Annexure to the Directors' Report

Management Discussion and Analysis

1. Economy Review

1.1 Global Economy

The global economy experienced a major slowdown in 2019, and recession fears became prevalent towards the end of the year. The coronavirus (COVID-19) eruption is also having a severe effect on global economic activity. While the effect was muted to some extent by the considerable support from central banks and governments, the downturn reflects the effect of shutting down large parts of the economy as the authorities attempt to suppress the virus. Macroeconomic policy has moved into full crisis response mode with a host of targeted and more traditional monetary and fiscal easing measures being announced. As a result of the pandemic, the global economy is projected to contract sharply by –3% in 2020. Even with a sharp rebound in the remainder of the year and sizable fiscal support, the Chinese economy is projected to grow at a subdued 1.2% in 2020.

Outlook

According to the International Monetary Fund (IMF), the global economy is projected to grow by 5.8% in 2021 as economic activity normalises, helped by policy support. A lot depends on the epidemiology of the virus, the effectiveness of control measures, and the development of therapeutics and vaccines, all of which are hard to envisage. The emerging markets and developing economies face additional challenges with unparalleled reversals in capital flows as global risk appetite wanes and currency pressures build, while managing with weaker health systems and more limited fiscal space to provide support.

Global Growth (%)

Particulars	Actual	Projections	
	2019	2020	2021
World output	2.9	-3.0	5.8
Advanced economies	1.7	-6.1	4.5
US	2.3	-5.9	4.7
Eurozone	1.2	-7.5	4.7
Japan	0.7	-5.2	3.0
UK	1.4	-6.5	4.0
Other advanced economies	1.7	-4.6	4.5
Emerging markets and developing economies	3.7	-1.0	6.6
China	6.1	1.2	9.2

Source: The International Monetary Fund (IMF)

1.2 Indian Economy

Under these trying circumstances, the IMF has estimated India's GDP growth projection to 1.9% in 2020. The output of eight core infrastructure industries shrank by 6.5% in March due to a fall in the production of crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity amid the COVID-19 lockdown. The eight core sectors had expanded by 5.8% in March 2019.

Bringing relief to the situation, the Reserve Bank of India (RBI) has introduced a slew of measures to inoculate the economy against further decline. The banking regulator has cut down repo rate to a 15-year-low of 4.4%, allowed banks to stall EMIs for term loans for up to three months and increased liquidity by cutting down Cash Reserve Ratio (CRR) to mitigate the effects of the lockdown. The government has announced fiscal stimulus totalling $ 22.6 Billion, including direct cash transfers and food security measures. The breakdown of the Organization of the Petroleum Exporting Countries (OPEC) and Russia group, and the resultant fall in crude prices is a big positive for India, as it means reduced expenditure on oil imports.

Outlook

The likely duration, intensity and spread of the coronavirus has brought in increased uncertainty to the global and domestic economic outlook. The concerns have transformed from the impact of imports from China on domestic supply chains, into

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a domestic and external demand shock, the duration of which remains uncertain, with social distancing and lockdowns raising the prospect of production shutdowns and job losses in some sectors.

Macro policy responses have been unprecedented in scale and scope and will serve to cushion the near-term shock. But with job losses occurring on an extreme scale and intense pressures on small and medium-sized businesses, the path back to normality after the health crisis subsides, is likely to be slow. India's economic growth has the potential to bounce back once the COVID-19 pandemic settles. This is due to the inward-looking nature of the economy with low, albeit increasing, linkages with other markets.

2. Industry Review

The Indian power sector has been a key driver for the country's socioeconomic growth since independence. With a customer base of more than 200 Million and service outreach spanning nearly 3.28 Million sq. km, the Indian power system is one of the largest and most complex power systems in the world. After the creation of the national grid post the integration of the five regional grids, the system now operates as a 'one nation–one frequency–one market' entity. In recent years, there has been substantial growth in installed generation capacity as well as Transmission and Distribution (T&D) infrastructure. India has achieved universal 100% electrification through the SAUBHAGYA scheme by providing electricity to more than 2.6 crore households with 100% village electrification.

2.1. Power Generation

There was a sustained decline in domestic power generation from June–November 2019, which can be partly accredited to the extended monsoons. In addition, the lower demand mainly from the industrial sector due to subdued economic activity and the lower purchase of power by the financially stressed power distribution companies, affected production. Domestic power generation continues to be led by conventional energy, which accounts for 90% of total generation. However, the growth in generation from conventional sources lagged behind that of renewable energy sources.

The national electric grid in India has an installed capacity of 370.1 GW as of 31st March 2020. Renewable power plants, which also include large hydroelectric plants, constitute 35.86% of India's total installed capacity. The total installed capacity is expected to grow from 369 GW to 1,000 GW by 2032. India's power supply scenario has remarkably improved as a result of increased availability of electricity that has surpassed the growth in its requirement. During FY20, the energy deficit and peak deficit has been reduced to 0.5% and 0.7%, respectively.

The peak demand is expected to grow at 5.6% and likely to cross 370 GW while the energy requirement is expected to increase at 5.2% and likely to exceed 2,500 Billion Units (BUs) by 2032, respectively.

