



# Adani Enterprises Limited

## Q2 FY24 Earnings Conference Call

Event Date / Time : 02/11/2023, 17:00 Hrs.

Event Duration : 25 mins 01 secs

### CORPORATE PARTICIPANTS:

**Mr. Vinay Prakash**

Director-Adani Enterprises, CEO-Natural Resources

**Mr. Jugeshinder (Robbie) Singh**

Chief Financial Officer

**Mr. Saurabh Shah**

Finance Controller

**Mr. Manan Vakharia**

Investor Relations

**Mr. Mohit Kumar**

ICICI Securities

### Q&A PARTICIPANTS:

1. **Bharat Jain** : ICICI Securities
2. **Nirav Shah** : GeeCee Holdings
3. **Pratik Kumar** : Jefferies

## **Moderator**

Good evening, ladies and gentlemen. I'm Pelsia, moderator for the conference call. Welcome to Adani Enterprises Limited Q2 FY24 Earnings Conference Call. As a reminder, all participants 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 \* and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to Mr. Mohit Kumar from ICICI Securities. Thank you, and over to you, sir.

## **Mohit Kumar**

Thank you, Pelsia. On behalf of ICICI Securities, we welcome you to Q2 FY24 earnings call of Adani Enterprises Limited. We are pleased to host the senior management team of Adani Enterprises today. We have with us Mr. Vinay Prakash, Director-Adani Enterprises and CEO- Natural Resources; Mr. Robbie Singh, CFO; Mr. Saurabh Shah, Finance Controller; and Mr. Manan Vakharia from Investor Relations. We'll start the call with opening remarks, post which we move to Q&A. Thank you, and over to you, sir.

## **Robbie Singh**

Mohit, thank you very much. Welcome all to the earnings call for half-year 2024 results of AEL. AEL's incubation portfolio comprises of assets spread across energy utilities, transport and logistics, and primary industries. In Digital infrastructure, incubating assets include Adani Digital Labs and Adani Business Services. AEL's established business portfolio is supported by primary industry vertical, comprising mining services, commercial mining and under advanced stage of completion, the copper smelter. Half-year 2024 results are powered by the emergence of core infra incubating businesses, which have contributed 48% of the overall EBITDA. This reflects the incubating business growth journey and successive milestones.

The consolidated total income for the half-year was at INR 48,876 crores. EBITDA increased by 43% to INR 5,874 crore and in line with the increased EBITDA, consolidated profit before tax increased by 50% to INR 1,958 crore. Incubating businesses continue to record robust operational performances with total income rising over 100% to INR 10,608 crores, consequently EBITDA increased by over 100% to INR 2,825 crores, and the consolidated profit before tax of the incubating businesses jumped over 22 times to Rs. 1,210 Cr.

In Adani New Industries, our commitment of having 10GW of integrated manufacturing ecosystem is well underway. I'm pleased to inform you that Adani New Industries has produced the first wafer in India. The 2GW of ingot wafer plant is scheduled to be commissioned by the end of this financial year. Solar module manufacturing plant, MSEL, has received commercial operations certificate from SECI. India's largest capacity onshore wind turbine generator 5.2MW machine is now listed in revised list of models and manufacturers. With this listing, wind manufacturing division of ANIL has now started commercial operations. ANIL has also received WindGuard certification, which has affirmed our production standards, which allows us to start series production for global markets.

In Adani Airport Holdings, our portfolio is performing along expected lines and the half-yearly passenger movement grew 29% and is tracking 85 million passengers a year with a half-yearly movement at 42.7 million. DigiYatra was introduced at 5 airports, Mumbai, Ahmedabad, Lucknow, Guwahati and Jaipur. In this quarter, we also added 2 new international airlines to our portfolio, and 9 new international routes were connected. Arrival and departure immigration block in Terminal 2 of Ahmedabad Airport is completed. Additionally, Mumbai Airport has completed its pre-embarkation security check Phase 2 expansion program. Further, domestic cargo terminal was operationalized at Jaipur Airport. And as an update, Navi Mumbai Airport is well on schedule to be completed at end of calendar year 2024.

For Road portfolio during this quarter, 4 of our 10 road projects have achieved over 50% completion and are right on schedule.

ESG is a big part of AEL's journey, and our philosophy embeds this into the fundamental investment planning. And with the significant CapEx that goes into our incubating businesses is reflective of this. In line with the ESG framework, our businesses have received recognition for environmental and social impact. For example, Mumbai Airport achieved Level-4 customer experience accreditation, which is 3<sup>rd</sup> airport globally and 1<sup>st</sup> in India. Further, the Energy Engineers and Managers awarded Ahmedabad and Jaipur Airport with gold and silver, respectively, for facility and for commitment to energy efficiency and sustainability.

Now, I hand over to my colleague, Vinay, to run through mining services, integrated resource management, and commercial mining. Vinay, over to you.

