



“Adani Enterprises Limited
Q2 & H1 FY2023 Results Update Call”

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Enterprises Limited, Q2 & H1 FY2023 Results Update Call hosted by Nuvama Wealth. As a reminder all participant lines will be in the listen-only mode, 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. I now hand the conference over to Mr. Parvez Qazi from Nuvama. Thank you, and over to you sir!

Parvez Qazi: Good morning friends. On behalf of Nuvama, I welcome you all to the Q2 FY2023 Conference Call of Adani Enterprises. Today we have with us from the management side Mr. Vinay Prakash – Director Adani Enterprises and CEO Natural Resources, Mr. Robbie Singh – the CFO of Adani Enterprises, Mr. Saurabh Shah – Finance Controller of the company and Mr. Manan Vakharia from the Investor Relations. I would now hand over the call to Mr. Robbie Singh for his opening remarks. Over to you sir!

Robbie Singh: Thank you so much. Good morning, this is Robbie Singh, CFO of Adani Enterprises. I welcome you to the earnings call to discuss the Q2 FY2023 results. AEL continues to create value for its shareholders as a successful incubator for the past two-and-a-half decades. This incubation model has created leaders in the respective sectors like Ports, Transmission, Green Energy, City Gas Distribution, and FMCG and the compound annual growth rate delivered for Adani shareholders is in excess of 38%. These businesses Adani Ports, Adani Transmission, Adani Green, Adani Total Gas and Adani Wilmar have also over the past decade exhibited growth greater than 20%.

AEL holds a portfolio of businesses both established and incubating which are spread across different verticals in energy and utility, transport and logistics, direct to consumer and our primary industry vertical. Within primary industry verticals, we have established business for mining services, integrated resource management and commercial mining. As our established business has continued to sustain long term growth, we are making a significant progress in our attractive incubation pipeline. Within the incubation pipeline our core area of utility is Adani New Industries which is our green hydrogen vertical and AdaniConnex data center business which is a joint venture with Edgeconnex of US. On the transport and logistics side, we have Adani Airports, Adani Roads and Adani Wilmar currently sits within the Adani Enterprise shareholding.

In this journey of value creation, Adani Enterprise has always embedded ESG in its business philosophy and it has been now validated recently. I am happy to inform you all that Adani Enterprises has been ranked 7th in ESG rating amongst its peer group in the world by DJSI S&P Global. Adani Enterprise has scored 51 out of 100 against the industry average of 21 out of 100. AEL made a good progress on the score of 18 to 51 during the last year reflecting commitments toward environment, sustainability and governance. This is a remarkable achievement considering that the diversity in the business profile of AEL.

Now, let me give you a brief update of various incubating businesses. In Adani New Industries portfolio, our manufacturing ecosystem all the way from polysilicon to ingot, wafers to cell

modules, wind turbine and electrolysers that construction and development of this manufacturing vertical is well underway with recent installation of 5.2-megawatt wind turbine which is currently undergoing certification. We expect the green hydrogen generation to start sometimes end of calendar year 2025 or beginning 2026. We also continue to develop the down stream products like ammonia and urea. Once we complete our investment in this vertical over the next nine year, it will be approximately \$50 billion.

During this quarter, a milestone was achieved by our manufacturing part of this business with 2 gigawatt of TopCon capacity for cell module line being implemented. The existing 1.5-gigawatt capacity will also be upgraded to 2-gigawatt capacity with the latest TopCon technology and would be ready by middle of next year. On operational aspects, ANIL ecosystem module sales were 206 megawatts and EBITDA itself stood at Rs.52 Crores. These numbers are small compared to where this business will be but it just highlights the fact of each individual component being cash positive on its own right.

In Adani Airport Holdings the passenger movement is now at approximately 90% pre-COVID level, with a total of 16.3 million passengers. Construction in Navi Mumbai is continuing at pace and is on schedule for completion in 2024.

