Management Discussion and Analysis

Global economy

The world is gradually emerging from the unprecedented challenge posed by the COVID-19 pandemic. The interdependence and inter-connectedness of nations that has helped raise the global economy to its present heights is now also being viewed as a factor that exacerbates such a calamity, and increases geopolitical friction.

In an era when the global economy was hoping to come out of a slowdown induced by trade disputes and weak investments, the COVID-19 pandemic has come as a jolt. While sustained and co-ordinated efforts to contain the contagion are starting to bear fruit, there is a call globally to counter their heavy socio-economic impact, and rebuild economies that have been battered by lockdowns by becoming more self-reliant.

Year in review

In 2019, global GDP growth slowed down to 2.4%, from 3.0% a year earlier. This slowdown was caused by weakness in global trade and investment, and affected both developed economies, such as the Euro area, and developing economies. Many of the key indicators of economic activity were near their lowest levels since the global financial crisis. Particularly, the global trade in goods contracted during most of the year, and manufacturing activity slowed down noticeably.

The trade tensions between the two largest economies, which dominated global economic concerns for some time, have caused heightened policy uncertainty and prompted many countries across the world to adopt protectionist measures.

Outlook

The IMF projects the global economy to contract sharply by 3% in 2020 on account of the damage inflicted by the COVID-19 pandemic, which is worse than the global financial crisis of more than a decade ago. The forecast is also marked by high levels of uncertainty, with influencing factors being hard to predict given the uniqueness and scale of the crisis.

Governments and policy-makers across the world have realised that the strict norms of social distancing and lockdowns are producing unimaginable economic impact that will linger on after the peak of COVID-19 infections has passed. Even as nations focus on strengthening healthcare systems and working on possible cures, various large stimulus measures are being announced to restart the economic engine without further delay.

Economic policies being adopted by governments are aimed at softening the sharp impact inflicted on economic activity, health of the financial system, investment sentiments and business confidence, and easing out the lasting effects of a severe slowdown, while ensuring that recovery in economic activity takes place as quickly as possible, even while the world learns to live with the pandemic as a reality.

The IMF projects that if COVID-19 is brought under control by the second half of 2020, global economic growth could jump to 5.8% in 2021, as movement restrictions ease and economic normalisation starts to take place with the help of strong policy support.

Indian economy

The Indian economy has witnessed a slowdown in growth in the last few years, led by a slowdown in private consumption expenditure and slow credit growth due to the troubles faced by the banking sector on account of high levels of Non-Performing Assets and stretched balance sheets of both the borrowers and the lenders. This contagion has further spread into the co-operative and non-banking finance sector with continuing stress in the construction sector.

On the other hand, the Government has continued to support public expenditure with large scale investment in infrastructure as well as other public expenditure in defence production, healthcare, etc.

Year in review

The GDP growth for FY 2019-20 is expected to be around 5%, partially impacted by the COVID-19 pandemic near the end of the year. Private consumption expenditure and gross fixed capital formation have been impacted to the greatest extent in the continuing economic slowdown. On the other hand, agricultural output and allied activities have shown growth, with food grain output growing by 2.4% to 292 Million tons over FY 2018-19.

Manufacturing and electricity generation, which had been fluctuating during the course of the year, showed an improvement in the fourth quarter before the impact of COVID-19 took effect.

Outlook

The growth outlook for the Indian economy was optimistic prior to the COVID-19 outbreak, with factors conducive to rural demand growth, such as Rabi harvest and food prices, showing a favourable trend. Further, the steps taken by the Government to boost rural and infrastructure spending, and by the RBI to lower interest rates were showing promising effects.

However, this optimism has been cut short by the COVID-19 pandemic and the economic impact of the resultant lockdowns. Apart from the slump in domestic

Management Discussion and Analysis (Contd.)

demand and output, the global impact of the pandemic is expected to curtail external demand significantly, which would be only partially offset by the sharp reduction in international crude prices.

The RBI estimates that apart from resilient sectors such as agriculture and allied activities, other sectors of the economy will be affected adversely by the pandemic, depending upon its intensity, spread, and duration. In view of the uncertainties surrounding the direction this crisis and its resultant disruption take, only modest upside is expected from monetary, fiscal, and policy initiatives that are being taken in response at present. The IMF projects India's GDP growth at 1.9% for 2020, and a stronger growth of 7.4% in 2021.

The Indian Government has announced bold economic stimulus measures to combat the sharp slowdown caused by the lockdowns. It is expected that the various measures aimed at helping the MSME sector out of the morass of liquidity problems and lack of credit will help reinvigorate their economic activity. Similarly, various measures targeted at various economic segments are designed to address some long existing issues, such as labour reforms, to improve the investment climate and attract more investments from overseas, as the world tries to diversify its manufacturing base.

A pragmatic and realistic implementation as well as adoption of these incentives has the potential to help realise the Government's vision to build a USD 5 trillion economy even if the situation at present makes the challenge look daunting. The crisis presents a unique opportunity to leverage India's significant industrial base, improving infrastructure, strong power sector, abundance of natural resources, and its demographic strength to attract manufacturing and other industries to India under the "Make in India" scheme. If this can be achieved, India could reap multiple dividends in terms of expansion of share of manufacturing in GDP, re-emergence of investments in capital goods, lower unemployment, improvement in consumption demand, and faster economic growth.

In the short term, significant monetary and liquidity measures taken by the RBI, and fiscal measures taken by the Government are expected to mitigate the adverse impact of COVID-19 on domestic demand, and help spur economic activity once normalcy is restored.

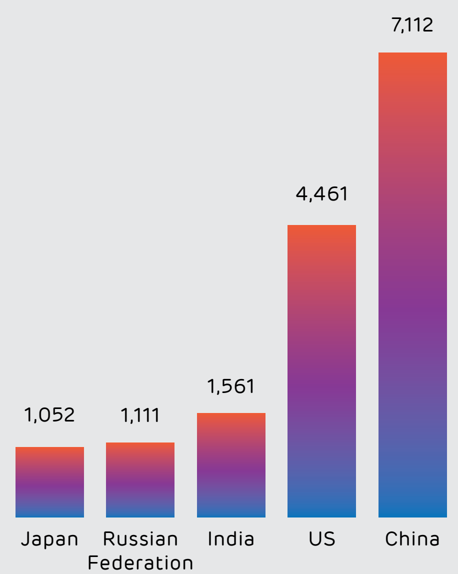
Indian power sector review

India is one of the largest electricity generation markets in the world, presenting growth opportunities for both domestic as well as international investors. According to the BP Statistical Review (2019), India was the world's third largest producer of electricity in 2018.