### **Vinay Prakash**

Thanks, Robbie. Good afternoon to all. First, the mining services. AEL is the pioneer of MDO concept in India, which is Mine Development and Operator concept. With an integrated business model that expands across developing mine, as well as the entire upstream and downstream activities. It provides the full-service range, right from seeking various approvals, land acquisition, R&R, developing required infrastructure, mining, beneficiation, and transportation to designated consumption plan, which is TPS. The company is an MDO for 8 coal blocks and 1 iron ore block. These projects are located in the state of Chhattisgarh, MP and Orissa.

The company has serviced its contracts, and the quantity is delivered during the quarter as per the schedule given by the customers. During the half-year, the revenue from mining services was at INR 1,098 crores and EBITDA at INR 485 crores.

For IRM business, i.e. Integrated Resource Management business, we have continued to develop business relationships with diversified customers across various end-user industries. We remain number-one player in India and endeavor to maintain this leadership position going forward. The volume in Q2 FY24 stood at 18.8 million metric ton. EBITDA for the half-year was at INR 2,063 crores on account of improved realization on YoY basis.

As far the commercial mining is concerned, at the Carmichael mine in Australia, the production has increased by 68% to 5.4 million metric ton and the shipment increased by 70% to 5.1 million metric ton. The company is having 7 domestic commercial mine blocks and these block projects are in the state of Maharashtra, Chhattisgarh, Madhya Pradesh, Jharkhand and Orissa. Thank you.

## **Q&A**

### **Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. First question comes from Bharat Jain from ICICI Securities. Please go ahead.

### **Bharat Jain**

My first question is on solar. Sir, what is the capacity of solar manufacturing? And is the 4GW operating?

### **Robbie Singh**

Yes. And the current capacity is approximately 4.5GW.

### **Bharat Jain**

And how much have we exported during the quarter?

### **Robbie Singh**

We can give you overall the target export numbers for module sales. The exports, in terms of megawatt, we exported 792 MW worth of modules in these both quarters.

**Bharat Jain**

Okay, sir. What geographies are we exporting?

**Robbie Singh**

Mostly US.

**Bharat Jain**

And on wind, what is the plan for wind manufacturing capacity? Will it be majorly used for captive?

**Robbie Singh**

No, it will also be available for export as well, but initially majority for captive consumption. Starting capacity will be 1.5 GW.

**Bharat Jain**

Okay. Sir, are we planning to produce 2 MW, 3 MW turbines?

**Robbie Singh**

That will depend. But initially, we'll focus on the 5 MW, but we'll have the capacity to produce 3 MW as well.

**Bharat Jain**

Can you give us the total CapEx on the three data centers?

**Robbie Singh**

Yes. So, the data center business, approximately we expect to have about \$0.5 billion about INR 4,390-odd crores. And this is broadly in line with our earlier guidance given earlier in the year, the next year and year after that also continues around similar ones.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. Next question comes from Nirav Shah from GeeCee Holdings. Please go ahead.

**Nirav Shah**

Hi, good evening, sir. Thanks for the opportunity. Sir, in the mining business, I'm seeing that we have removed the Bailadila mine from the iron ore service contract. While that mine had always had problems, but. So, is it officially now off contract?

**Vinay Prakash**

Yes. So, Bailadila is officially out of our list now. We are not going ahead with that contract.

**Nirav Shah**

Got it. And on the solar module sales, I mean, on the margins front we have done phenomenally well. And congratulations on that. You've done some 33% margins. But at the same time, our realizations are largely flattish on a per megawatt basis. So, I'm assuming that we would have benefited from the falling module prices. Can you just shed some light on that?

**Robbie Singh**

Yes. That's true. Although, for overall growth, it benefits contractually, but we expect the margins to be retained. But overall, because our sales, once they stabilize and the full production stabilizes, only a certain basic percentage will be sold. It's not like sales will continue to grow because our capacity initially will be 4.5GW.

**Nirav Shah**

Okay. And our export mix was almost 2/3 during the quarter. So, when this mix changes again or normalizes, we still expect the margins to hold on to the current levels?

**Robbie Singh**

The export margins will hold. The non-export margins will be, depending upon the underlying contract and the buyer, the other margins will be different from the export margins.

**Nirav Shah**

Got it. On the Australian operations, if you can just share the EBITDA numbers for this quarter and first-half.

**Saurabh Shah**

So, Nirav, the EBITDA numbers for commercial mining are already there in the segment results. If you can just look at it, the PBIT numbers are already there. On EBITDA number, we can give you on a separate call.

**Nirav Shah**

That is fine. Perfect. And lastly on the MDO guidance, I mean, if you can just shed any light, because on what are we expecting to do this year?

**Vinay Prakash**

So, MDO, we should be closer to 35 to 37 million ton this year.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. Next question comes from Pratik Kumar from Jefferies. Please go ahead.