Adani Road portfolio is now approximately Rs.32,000 Crores. We recently also announced the acquisition of Macquarie road portfolio in India and we expect the continuing surge in the growth of this portfolio and its contribution to the EBITDA.

We have commissioned our first data center in Chennai and this will finally be 33-MW data center, 17 MW of which is now operating and occupied. This facility can be powered 100% by green energy from day one to minimize carbon foot print and all of our data center business would be so enabled.

Coming to financial performance. Total Income rose 183% to Rs.38,441 Crores. EBITDA rose nearly 70% to Rs.2,136 Crores and PAT increased by 117% to Rs.461 Crores. These performances are also in light of the fact that we have heavy capex businesses like airports, roads that are part of the portfolio in consolidation and as this matures we expect the PAT to rise significantly. I will pass on to my colleague Vinay Prakash to take you through the mining services, IRM and commercial mining business. Vinay, over to you.

Vinay Prakash:

Thanks Robbie. I am in Australia so pardon me if you get some disturbance from here due to the issue of connectivity or so. As far as the mining services business is concerned, Adani Enterprise limited is the pioneer of MDO concept in India. We have indicated this is the model that spans across delivery in mines as well as the entire up stream and down stream activities. We provide the full-service range lines on checking, various approvals, land acquisition, R&R, developing required infrastructure and mining, beneficiation, and transport to designated consumption points. Company is an MDO for 8 coal blocks and 2 iron ore blocks which combine peak capacity of 100 plus million metric ton per annum. The projects are located at the state of Chhattisgarh, Madhya Pradesh and Odisha. The mining production volume in Q2 FY2023 stood

at 5.4 million metric ton and the dispatch stood at 4.9 million metric ton. The revenue for mining service for the quarter stood at Rs.420 Crores and the EBITDA stood at Rs.207 Crores.

As far as IRM business i.e. Integrated Resource Management business is concerned, we have continued to develop base with diversified customers across various end user industries. We remain number one player in India and endeavor to maintain the leadership position going forward. The volume in Q2 FY2023 increased by 66% to 25.2 million metric ton on year-on-year basis. EBITDA for the quarter has increased by 126% to Rs.1112 Crores on account of higher volumes on year-on-year basis. Thank you. We can open for Q&A now.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Mohit Kumar from DAM Capital Advisors. Please go ahead.

Mohit Kumar: Good morning Sir and congratulations on a very, very good quarter especially a very strong number on the coal trading business and installing the largest wind turbine, a single wind turbine capacity in this country. Sir my question is firstly on the coal trading, these numbers very, very strong if you see the first half around 50 million ton like a very, very high market share. How do you think this will pan out in H2, do you think this will decline, how do you think possibly that we can continue at this run rate in H2 also?

Vinay Prakash: Thanks for the question. In fact we have been telling always and we maintain that again that in coal trading we are service provider to the industry. We supply coal to them as per their requirement and considering that there was a lot of supply-demand gap in H1, we were in the right position to supply to them that quantity and I think that is something which should give you lot of pride that your company has actually be in a position to complete the requirement of supply chain and supply to the customer. As for the future is concerned, we strongly believe that we are in position to continue having similar high market share and industry will require lot of coal to get imported and considering this volume is something which has gone up compared to last year. We are very confident that we will be in position to get similar number only in the next half.

Mohit Kumar: On the coal mining side a very soft quarter given that is the high requirement of domestic coal. Are we still on path to have this 40 million ton for the FY2023 and second question is when do you think in our commercial coal mines will start becoming operational?

Vinay Prakash: For the mining is concerned, considering that Q2 always remains soft quarter because of the rains around mining areas. We are going to put in lot of efforts to make sure that we achieve the target of 40 million tons but it seems that we might be around that volume only. Chances of going beyond that is no, but definitely towards that in the large being next half and especially in Q4 to achieve a high number compared to Q2. As far the commercial mining is concerned, the first mine which is going to see the production is going to be Dhirauli mine in MP and we are confident that this mine should start in FY2024.