India's power sector has made significant inroads over the last decade, growing its installed capacity from ~200 GW in FY 2011-12 to ~370 GW in FY 2019-20.

In terms of fuel mix, ~62% of the total installed capacity as of March 2020, and ~ 76% of the total generation is thermal, indicating India's dependence on conventional fuel sources. Coal-fired (including lignite) thermal power plants accounted for more than 55% of the total installed capacity.

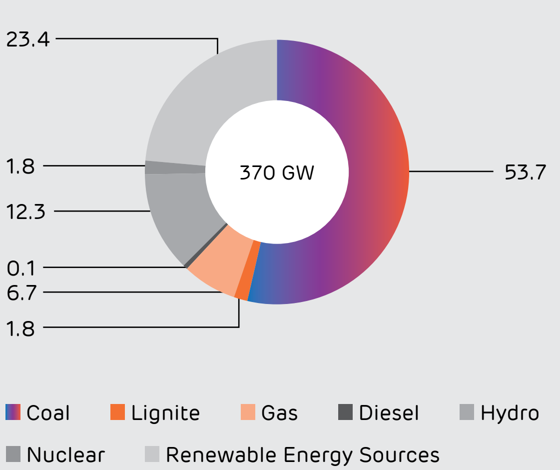
Electricity Generation
(TWh)



(Source: BP Statistical Review of World Energy 2019)

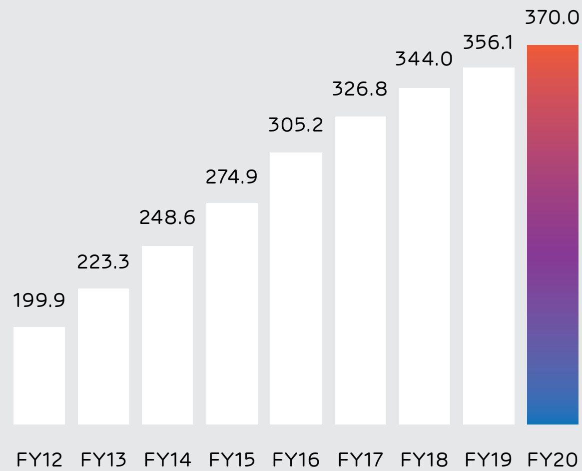
Source-wise Generation Capacity Mix as of March 31, 2020

(%)



Evolution of Installed Capacity in India

(GW)

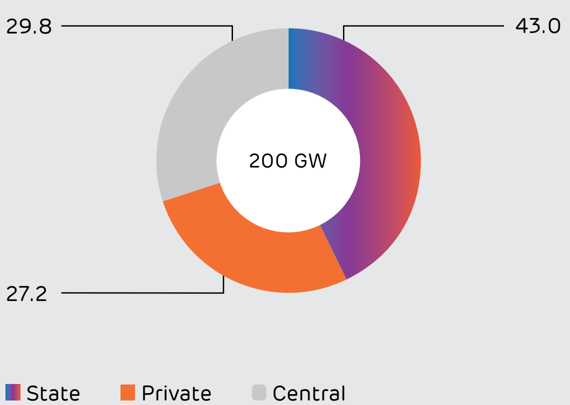


Source: CEA

In terms of ownership mix, as of March 2020, the private sector contributes ~ 46.8% of India's installed capacity. This proportion has increased from ~ 27.2% in FY 2011-12 owing to continued strong growth in demand and initiatives of the government to encourage private sector participation in power generation.

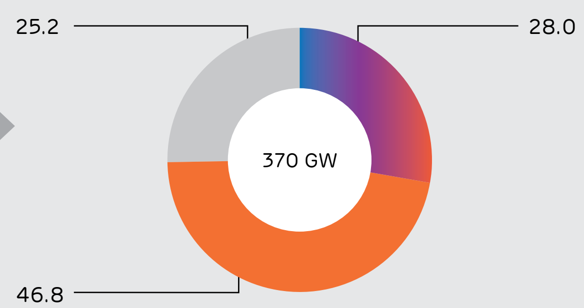
Installed Capacity (FY 2011-12)

(%)



Installed Capacity (FY 2019-20)

(%)



Source: CEA

Management Discussion and Analysis (Contd.)

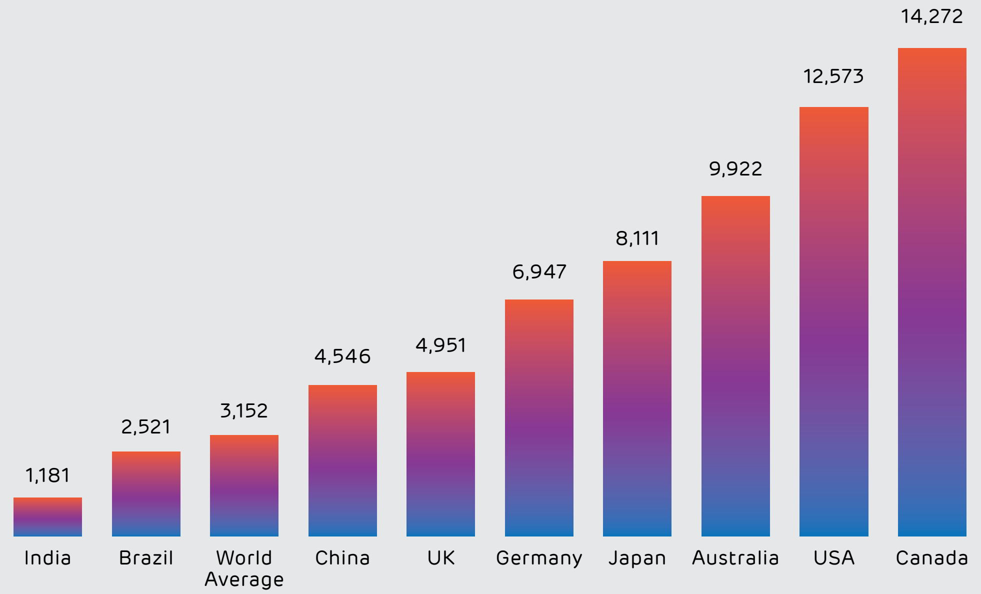
Energy requirement and peak availability

Energy deficit in India decreased from an interim high of 8.7% in FY 2012-13 to 0.5% in FY 2019-20. Peak deficit decreased from an interim high of 10.6% in FY 2011-12 to 0.7% in FY 2019-20.

