"Adani Energy Solutions Limited

Q1FY25 Earnings Conference Call"

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Management: **Mr. Kandarp Patel – CEO – AESL**
Mr. Kunjal Mehta – CFO – AESL
Mr. Anupam Misra – Head Group Corporate Finance
Mr. Vijil Jain – Head IR – AESL

Moderator: Ladies and gentlemen, good day and welcome to Adani Energy Solutions Limited Q1 FY25 Investor Update Call.

Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

Today, we have with us on the call Mr. Kandarp Patel - CEO, Mr. Kunjal Mehta – CFO and Mr. Anupam Misra - Head Group Corporate Finance.

I now hand the conference over to Mr. Kandarp Patel. Thank you and over to you sir.

Kandarp Patel: Thank you. Good afternoon to all analysts and investors friends, welcome all of you to this call. We have already uploaded the press release as well as presentation on our website. I hope you must have an opportunity to look at the documents.

Before we get into a detailed discussion on operational and financial parameters, just to highlight that, in this quarter, we have seen the growth at AESL has been over 20%, in all financial parameters and especially EBITDA. Therefore, AESL is entering into high growth phase, and you will see almost similar numbers on a quarter-to-quarter basis as we progress, and these numbers are based on the solid pipeline of projects that we already have in our hand in transmission, distribution and smart metering businesses.

Another purpose that we are trying to achieve, and we are making sure that, we will become the leading integrated energy solution company. All the transmission projects that we are developing is for evacuation of renewable powers, and mostly in the Khavda region, where AGEL is setting up the world's largest renewable power plant at a single location of 30 gigawatt. Similarly, in the distribution segment, in line with our ESG commitment we have already integrated about 37% of renewable power in our total portfolio for our distribution power purchase. And we will keep on pushing that number and meet that commitment of 60% by 2027. In fact, we plan to achieve that much ahead of it.

The third intervention or third business vertical, which is going to give us a significant push in terms of profitability and revenue, is smart metering segments. The aim of smart metering is to make the grid efficient and to make sure that a higher amount of renewable is integrated in the grid by virtue time of the day tariff.

In all the verticals we are trying to make sure that we facilitate the energy transition in the country. In fact, that is another reason we have made a commitment that at appropriate time we will carve out Dahanu Power Plant. The board has decided to carve out the Dahanu Power Plant and soon this power plant will be shifted out of AEML. After the carve out AESL and AEML, both will become a pure transmission and distribution utilities managing energy transition. The value at which it is getting carved out is about Rs. 815 crores, which is equivalent to the regulatory asset base of Dahanu Power Plant. Therefore, the asset based of AEML will reduce temporarily to that extent and the proceed from the sale of the Dahanu power plant will be used for reducing our indebtedness. But by the end of the current financial year, again we will build up that RAB in distribution and transmission in AEML. Before we close this financial year, will be able to achieve in fact incrementally higher RAB than what we are having prior to the carving out of the Dahanu.

When we carve out the Dahanu, we also make sure that the electricity demand is met in terms of PPA, approved by MERC. So, AEML will continue to get that power supply from Dahanu power plant even in a new avatar, because the regulatory nature of the power plant doesn't change, and the supply will continue as long as MERC approves that or extend the PPA for Dahanu.

Now because of the carving out of the Dahanu there is exceptional item impairment amount of Rs.1,506 crore that you must have seen in the financial statements. If we remove that one-time item, all the financial numbers like revenue from operation has increased by about 46%, EBITDA adjusted of that one-time item has increased by about 28%, and the operational EBITDA has increased on the similar lines.

On the operational part, we continue to do better as we have done in last many years. Our availability remains in the range of 99.7% in terms for transmission. In terms of distribution, it is in excess of 99.9%. We continue to reduce our distribution losses in AEML. Further, we have also seen a significant increase in units' sale not only in AEML but also at MUL because of strong demand growth in both our geographies.