Total Installed Capacity

Fuel	MW	% of Total
Thermal	230.6	62.8%
Nuclear	6.8	1.9%
Hydro	45.7	12.4%
RES* (MNRE)	87.0	23.5%
Total	**370.1**	

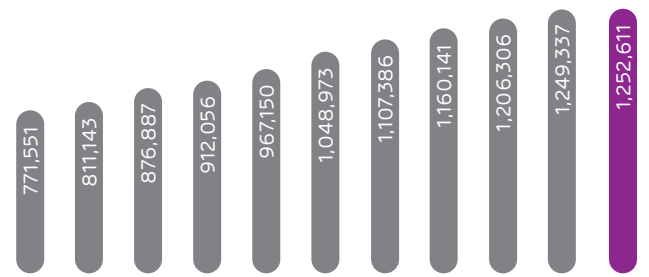
* Installed capacity in respect of RES (MNRE) as on 31.03.2020.

Renewable Energy Sources (RES) include small hydro project, biomass gasifier, biomass power, urban and industrial waste power, and solar and wind energy

Source: Central Electricity Authority (CEA)

Generation

(₹ in BUs)



Source: Central Electricity Authority (CEA)

2.2 Renewable Energy

India continues to grow its adoption of renewables, leading to significant drop in the cost of wind and solar power. In order to achieve the objectives, in 2015–16 the Government of India released a roadmap to achieve 175 GW of Renewable Energy (RE) capacity by 2022, which is one of the key actions to meet its commitments towards COP21 obligations. This roadmap also underlines its pledge to grow as a low carbon emitter. India's Intended Nationally Determined Contribution (INDC) commitments aim to

reduce emission intensity of GDP by 33–35% by 2030 from the 2005 level and to achieve 40% of installed capacity from non-fossil fuel by 2030.

According to a report by the International Energy Agency (IEA), the strong growth of renewables in India now accounts for almost 23% of the country's total installed capacity. Further, energy efficiency improvements in India avoided 15% of additional energy demand, oil and gas imports, and air pollution – as well as 300 MT of CO_2 emissions between 2000 and 2018. As per the report, increased access to affordable energy has raised the living standards of all segments of the country's population and adds that it believes India now has the institutional framework it needs to attract more investment for its growing energy needs. By raising the level of its energy efficiency ambition, India could save some $ 190 Billion per year in energy imports by 2040 and avoid electricity generation of 875 terawatt-hours per year, accounting for almost half of India's current annual power generation.

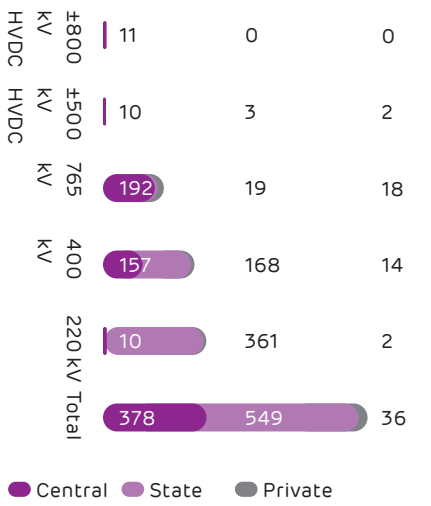
There is a significant transformation in the energy mix in India. Progressively declining costs, improved efficiency and reliability have made renewable energy a viable option for fulfilling India's energy needs in a sustainable manner, while also helping it pursue its commitment to the 2015 Paris agreement. The growth of renewable resources in India's generation mix has grown from 6.7% in 2016 to 24.47% in 2019 (installed capacity), signalling a significant transition underway from coal-fired power.

As a result, over the last decade, while the installed power generation capacity has experienced significant growth (at a CAGR of 9.3%), capacity addition through RE sources has exhibited a remarkable CAGR of 19% since 2006-07. The contribution of RE sources to the installed capacity has increased from 6% in 2006-07 to 22% in 2018-19. As per the latest CEA estimates, capacity addition in RE would achieve 227 GW by 2022 and 500 GW by 2030.

2.3 Power Transmission Sector

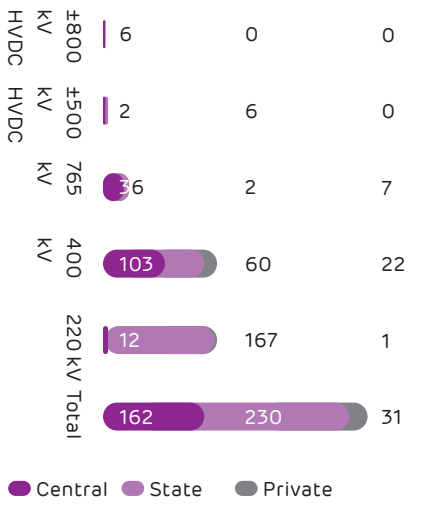
The backbone transmission system in India is mainly through 765 kV, 400 kV and 220 kV AC networks, with the highest transmission voltage level being 800 kV (HVDC). India has total transformation capacity and transmission line length of 9.62 lakh MVA and 4.23 lakh ckt km, respectively, as on February 2020.