- Mohit Kumar:** Interesting. Sir, my last question is what are the profit for airport holdings in current quarter and half year are we sharing that number?
- Saurabh Shah:** The numbers are already shared in the investor presentation. The numbers are the revenue for H1 is Rs.2,573 Crores and the EBITDA is Rs.1,034 Crores.
- Mohit Kumar:** And profit numbers sir?
- Saurabh Shah:** For our perspective, the PBT is in line right now and it is improving. It is -91 Crores as of now but it is improving on a constant basis, we look at it more from the EBITDA perspective.
- Mohit Kumar:** Understood sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Hi! Sir. Thank you for the opportunity. Sir just wanted to understand on the solar manufacturing side, the module manufacturing. So, have we placed the orders for our TopCon capacity?
- Robbie Singh:** Can you elaborate as to what you mean by that, what is your question?
- Apoorva Bahadur:** The module manufacturing capacity which we intend to set up, have we placed the orders for the machineries over there?
- Robbie Singh:** Actually 2 megawatt is already operating and another 2 megawatt will be start operating middle of next year.
- Apoorva Bahadur:** Sir our plan was for total capacity of 10 gigawatts right?
- Robbie Singh:** The planning is total capacity of 10 gigawatt. Yes, 4 gigawatt will be ready in middle of next year and we will continue to increase from thereafter.
- Apoorva Bahadur:** Okay, great. Also, on the wind manufacturing side how much capacity are we targeting and what all will be manufactured inhouse and what will be the sort of procuring from others?
- Robbie Singh:** Majority will be manufactured inhouse. Total capacity target is 10 gigawatts for wind as well and procurement from others would be negligible and the entire ecosystem almost to the level 99% would be indigenous.
- Apoorva Bahadur:** Okay, we will be making the gears and everything as well?
- Robbie Singh:** That would be part of the supply ecosystem but yes we would be the prime manufacturer.
- Apoorva Bahadur:** Sir any plans of being foraying into offshore wind as well because I believe that they require larger turbines.

- Robbie Singh:** No, not yet because currently we are full up in the capacity, onshore capacity but we will continue to evaluate as to how we develop offshore if and when it is economically feasible.
- Apoorva Bahadur:** Fair enough and sir I think lastly just wanted to check if we have finalized the electroliser technology tie up and at what stage is that in?
- Robbie Singh:** Sorry, can you repeat that question?
- Apoorva Bahadur:** Just wanted to check on your electrolizer technology tie up given that we intend to start manufacturing hydrogen by end 2025 or early 2026. I believe we will have to set up the factories etc., well within say by 2024 end?
- Robbie Singh:** That is going on well. We will have some announcements over the coming next six months, nothing to report that we can share with you today. But advanced discussion are on but we are going to share market information either first quarter or second quarter calendar year next.
- Apoorva Bahadur:** Sir, but can you share how much of electorlyzer capacity do we wanted setting up of release in first stage if that is possible?
- Robbie Singh:** We will have a total electorlizer capacity of 5 GW.
- Apoorva Bahadur:** In the first stage itself?
- Robbie Singh:** Correct.
- Apoorva Bahadur:** Okay, that is all. Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Rohit Kothari from GeeCee Investments. Please go ahead.
- Rohit Kothari:** Hi! Robbie and hi Vinay, congratulations on a very robust set of numbers. Robbie the question is if you can highlight a little more on the green hydrogen foray. I understand it is a \$70 billion capex which involves setting up the manufacturing of solar and wind equipments as well as the entire generation of solar and wind power farms, electrolizer and the down stream capacity with ammonia, urea, methanol, and other industry which can consume hydrogen. If you can give as an equity investor what I would be interested in knowing is over the next five to six years what would be the total capex, what would be the various phases of hydrogen output, when would the down stream output start coming, what would be the gross investment, what would be the equity component of the investment and as a promoter of this large foray what would be the IRR on investments you would be looking at. That is the first question and the second question is what are the bottlenecks you see or what are the risks you see as you move ahead with this one of the largest capex investment in the Indian history. If you can share whatever numbers broadly for us to make a calculated guess on the future of this business that will be helpful.