Improvement in the power deficit situation signifies the success of various policy initiatives and capital investments made across the business segments. However, India's per capita consumption still remains well below its peers like China and Brazil and is less than one-third of the global average (as of December 2017). India's per capita electricity consumption was 1,181 KWh in FY 2019-20.

Per capita Consumption of Electricity

(kWh)



Demand for electricity is on the rise as India's economy gains in global importance. Various factors contributing to the rising per capita consumption, include:

1) improvement of electrification in villages;

2) GDP growth and general economic activity; and

3) growth in consumer electronic device penetration

The 19th Electric Power Survey projects demand to grow from 1,275 TWh in FY 2018-19 to 2,047 TWh in FY 2026-27, with peak demand growing from 177 GW to 299 GW in the same period.

Power consumption

India's Northern and Western regions accounted for majority of its energy requirements in FY 2019-20 at 30% and 31% respectively, while the Southern region accounted 27%, and the Eastern and North-Eastern region together constitute the balance 13% of national energy requirement.

Rising penetration of renewable sources and heavy monsoons, along with a slower economic growth, have resulted in a tempering of demand for thermal power. PLF of thermal power plants stood at 56.1% during FY 2019-20, versus 60.7% in FY 2017-18 and 61.1% in FY 2018-19. At the same time, various reforms initiated over the last few years are starting to show results, and are expected to help improve power demand gradually. Some key statistics related to the sector are:

- India is 100% electrified and, as per government data, all willing households have been connected to grid-based electricity, following the ambitious Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA) initiatives

- Aggregate Technical & Commercial (AT&C) losses (March 2020) was recorded at 19.01% vis-à-vis a targeted 15% as envisaged under the Ujwal DISCOM Assurance Yojana (UDAY), scheme for March 2019 is a concern. Few major SAUBHAGYA beneficiary states, including J&K, UP and Bihar continue to have AT&C losses over 25%
- Share of generation for Renewable Energy Systems (RES) rose gradually from 8.6% in FY 2018-19 to 9.2% in FY 2019-20

Coronavirus impact

In the wake of the coronavirus outbreak, the Government of India imposed a country-wide lockdown, during which the following steps were undertaken for seamless functioning of the power sector:

The Ministry of Power advised power generators and transmission utilities, along with various administrative bodies to ensure that the generation and transmission of power, which are essential services, continue uninterrupted. Steps to ensure uninterrupted movement of fuel, raw materials and spares, machinery, and manpower were also covered.

Various steps were taken to ease liquidity constraints felt by DISCOMs due to the COVID-19 lockdown, such as the ₹ 90,000 Crore package for loans against DISCOM receivables from PFC and REC, and temporary reduction in payment security mechanism and late payment surcharges for eligible PPAs

The RBI also issued guidelines to Banks, FIs, and NBFCs to provide moratorium on term loan instalments and interest, as well as interest on cash credit, for a period of three months, and easing of working capital financing norms, to maintain liquidity in the financial system and prevent defaults by borrowers In order to provide relief to thermal power generators and increase liquidity in the system. Coal India Ltd. has also allowed the facility of Usance Letter of Credit to power plants for payment of coal instead of the existing requirement of cash advance for supply of coal under Fuel Supply Agreements (FSA).

Coal demand and supply

Over the years, overall coal consumption has increased continuously. However, FY 2019-20 witnessed a decline in domestic coal consumption due to tepid growth in power demand, and higher generation from renewable energy sources, including hydropower.

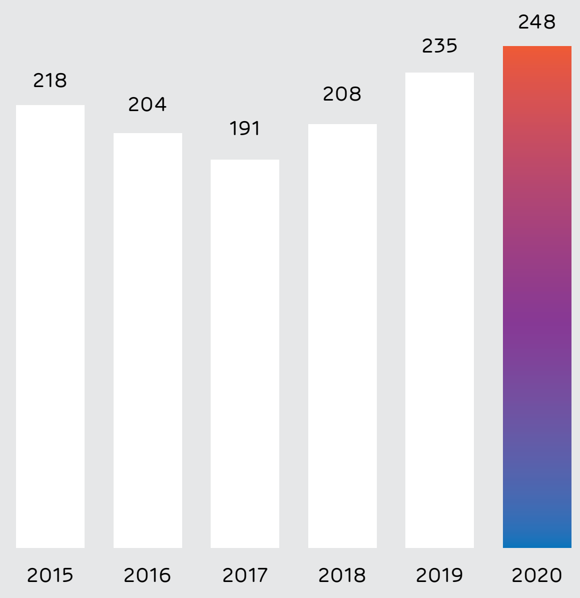
Coal production in India during FY 2019-20 registered a small growth of 1.2% at 738 MT vis-à-vis 729 MT in FY 2018-19. In comparison, coal production had grown by 2.4% in FY 2017-18 and 7.6% in FY 2018-19. Coal India Ltd. (CIL) and Singareni Collieries Company Limited (SCCL) produced 666 MT of coal in FY 2019-20 as against 671 MT in FY 2018-19. However, coal offtake from both the producers reduced by 4.7%, down from 676 MT in FY 2018-19 to 644 MT in FY 2019-20. The offtake of coal by the power sector from the two suppliers was lower by 5.7%, down from 547 MT in FY 2018-19 to 516 MT in FY 2019-20.

A slowdown in offtake of coal was observed in March 2020 due to the slump in demand after emergence of the coronavirus crisis led to a higher inventory of domestic coal. Coal stocks at thermal power plants of the country have risen to the highest-ever inventory of 52 MT at the end of March 2020, sufficient for 28 days. Coal inventory at mines also increased steeply to 80 MT, equivalent to 40 days of requirement.

Coal imports have been increasing through the last few years, with slower than expected growth in domestic production and rising demand from power and other sectors.

Total Coal Import

(Million Tonnes)



Slowdown in the demand for thermal coal from China during 2019 has impacted international coal prices significantly. HBA prices for March 2020 were 26% lower y-o-y at $67.1/Tonne, while Newcastle coal prices were 43% lower at $64/Tonne.