Transformation Capacity (Thousands MVA)



Source: Central Electricity Authority (CEA)

Transmission Line Length (Thousands ckt km)



Source: Central Electricity Authority (CEA)

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With changing generation mix on account of increased renewables, the government is emphasising on augmentation of transmission infrastructure to support demand growth. In order to expedite the development of transmission lines for solar parks, the government has decided to award these projects to private players through Tariff-based Competitive Bidding (TBCB). However, TBCB route-based transmission projects have witnessed very limited participation by the private sector, despite ~30-40% reduction in tariff discovered through TBCB route as opposed to the Regulated Tariff Mechanism (RTM) norms of the cost-plus route.

Currently, private sector players in India enjoy the ownership of ~7.5% total transmission network, while the public sector has a 92.5% share (as on February 2020). However, at the same time private players in generation constitute ~46% of market share in terms of installed capacity This low share of private sector participation in the industry keeps India's transmission sector underinvested.

Key Drivers of India's Transmission Sector

Rising electricity demand	• All-India peak demand for electricity is expected to grow from 173 GW to 370 GW by 2032 at a CAGR of ~5.6%, leading to higher investment in transmission space.
Focus on renewable energy addition	• The Indian government has planned to ramp up renewable energy addition by ~175 GW by 2022. • Due to its infirm nature and to provide stability to the grid, there is a requirement of dedicated corridors for renewable energy evacuation, which would lead to the requirement of new transmission projects.
Increased inter-regional demand-supply gap	The gap between demand and supply is widening across regions as load centres are situated away from conventional generation centres.
Upgradation of existing lines	Currently inter-state transmission runs at 400/765 kV level; higher voltage would lead to less ROW requirements and more transfer of power with reduced technical losses.
Government initiatives such as Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS), SAUBHAGYA, 24X7 power supply and others	Government programmes are propelling demand, thereby creating the requirement of upgradation of up-stream network.

As per the CEA Transmission Perspective Plan 2016, major high capacity transmission corridors have already been implemented/awarded or are already planned for implementation, which would meet the inter-regional import/export of power till FY22. Resources have been identified in various states to meet India's ambitious renewable energy target in the renewable energy zones comprising wind, solar or both energies. Additional solar capacity of 50 GW and wind capacity of 16.5 GW is envisaged in 7 RE rich states too. This also indicates that over the next 5 years, India's transmission grid needs to keep pace with the country's increasing renewable and non-renewable power generation capacity. As per the economic survey 2018-19, additional $ 250 Billion investment in renewable energy will be required by 2023-30.

India remains underinvested in the transmission sector; however, the future looks very promising, especially with the plans for rollout of government projects to boost transmission. After evaluating the central and state governments' planning documents, the total market size of transmission projects is estimated to be ₹ 3.4 Trillion till 2025.

2.4 Power Distribution Sector

Access to reliable and affordable electricity supply is an important factor for a country's socio-economic development. Distribution is the most important link in the entire power sector value chain for providing non-stop, quality and reliable power supply. The distribution companies in India have been

confronting various challenges such as the control of Aggregate Technical and Commercial (AT&C) losses, improvement in operational efficiencies, provision of round-the-clock electricity access to all households, which has jeopardised the commercial viabilities of the distribution company (DISCOMS).

Policy Support and Initiatives

Saubhagya Scheme	• The Pradhan Mantri Sahaj Bijli Har Ghar Yojana – Saubhagya was launched by the government with the aim of achieving universal household electrification by March 2019. By 2018, a total of 25 states have achieved 100% household electrification, which included 23.1 million rural and 844,670 urban households.
National Electricity Fund	• The Government of India established the National Electricity Fund (Interest Subsidy Scheme) in March 2012 to provide interest subsidy on loans disbursed to both public and private sector DISCOMS. This would promote investment in the distribution sector and improve the distribution network for areas not covered by Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) ;Restructured Accelerated Power Development and Reforms Programme (R-APDRP) project areas. The preconditions for eligibility are linked to certain reform measures undertaken by the state governments and the amount of interest subsidy is linked to the progress achieved in reform-linked parameters. As per the Ministry of Power (MoP), ~₹2,500 crore interest subsidy has been released to 12 states under the National Electricity Fund (Interest-Subsidy) Scheme till November 2019.
Integrated Power Development Scheme (IPDS)	The government approved the scheme in November 2014 with a total outlay of ₹ 32,612 Crores. Its objectives include: • IT enablement of DISCOMS • Strengthening of sub-transmission and distribution networks in urban areas • Metering of distribution transformers/feeders/ consumers in urban areas The component of IT enablement and strengthening of distribution network approved in June 2013 in the form of RAPDRP for the 12th and 13th Five Year Plans, got subsumed in this scheme and a CCEA-approved scheme outlay of ₹ 44,011 Crores, including a budgetary support of ₹ 22,727 Crores was granted under the new IPDS scheme. As per MoP till FY19, IT enablement of 648 towns has been completed out of the sanctioned projects for 4,879 towns.
Ujwal DISCOMS Assurance Yojana (UDAY)	• Launched by the Government of India to encourage operational and financial turnaround of state-owned DISCOMs, it aims to reduce AT&C losses by 15% by FY19. • The Government of India has signed four MoUs with the state of Nagaland and Union Territories (UTs) of Andaman and Nicobar Islands, Dadra and Nagar Haveli and Daman and Diu under UDAY to improve operational efficiency of electricity departments in these places. • Currently, DISCOMS are lagging behind in eliminating the gap between the average cost of supply and realisable revenue (ACS-ARR gap) and also missed the FY19 UDAY target of bringing down their AT&C losses to 15 %, from the current AT&C loss levels at 18.95% and ACR-ARR gap of ₹ 0.36/Unit (data for 26 states).

