"Adani Enterprises Limited

Q4 FY'25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY25 Earnings Conference Call of Adani Enterprises, hosted by Antique Stock Broking. 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 star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Periwal from Antique Stock Broking. Thank you and over to you, Mr. Periwal.

Vishal Periwal: Yes, thanks, Michelle. Good afternoon, everyone, and welcome to the post-result earnings call of Adani Enterprises Limited. The management team from Adani Enterprises is led by Mr. Robbie Singh, Chief Financial Officer, and Mr. Manan Vakharia, who is heading Investor Relations. We'll have opening remarks from the company, and then we'll have lines open for Q&A. Thank you and over to you, sir.

Robbie Singh: Thank you very much and thank you for being here on a public holiday. So good evening, everyone. We welcome you to Adani Enterprises results call for FY25, ending March 31st. As you would be well aware, Adani Enterprises is a flagship company of Adani Group, one of India's largest business incubators, and over the years, Adani Enterprises has focused on building utility and infrastructure assets, logistics and our core - metals, mining and material businesses, largely focused on addressing the logistics and energy transition and productivity challenges of India.

FY25 results have validated AEL's incubation model of growing emerging core infra businesses, its focus on timely completion of projects and capacity building of existing projects. AEL's strong execution capabilities have been validated by improved credit ratings, with both CARE and ICRA now rating AEL at AA-.

The consistent growth has boosted overall consolidated results for FY25 as follows.

- Income up by 2% to INR 1,00,365 crores,
- EBITDA up by 26% to INR 16,722 crores, and
- PBT up by 16% to INR 6,533 crores.

In addition to this PBT number, AEL has a realized gain of INR 3,946 crores on account of 13.5% stake sale of Adani Wilmar.

The emerging core infra businesses have demonstrated growth momentum and delivered their highest ever results. In just the last two years, incubating business have shown results which now surpasses the AEL's consolidated results for FY23.

- Income of the incubating portfolio up by 42% to INR 34,546 crores,
- EBITDA up 68% to INR 10,025 crores, which is higher than AEL's consolidated EBITDA as reported in FY23,

- PBT up 87% to INR 4,996 crores, roughly INR 5,000 crores which is higher than FY23 overall PBT of AEL.

For example, in our businesses that span the specific categories of green hydrogen ecosystem, EBITDA increased by 108% to INR 4,776 crores. In the airport business, EBITDA grew by 43% to INR 3,480 crores, and it's on a run rate of about INR 1,000 crores per quarter. In the solar business, the expansion of another 6 GW cell and module line has started. In the wind turbine business, capacity has been expanded to 2.25 GW from 1.5 GW.

On overall commitments in relation to ESG, I'm pleased to inform you that the CDP-CC has upgraded AEL rating to A- for year 2024, which is a “Leadership Category”, indicating AEL's dedication and commitment to lowering GHG emissions and their overall impact.

A quick update on our mining services business, which is made up of 13 service contracts, 11 in coal and 2 in iron ore. We have five operational mines in coal and one operational in iron ore. The dispatch volume of the services business is 43.3 MMT, an increase of 40%. Revenue is up 60% to INR 3,787 crores, EBITDA is up 100% to INR 1,688 crores.

The integrated resource management business volume was at 56.5 MMT, which gives it an EBITDA of INR 3,585 crores.

In commercial mining, Carmichael Mine is now operating close to its rated capacity of 15 MMT per annum.

I will now open for Q&A. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question and answer session. The first question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Yes. Good evening, sir. And thanks for the opportunity. My first question is, you have accounted for Adani Wilmar sale in this quarter, right? Is there an impact on the tax because of this sale?

Robbie Singh: Yes, there will be tax increase and tax will be calculated on that gain at roughly about INR 650-odd crores. But because we report the numbers net of one off items anyway, so there's no impact in the numbers I laid out.

Mohit Kumar: Okay. Understood. Second one is the solar cell and module line and wafer, are you restricting ourselves to 6 GW cell and module? Are you not expanding into wafer? And what is the timeline for this expansion?

Robbie Singh: Cell and modules line should be ready in the next roughly around FY26 end to FY27.

Mohit Kumar: And any plan to expand the wafer by another 8 GW?

Robbie Singh: No, that doesn't work in that manner. But the entire ecosystem, as we had laid out about three years ago, will be a 10 GW ecosystem, once fully completed.