So, in a nutshell, one of the best performing financial quarter, we have got into that growth zone and also backed by strong operating parameters. Now, we hand over to investors and analysts friends and we will answer those questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Hi good evening, sir, two questions from my side. Firstly, can you just throw some color on the smart meter, have you received the go to live for most of the pipeline and the other question is that, how do you see the tendering activity as of now, which are the large states which are still pending to award the smart meter order?

Kandarp Patel: Hi Mohit, as far as smart meter is concerned, we already have a pipeline of around 23 million meters worth concession already awarded to us. We have already started implementing in BEST, Assam and Bihar. In the next couple of weeks, we will start implementing in Uttarakhand as well as in Maharashtra and Andhra Pradesh. So, we have already implemented close to about three lakhs meter in BEST, Assam and Bihar as well as we have implemented about five lakh meters in AEML. The smart metering implementation is progressing well, it is getting momentum. As far as bidding pipeline is concerned about 12 crore meters are yet to be auctioned, with tendering coming from the states such as Telangana, Tamil Nadu, Karnataka, and Madhya Pradesh. These are the four major states which are yet to issue a bid for the smart meter. Then even in West Bengal, they have yet not covered the full. In Gujarat there are some meters which are pending for the bid. So, we see a robust growth coming from smart metering segment.

Mohit Kumar: Sir, is it possible to give some guideline on how do you see the smart metering installation for next three years, that is 2025, 2026, and 2027 based on the current order book?

Kandarp Patel: So, Mohit, we are targeting about 50 to 65 lakh smart meters in the current year and from next year onwards we will reach about between one to two crore smart meters implementation. So, we will try and finish the existing one in next two to two and a half year and then we will continue to implement as we get new orders.

Mohit Kumar: Understood, thank you sir.

Moderator: Thank you. Next question is from the line of Rabindranath Naik from Sunidhi Securities. Please go ahead.

Rabindranath Naik: Good evening, sir, thank you for the opportunity, my question is regarding the transmission business, the EBIT margin has come down especially in this quarter it is 45% to 46% so once upon a time it was 60% to 70%. How do you see this margin going ahead because the majority of the new lines on the transmission side would be completing under the TBCB model. So how do you see the margin going ahead from the upcoming projects and on GTD business you have sold this asset Dahanu Power Plant of Rs. 800 crores valuation for the book value of around Rs. 2,200 crores so what is the regulatory impact on the tariffs and in terms of ROE. How it's going to impact the business of the company and when this PPA with Dahanu is going to finish.

Again, I am repeating my question, in the transmission business, EBIT margin is continuously declining, what is the reason for that and how do we see the margins going ahead and the regulatory impact on tariffs as well as the sale of Dahanu Power Plant. How do we see the tariff going ahead and what is the impact on the profitability of the company going ahead in the GTD business. And regarding this PPA with Dahanu, when it is going to finish?

Kandarp Patel: So, Rabindranath as far as transmission segments margin is concerned, you must have seen that we continue to maintain 91% to 92% of EBITDA margin and we will continue to have that number. The transmission business growth is driven by the opportunities coming up in the market space and because of that, we think that the intensity of the competition will reduce significantly and that will give us also headroom to improve the margins further. As far as Dahanu is concerned, though the book value of Dahanu is Rs. 2,321 crores, but the regulatory asset base on which MERC approves the tariff is around Rs. 815 crores. There will not be any impact on the tariffs. Whatever is the impact of the impairment in the financial statement, it represents a book loss not an actual loss. So, your cash profit and EBITA doesn't changes it only reduces to the extent of reduction in the RAB which will be recovered basis the capex and capitalization this year, and it doesn't change tariff under the PPA as well.

Rabindranath Naik: Okay. The PPA with a DISCOM right now from Dahanu, when it is going to finish?

Kandarp Patel: So, the existing PPA has a 10-year contract till April 2025. But we understand that PPA will be extended for at least few more years. And the reason for the PPA extension is because the Dahanu Power Plant plays a significant role in supplying power within Mumbai. The PPA with Dahanu will remain in effect until the sufficient transmission capacity is established to import power into Mumbai. Our transmission project, HVDC, transmission project which is meant to bring 1,000 megawatts into Mumbai is expected to commission around September 2025. And they will also take some time to make sure that they are comfortable with the HVDC line performance. There is another line which we have setup which is Kharghar-Vikhroli. However, this line is not able to utilize full capacity because the transmission line which was to get connected to Kharghar is under construction. So, we think, once the transmission system is stabilized and it is proven that Mumbai can import and power more than 2,000 MW then they will revisit the idea of continuing to extend Dahanu PPA.