Source: **Uday Portal, MoP (Ministry of Power)**

2.5 Key Policies Announced in FY20

The government has announced the following proposals to:

- Set up large solar power capacity alongside rail tracks on railway land
- Allocated ₹ 220 Billion for the power and renewable energy sector and the government has urged state governments to implement smart meters
- Operationalise a scheme to enable farmers to set up solar power generation capacity on their fallow/ barren lands and to sell it to the grid

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- Close power plants that are old and exceeding carbon emission norms. The land could be used for alternative purposes

The RBI too has announced measures for the overall economy that benefit the power sector as well:

- Delay on account of disruption of the supply chains due to the spread of COVID-19 in China or any other country to be treated as force majeure for all RE projects
- Three-month moratorium on DISCOMS making payment to generating and transmission companies, and a waiver of penalty for late payment
- Till 31st May 2020, the payment security mechanism to be maintained by the DISCOMS with the generators for dispatch of power to be reduced by 50%
- Generation/transmission companies to continue supply/transmission of electricity even to DISCOMS, which have large outstanding dues
- Ensure adequate supply of coal to facilitate uninterrupted supply of electricity
- Three-month moratorium in respect on all term loans of commercial banks, all-India financial institutions and NBFCs outstanding as on 1st March, 2020
- Deferment of interest on working capital facilities for a period of three months for all facilities outstanding as on 20th March 2020

In a bid to initiate reforms in the power sector, on 17th April 2020 the government made public the draft Electricity Bill, 2020, which seeks to remove subsidised electricity rates, cross-subsidy, complex tariff structure and strengthening regulators, among other things. The Bill proposes an overhaul of the power distribution sector, which is currently the weak link in the supply chain. It also proposes a franchisee model in private power distribution.

Amendments Introduced in the Electricity Act/ New Draft Electricity Bill, 2020

- Power tariff to be determined with no subsidy component
- Cross-subsidy on industry to be reduced over time
- Opens power distribution to franchisee and sub-licensee business
- Appellate Tribunal of Electricity to have powers similar to that of a Civil Court
- New contract dispute resolution authority to be formed
- Cost-reflective tariff and simpler power tariff structure to become law
- Load despatch centres to also monitor payment by states before electricity supply
- New Renewable Energy Policy to be drafted

Outlook

Electricity demand is expected to contract during the year, largely driven by slippages in commercial and industrial demand. With the industrial and commercial sector together accounting for nearly 50% of the country's electricity consumption, a decline in their consumption would no doubt weigh down overall demand. With the pandemic bringing activity in these sectors to a standstill, electricity demand by these segments is to see a significant decline this year.

According to ICRA, India's electricity sector is likely to register a decline in power demand by 1% and a drop in Plant Load Factor (PLF) to 54% for FY21. Given that lockdown would impact project implementation in Q1 of FY21 and assuming normalcy thereafter, the capacity addition in the wind and solar segments together is likely to lower by about 25% to 8 GW against earlier estimates of 11 GW for FY21.

3. Company Overview

ATL, the largest private sector power transmission company of India, operates and maintains around 11,576 ckt km of transmission lines ranging from 132 kV to 765 kV, with a total transformation capacity around 18,330 MVA. It has 16 fully operational transmission architectures that primarily serve the northern and western regions of India. Currently, ATL is developing eight additional projects comprising ~3,164 ckt km transmission lines with transformation

capacity of 7,450 MVA in the states of Rajasthan, Uttar Pradesh, Jharkhand, Gujarat and Bihar, which it received through the TBCB process. ATL has successfully executed many Extra High Voltage (EHV) sub-stations (HVDC 765 kV and 400 kV sub-stations) projects, along with several transmission lines in India.

Progress and Achievements

ATL is among India's most technologically sophisticated power transmission companies. It is the first private-sector company to execute 765 kV transmission lines and sub-stations in Maharashtra. Over the years, it has created a niche for itself in the country's power transmission sector with the following feats:

i. Established India's only private HVDC transmission system (more than 1,000 km) for efficient transmission of power from Gujarat to Haryana with maximum evacuation capacity of 2,500 MW

ii. Obtained approval for the transmission line methodology under Clean Development Mechanism (CDM) from the United Nations Framework Convention on Climate Change (UNFCCC)

iii. Started operations of GTD assets from Reliance Infra comprising 500 MW power generation, 566 ckt km transmission line and 3 Million+ retail consumers

iv. Last element of Chhattisgarh WR Transmission System Ltd., i.e. LILO of 765 kV Aurangabad – Padghe of ~130 ckt km has been successfully commissioned in August 2019

v. 400 kV Ghatampur–Kanpur transmission line of ~98 ckt km under Ghatampur Transmission Ltd., has been declared to achieve deemed commissioning w.e.f. February 2020 within SCOD and other elements are also progressing on track to achieve their respective SCOD in FY21