Management Discussion and Analysis (Contd.)

Adani Power Limited (APL): Delivering sustainable value

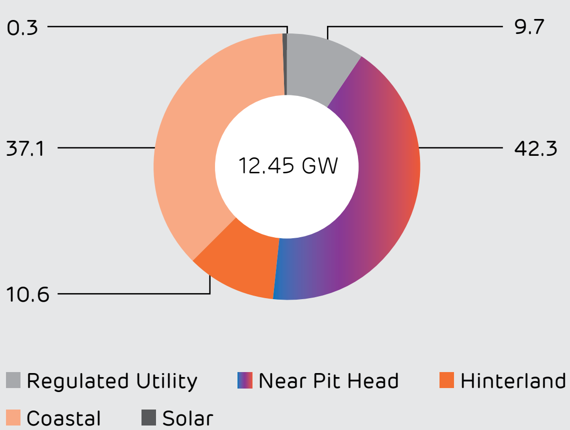
APL is the largest private thermal power producer in India, with a power generation capacity of 12,450 MW comprising 12,410 MW of thermal power plants and a 40 MW solar power project. APL has built and operates through its wholly owned subsidiaries 9,240 MW of thermal power capacity, including a 4,620 MW plant of APMuL at Mundra in Gujarat, a 3,300 MW plant of APML at Tiroda in Maharashtra, and a 1,320 MW plant of APRL at Kawai in Rajasthan. APJL, a wholly-owned subsidiary of the Company, is currently developing a 1,600 MW green field, ultra-supercritical power project in Jharkhand for supplying power to Bangladesh, a country witnessing base load demand growth and power deficit.

APL also acquired three thermal power plants with a total capacity of 3,170 MW, comprising a 1,200 MW plant of UPCL at Udupi in Karnataka, a 1,370 MW plant of REL at Raipur in Chhattisgarh, and a 600 MW plant of REGL at Raigarh in Chhattisgarh.

Various power plants of APL and its subsidiaries have specific geographic and competitive characteristics, enabling their categorisation as Regulated Utility (Udupi), Coastal (Mundra), Near-Pithead (Tiroda, Raipur, and Raigarh), and Hinterland (Kawai) segments.

Capacity Mix

(%)



APL operates modern and efficient fleets with sub- and supercritical technology, with long-term Power Purchase Agreements (PPAs) for 74% of its generation capacity, under Sections 62 and 63 of the Electricity Act. The Company commissioned India's first supercritical unit of 660 MW in Mundra in 2010 and commissioned one of the largest single location thermal power plants in the world with a generation capacity of 4,620 MW in Gujarat in 2012. In 2014, it commissioned one of the largest supercritical thermal power plants with a generation capacity of 3,300 MW in Tiroda in Maharashtra.

APL's plants are located across various geographical terrains, ranging from coastal areas to hinterland. It has extensive experience of working with a range of power plant technologies of subcritical and supercritical type.

APL's considerable competitive advantage in the form of its ability to manage sourcing and logistics of 49 MMPTA coal within India and from abroad, for use within its power plants, as well as handling 6 MMTPA of fly ash. This entails management of multiple touch-points and interfaces with various agencies, handling of the equivalent of 12,000 railway rakes every year, and co-ordination of loading of 25 rakes on a daily basis, with 36-40 rakes in circulation at all times.

SWOT analysis

Strengths

- Proven capabilities in undertaking the execution of large power projects based on modern technology, with adherence to time and cost limits
- Demonstrated capability of turning around stressed power projects after acquisition
- Committed and agile teams with deep sector experience and domain expertise in O&M, power sector regulation, project management, and business development
- The only Independent Power Producer in India with in-house, mine-to-plant logistics capability
- Mix of coastal, pit-head and hinterland projects in major demand centres and close to fuel source
- Competitive tariffs allowing a comfortable Merit Order Despatch position and high levels of offtake
- More than 74% of installed and upcoming greenfield capacity tied up in long-term PPAs with availability-based tariff mechanism, ensuring revenue stability and recovery of capacity costs
- Fuel cost pass through in majority of imported coal-based PPAs, providing stability to cash flows and support to profitability
- 84% of domestic coal requirements tied up in long-term Fuel Supply Agreements (FSAs), providing long-term visibility on fuel security

- Regulatory approvals for carrying cost, along with late payment surcharge mechanism, provide protection against delays in award of regulatory claims and payment from power procurers

Weakness

- Dependence on monopolistic state-owned coal suppliers for domestic coal requirements exposes the Company to disruptions in fuel availability
- Some PPAs based on domestic coal supply do not provide escalation for coal price increases, while in other cases, escalation is partial
- Events of change in law are compensated through the regulatory process, which can take significant time, and expose the Company to cash flow mismatches in the interim
- 26% of capacity is untied and subject to short-term market risk, without stable domestic fuel supply

Opportunities

- Stressed power assets with locational advantage available at attractive valuations, providing an opportunity to expand capacity while avoiding execution risk
- Anticipated demand growth spurred by economic growth as well as government reforms such as Ujwal DISCOM Assurance Yojana (UDAY), Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA), and Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)
- Limited amount of new thermal power capacity to be installed over the coming years, while base load demand is expected to increase with a growing economy. This will create opportunities for both merchant power and long-term tie-ups.
- Improving demand and coal supplies will lead to improvements in PLFs

Threats

- Increasing preference globally and in India for renewable power, especially solar power, could constrain growth prospects for thermal power generation in the long run
- Reluctance of state DISCOMs to tie up power demand through long-term PPAs, in view of subdued rates in merchant and short-term markets
- Volatility in international coal prices may affect the Merit Order Position of PPAs with coal price pass through, leading to lower capacity utilisation
- Inability of domestic coal miners to raise production in line with demand growth could impact capacity utilisation and increase dependence on imported coal