Mohit Kumar: Understood sir. And sir given the fact that there is so much uncertainty on the solar export, do you think that the capacity to sell in the FY26, especially solar will move to the domestic industry?

Robbie Singh: No, it's just that we have proper contracts with key partners, so those sales are highly visible to us. There's no uncertainty from that front.

Mohit Kumar: Last question on the coal mining services. I think you have done a fabulous job. We have gone 50% up to 47 million tons. How do you see FY26 and FY27 on this large scale?

Robbie Singh: See, from a mining services point of view, largely speaking that is the owner and the user of the product determines a lot. But in terms of the rated numbers, we expect that we will be closer to 60 over the next 18 months based on the current demand patterns of the owners and users.

Moderator: The next question is from the line of Nirav Shah from GeeCee Holdings.

Nirav Shah: Congrats on the great numbers and thanks for the opportunity. Sir, the question is on the copper smelter front. Now that we have commissioned the smelter also if you can just guide us in terms of how the ramp-up will take place in the first half and second half? And any challenges in the sourcing front of the ore that we are facing right now because of lower supply of the ore globally? And from when will we start reporting the segmental results separately? That's the first question.

Robbie Singh: Segmental result, most likely to just answer your last part, we expect to be able to report segmental results in this probably around Q4 because even though it might not be sufficiently important overall, but I think it's an important milestone for us, for our metals business, so we will report. It will not be material to AEL but it's important that we have a formal commencement of our metals business under metals, materials and mining.

With the ramp-up, consequently, just working backwards, so we expect the ramp-up to over the next, say 180 days. And then somewhere around Q3, we expect it to hit the full run rate. Ore is not specifically an issue for us.

Nirav Shah: That's not an issue. But the TCRC, the lower TCRC right now will impact something, I mean, from what we had estimated earlier in the profitability front.

Robbie Singh: No the way we've done the numbers, our numbers are already hugely conservative in terms of how we were expecting this EBITDA and free cash flow. So it's within that range.

Nirav Shah: So the second question is on the airports front. I mean, if we can give a broad breakup of EBITDA between Mumbai and non-Mumbai, and for the full year, how much has the airport AAHL HoldCo done in terms of EBITDA? And how do we see the profitability over there? Because that is where we are trying to do a lot within the platform itself. So, if you can just elaborate on this, please.

Robbie Singh: Yeah. See, in relation to specifically out of EBITDA of about INR 4,000 odd crores, about 45% is MIAL which is Mumbai airport. And rest is our total ecosystem of other airports, which sit under AAHL And so this year -- the last quarter the run rate was a little bit higher than 4,000 run-rate but we are not guiding anything.

Actually, what we are also planning to do is that because it's now a significantly large part of AEL, meaning it will be closer to the INR 4,500 -5,000 crores EBITDA in the coming quarters. In the half-year result, we will include as part of our normal investor call a formal commentary by the leadership team of airports alongside myself. And that you will get a lot more clarity because we start reporting it in a much, much more granular detail from September 30th.

Nirav Shah: Okay. And on airport I mean any of the six PPP airports still not achieving EBITDA break-even or all the airports have achieved EBITDA break-even?

Robbie Singh: No, all EBITDA break-even now.

Nirav Shah: Great. And just the last question on the revenue and profitability number of wind turbines for this fourth quarter?

Robbie Singh: EBITDA of wind turbines segment is around for the quarter itself is INR 274 crores.

Nirav Shah: And sir the revenue?

Robbie Singh: Revenue is INR 1,200 crores, round-figure. Precisely INR 1,188 crores.

Nirav Shah: Got it. So great. I have more questions. I'll be back in the queue. Thank you. Thanks.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Hi sir. Good evening and congrats for great results. First question is on your working capital, which has been very elevated in the year-end results. So it's also resulting into overall increase in debt position for the year-end number. Any specific reason there?

And also interest expense has remained elevated. Last quarter, you said interest expense has one off related to like forex depreciation, which was hurting expense then, but has like largely remained elevated in this quarter also, which has also impacted your PBT this quarter.

Robbie Singh: Yes, you look that there is a basic level of FX volatility that exists because some of our businesses are in US dollars and we report that back into rupees. But a lot of that is our internal investment only. So consequently, it has very little cash flow impact. It's just a P&L impact. That's number one.