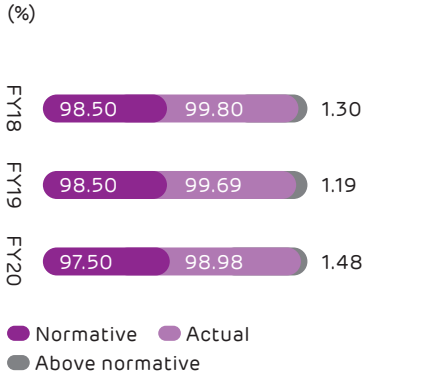
vi. Won five projects through TBCB bidding and four projects are currently under construction phase (22):

- WRSS XXI(A) Transco Limited [WRSS XXI(A)] – Above 290 ckt km and 3000 MVA transformation capacity
- Lakadia Banaskantha Transco Limited (LBTL) – Above 351 ckt km
- Jam Khambaliya Transco Limited (JKTL) – Above 38 ckt km and 2500 MVA transformation capacity
- Bikaner-Khetri Transmission Limited (BKTL) – Above 472 ckt km
- Khargar-Vikhroli – Acquisition in progress

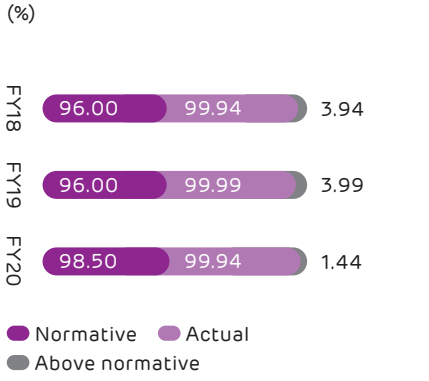
Operating History

ATL has excellent operating history with a track-record of receiving incentive payments for maintaining availability above regulatory requirements, i.e. 99.76% in FY20.

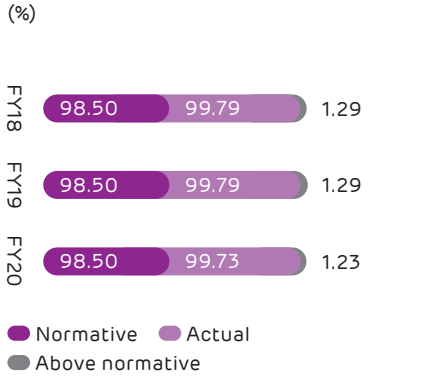
±500 kV Mundra-Mahendragarh HVDC Transmission System



±500 kV Mundra-Mahendragarh HVAC Transmission System



400 kV Mundra-Sami-Degham Transmission System



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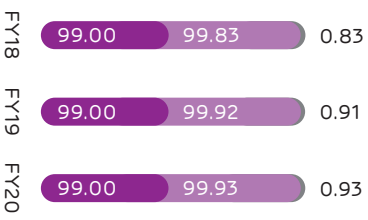
400 kV Tirora-Warora Transmission System

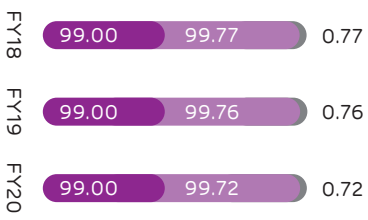
(%)



Normative Actual
Above normative

Maharashtra Easter Grid Power Transmission Company Ltd. (MEGPTCL)

(%)



Normative Actual
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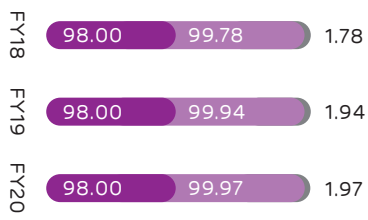
Maru Transmission Service Company Ltd. (MTSCL)

(%)



Normative Actual
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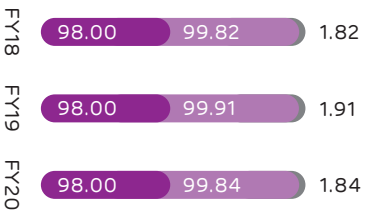
Aravali Transmission Service Company Ltd. (ATSCL)

(%)



Normative Actual
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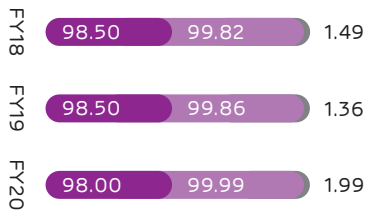
Western Transmission (Gujarat) Ltd. (WTGL)

(%)



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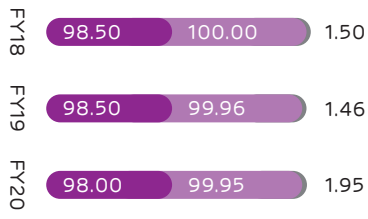
Western Transco Power Ltd. (WTPL)