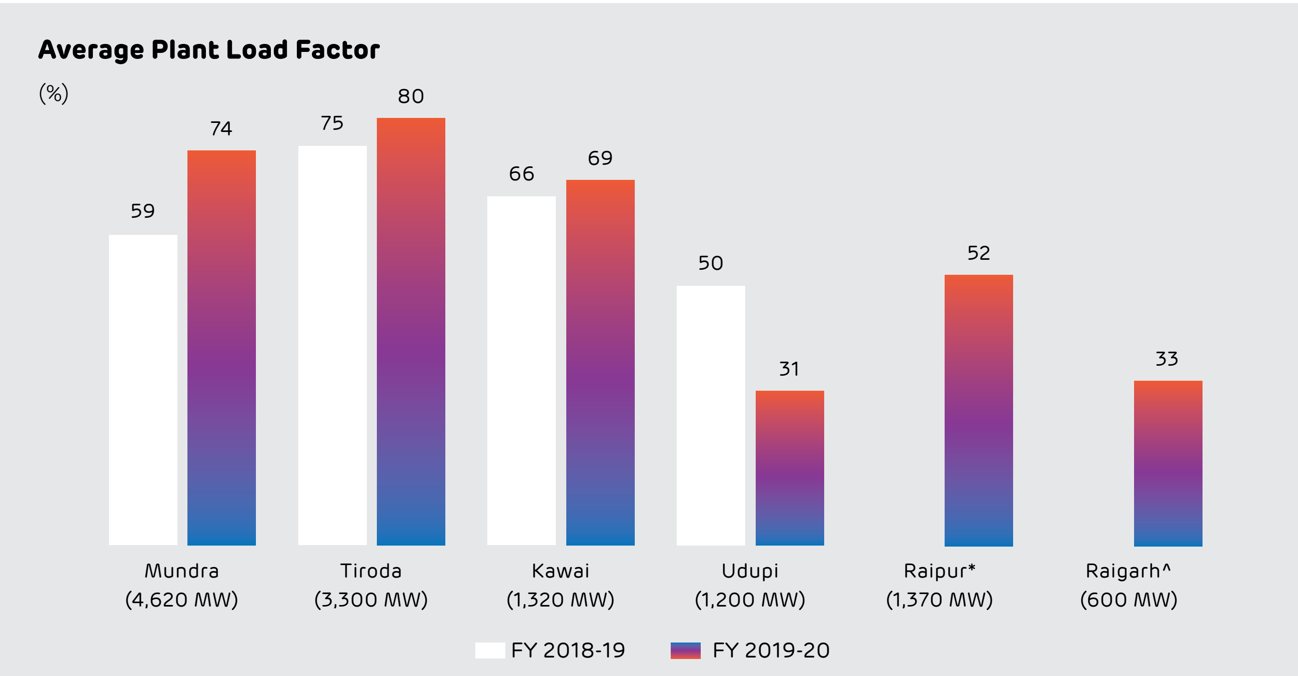
Operating performance

The Company's operating performance showed improvement in FY 2019-20, led by enhanced domestic coal availability in Tiroda and Kawai, with incremental generation being added by Raipur and Raigarh post acquisition. Slower growth in power demand, coupled with higher renewable generation and heavy monsoons, resulted in low PLF for Udupi. Weakness in the merchant and short term power markets due to improved supplies also resulted in underutilisation of the open capacities of the Mundra power plant, which have been freed up after the Supreme Court accepted the Company's petition to terminate the Bid-2 PPA with GUVNL. However, the Mundra plant recorded higher PLF in FY 2019-20 as compared to FY 2018-19 after implementation of the High Powered Committee's recommendations. The PLF of the Kawai power plant also improved on the basis of improved domestic coal availability, after ramp up of coal supplies under the FSAs signed under the SHAKTI policy.

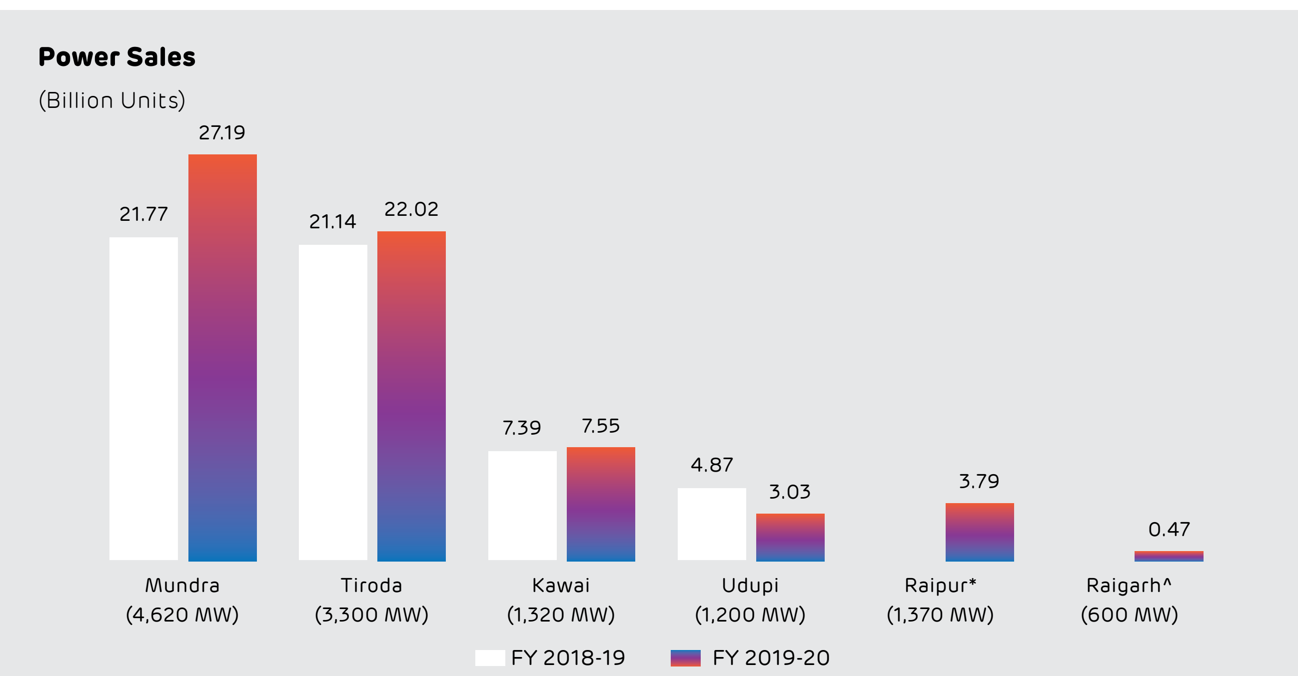
Average Plant Load Factor (PLF) during FY 2019-20 was at 68%, up from 64% in FY 2018-19. Units sold in FY 2019-20 were 64.1 Billion Units (BUs), up by 16% from 55.2 BUs in FY 2018-19. The higher growth in power sales is attributable to addition of power sold by the Raipur and Raigarh power plants, which were acquired during FY 2019-20.

