



“Adani Group Fixed Income Investor Update Call”

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Organized by Mizuho Securities

MIZUHO SECURITIES: MR. RAVI TEWARI, INDIA HEAD – DCM

**MANAGEMENT: MR. JUGESHINDER (ROBBIE) SINGH, GROUP CFO
MR. ANUPAM MISRA, HEAD, GROUP CORPORATE FINANCE**

Ravi: Hello everyone. Good evening or good morning to you, depending on the location you're joining from. This is Ravi from Mizuho Securities. On behalf of all the banks, I would like to thank you for joining this call. I will now invite the key speakers, Robbie, Group CFO, and Anupam Misra, Group Corporate Finance Head. The company will take us through some of the key developments and steps that have been taken since the last update call on 26th of Jan. In case there are any related or follow up queries to the management remarks, please do reach out to our sales team so that we can respond to you. With this I'll hand it over to Robbie.

Robbie: Okay, thank you. Thank you to the banking group for organizing the call. And thank you to the investors who have joined the call. Firstly, on behalf of Adani, we thank you for being on the call and also for your support over the years and your continuing support through this period. So we had a brief call, an update, earlier couple of weeks ago, post the short seller report and I just wanted to give you further updates since that time and developments. First and foremost, we, since the report, we've published our nine month results and December quarter results. And as it stands, the overall results from Group and portfolio perspective were excellent. The businesses are continuing to perform very, very well. In the core infrastructure portfolio, which is relevant for this call, the EBITDA grew by about 46% spread out across energy and utilities and transport and logistics with the energy utilities, largely because of Adani Green reporting, higher growth rate, and the transport and logistics portfolio growing close to 19%, primarily led by airports and the Adani ports business.

Additionally, I'm also pleased to inform you that under these circumstances, some of you will be well aware, one of the key test comes as to how do you get your audit reports. I'm pleased to inform you that we have nine listed companies in our portfolio. All nine listed companies completed their audit board meetings as scheduled on time, and the reports are not qualified except for certain observations, and that's a really pleasing aspect. It should give you confidence that going through this period of uncertainty that nothing has emerged that any auditor be it Deloitte, be it EY, be it Grant Thornton, be it BDO, etc. that any issue has emerged in any of the List Cos. and in any of our audit committee meetings in any of the List Cos. The third aspect is that we've had engaged discussions with MSCI and with the various rating agencies, non-credit rating agencies, which are Sustainalytics, Moody's, CDP, TCFD, SBTi and in all of those fronts, all our scores remain the same and companies remain on track to retain their relative scores in various aspects.

We'll continue to work with them. It would still be some work to do till May, we will do that. But for the time being, pleased to report that all the entities have retained all of their respective positions. The other major development since that time is that we are working through to do a sanity check and to implement a process by which we are able to do that. We want more checks and balances across various entities. We do that on a normal basis also, like for example, last year, Grant Thornton did a check for us on notes in our accounts across the portfolio of companies. And Grant Thornton did the note on our hedging policies. And so continuation of that practice we will this year also conduct a revised test and, and with a heightened focus on some of the issues that have been raised, just to doubly ensure and provide assurance that there's nothing there that we have not prior disclosed or prior highlighted.

So that's the generic update I wanted to give you. The second aspect of changes from that time is that our further thought process that has emerged, you would've, come across recent news, some of you, but if not, I will share with you that we've just put a lot more of focus over the next 12 to 18 months on certain M&A activities etc. largely to, to give confidence to our investor base, to our banks, to everyone. And for our own during this volatility period, we will limit all the commitment, which are generally of the nature of MOUs. And where we do not have a legal commitment we will actually stop all that work till we get through this volatility period in an appropriate fashion. And you would've seen related to that Adani Power making announcement that they let their DB Power MOU lapse and that we would not be pursuing that transaction. Further from there we've also announced as part which we are going to announce in May, but given the environment we thought we should announce now, APSEZ, Adani Ports which is relevant to some of the investors on the call, that they would revise their leverage target to 2.5 to 3, from the earlier 3 to 3.5, and that revision is in line with what we would've anyways announced in May this year.

It just goes to show the continuing deleveraging plan at Adani Ports. Also, the CEO of Adani Ports announced that approximately USD 800 million or just over USD 860 million of facilities would be progressively retired over the coming 12 to 16 months to bring this into fruition. Plus the Capex program and the M&A related Capex program will be pruned to half of what was originally planned, which would mean that the position of APSEZ from March 2024 will be such that all maturities that are coming up are within, and I would like to please stress this carefully, within the FFO and the cash envelope. There is no maturity of APSEZ that cannot be met from its own cash and FFO, that's first one of our issuers. Second, Adani Transmission, with the exception of one, which we will complete over the next, 8 to 12 weeks, no maturity will be outside of its FFO and cash envelope.