Rabindranath Naik: Okay. And sir regarding you clarified this transmission business, I am not asking the EBITDA margin, as you are looking at the EBIT margin which has come down from 67% to 70% to around 53% in FY24 and 46% in this current quarter. So, if you add the depreciation then things are enough, the margins are coming down. How should we look at this because whether the tariff you are bidding at a lower price due to that the EBIT margin is coming down, how should we look at in the future projects?

Kandarp Patel: So, there are two reasons, one is obviously in past the competition was intense and those margins were not very high. The second thing is that there are also a lot of regulatory issues pending with the various forum. When the claims will be approved, it will start getting reflected into the profitability. We have not booked all the claims in our account as a revenue and once we get the clarity, you will have a better number in terms of profitability.

Rabindranath Naik: So, from when we can see that better profitability to come, any ballpark timeline you can throw?

Kandarp Patel: So, one of the cases which was for delay and shifting of tariff was pending since a long time for one of the assets we got an order of CERC a couple of months back, there are some issues regarding two and, three parameter which we have changed in the asset, now we expect that on the similar lines for the balance other assets as well. We will receive the orders on those lines, like one of the major one which is pending is for our UP asset and we expect that those orders will be available in next six-month time.

Rabindranath Naik: Okay. And sir in the smart meter segment, can you please explain this quarter performance, the profit is high, but the sales is low because there is a disparity between the performance of last quarter – the fourth quarter and the first quarter. Can you please explain what has happened in this quarter and what was there in the last quarter?

Kunjal Mehta: Yes, so you are right in terms of the increase in the profits during this quarter, because what had happened is that in the last quarter since the meters had not been installed, the margin on that meter was not recognized under the accounting standards. Now, since those meters have been installed, the profits on that CAPEX which have been incurred has been recognized under the accounting standard as per SCA accounting. So, around Rs. 8 crores of that are an additional margin which got recognized for the meters which got installed during the current quarter.

Moderator: Thank you. Next question is from the line of Nikhil Niganiya from Bernstein. Please go ahead.

Nikhil Niganiya: My question first is on the transmission business. When we listen to competitors, especially the biggest one, Power Grid, they talk about equity IRR of about 11% to 12% in the business, in TBCB projects, just wanted to get a sense, they borrow cheaper than anyone else. Are you seeing similar returns in that business and as you were highlighting earlier, do you see it improving substantially or do you see it being broadly in this range?

Kandarp Patel: Yes, Nikhil certainly we are looking at much better returns. In fact, our internal target is always around 15% and certainly Power Grid has certain advantages compared to us. But at the same time, we also have a certain advantage in terms of project implementation and especially when you are implementing projects in a place like Khavda, obviously we have a much better competitive edge as compared to any other player. Because we will be able to make sure that projects are implemented and commissioned in time without attracting any penalties or any defaults. As there is a good pipeline and visibility, we expect that the competitive intensity will certainly reduce.

Nikhil Niganiya: Understood. Just on the related point of execution, then are you facing challenges in sourcing equipment especially high voltage transformer, which is seeing as a problem everywhere in the world?

Kandarp Patel: Nikhil, you are spot on, everyone is facing that problem. Because we have a clarity as to what kind of projects that we wanted to do, and what is our timeline. Therefore, usually, we plan our project requirements prior to the contractual timeline. So, as a practice, we do strategic buying and then we get into a long-term arrangement with those equipment suppliers who are allowed to supply equipment in India and qualified under the TBCB guidelines. So, we tie up with them in advance, and we make sure that those equipment's are delivered in time, and we make that commitment right up front. So, normally, we don't go to them once we win the bid, we go to them prior to that and commit that quantum.