Management Discussion and Analysis (Contd.)

PLF and power sales trend by plants in FY 2019-20 over FY 2018-19



* Effective PLF for Operational period (August'19 to March'20) ^ Effective PLF for Operational period (December'19 to March'20)



* Effective PLF for Operational period (August'19 to March'20) ^ Effective PLF for Operational period (December'19 to March'20)

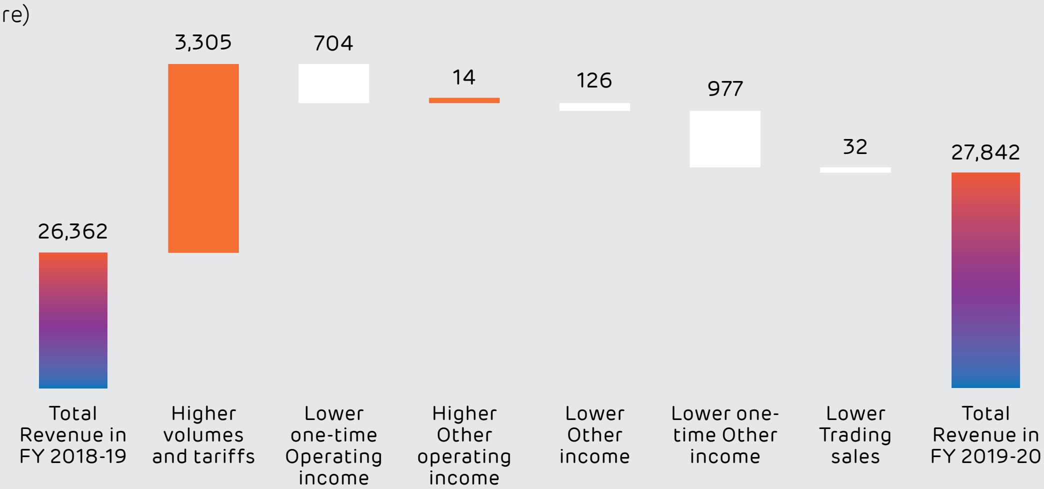
Financial performance

Consolidated total income rose 5.6% in FY 2019-20 to ₹ 27,842 Crore, from ₹ 26,362 Crore in FY 2018-19, driven by growth in power sales, primarily due to higher volumes and improved fuel cost recovery after implementation of the High Powered Committee's (HPC) recommendations for Mundra, additional revenue from Raipur and Raigarh post acquisition, and improved tariffs at Tiroda and Kawai. This growth was offset by lower volumes at Udupi on account of lower power demand in Karnataka, due to heavy rainfall and higher generation from renewable energy, as well as lower recognition of one-time income on account of various regulatory orders during FY 2019-20, as compared with the previous year.

The growth in operating revenues was offset partially by a reduction in other income, owing to lower recognition of net regulatory income pertaining to prior periods of ₹1,285 Crore in FY 2019-20, compared to ₹ 2,864 Crore in the previous year based on the regulatory orders received during the respective periods.

Revenue Progression

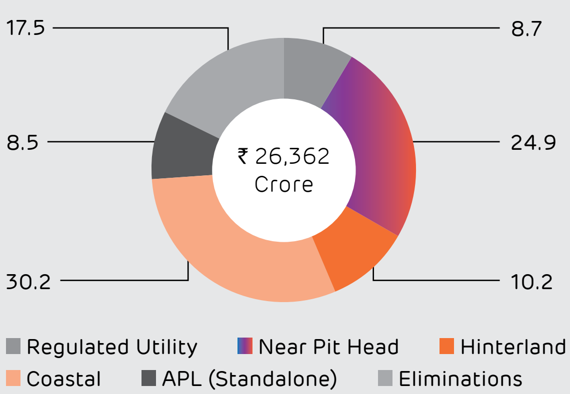
(₹ in Crore)



Revenue growth during FY 2019-20 was mainly contributed by the Coastal segment, while contribution of the Near-pithead segment reduced due to lower one-time revenue recognition for Tiroda. Lower PLF at Udupi resulted in lower contribution from Regulated Utility segment.

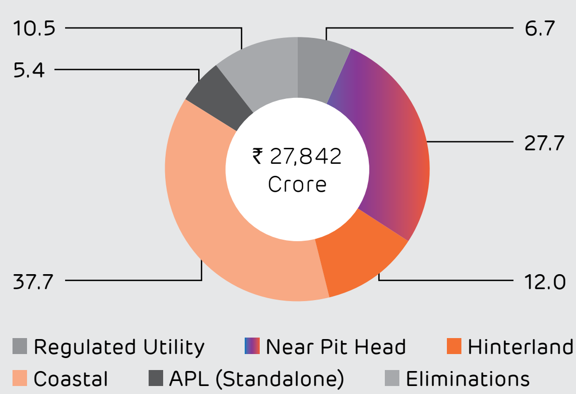
Revenue Mix FY 2018-19

(%)



Revenue Mix FY 2019-20

(%)

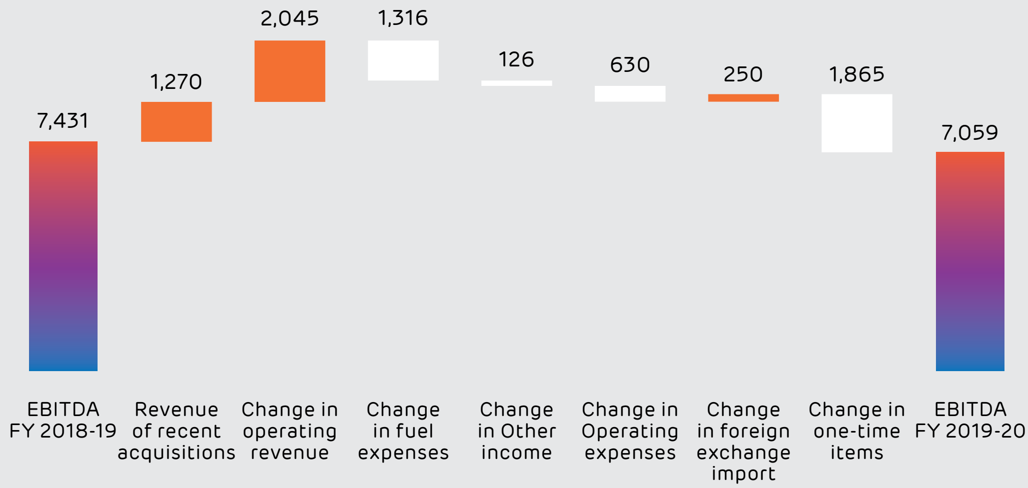


Management Discussion and Analysis (Contd.)