That's our second issuer. Then comes Adani Green. In Adani Green, our main issue that has been conveyed to us is the Holdco bond of USD 750 million, which is due in September 24. We assure you, as per the document that 12 months plus one day prior to the maturity date, we will have full finance plan ready. I assure you on this call that we will accelerate that finance plan and could be ready around May and June. So we will clearly articulate 100% cash backing for that facility. We will remove 100% of the refinance risk of that facility come 30th June this year, well before 12 months and one day Covenanted finance plan covenant that is in that term sheet, in that document that you have. And I make that assurance with full knowledge that this is the most volatile and mispriced paper outstanding in the market. So that is our third issuer. Secondly, there is a USD 460 million RG1 repayment that is coming up for refinance in December of 2024, in the last quarter of 2024. Again, we assure you that we have full fledged finance plan available for that, that facility will be fully taken out, and I can even tell you what it'll be taken out by 15 year fully amortizing privately placed paper.

So the USD 460 million and USD 750 million maturity is coming up in 2024 for Adani Green will be fully backed by cash or a fully underwritten finance plan. And we will share that in conjunction with or shortly after our annual results. And those discussions are very, very in very advanced stages, and we,

we will be achieving completion shortly. So those are the three issuers that we have where majority of the investors will be concerned with. And once we achieve these outcomes, which is APSEZ's current deleveraging plan, Adani Transmissions USD 390 million rollover, Adani Green USD 750 and USD 460 million refinance plan. We do not have any maturity across our issuers till 2026-27, and all of those maturities fall within the FFO and cash envelope of the relevant issuer.

That is beyond that time, these three issuers can pay any maturity that is coming due from their FFO, free cash flow or an underwritten plan. So whatever turbulence you see in the market, my humble request to all is that there has not been in 30 years of Adani branded entity, a single missed payment of any type. And we, we have, our team has put out a credit note, which is publicly available, which is issued by issuer. I encourage you to please have a look at that and please ask us questions. Reach out to the Banking Group that is here today, and we will answer all the questions in relation to any of the issuers and any of our future plans.

Secondly, that I wanted to highlight to you was that our continuing work in relation to the three issuers, be it ports, be it transmission, be it green, is continuing and Adani Green will have over 8 GW of operating assets in March, which will further add one gigawatt of cash flow to the business, which all of that capital is already accounted for in terms of investments in the issues. And as we go forward, you will continue to note that our deleveraging plan across the portfolio will continue. It'll be consistent, deleveraging, and we will go below three on a net debt basis across the portfolio next year. Today we are at 3.2 net debt to EBITDA across the portfolio. It'll fall below three next year, and this is driven by the fact that our EBITDA growth is, is high, all our assets are coming online. And for something like transmission, its next set of Capex, has a very small period in relation to Capex to capitalization. So for example, in transmission assets, when we build a transmission line, Capex to capitalization is generally 30 months to 36 months. The construction period is between 30 to 36 months Capex to capitalization in distribution business anywhere between 8 months to 2 years.

Now the big business of Adani Transmission is in smart meters where the capitalization rate is between one to three weeks. So that is after initial Capex and investment within three weeks, you start earning and that change that is occurring in Adani Transmission, becoming transmission and distribution entity will be hugely beneficial in terms of cash flow to Adani Transmission. And same way with Adani Green, where the operating assets from this year onwards will be over 70% of the total asset base that is under construction and operating assets, which gives us additional flexibility in terms of the Holdco capability to finance and refinance.

And these changes coming through will be reflected in the cash balances you will see at these entities as you go forward. Finally, I wanted to address one particular point in relation to the specific new information. We've gone through all of the nine rating agencies that rate us six domestic and three global. And given the market volatility, you would've seen that some of there's a negative outlook. We will resolve that as we go through this period, but all have affirmed the ratings. So our INR ratings are fully affirmed. So, which means that from a domestic point of view the funding, the planning from domestic purpose is moving ahead as normal. And I'm pleased to inform you that all of those drawdowns in relation to construction facilities, in relation to domestic banking construction facilities are proceeding as normal. Despite all the reports that you might have read or you might have seen none of them have merit in any way, form or shape.

There's a lot of noise and innuendo but our request is to see the results on the ground, which you will see. And they will come in the next four to six weeks for Adani Green 8 GW will be operating as scheduled. You will see the update on the copper development in India, which is INR, purely INR. You will see that update with that proceeding as normal. You will see the construction work in relation to the Adani Transmission is proceeding as normal. You will see the construction work in relation to Adani

Green is proceeding as normal and that is driven by solid banking relationships, both international and domestic and solid core private placement relationships, both, US and non-US.

The other main change that we have done is, which is not related to the issuers, but is related more to the sponsors of the issuers that is the family. We have announced that we will repay, prepay in, in fact all of the loan against shares to remove any overhang that might be there in relation to sponsors having borrowed capital. So with that, the first 1.1 billion was paid earlier last week. And we intend to complete all the pre-payments of the other loan against share portfolio over the coming 20 days, which will mean that post that repayment no borrowings will exist, which are linked to the value of the share or which can directly result in margin calls. As you will be well aware, some of you you've done infrastructure and project finance that there will be somewhere where we have shares as collateral, which are not linked to the value of the share, but more as a security for the project finance lenders.

