



“Adani Enterprises Limited
Q2 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Enterprises Q2 FY2019 Earnings Conference Call. We have with us today Mr. Pranav Adani, Director - Adani Enterprises, Mr. Vinay Prakash, CEO, MDO and ICM, Mr. Ramesh Nair, CEO, MSPVL, Mr. Shrikant Kanhere, CFO - Adani Wilmar, Mr. Rakesh Shah – CFO, Adani Enterprises, Mr. Praveen Khandelwal, CFO – Australia Mining.

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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rakesh Shah, CFO, Adani Enterprises. Thank you and over to you Sir!

Rakesh Shah: Good evening. This is Rakesh Shah. I am the CFO for Adani Enterprises. I think we had a very good quarterly performance all across the business. Let me first take you through our consolidated financial performance of Q2 FY2019. If you can see consolidated income from operations increased by 7% to Rs.9155 Crores versus Rs.8546 Crores in Q2 FY2018 similar time last year. The consolidated EBITDA increased to 11% to Rs.552 Crores in Q2FY 2019 versus Rs.496 Crores in Q2 FY2018 and the consolidated PAT increased 192% to Rs.172 Crores in Q2 FY2019 versus Rs.59 Crores in Q2 FY2018.

Overall Adani Enterprises demonstrated a resilient performance across the product lines, the integrated coal management, coal MDO over solar manufacturing and agro vertical. May be now we will have Mr. Vinay Prakash, the CEO of MDO & ICM who will take you through respective business highlights and thereafter by the other CFOs of other businesses.

Vinay Prakash: Hello, I am Vinay Prakash. So in MDO business the company has six coal blocks that is Parsa-Kente, Parsa Kente Extension, GP3 which is

Gare-Palma 3, Talabira 2 and 3 and one captive block of Adani Power which is Jitpur with the peak capacity of 56 million metric ton per annum.

Parse Kente Block, which is PKB was the first MDO to be operationalized in the country. There we have got the permission of EC and FC for increasing it to 15 million tons and in that process, the coal mining volume at Parsa Kente has increased by 81% at about 3.09 million tons in quarter two FY2019 against 1.71 million tons in quarter two FY2018.

In this financial year, we are expecting to start mining operation in three coal blocks that is Parsa, GP3 and Talabira 2 and 3. We have a plan to take our MDO order book of 200 million metric ton in next three to five years.

As far as other business, which is our ICM business, integrated coal mining business, the company provides end-to-end procurement and logistics services to its customers. Our ICM business maintained the leadership position as the number one importer for coal in India. It has continued to deliver industry-leading performance with coal trading volume of 14.8 million metric ton in quarter two FY2019 versus 17.5 million metric ton in quarter two FY2018.

This decline in volume is due to the lower APL requirement, and the cautious approach by the company due to extraordinary increases in the global exists.

Now I think you can take for assessment. We will have now Mr. Shrikant Kanhere for Adani Wilmar, who will take you through the results.

Shrikant Kanhere: Good afternoon everyone. Q2 numbers have predominantly been driven from operations of Adani Wilmar, which is a JV of Adani Enterprise.

We have been able to maintain our leadership in the market share throughout this quarter, so our market share remains in excess of 20% in refined oil consumer pack segment.

Volumes as compared to the same time last year are flat. The reason for the flat volumes more comes from the demand is not there in the market and which is evident from the fact that the total imports into the country for this quarter as compared to the same time last quarter has been degrown actually so the demand would pickup in the next half and therefore we are expecting that we will have a very buoyant turnover as we get into the second quarter.

This quarter we also operationalized one more refinery into our kitty, which is Krishnapattanam for 1000 ton for the refineries, which will add to the capacity of Adani Wilmar, and we are expecting that we should have utilization of the refinery to the maximum. This is all about Adani Wilmar and the next segment in Agri is Adani Logistics Business where we do grain silo storage for FCI, which is more rental model. There is no movement as such in this business model on year-to-year basis because it is rental models, very stable model. We have been able to win two more bids from FCI for the locations Samastipur and Darbhanga in Bihar of 50000 tons each and therefore this should take up our capacity for storage to around 1.5 million tons. This is all from agro business. Thank you.

Moderator:

We will now begin the question and answer session anyone who wishes to ask a question may press “*” and “1” on the touchtone telephone. If you wish to move yourself from the question queue you may press * and 2. Participants are requested to use handset while asking a question. We will wait for a moment while the question queue assembles. We have our first question from the line of Ashish Shah from IDFC. Please go ahead.

Vaibhav:

This is Vaibhav from IDFC. Thanks for opportunity. Couple of questions from my side. So if we look at share of associates so it has dropped

significantly to Rs 239 million in Q2 FY2019 so what could be the reason for that?

Saurabh Shah: The reason for share in associates going down is mainly as Mr. Shrikant Kanhere pointed out that the volumes have been stable while the margins in Wilmar, Adani Wilmar which is our JV has been impacted mainly due to higher material cost which is on account of certain custom duties which have increased and the second reason for this is that the rupee has depreciated which has impacted the margins of Adani Wilmar. So these are the two main reasons because of which there is a drop in the share in JV and associates profits to 24 Crores from 64 Crores in the last quarter.

Vaibhav: So we have posted EBITDA lost in this quarter for Adani Wilmar so what could be your outlook on the same so in H2, do we expect a similar performance or it should improve?

Vinay Prakash: As explained the major impact on Adani Wilmar's margin this quarter was basically on a higher profitable cost and a higher hedging cost because the depreciation in the rupee, but this outlook would not be there for next half as we are going, because next half is the festive season in India and therefore we are hopeful that we would be pass on all the high end raw material cost in terms of duty for final customer so we are basically holding a good outlook for next half.

Vaibhav: Second question is to our coal trading business so we have seen that margin has decreased in this quarter, so what would be the reason for the same, for lower margins?

Vinay Prakash: Lower margin is frankly because of a very high availability in the market and since we were carrying some old position so the average of that has actually reduced our margin in quarter two.

Vaibhav: No, I did not get you, what you said?

Vinay Prakash: I think we have told in the past also that it is a portfolio management as far as item is concerned where we have certain sourcing position, which is there in our portfolio and similarly we have such a position in marketing, which is there in portfolio, now there was a very high volatility in the market because of a mismatch between the index price and the physical price, the discount has very high in terms of the index going up and physical prices going down and that has created a problem in terms of the mismatch between expectation of a buyer and expectation of seller and that had declined our margin in quarter two.

Vaibhav: Thank you. That is it from my side.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Rakesh Shah for closing comments.

Rakesh Shah: Thank you all. As you could see that during these times also we have demonstrated a very resilient performance all across and as also informed by Mr. Kanhere as well as Mr. Vinay Prakash, we will continue to do well in future and I think the main issue that has risen on account of the currency movement probably may not be there to stay and therefore you can expect a better performance. Thank you.

Moderator: Thank you. On behalf of Adani Enterprises Limited we conclude this conference. Thank you for joining us. You may now disconnect your lines.