Nikhil Niganiya: Understood. And then just on the pipeline, if you could just quantify that, I am sorry, if I missed it earlier, what kind of tender pipeline do you expect in the 12 to 18 months?

Kandarp Patel: Nikhil, the project which are already been declared to be under the TBCB which will happen in one year time is around Rs 90,000 to 1 lakh crore. And these are mainly from the ISTS side. We are not considering any project that states might come up with. And we see that a lot of traction on state side as well, though everyone is talking about those state projects since long, but we seriously see that traction coming from the state side as well.

Moderator: Thank you. Next question is from the line of Bharath Shah from ASK Investment Managers Limited. Please go ahead.

Bharath Shah: I was quite happy to listen to that opening commentary where you mentioned that there has been all round growth in all parameters in the current result. And, in your opinion, Adani Energy Solutions has now entered a high growth phase. I had met with Kunjal Mehta a few weeks back and jokingly I was saying Adani Energy seems to be slow moving train among all the Adani Group businesses. So, I am happy as well as intrigued by that statement as to heading entered high growth phase. So, would you describe what is the newfound energy in Adani Energy Solutions, and what will be the key drivers vertical-by-vertical transmission, distribution, smart meters. And I think district cooling is still some time away. So, we will be happy to hear your perspective as to what is going to drive on a more sustained basis superior growth?

Kandarp Patel: Thanks, Bharath, for this question. In fact, Kunjal has decided to prove you wrong. So, see if you understand Indian energy market, there are three things that are happening. One is obviously energy transition, and energy demand for the projects or CAPEX coming for energy transition world over in most of the economy, but the very unique in India is that additional factor which is growth in the energy demand. Now, you see a growth of about 8.5% to 9% every year in terms of energy demand, which brings lot of demand for project and CAPEX. And the third one is obviously modernization of grids, where the smart meter and other projects comes in. Now, if you see all the three segment, the size of opportunity that is available in India and if you see the competitive canvas in all the three segments, we feel that we are much better placed as compared to many other companies to capture this opportunity. And one of the important advantages to AESL is that we have diversity in terms of business model. So, we have transmission, distribution, smart metering and now the district cooling coming up. So, even if some segment is not moving very fast, we will have an opportunity to focus on the other segment which is moving fast. So, that kind of diverse advantage is hardly available with anyone other than us.

Bharath Shah: No, but these are generic factors, these are evolving over the period of time very clearly energy demand is growing at a rapid pace, probably one of the fastest in the world, energy transition therefore, modernization and new energy generation all these are non-factors, what is suddenly making you say that Adani Energy Solutions has entered a high growth phase, that was a bit intriguing to me. So, just wanted to understand in more detail as to what we meant by that?

Kandarp Patel: So, now let me be a little more specific, when I say we entered into high growth phase, because see we have about Rs. 17,000 crore of transmission projects under implementation and we have those smart meters project of about 22.8 million meters, and we continue to do a CAPEX in excess of Rs. 1,500 crores in AEML. Now, if you add all these three opportunities, which is already in hand, and you compare with the past number, you will realize that we will continue to do 20% every year. Now, this is the first part that we already have that kind of consistency available. The second phase, which I was trying to convey is that all the three segments in which we operate, you must have seen that the size of opportunity, which is left out is humongous. Even if we continue to maintain our existing market share, will continue to grow more than 20%.

Bharath Shah: You mean it at an aggregate level or each of the three businesses will grow at that rate?

Kandarp Patel: So, when we are talking of 20%, we are talking at AESL level.

Bharath Shah: Okay, because distribution I can't see why it will grow at 20% and even transmission is unlikely to grow at 20%.

Kandarp Patel: Yes, we are saying 20% at AESL level combined together on all verticals.

Bharath Shah: Smart meter, growth will pull up the growth rate, is what you mean?

Kandarp Patel: Correct.

Bharath Shah: Then on each of those three verticals, can you kind of highlight likely growth rate over the next three to five years and separately for district cooling, what is in offing is there any near term really prospect or which are more medium to long term kind of?