Consolidated EBITDA declined by 5% to ₹ 7,059 Crore in FY 2019-20 from ₹ 7,431 Crore in FY 2018-19, primarily on account of lower net regulatory income and higher one-time provisioning as compared with the previous year. One time provisioning as part of expenses in FY 2019-20 was ₹ 329 Crore, compared to ₹ 145 Crore in FY 2018-19. Normalised EBITDA, after adjusting exceptional and one time revenue recognition as well as additional provisioning, was ₹ 6,104 Crore in FY 2019-20 as compared to the normalised EBITDA of ₹ 4,611 Crore in FY 2018-19.

EBITDA Progression

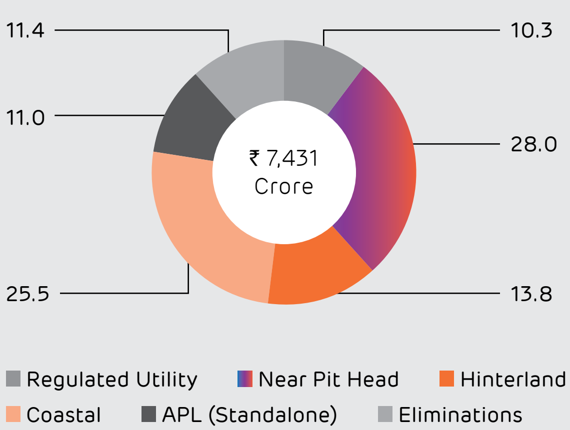
(₹ in Crore)



The largest contribution to consolidated EBITDA was from Near-pithead plants. However, EBITDA from this segment fell due to lower one-time revenue recognition at Tiroda and ramp-up phase of Raipur and Raigarh plants. Contribution from the Coastal segment reduced due to lower one-time revenues and higher one-time expenses.

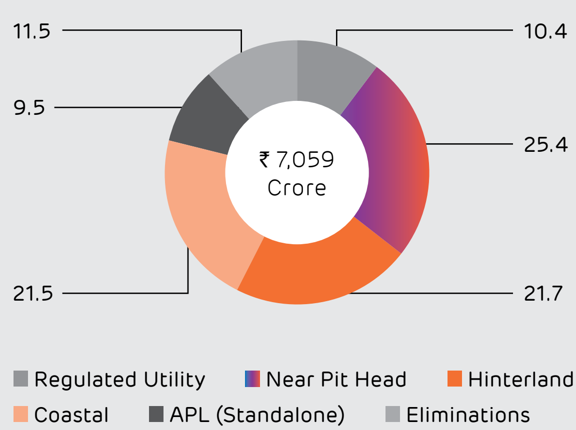
EBITDA Mix FY 2018-19

(%)



EBITDA Mix FY 2019-20

(%)



Total Comprehensive Loss after Tax increased from ₹ (-) 992.14 Crore in FY 2018-19 to ₹ (-) 2,264.45 Crore in FY 2019-20.

Total borrowings as of March 31, 2020 were ₹ 55,198.77 Crore vis-à-vis ₹ 46,979.70 Crore as on March 31, 2019. The increase in borrowings was mainly attributable to additional debt of the recently acquired companies and the under-construction 1,600 MW Godda power project, in addition to higher working capital borrowings due to an enhanced level of operations.

Consolidated net worth of the Company including Unsecured Perpetual Securities ["UPS"] stood at ₹ 6,480.45 Crore as on March 31, 2020 vis-à-vis ₹ 7,712.29 Crore, as on March 31, 2019. During the year, the Company issued additional UPS of ₹ 615 Crore.

Key ratios

APL Consolidated Ratios	2019-20	2018-19
Debtor Turnover (Days)	113	136
Senior Debt ISCR (x)	1.11	1.24
Current Ratio (x)	0.80	0.73
External Debt to Net Worth (x)	7.13	5.49
External Debt to EBITDA (x)	6.55	5.70
EBITDA Margin (%)	25%	28%
PAT Margin (%)	-8%	-4%
Return on Net Worth (%)	**-35%**	-13%

Regulatory developments

Adani Power (Mundra) Ltd. (APMuL)

Pursuant to the Civil Appeal dated September 7, 2011 made by Adani Power Ltd. ["APL"] challenging the order of the Appellate Tribunal of Electricity ["APTEL"], whereby the APTEL had declared the termination of the 1,000 MW Power Purchase Agreement ["Bid-2 PPA"] with Gujarat Urja Vikas Nigam Ltd. ["GUVNL"] to be invalid, the Hon'ble Supreme Court on July 2, 2019 held that the termination is valid and the PPA stands terminated with effect from January 4, 2010. The power supplied under the said PPA was generated from Units 5 & 6 of the 4,620 MW Mundra power plant. The plant was transferred to APL's wholly owned subsidiary Adani Power (Mundra) Ltd. ["APMuL"] by way of Slump Sale under a Scheme of Arrangement with effect from March 31, 2017.

APL had announced the termination of the Bid-2 PPA as one of the conditions subsequent of the said PPA, viz. tie up of a Fuel Supply Agreement ["FSA"] with the Gujarat Mineral Development Corporation ["GMDC"] could not be fulfilled. However, APL continued to supply power under the Bid-2 PPA after the Gujarat Electricity Regulatory Commission ["GERC"] and subsequently the APTEL did not uphold the termination notice.

Post requisite hearing on different dates, the Supreme Court has announced on July 2, 2019 that the Company's Civil Appeal has been allowed. It also directed the Central Electricity Regulatory Commission ["CERC"] to calculate the compensation payable to APMuL in accordance with Section 62 of The Electricity Act, 2003 for the past power supplies made under the original PPA for 1000 MW capacity from the date of its commencement. .