(%)



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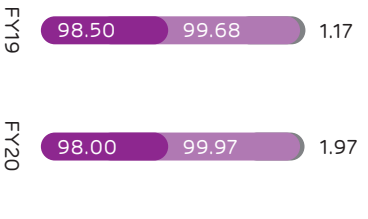
Chhattisgarh–WR Transmission Ltd. (CWRTL)

(%)



Normative Actual
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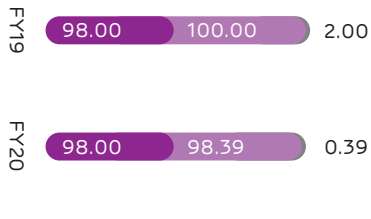
Adani Transmission Bikaner Sikar Private Ltd. (ATBSPL)

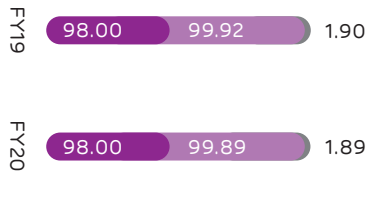
(%)



Normative Actual
Above normative

Barmer Power Transmission Service Ltd. (BPTSL)

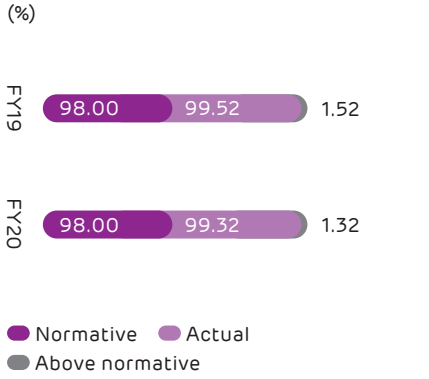
(%)



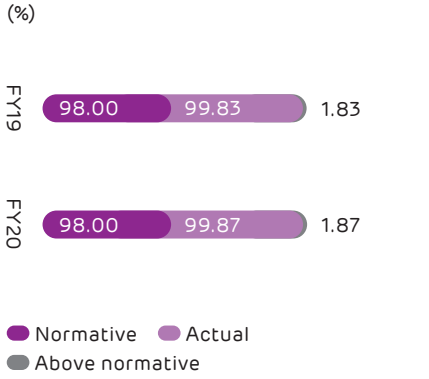
Normative Actual
Above normative

Note: Actual availability figures are provisional, which are subject to change based on final availability certificates to be issued by State Load Despatch Centres (SLDCs) / Regional Load Despatch Centres (RLDCs)

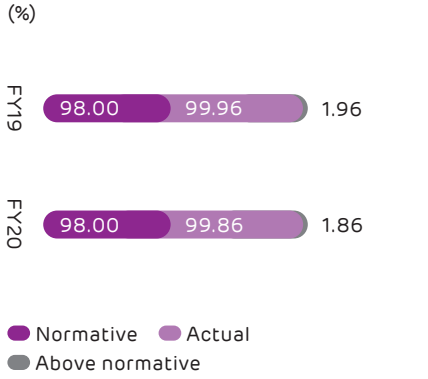
Adani Transmission (Rajasthan) Ltd. (ATRL)



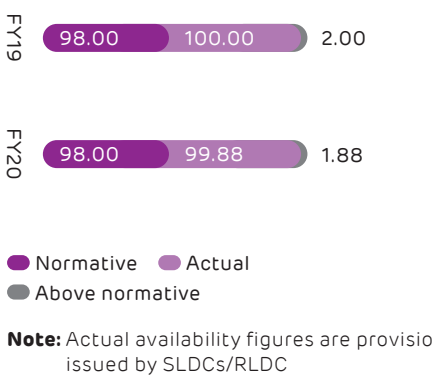
Sipat Transmission Ltd. (STL)



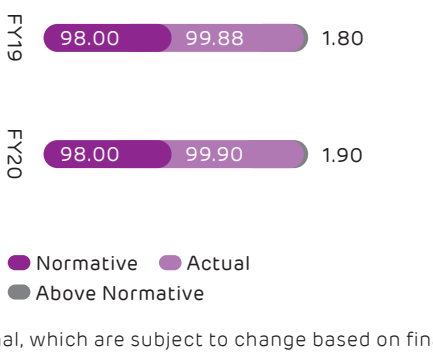
Thar Power Transmission Service Ltd. (TPTSL)



Raipur-Rajnandgaon-Warora Transmission Ltd. (RRWTL)



Hadoti Power Transmission Service Ltd. (HPTSL)



Note: Actual availability figures are provisional, which are subject to change based on final availability certificates to be issued by SLDCs/RLDC

Adani Electricity Mumbai Limited (AEML)

Since its inception in 1926, AEML has been the primary supplier of electricity to Mumbai, serving approximately 67% of its population and approximately 85% of its geographic area. AEML services consumers in suburban Mumbai and the Mira-Bhayander Municipal Corporation area in the Thane District (adjoining Mumbai), spanning an area of over 400 sq. km. Our integrated electricity GTD utility, provides electricity to over 3.04 Million households with an outreach to over 12 Million consumers of Mumbai and an annual energy requirement of over 10,800 MUs.