**Pratik Kumar**

Yeah, good evening, sir. Congrats for good results and commissioning of new facilities and new energy ecosystem. My first question is on solar segment. So, till the point we are not exporting and till the point we are not commissioning green hydrogen plants, this quarterly run rate of solar modules can go to how much, like 1GW quarterly with the number which is 630MW in this quarter? Can it like sort of continue to move up with better exports or higher domestic sales as well?

**Robbie Singh**

That number will continue to move up in line with the utilization rate of the underlying plant. But I think the bigger thing there is that, we don't want to convey an unrealistic assumption in the market that the sales, in the longer term the sales are a bigger objective here. So, in the longer term, it is the objective that we have in the medium term is to build the integrated hydrogen ecosystem. And, what this highlights though, Pratik, in the meantime, is that, as green hydrogen ecosystem is modular as we are doing as a

business case, each stage it is cash flow positive. And therefore, this excess cash flow will continue to be deployed into the green hydrogen ecosystem.

It just shows you the overall strategy that we have adopted of each individual module of the green hydrogen ecosystem being profitable in its own right. So, nothing is subsidizing anything. And I think that's a bigger message here that, as we add the green electron module of the green hydrogen, it will itself also be profitable. Then as we add the hydrogen electrolyzer chain, it itself will be profitable. As we then add the green hydrogen, green product chain, which is ammonia, methanol, and urea, that itself will be profitable. And what this highlights that the profitability of each module adding up to an extremely competitive hydrogen price, which will compete effectively with the import cost of LNG in India.

**Pratik Kumar**

Right. Now looking at commissioning pilot plant, it's still like FY27, right? So that was the last message.

**Robbie Singh**

Yes, FY27. We are on schedule, pre-engineering work at the site and all of that is going on at site; geotech studies and everything is going on.

**Pratik Kumar**

Okay. And, I mean, obviously, it is like still 2-2.5 years away. So, from next quarter, we should also expect like sale from wind unit and the polysilicon unit?

**Robbie Singh**

Absolutely.

**Pratik Kumar**

And what could be the margins in this segment?

**Robbie Singh**

We'll come to that, once the sales strategy of the turbines are established in terms of pure domestic, global, we'll update the numbers towards as part of our annual results.



**Pratik Kumar**

Okay. And regarding some of the new projects which you're looking at, like copper and coal-to-PVC. So, what is the stage of these projects at this point? We're looking for a financial closure for coal-to-PVC.

**Robbie Singh**

Financial closure of coal-to-PVC will be in this financial year. And then, copper is on schedule to be completed in the first calendar quarter next year, so, last quarter of this financial year as scheduled. So, there's no change in any of that.

**Pratik Kumar**

Okay. And one question on your segmental bookkeeping question. What is the road segment EBITDA for the quarter?

**Robbie Singh**

EBITDA we will give you. Segment results are there on the road. Half-year ended is INR 530 crores PBIT.

**Pratik Kumar**

Right. Sure. So, I'll take it offline. And what is the full-year guidance for the coal trading volumes now? We've seen like some decline obviously in line with the market trends. But what is the full-year guidance for the coal trading volumes, FY24?

**Vinay Prakash**

Yes. It all depends on whatever requirement comes but considering that we are going at the 18 million to 20 million per quarter, should be somewhere between 70 million to 80 million. But again, considering we're in a service industry, it all depends on how the demand and supply, demand comes out of our customers.

**Pratik Kumar**

And the MDO guidance that you gave was more like production guidance, right? Not dispatch guidance?

**Vinay Prakash**

So, in MDO, whatever is the production mostly it gets dispatched, because our inventory on first day of financial year and the end of the financial year always remains plus or minus 0.1 million here and there. Because these all are long-term contracts, signed by owners for their own mine itself. So, they lift everything which we mine.

**Moderator**

Thank you. We have a follow-up question from Bharat Jain from ICICI Securities. Please go ahead.

**Bharat Jain**

Can you tell us about the status of the Navi Mumbai airport?

**Robbie Singh**

Yes. It's almost, just about 40% to 45% complete, on schedule to be completed last quarter, calendar quarter 2024, as advised in the annual result meet, AGM. So, it's going exactly as per schedule.

**Bharat Jain**

Understood. And then, what is the CapEx incurred on the six airports in H1?

**Robbie Singh**

Total CapEx, that year to date total CapEx that we have incurred on the airports is approximately, say, about INR 5,350 crore for all eight airports.

**Bharat Jain**

Okay, sir. And what could be a target for H2?

**Robbie Singh**

It's currently in the middle of the schedule. So, we don't want to give. Overall, our target about INR 11,000 crore CapEx.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. I repeat, ladies and gentlemen, if you have any questions, please press \* and 1 and your telephone keypad. There are no further questions. Now I hand over the floor to management for closing comments.

**Robbie Singh**

I just want to thank ICICI Securities for the call and for the questions. If anything else is there, you can please reach out to Manan for any clarifications. The detailed presentation is uploaded on the website already. So, that should be available, it will have a lot more detail as well. So once again, thank you everyone. And if there's anything further, please reach out to Manan.

**Moderator**

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

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**Note:**

1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.