Statement by Managing Director on Q1 FY 2020-21 Results

6th August 2020

The COVID-19 pandemic has thrown a challenge for economies across the world, and the situation in India has not been an exception. The global economy has been grappling with the human and economic fallout of the situation arising due to the pandemic, and efforts are on to contain its spread. This challenge has been a test of the resilience and determination of national economies, people, and businesses, and many have stood firm to their commitments.

The generation and supply of electricity are essential services, vital to the economy and daily lives of the people. The nation-wide lockdown to contain the spread of COVID-19 had resulted in a sharp drop in power demand from commercial and industrial sectors. However, despite various restrictions imposed by the lockdown, our power plants have ensured round-the-clock availability of generation capacity to supply power on an uninterrupted basis to the consumers. The Company has shown sense of duty and responsibility during these trying times and has helped in sustaining the economic engine.

Business updates

Demand for power has started to improve gradually after lifting of the COVID-19 lockdown in most parts of India. However, generation from conventional sources continues to be 10-12% lower as of June '20, compared to the level in June '19, due to subdued levels of economic activity.

I am pleased to report two developments on the growth front. Firstly, the Madhya Pradesh State Electricity Regulatory Commission has approved the 25 year Power Supply Agreement (PSA) for 1,230 MW (1,320 MW Gross capacity) signed by our subsidiary, Pench Thermal Energy (MP) Ltd. with the MP Power Management Co. Ltd. Power under this PSA will be supplied from a greenfield, 1,320 MW Supercritical power project to be established in Madhya Pradesh under Design, Build, Finance, Own, and Operate basis by Pench Thermal Energy. The PPA is scheduled to become operational by 2027, and the project will be pursued based on MP's power demand growth outlook over next few years.

Secondly, APL has signed a definitive agreement to acquire a 49% stake in Odisha Power Generation Corporation Ltd. (OPGC) from the affiliates of AES Corporation, USA at a valuation of INR equivalent of USD 135 million. OPGC operates a 1,740 MW power plant in Jharsuguda district of Odisha, of which 1,320 MW is a Supercritical plant commissioned recently under Phase-II. .

These developments demonstrate our deep commitment to the power sector. Our efforts will expand the availability of reliable and affordable power to all consumers, thereby improving their quality of life. As we transition to a green future, it is our conviction that coal based power will have to play its role in the energy mix of India. In fact, substantial portion of the base demand will continue to be served by coal-based power, which will also help in optimizing power cost and stabilizing the grid.

Operating Performance for Q1 FY21

The operating and financial performance for this quarter is not strictly comparable to the corresponding quarter last year, as we have started consolidating the performance of our recently acquired subsidiaries, Raigarh Energy Generation Ltd. (REGL) and Raipur Energen Ltd. (REL) from 20th July 2019 and 2nd August 2019, respectively.

During Q1 FY21, the Company registered an aggregate PLF of 51% for an operating capacity of 12,450 MW. In comparison, APL and subsidiaries registered a PLF of 78% in the corresponding quarter of FY20, on an operational capacity of 10,480 MW.

During the recently concluded quarter, the Tiroda and Kawai power plants have achieved good PLFs. Udupi has seen very low PLF due to back downs and reserve shut downs enforced by the procurer in view of lower demand. However, we have maintained normative or higher level of declared-capacity for all PPAs, allowing us to recover fixed capacity charges fully, wherever we have long term PPAs. The Mundra plant delivered lower PLF due to under-utilisation of its untied capacity, in view of softness in the merchant market due to subdued demand. Similarly, lower utilisation of the Raipur and Raigarh plants has affected the aggregate PLF for the first quarter due to the current pandemic situation, with commercial and industrial establishments either under lockdown or operating sub-optimally.

Sales volume for Q1 FY21 was 12.7 Billion Units, including the merchant generation of REL and REGL, as compared to the sales volume of 16.5 BU in the corresponding quarter of previous year.

Financial Performance for Q1 FY21

Consolidated revenue for Q1 FY 21 was Rs. 5,356 Crore, as compared to Rs. 8,015 Crore for the corresponding previous year's quarter. This drop in revenue was due to lower one-time revenue recognition, apart from lower generation during the quarter. The revenue of Q1 FY20 had included one-time revenue of Rs. 1,122 crore, owing to prior period items, impact of regulatory orders, and recognition of carrying costs and late payment surcharge.

Operating expenses for the quarter moved in line with the level of operations as compared to the corresponding previous year's quarter.

As a result EBITDA, for Q1 FY21 was Rs. 1,541 crore, as compared to Rs. 2,894 crore for the corresponding previous year's quarter. Normalised EBITDA, after adjusting one-time items in revenue and expenses, would be Rs. 1,504 crore or 28% for Q1 FY21 and Rs. 1,782 crore or 26% for the corresponding previous year's quarter.

Depreciation charge for Q1 FY 21 is Rs. 783 Crore, as compared to Rs. 690 Crore in the corresponding previous year's quarter, with the increase attributable to the consolidation of REL and REGL.

Finance cost for Q1 FY21 registered is Rs. 1,392 Crore, as compared to Rs. 1,322 Crore for the corresponding previous year's quarter. Increase in Finance cost is due to higher MTM on foreign exchange, as well as additional debt associated with the two acquisitions.

Consolidated bank debt outstanding as of 30th June 2020, excluding working capital, is Rs. 34,812 Crore, as compared to Rs. 34,707 Crore as of 31st March 2020.

Working capital bank debt outstanding as of 30th June 2020 is Rs. 8,828 Crore, as compared to Rs. 7,705 Crore as of 31st March 2020. This increase is attributable to higher level of receivables on account of slowdown in recoveries from DISCOMs, due to the COVID-19 lockdown.

Regulatory updates

We have taken significant steps to ensure long term, profitable growth. At the same time, we are also moving closer to the conclusion of regulatory and judicial procedures regarding our various compensation claims.

In case of Tiroda, Hon'ble APTEL has reserved its orders in reference to the appeals regarding APML's compensatory tariff and carrying cost claims, including compensation claims for the Lohara coal block de-allocation matter.

Similarly, APTEL has reserved its order on the appeal related to compensation claims of APRL, and Hon'ble Supreme Court has also reserved its judgment in the case of the DISCOMs' appeal against the APTEL's favourable order.

Hon’ble CERC is presently hearing the compensation petition for GUVNL Bid-02 PPA termination, as well as the recall petition for the Bid-01 Supplemental PPA filed arbitrarily by GUVNL on the basis of a decision of Government of Gujarat.

Positive and timely outcomes in these matters will result in recovery of long outstanding dues, provide us liquidity, improve profitability, and help build reserves for our growth plans.

End note

While the environment is challenging, we continue to stand true to our commitments and demonstrate operational and execution excellence.

We are confident that as the lingering effects of the COVID-19 lockdown wear out, the economy will bounce back, and we will see improved power demand as well as improved cash flows.

Anil Sardana
Managing Director
Adani Power Limited