts there is mentioned about a favorable arbitration award for which it is about 195 crores in the consolidated results, so if you could just elaborate what is this about exactly.

Ameet Desai: This is our mining contract with RRVUNL and we have part of the contract referred to fixed take-or-pay which was getting into a bit of discussion and dispute which has been now completely resolved and therefore, we have received the arbitration award and consequent invoicing has started, therefore, we have booked the income in the current quarter and going forward for the non-fulfillment of the contractual terms we expect to continue to receive this kind of fixed take-or-pay charges.

Moderator: We will take the next question from the line of Ashish Shah from IDFC. Please go ahead.

Shirish Rane: Sir, one question, the mining profit seems to have shown a substantial improvement on a YOY basis, so is it including the international mine and the MDO operations both combined together are represented in this mining.

Ameet Desai: No Shirish it is only MDO operations in India and as I just finished explaining it also has this 180 odd crores of impact of what we have received for the arbitration award, so that is why it shows a big bump up there.

Shirish Rane: But so that 180 crores of arbitration award will continue quarterly or it will be one-time.

Ameet Desai: In as much as last part of it was one-time. Some of it may continue if there is no offtake and that could be a small amount but otherwise it has to be one time.

Shirish Rane: So basically it will revert to the normal operations what we are seeing.

Ameet Desai: Yes, so I mean in MDO, our EBITDA is say 340 odd crores, so I think if this 180 was not there, it would have been 140 crores, which would have been still about 3x or 2.7x of what we have got in the corresponding quarter which was 55 crores.

Shirish Rane: Okay, understood, sir the second question was in the solar facility, the manufacturing facility which we are putting is it 100% our stake or is there any minority part.

Ameet Desai: 51% is AEL, 49% is promoters.

Shirish Rane: And the same thing applies for the solar generation.

Ameet Desai: Renewable generation also 51% AEL, 49% promoters.

Shirish Rane: So both these solar ventures are 51 and 49.

Ameet Desai: Absolutely.

Moderator: The next question is from the line of Nitin Idnani from Axis Capital. Please go ahead.

Rajarshi: This is Rajarshi here, sir one more question on your solar facilities, the pipeline of 1468 Megawatts, so if you could give a little bit of color on this the location and what is the mix in terms of wind or solar on the cost that we should consider and timelines as well.

Ameet Desai: Can we send to you offline, we have different States Karnataka, Telangana, UP, Punjab, Andhra Pradesh, so we will be able to send those details to you. In the pipeline yes they will not be fully available

because they may be getting formed up, but we will be able to share the pipeline with you separately.

Rajarshi: Sure, timelines of it, anything that you can say, how long will it take for this.

Ameet Desai: Normally these projects get done in 12 months from the time they are awarded.

Rajarshi: Okay.

Moderator: We will take the next question from the line of Robin Narang from Morgan Stanley. Please go ahead.

Akshay: Akshay here, just on the Indonesia business, you were talking about upping the efficiency quite significantly and getting in a strong growth this year, so in the first quarter has there been significant progress on that front.

Ameet Desai: Indonesia.

Akshay: Yes sir.

Ameet Desai: Let me give you the numbers, it is doing pretty well but I don't have the numbers readily, let me just pull them out versus last quarter. I think it is the same volume 1.20 million tons going to 1.22 million tons but I think the costs have come down there, so I don't have any gross number readily so there would be at least 10% to 12% cost reduction. Vimal will give it to you offline.

Akshay: Sure sir.

Ameet Desai: I think we seem to be done so.

Moderator: Yes sir there are no further questions from the participants, would you like to give any closing remarks.

Ameet Desai: No, I think thank you all very much for your very interesting and engaging questions. As I said earlier, we expect that we are very strongly placed in our different business segments and if there are any questions please feel free to send an e-mail to Vimal or me. Thank you so much.

Moderator: Thank you members of the management team. Ladies and gentleman, on behalf of Adani Enterprises Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.