The number two is that as copper plant is ramping up, therefore there's an inventory buildup. It is nothing alarming from that point of view. It will get washed out as the ramp up occurs over the next 180 days.

And if you see the elevated level of debt, it's relatively of the INR 18,000 odd crore, which you see as external debt, roughly 70% of that is just airports and roads; and about another 20% is copper itself. And that has been fully accounted for, all the capital is fully accounted, while operational result of airports, Ganga Expressway and copper will come in the next year. So, we report it that way rather than capital works in progress because it's just a more conservative way to give you a position that we have in relation to our emerging business. Very little of this debt is specifically in the current under construction projects. We have booked the debt for the PVC business about 10 odd percent.

Prateek Kumar: Okay. So the working capital in copper…

Robbie Singh: You can see that on Page 29 of the results presentation. There's a detailed sheet. And then you can go to Page 30 where you can see precisely the segment wise detail of both working capital and of the long term debt. And you will see in that the rise, the elevated number is about 50% rise in the working capital of copper from about 1,000 to 1,500. Otherwise, overall compared to last year, the working capital debt is less this year than last year, as of the 31st of March 2024.

Prateek Kumar: And on PVC business, what is the capex incurred till now? And you said that timeline for commissioning is FY28.

Robbie Singh: For PVC business, can we take this question on notice because we can revert in writing to you, please?

Prateek Kumar: Okay. And overall, you've incurred around INR 29,000 crores capex this year. What is the capex guidance for FY26 and segmental expectation there?

Robbie Singh: So we've completed capex of around actually just over INR 31,500 crores this year. And we are on track in the following year of roughly around just over INR 36,000 crores.

Prateek Kumar: Okay. And just a bookkeeping question on guidance on IRM, MDO and commercial mining design in terms of volumes. I think you said for mining already, but for all three segments in terms of volumes?

Robbie Singh: No, for MDO, we expect the user demand will push it. But the basic indication is that it's likely to be around 60 million tons. And IRM, we don't expect the volumes to alter much, so flat.

Prateek Kumar: And Australian mine business?

Robbie Singh: Mine is already operating at rated capacity of roughly 15 million tons.

Prateek Kumar: Okay. So flat there as well, like in net basis.

Robbie Singh: It is operating at its capacity.

Prateek Kumar: Sure. Thank you, sir. I'll get back in the queue.

Moderator: Thank you. The next question is from the line of Mahesh Patil from ICICI Securities. Please go ahead.

Mahesh Patil: Yeah. So my first question is on the wind manufacturing. How much is the capacity right now? And what are the volumes that we are expecting in the near term?

Robbie Singh: Capacity is now 2.25 GW per annum. And we would expect to produce about 450-odd sets in a combination of 5.2, 3.0 and 3.3 MW.

Mahesh Patil: 450 sets for this year?

Robbie Singh: For 3 years.

Mahesh Patil: Okay. And sir, given the recent draft notification on the increase in the domestic content in wind manufacturing, are you also planning? What is the status on that? Are we importing some components and are we planning to increase the domestic content for the aforementioned components?

Robbie Singh: No, I think we have sufficient domestic capacity in terms of that notification. If your question is that it is a domestic, qualifying domestic product, then answer is yes. Because it's 5.2 MW. There is no other manufacturer of 5.2 MW in the country for onshore wind turbine.

Mahesh Patil: Okay, so you are procuring the full set components from the domestic market, right?

Robbie Singh: No, our system plus the ecosystem that we need to get the parts and the materials. Increasingly, it will become a domestic ecosystem.

Mahesh Patil: Okay, thank you. And sir, the second question is on the capex. If you can provide you mentioned around INR 36,000 crores of capex and INR 31,500 crores in this fiscal. If you can give some summary on the major break-up of this?

Robbie Singh: The major break-up is on the core areas. Green hydrogen ecosystem will be roughly 5,500. Airports will be roughly 10,500. And roads will be roughly 6,200. So, majority of the capex will occur in these three categories. And then we expect the continuing work on PVC to add another about 9,000 to the capex. So, these are the four major categories.

Mahesh Patil: Sir, you mentioned 9,000?

Robbie Singh: Yes.

Mahesh Patil: Okay. And sir, the third question is on the airport side. Any idea about the tariff order for Mumbai? I mean, how much is the increase in tariff here?

Robbie Singh: We expect by June this year.

Mahesh Patil: By June, okay. And sir, the status of the Navi Mumbai tariff petition?