The second question from my side relates to the airport business and part of the EBITDA number has got shared and I believe it is a Rs.2000 to Rs.2200 Crores EBITDA run rate this year which we have hit. A very similar question is that with all the work you and your team are doing on the non-aero business that duty free business, the parking, the cargo and the other ancillary service business and the improvement you all are bringing around just in the existing airports and there are rate, the UDF charges which we read are getting hiked at various airport. What would be the EBITDA trajectory of this business in the next two to three years and once the Navi Mumbai airport is fully operational if you can share some light as to the capex and the return profile of that and how do you see this business in the various constitutes of revenue within this business panning out over the next three to five years and as a man with financial head how do you see the return profile on your incremental investments. So, Robbie I think I have asked quite a lot and please feel free to take a shot of them in the way you do feel right.

Robbie Singh:

Okay, thank you for your questions. I think starting first with the Adani New Industry and Green Hydrogen. We expect as we have mentioned in our last year call and no major change to the capex profile it remains consistent 1-1.2 billion this year striving to create 2-2.5 next year and so and so forth till we complete the full 50 billion in the hydrogen ecosystem. Currently the main focus remains on the input cost therefore the capex is going into the manufacture of cell modules, wind turbines, electrolizers next year and generally systems like glass, battery, aluminium frames and the entire ecosystem that fits around the component ecosystem of fixed manufacturing and we are pretty much on track and we expect this to continue and start our the electron production from green hydrogen. Capex also will commence next year and then we start ramping up from there onwards. So, pretty much the same sort of to ramp up to three to five billion capex from 2025-2026 onwards to hit the mark of 50 billion by 2030 that is there. The main element is that we do not target a specific number in terms of if we look at risk adjusted cost. So, our first and foremost objective is to produce the hydrogen at lowest capex. We are confident that we will produce the hydrogen at one the lowest cash cost anywhere in the world and from there onwards we expect and depending on the products at huge that this will be a reasonably high return business as any energy business is. Although this being green therefore it has added advantage which we are not counting into returns but we expect the return to be in high teens and even possibly in the low twenties. Third element of your question related to how we see the bottlenecks, in anything that we do the core thing the bottleneck remains as to how you integrate this into existing ecosystem and there in hydrogen the biggest impediment is that. Hydrogen itself does not have the infrastructure to move with around. So, how that bottleneck and we are addressing that bottleneck by building appropriate down stream capacity so that we do not have to rely on the hydrogen infrastructure. But that is one bottleneck, the second obviously in this is the technology aspect how do you integrate the electorlyzer and there we are working very closely with leading practitioners to ensure that, that issue is addressed appropriately and build sufficient redundancy in the system and in our capex profile to allow us to overcome that bottleneck if it were to eventuate. So, we have built sufficient buffer in our capex planning to overcome the second half.

Now, moving to the airports business, in the airports business our core value proposition always is that we look at airport as a regional or community economics business which means that airport must serve the community it fits in. So, we are very confident on our what we call the city side or community side development and which should start dwelling fruits from 2025-2026 and then should become the major part of airport business by 2030-2031. Our community-based airport businesses will be about 55 to 60% of our airport EBITDA and non-aero businesses would be another 20-25% and aero business will only be 10 to 15% of airport business. As you rightly pointed out we are on track to have just over Rs.2000 Crores of EBITDA in this business and we are likely to continue to see improvements as we go along as the business will come up from the COVID period. So, on the main aspect which is may not be size of the airport business we are very confident we are on track and investors will start seeing the results somewhere between 2025 and 2026 as the business starts coming on line. The rate of return of this business will comfortably exceed our cost of capital. When I say comfortably, the rate of returns is likely to be double of our businesses and we are very, very pleased with the work for the field has engaged and we are confident to deliver one of the best airport investment opportunity that aggressively work and that largely is driven by our own execution capability and operational capability. But it also is that we are serving the aspiration of Indian consumer and we believe that the aspiration of Indian consumer is one of the core strength that our airport business has.