Mumbai, the state capital of Maharashtra, is also India's financial capital and one of the top 10 centres of commerce in the world. It is the seventh most populous city in the world, the 24th richest city in the world (based on USD GDP) and its's real GDP growth between FY12 and FY18 was approximately 11% per annum. Mumbai contributes approximately 6% to India's real GDP. The average per capita income of Mumbai residents is approximately $ 8,700, which is approximately four times the per capita income of an average Indian resident. Further, the electricity consumption of Mumbai for FY19 was 18,341 MUs. The average electricity bill of our consumers in

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FY19 was approximately $ 95, which was approximately 1.1% of the per capita income of the average Mumbai resident.

Our integrated electricity supply system also includes 541 ckm of 220 kV transmission lines, consisting of overhead and underground cable systems, eight 220/33 kV EHV stations, 115 220 kV bays and 285 33 kV bays, with installed transformation capacity of 3,125 MVA and embedded 500 MW of power generation. Our 'grid-to-switch' integrated platform makes us one of the largest private integrated electric utilities in India.

Operational Highlights

Consumer Network (Lakhs)

FY20	FY19
30.50	30.30

Distribution Loss (%)

FY20	FY19
7.32	7.85

	FY20	FY19
Distribution High Tension (HT) cable length	4,860	4,798
Distribution Low Tension (LT) cable length	6,226	6,139

Total MUs

	FY20	FY19
Own consumers	8,455	8,376
Total (incl. c/o & o/a)	10,327	10,169

Key Highlights

1. The Maharashtra Electricity Regulatory Commission (MERC) has approved the Multi-year Tariff (MYT) Order for FY21-22 to FY24-25. The following are the key highlights
   a. Tariffs have been reduced by 18% compared to the last year, leading to consumer benefit
   b. Rationalisation of categories: 22 categories reduced to 12, thereby improving ease of billing
   c. Discount of ₹ 10 per month for consumers opting for e-bill to reduce carbon footprint
   d. Cash receipts limited to ₹ 5,000 per consumer, to promote digital payments
2. Qatar Investment Authority invested ~3,220 Crores for a 25.10% stake in AEML and for shareholder subordinated debt in AEML
3. Completed first ever US Dollar bond issuance by a private integrated utility from India, raising $ 1 Billion at 3.949% coupon with a bullet maturity for a tenure of 10 years. The issue generated significant interest from international investors and was oversubscribed 5.9x
4. Capex plans have been drawn up at AEML Mumbai Distribution business, and rolling capex facility of $ 400 Million has been tied-up.

Going Forward

Customer Centricity

- Genius Pay, a payment-cum-service channel, has been rolled out to provide all payment options, in addition to complaint registrations and query handling services. Cumulatively, these kiosks have already handled approximately 5 lakh transactions and collected ~₹ 48 crore in payments over 6 months
- WhatsApp business account with chatbot has been introduced – a first-in-class feature to enhance self help
- Contact centres have been thoroughly revamped for better inbound call handling, leading to ~94% reduction in average wait time, 63% points improvement in service levels and 32% points reduction in call abandonment rates over the period of August 2018 to February 2020

Sustainability Initiatives

- AEML is committed to increasing the share of renewable power procurement from the current 3% to 30% by 2023 and 50% by 2025
- Tied up with hybrid (solar + wind) 700 MW PPA with minimum guaranteed Capacity Utilisation Factor of 50%
- Use of non-carcinogenic biodegradable silica gel in our transformers
- Replacement of High-pressure Sodium Vapour (HPSV) lamps with LED lamps in streetlights
- Replacement of petrol/diesel vehicles with electric ones in our fleet
- Replacement of oil type switch gears with dry type maintenance-free switch gears
- Use of environment-friendly ester filled transformers

4. Financial Review

Snapshot

Particulars	FY20	FY19
Transmission tariff	2657	2212
Sale of power	7,532	4270
Incentive	48	48
Income from operations	**10,237**	**6530**
Less:		
O&M expenses	2,252	1382
Power and fuel expenses	**3,697**	**2291**
EBIDTA from operation	**4,287**	**2857**
EBIDTA margin transmission (operations)	**92%**	**91%**
EBIDTA margin distribution (operations)	**24%**	**19%**
Add:		
Sale of traded goods/EPC	925	842
Construction income	-	19
Carrying cost income	-	4
Other income	265	255
Regulatory income/(expense)	(233)	96
Less: Purchase of traded material/EPC	924	839
Less : CSR Exp	18	18
Less: Construction cost	-	14
Less:Other one-time provision/ write-off	38	-
EBIDTA with other income	4,265	3,203
Less: Finance cost	2,238	1,391
Less: Depreciation	1,174	882
PBT (before one time effect)	**852**	**930**
Arrear income/(revenue reversal as per true up order)	254	(90)
PBT	**1,107**	**840**
Less : Tax	214	192
Less: Deferred tax	329	183
Less:Deferred assets recoverable/adjustable	(143)	(94)
PAT	**707**	**559**
Other Comprehensive income (MTM loss)	120	8
Total comprehensive income	**827**	**567**

Note: In FY19 in persuant to acquisition of Adani Electricty Mumbai Limited (AEML) (distribution) in August 2018, FY20 figures are not comparable.