Pursuant to the Court's order, GUVNL has stopped procuring power under the PPA, which was generated by Phase III of the Mundra power plant, and the capacity vacated thus is being utilised to supply power to the short term market. APMuL has also filed its petition with the CERC for determination of compensation as directed by the Supreme Court, and hearings are ongoing presently.

Adani Power Maharashtra Ltd. (APML)

The Hon'ble Maharashtra Electricity Regulatory Commission ["MERC"], vide its Order dated September 9, 2019 allowed compensation on account of non-availability of coal from the Lohara coal block to Adani Power Maharashtra Ltd. ["APML"]. This compensation has been granted in respect of the 1,320 MW PPA signed by APML with the Maharashtra Electricity Distribution Co. Ltd. ["MSEDCL"] for its 3,300 MW power plant at Tiroda, Dist. Gondia, Maharashtra.

As per the referred order from the MERC, the de-allocation of the Lohara coal block by the Ministry of Coal would qualify as Change in Law, and APML is entitled to claim compensation from the commencement of power supply under the PPA for the usage of alternative coal to meet the shortfall. Further, APML is also entitled to claim carrying costs on the claim amount till the date of the subject order.

Cross-appeals against the MERC order have been filed with the APTEL by both APML and MSEDCL, and the hearings are ongoing at present.

Adani Power Rajasthan Ltd. (APRL)

The Hon'ble APTEL has issued an order on September 14, 2019, allowing the claim of compensation of Adani Power Rajasthan Ltd. ["APRL"] for non-availability / shortage in linkage coal supply from Coal India Ltd., and usage of alternate coal in respect of the 1,200 MW PPA signed by APRL with the Distribution Companies of Rajasthan ["Rajasthan DISCOMs"].

The APTEL has allowed compensation for domestic coal shortfall arising from change in law pertaining to the New Coal Distribution Policy, 2007 ["NCDP"] and the Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India ["SHAKTI"] policy of the Government of India. In

Management Discussion and Analysis (Contd.)

addition to this, the APTEL has granted carrying costs pertaining to the claim amounts.

RUVNL has filed appeal in Supreme Court against APTEL order, apart from a review petition with the APTEL against the same order. The APTEL has heard the matter and reserved its order, whereas the hearings in the Supreme Court are ongoing at present.

Other corporate developments

Raipur Energen Ltd. (REL)

APL completed the acquisition of GMR Chhattisgarh Energy Ltd. (GCEL), which owns and operates a 1,370 MW (2 X 685 MW) Supercritical power plant at Raikheda village, in Raipur District of Chhattisgarh. The Company acquired 52.38% of the equity stake in GCEL from its Consortium of Lenders, following the approval of APL's resolution plan to acquire a controlling equity stake and restructure its debt. The balance 47.62% equity stake was acquired from the GMR Group. The acquisition of GCEL was concluded on August 2, 2019 at an enterprise value of ~₹ 3,530 Crore.

The Raikheda power plant is strategically located near the coal mining areas of Chhattisgarh and has Boiler and Turbine Generator equipment supplied by Doosan Heavy Industries, S. Korea. The locational advantage will allow GCEL to source domestic coal with lower logistics cost, and make it more competitive while bidding for long-term PPAs.

Subsequent to the acquisition, GCEL was renamed as Raipur Energen Ltd. ["REL"]

Raigarh Energy Generation Ltd. (REGL)

APL completed the acquisition of Korba West Power Company Ltd. (KWPCL), a company undergoing corporate insolvency resolution process, pursuant to the provisions of the Insolvency and Bankruptcy Code, 2016 and the regulations made thereunder. The National Company Law Tribunal, Ahmedabad (NCLT") issued an order approving the resolution plan submitted by the Company and the acquisition of KWPCL was concluded on July 20, 2019 at an enterprise value of ~₹ 1,204 Crore.

After the acquisition, KWPCL was renamed as Raigarh Energy Generation Ltd. (REGL). It owns and operates a 600 MW thermal power plant in Raigarh District, Chhattisgarh, and has a 2.315 MMTPA long-term FSA signed with Coal India Ltd. subsidiaries.

REGL restarted operations of the power plant, which had been shut down prior to its acquisition by APL for rectification of its generator equipment on December 21, 2019.

Adani Power (Jharkhand) Ltd. (APJL)

Adani Power (Jharkhand) Ltd. ["APJL"] has received approval from the Office of Development Commissioner, Falta Special Economic Zone, Department of Commerce, Government of India for setting up of a unit for generation of power for export of electrical energy in respect of APJL's 2x800 MW Ultra-supercritical power project being implemented in Godda District, Jharkhand, for supply of power under a long-term PPA arrangement to the Bangladesh Power Development Board, Government of Bangladesh.

APJL has tied up debt financing with consortium of financial institutions comprising REC Ltd (REC) and Power Finance Corporation Ltd (PFC) and achieved financial closure. REC and PFC have sanctioned Rupee Term Loan facility of ₹ 10,075 Crore in the ratio of 50:50. APJL has also drawn down ₹ 2,109 Crore under this facility as of March 31, 2020.

People practices

At APL, our people are our biggest asset. We continuously endeavour to upgrade their knowledge and skills, enhancing their ability to perform.

The average employee age at APL is 36 years, which provides us a great mix of experience, enthusiasm and positive energy. We emphasise employee wellbeing and safety and have implemented safety initiatives like Chetna, which sensitise our people on safe working and living.

APL is building a conducive workplace with the key pillars of capability building, digitalisation, employee engagement and governance systems. It has also implemented Oracle fusion technology for employee life cycle management. Performance appraisal and learning modules have helped the Company to standardise its systems with real-time and accurate data. Competency assessment and development have been taken up on priority in all major service and core functions. APL also conducted Gallup employee engagement survey and based on the outcome, it is driving focused action plan for enhanced engagement.

APL believes in internal grooming of our people, preparing them to take on higher responsibilities rather than going in for lateral hiring. The Company has undertaken steps to identify and groom successors for all the critical positions to build a pipeline of successors and identifies young managers and high-potential people to be groomed as future leaders. .

With special focus on learning and development, APL has rolled out various learning initiative under Transition Leadership Programs like North-star and Takshashila, in association with leading Management Institutes.

The Company also undertook cultural diagnostic survey focusing on trust, care and values, thereby creating a culture of Respect, Trust and Care across the enterprise.