Rohit Kothari:

Robbie, just a corporate level question, as you can see it is a very large capex program of course backed by a solid return. As wearing finance hat, do you think you are well covered over the next three to five years with the equity component required to fund these projects and where do you see you will need partners or you will not need partners. I believe you already have Total as a partner which can aid that but whether in the airport business or any other business are you looking for partners or you will continue to fund the equity on your own.

Robbie Singh:

I think it is a very good question because as Chairman has announced and I have always said. whenever we announce something we announce it within the boundaries of what we can fund and even within that boundary we always try to and we always have a basic policy to de-risk the growth, with that I mean that whilst we can fund because we always announce things within our envelope. But we always look to have partners because we want to de-risk the growth, so in green hydrogen, Total is a partner because they bring their engineering capability, they bring their operational excellence, they bring their existing client-based knowledge and marketing. So, it de-risks our hydrogen business. Money is not the issue there, it is a de-risking of the business. Similarly, in data centers we have got EdgeconneX. Airport also we have been approached by a number of parties but whilst we do not need the cash but if we believe that a particular party can help us in de-risking we will de-risk. But in airports we also taking for example strategy because we are the community-based asset rather than airport only, so for example we have a JV in duty free, we have JV on the fuel side, we will have JV on the element of the community side and so and so forth I think those announcement will continue and the de-risking will continue of the business. So, whilst the capex program on the day looks large but I think it has to be looked in the context of the ability of these businesses to generate cashflow like airport is already EBITDA positive. It already is making free cashflow. Data center will start making free cashflows this

year, road business will also start this year. So, our incubating businesses are already making EBITDA. It is not as if they require operating cash to go in. Equity return will come over next three years but we are cashflow positive business and we can deploy that cash back into the businesses, that is the core strength of Adani as we look at it that our investments go into the core of the infrastructure of the country which is linked to the aspiration of the public and therefore it has a value drive from the cashflows. In terms of equity program as you know over the past three years as we have outlined we have exclusive equity program itself and from time to time we will continue that equity program and that is largely to continue to position the businesses for growth. Planned capex we can fund, it is more to support and strengthen the balance sheet for the growth that will come as India grows and we want to exploit that growth of India and therefore that is what drives the equity program.

Rohit Kothari: Thank you Robbie..

Moderator: Thank you. Our next question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.

Nikhil Abhyankar: Hello sir, thanks for the opportunity. First of all congrats on a good set of numbers. The first question is we have just started the 2-GW capacity, we have got a order book of 1.5 GW. Is there any timeline for it for the execution of that order book?

Robbie Singh: That itself is very specific point, the capacity is 2-GW so, the order book will be executed over the next twelve to fifteen months. Again the more important element is that you look at it this as a specific capacity that is being built for the hydrogen business. Ultimately, our manufacturing business is to drive the input cost element of the green electron for Adani New Industries and for the Adani Green. Beyond that we are less concerned about the market because we will be virtually all of the capacities with deflection of some would be required for our own internal requirements and to an extent that market required we will look at it separately. But we should keep the focus on the longer-term rather than in the interest we are doing just to continue to utilize the capacity that we already have while our own Adani New Industries own production of green electron, solar and wind starts in the next two to three years.

Nikhil Abhyankar: Understood sir, and before that target capacity of 10 gigawatts of solar module will it entirely be HJT?

Robbie Singh: To start of with very likely but in the flexibility, in the manufacturing arms is that we have to remain, if I understand your question correctly we have to remain agile to upgrade the manufacturing as and when. So, current we think that between three to five years the upgrades will be required and therefore we have built our investment base.