5. Impact of COVID-19

The domestic power sector is feeling the impact of the global spread of the virus and the resultant lockdowns. It has not only led to a fall in electricity consumption but has obstructed the supply of key inputs for generators, which would cause project delays, thereby resulting in time and cost overruns. It is also adding to the financial stress of power producers and DISCOMS. The severity of the impact is difficult to ascertain, given the uncertainty associated with containing the spread of the virus.

The daily power demand in the country has fallen by 25% since mid-March 2020, when most parts of the country imposed restriction and shutdowns. Electricity consumption in the country fell from 3,494 MUs on 16th March 2020 to 2,628 MUs on 28th March 2020. The drop in consumption has been notably higher touching almost 30% in the northern and western regions of the country. The southern regions have reported a decline of 19%.

Generators and DISCOMS are being impacted with dwindling finances due to the imposed lockdown. The latter are unable to collect payments from consumers and they, in turn, are not paying generators. State governments would further delay the release of subsidies. Given that usually most of the payments for past supply are collected/made towards the end

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of the financial year (March), the delays would have significant financial implications. Despite states making monthly payments to generators since August 2019, after the power ministry made it mandatory for DISCOMS to maintain LC as payment security for power purchases, there exists sizeable past dues that need to be cleared. Further, the fall in demand would impact revenues of generators and distributors alike.

ATL Business Continuity Plan

Operational Projects

In the case of ATL's transmission assets operational projects, the transmission tariff is directly related to the transmission system availability and has no relation with power flow. Hence, there is no impact on revenue/incentive. Although our payment may get delayed by a month or two, it will not affect our financials, as we will be entitled to Late Payment Surcharge (LPSC) on these delays and therefore, only cash flow will be affected.

- The remote work arrangements have not affected the ability of the ATL team
- The sub-station O&M staff (as necessary for maintaining the operations) are quarantined within the sub-stations. The transmission line staff are on home quarantine and available to attend any emergency. Thereby, the availability of the assets is ensured.
- The O&M team at the Head Office (HO) works from home effectively and manages remotely. However, they are ready to move to sites in case of any emergency.
- Since power transmission comes under 'essential services', there has been no issue in travel under emergency conditions and maintaining the availability of assets.
- Transmission revenue/incentive is not impacted since the revenues are directly related to the availability of the assets and have no relation to the power flow.
- Some non-essential maintenance activities, which were planned during 23rd March 2020 to 14th April 2020, have been deferred.
- Non-operational entities: We issued notice of force majeure due to disturbance in supply chain in the months of February and March 2020, declaring that we are facing difficulties in getting our supplies, which will delay our project. Since it is claimable, there is no impact on profitability.
- No impact on our financial reporting system along with internal operations, as the team works from home with requisite system availability. All processes are executed following the delegation of authority.

6. Internal Control System

The Company has put in place robust internal control systems and best-in-class processes, commensurate with its size and scale of operations. There is a well-established system of multi-disciplinary Management Audit & Assurance Services (MA&AS) that comprises professionally qualified accountants, engineers and SAP experienced executives. The team conducts extensive audit throughout the year across all functional areas and submits its reports to the Management and Audit Committee. The reports contain information regarding the compliance with internal controls and efficiency, along with effectiveness of operations and key process risks.

Key features of the Company's internal controls system include:

- Adequate documentation of policies and guidelines
- Preparation and monitoring of annual budgets through monthly review for all operating service functions
- The MA&AS department prepares a Risk Based Internal Audit scope with the frequency of audit being decided by risk ratings of areas/functions. Risk based scope is discussed amongst the MA& AS team, functional heads/process owners/CEO and CFO. The audit plan is formally reviewed and approved by the Audit Committee of the Board.
- The entire internal audit processes are web enabled and managed on-line by our Audit Management System.
- The Company has a strong compliance management system, which runs on an online monitoring system.
- The Company has a well-defined delegation of power with authority limits for approving revenue and capex expenditure, which is reviewed and suitably amended on an annual basis.
- The Company uses an ERP system (SAP) to record data for accounting, consolidation and management information purposes and connects to different locations for efficient exchange of information.

- Apart from having all policies, procedures and internal audit mechanism in place, the Company periodically engages outside experts to carry out an independent review of the effectiveness of various business processes and invites suggestions for process improvement.
- Internal Audit is carried out in accordance with the auditing standards to review design effectiveness of the internal control system and procedures to manage risks, operation of monitoring control, compliance with relevant policies and procedures, and recommend improvement in processes and procedures,

The Audit Committee of the Board of Directors regularly reviews the execution of the Audit Plan as well as the adequacy and effectiveness of internal audit systems. It also monitors the implementation of internal audit recommendations, including those related to strengthening the Company's risk management policies and systems.

7. Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations and others may constitute 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results may differ from those expected or implied. Several factors that could significantly impact the Company's operations include economic conditions affecting demand; supply and price conditions in the markets; changes in technology; changes in the government regulations, tax laws and other statutes; climatic conditions and such incidental factors, over which the Company does not have any direct control. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.