Robbie Singh: That's fine. So, that will take its time. But we can operate under provisional tariff. So, it's not necessary to have the final orders at operational start date.

Mahesh Patil: Okay. And sir, for this Navi Mumbai airport, may I know the total capitalized cost?

Robbie Singh: Total?

Mahesh Patil: Capitalized cost?

Robbie Singh: We will provide that number post 30th June.

Mahesh Patil: Okay, sir. Okay. Thank you. I have some more questions. I will get back in the queue.

Moderator: The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Thanks for the opportunity again. My question is on airport business. So, firstly, there is small decline in airport business versus -- I know it's not material, but anything specific on a sequential basis? Because volumes have been like largely flat for pax. But there is a sequential decline of around 13% in EBITDA in airport business. Any specific reason there?

Robbie Singh: That is largely driven by the fact that the way the business is structured. For us, given the significant element of the business is non-aero. And non-aero within the Indian market context will be higher in the last quarter of the calendar year due to various festivals, marriage seasons, etc.

So, you just had a higher non-aero business during that quarter, which reverts to normal for the rest of the year. That's all it is. That's why we will report actually detailed segmental analysis of airports from 30th September onwards with the airport team presenting. Because you see this type of seasonality that will occur because of the much higher contribution of non-aero, the way we have set up our airports business.

Prateek Kumar: Secondly, on airport business again, there was this consultation paper on Mumbai which said that the old airport will be demolished. The part of one terminal will be demolished and the traffic will be lowered from currently 55 million to 40 million odd next year. And then most of it will shift to new airport. How are we looking at this overall project of Mumbai Airport Terminal 1 and the shift of traffic thereafter between the two airports?

Robbie Singh: None of that Prateek matters, because it's a sequential program. You are earning a rate of return on the assets deployed and Terminal 1 will be redone to the new standard. So, this is a fairly common occurrence in a regulatory asset base. It makes absolutely no difference to the total revenue profile and growth of the business. It only becomes a timing difference.

Prateek Kumar: But just for understanding, what are the timings of that Terminal 1 demolition? Is it expected FY26 or FY27?

Robbie Singh: Once we announce the proper transition to Navi Mumbai and the operational stabilization of Navi Mumbai and the airlines, and in consultation with the airlines, we will determine what's the best timing for that. But we want to upgrade Terminal 1. It won't be rushed, it won't be near-term.

Prateek Kumar: Okay, it isn't near term. So, basically when Terminal 1 of Navi Mumbai is properly operational, post that, that event might happen.

Robbie Singh: We haven't decided the exact start date. But yes, we need to first stabilize Navi Mumbai Airport so that the airlines are comfortable operating there. Once we are ourselves confident on the operational stability of both airports or two airport systems, then only we will decide.

Prateek Kumar: I'm asking this question in another way. The question was more like from FY27, let's say, or maybe FY26, because now we are almost closer to commissioning. The overall traffic, which has been in the mid-50s range for the past two years for Mumbai, what is the total traffic you expect for FY27 when both airports are commissioned?

Robbie Singh: No, we are not providing that guidance. Overall, we just think that the capacity structure and the latent demand in Mumbai far exceeds the demand in any other part for a single city in India. So, consequently, the latency of the demand is much, much, much higher than the current traffic numbers of passengers, and possibly in three-digit millions, so 100 million plus.

Now, the ramp-up schedules, how it works, when the airlines can start, what are the amendment rights for various airlines, who can commence, how they can commence, that is over a period of time. But nevertheless, the catchment area demand is the highest of any city in India.

Prateek Kumar: Thank you, sir. That was very useful.

Moderator: The next question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Yes, sir. Thanks for the opportunity once again. Just one clarification. When are we going to start Phase 2? And if we have the clarity, what will be the capacity of the Phase 2 in terms of pax?

Robbie Singh: Yes, sure. For Navi Mumbai we expect to start Phase 2 immediately post-stabilization of Phase 1, because all preparations are already done. So, consequently, as soon as we stabilize the operations in Phase 1, the Phase 2 will start in Navi Mumbai. And that would take the capacity from 20 million to 60 million passengers.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments. Thank you and over to you, sir.

Robbie Singh: Thank you very much to the investors and thank you very much to Antique for organizing the call.

Moderator: Thank you, members of the management. On behalf of Adani Enterprises, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.