Nikhil Abhyankar: Okay, and now coming to Carmichael mines can you share us the revenue and EBITDA for Carmichael?

- Robbie Singh:** Now, it has ramped fully. The next quarterly results will be the best time to go through the actual financials of it and we start doing that from next quarter when we start with reporting the individual line item as it completes the fold up. I think we will better address because currently there is too much ramp up, capex, currently some of the assets are capitalizing we will complete all of that this quarter and then would be best to discuss it in January 2024.
- Nikhil Abhyankar:** Understood sir, and sir one last question, our net block has risen by around Rs.12000 Crores is it most because of Carmichael?
- Robbie Singh** Yes, that is because of the capitalization that took place in Carmichael mines.
- Nikhil Abhyankar:** Okay, correct. Thanks a lot. That is it from my side.
- Moderator:** Thank you. We will take our next question from the line of Parvez Qazi from Nuvama. Please go ahead.
- Parvez Qazi:** Thanks for taking my question. My first question is on the Navi Mumbai airport. When do we expect that to become operational and what is the current status of development there and second one the MDO business, what is the kind of output guidance that we have or let us say output target that we have for the FY2023 and FY2024? Thanks.
- Robbie Singh:** Navi Mumbai airport technical completion in 2024 and formal operational clearances shortly there after. So we are pretty much on track for 2024 completion.
- As far as the MDO business is concerned, we have set a target, I look at the quarter back that for this financial year FY2023 we should be closer to 40 million ton. We should be very close to that and as far as the next financial year is concerned FY2024, we should be somewhere around 50 plus.
- Nikhil Abhyankar:** Thank you and all the best.
- Moderator:** Thank you. Our next question is from the line of Apoorva Bahadur from Investec. Please go ahead.
- Apoorva Bahadur:** Sir, just one clarification, you highlighted that the returns from our new energy business will be high teen or low twenties. Just wanted to check whether that is what you are talking about the equity IRRs or ROCE?
- Robbie Singh:** ROCE.
- Apoorva Bahadur:** Fair enough. Thank you, sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

- Prateek Kumar:** Good morning. My first question is on airport business. For the city side development if we talk about the remaining proportion of EBITDA. What would be the status of land and what state this land is currently. Would there be end user restriction of area under development, given it would be near airport?
- Robbie Singh:** No, all land is available to us for this business and it has no restrictions other than normal planning restrictions, no specific restrictions. So, this development is going at full pace.
- Prateek Kumar:** So, this is a vacant land currently you talk about?
- Robbie Singh:** Yes, all clearly available to us. Nothing to be done and everything available.
- Prateek Kumar:** Sure, sir my second question is on hydrogen business. Is there any update on timelines on the retail mission document on government on modalities on hydrogen purchase obligations or other things?
- Robbie Singh:** No, there is nothing on that timeline. Those kind of things we are grateful for various support by government whilst to the entire sector actually and which is a great, great step by the government and various state government as well. Beyond that we plan our businesses based on commercial outcomes, so we are confident of our business pace in the longer moment targets.
- Prateek Kumar:** Thanks sir, these are my questions.
- Moderator:** Thank you. There are no questions from the participants. I would request Mr. Parvez Qazi for closing comments. Over to you Mr. Qazi!
- Parvez Qazi:** We thank all the participants who are attending this call and also the management of the company for giving us the opportunity to host this call. Robbie sir any closing comments from your side.
- Robbie Singh:** Firstly, our thanks to you for organizing this. Thank you for the investors who asked the questions. Please feel free to drop the questions either my comment to investors or to analyst. Would there be need to have any further questions, they can reach through us via you or to Saurabh in our team. But on behalf of Adani Group, the Adani Family and AEL we thank you for participation and we are grateful for the comments and questions and wishes conveyed to us.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Nuvama Research that concludes this conference. Thank you for joining us and you may now disconnect your lines.