It also demonstrates that independent of what's being asserted in the market, the liquidity lines are available both at sponsor level and at opco levels. Undiminished from before, we will continue to now also further prune certain Capex, which is of the discretionary nature and which was of accelerated growth nature, which will mean that each entity will record a higher free cash flow available to shareholders over the next one year. That's ports, green, transmission, even Adani Power, even airports and, and data centers. All of the businesses combined, our joint venture relationships remain strong as usual. The data center with EdgeConneX going strong and partners fully committed, IHC our strategic partner, you heard their statement. I don't have to repeat it. Wilmar, total, despite the fact what you might have read, continue to be fully engaged in processes. We have MOU on Adani New Industries, which is green hydrogen, that was going through its normal due diligence phase. It's continuing its due diligence phase and we will see how that completes over the next two to three months or, or next six months. But in any event, Adani New Industries is continuing its development program. It'll have 4 GW of operating integrated manufacturing line. Wind turbine is going through certification process its expected to complete in June and therefore post that the development will start. Finally, we just wanted to highlight to you, one other point which relates to the question that has been raised mostly in India. It hasn't come to us from overseas just in case it has percolated there.

Sometimes you get lost in all of this. We as a Group and our entities that you would know, we actually hardly ever borrow for anything other than development of actual assets. Consequently, a result of it is that our hard asset, I'm not talk talking of enterprise value, but hard assets on the ground, which you can touch and feel, the net debt to hard asset cover is approaching 1.8 times. That is on actual hard assets in the business gross asset block. We have a leverage which is less than 70%, and that's not talking about enterprise value or cash flows. And sometimes it gets missed. We have very, very little, in fact less than three odd percent, maybe a little bit higher than 3% of a borrowing, which is on corporate basis, which is primarily Adani Green, USD 750 million issuance. So as a disciplined borrower that borrows against direct assets, all our issues are against direct assets. So RG1, RG2, for example, transmission, for example AEML, port assets, we do not have borrowing outside of the actual asset pool.

And it's very important point that I would like to, would I like to convey to you. So in summary, I just wanted to close my comment. So in summary, all our board meetings and audits of all of our List Cos was completed on schedule. None was postponed, none was changed and all audit reports are clean except for certain observations. MSCI, CDP, other discussions concluded with no other than reviews, etc., no changes. Ratings concluded with all ratings being reaffirmed, other outlook, which is on corporate basis, which they're waiting for us to complete the programs that have just highlighted to you, which will complete over the next three months.

Domestic audit ratings reaffirmed our review process that we are internally put in place will be completed well before 30th June this year just to ensure the checks and balances and performance of the companies you've seen in the results will be pretty much on track for the full year as well. You will see that in May. Finance plan credit note we have sent out. We are happy to take questions on that. We are happy to respond with any question that comes via the banking group on this call. And finally, we are in the place all the hard work we did over the last seven years. We are in a place where if we, if when we complete our finance plan for the Adani Green Holdco and the RG1 maturity, current refinancing plan for running transmission, ports plan to deleverage, post that our big three companies issuers get to a stage where all their maturities are within their cash and FFO envelopes.

So this exuberant, irrational action in the bond market is just that once we can't, we don't have the ability to do anything. But on this call, please be crystal clear that volatility is not based on facts. Finally, I would also like to share with you that our banking group will be reaching out to all investors in each geography, even what has happened we owe it to you that we meet you in person and answer questions directly in front of, in face to face. We'll be setting up NDR where our team will come, each issuer will come and we'll meet you and you can ask us question face to face if you have further questions. And we will also explain all that has happened in a face-to-face meeting. I would request every geography, that you give us the privilege to meet face-to-face and explain everything to you in face-to-face setting. Myself and the team will travel and we will answer all questions and we will discuss and present to you all and every issue as we've always done in a clean, clear, and transparent manner.

We can only be as good as our history. And in 25 years of operating history, just for 27 now years of operating list for history, we have not missed a single payment. And if we are only as good as our history, we will not miss a single payment for the next 27 years. So with this, Anupam if you have any comments or any specific thing to add, you please add and that that is end of my update and presentation on changes that have occurred since we last spoke in last week of January. Thank you.

Anupam: Thanks Robbie, just one more point to add I think you know the bond investors will note that this portfolio of Adani in the past three years, we've been subject to two events. One was the COVID event and the second was with the Russia Ukraine war and now this, through all the three events, the portfolio has demonstrated its resilience and ability that nothing in this period has impacted the ratings, or the underlying business performance. Even, if you pick up a performance over the past 12 quarters through very testing and difficult times, each and every one of those quarters has been better than the, the last point. I'm significantly better. So that, that is another point that I would like to highlight for everybody's sort of consumption. But, thanks, thanks a lot Robbie, and thanks a lot to all the investors and to the banking group for arranging this call. And, Ravi over to you.

Ravi: Thanks a lot, Robbie and Anupam for the detailed remarks. Once again, I'll thank all the investors for joining at this time and I would request them to reach out to the bank sales teams and please share with us any queries that you have and we'll get back to you on those. Thank you so much.

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