Anupam Misra: I am just trying to speak on this, I will try to articulate this question in a different way now, earlier if you saw before 2018 Adani Transmission, what was the earlier name of AESL was purely a transmission company. So, the canvas that AESL operated was on transmission. And we had the first four projects we had at an EBITDA of Rs. 2,000 crores. Then after that we have added about 25 more projects, which have got us to an EBITDA in transmission to about Rs. 4,000 crores. Now, that's a part of what we have today. Going forward based on the projects that we have in hand which are under construction today. One of them is a very large project close to Rs. 1,200 crores EBITDA and overall, once all of them are operational Rs. 2,200 crores. So, transmission standalone will grow by 50%, based on the existing projects in hand, this is just locked-in all we need to do is ensure that we execute these projects to plan which we have done over and over again over the past say 8 to 10 years, not only in AESL but in other group companies as well. That's the hallmark and the strength of the group.

Bharath Shah: What time frame Rs 4,000 crore to Rs 6,200 crore?

Anupam Misra: This will be September 2026, when the last project will be operational. So, on a run rate basis, you will see this in September 2026 quarter end, but on an annual revenue basis, you will see this in FY27.

Bharath Shah: This will go up by 50% odd so, about 30% compounded.

Anupam Misra: Yes. Now, this is not counting for the new projects, which we will go on to win once the bids are going to come in. So, that's going to be on top of that. The second business is distribution, where the business model is fairly straightforward as you actually have an existing regulated asset base on which you add the regulated CAPEX that you do year-on-year. And on that regulated CAPEX you earn a return on equity as well as return on debt. So, there is a RAB based approach that will continue to grow with a steady growth rate of 10% to 15% year-on-year based on the RAB growth. And that is something that you will see every year, we will do a CAPEX and based on that CAPEX, we will get the return. And again, repeated year-after-year 2018 is when we introduced this business model into AESL. The third one that is smart meters is where a bulk of the growth is coming, today if we look at FY24 smart meter has negligible contribution to EBITDA. Over the next three years, there is the 23 million meters which are going to be implemented. So, EBITDA will come in over a course of next three years. And then that will be a steady revenue stream that will come, now basically that's where the bulk of the growth comes from, because it's zero going to 23. But more importantly here, there are more projects to be awarded till now out of 120 million meters we have secured 23 million meters, that’s a 20% market share, assuming we maintain that slightly improve that, which looks like the case, we will end up with a lot more, more than double of what is currently there in hand. So, that's how we drive the growth on this and Bharath what we can do is, potentially we can get in touch with you independently to explain this in more detail. But this is what I thought we could articulate.

Bharath Shah: Sure, thank you. And then of course, we will meet separately again. But one just last point on smart meters. Over three years when we implement about 2.3 crore smart meters. What kind of profits would be generated in this three-year period of installation and what is the kind of revenue we can visualize after the installation is done?

Kunjal Mehta: So, basically the 23 million meters which we have currently won, we have won at an average tariff of close to around Rs.12,000 per meter. These contracts are for a period of 10 years, were out of 10 years, two and a half years have been given for the deployment of the meters and the balance seven and a half years or 90 months is towards the revenue earning period. So, the Rs. 12,000 is earned over that period of 90 months. And the margins on this business are pretty high in the range of around 85%. So, that's how this entire economics works for this smart meters thing. The average CAPEX cost in terms of, the initial CAPEX cost that the company has to put is in the range of around Rs. 5,800 per meter, which the company has to incur. So, that lands to an IRR of at least 25% or minimum 25% on the smart meter business.

Bharath Shah: And on an average if we visualize in terms of smart meter per se, how will the outflow of that Rs. 5,800 would occur and I suppose most of it is in the initial phase, and how much of the revenue would accrue in the 10-year period and what timeframe so that some kind of idea of IRR can be understood.

Kunjal Mehta: So, the Rs. 5,800 has to be incurred upfront, and the Rs. 12,000 will be earned over the next 90 months.

Kandarp Patel: So, when you install the meter, you first get that Rs. 900 which the distribution company gets from central government as a grant, by every meter installed and commissioned you will get Rs. 900 in the first year and rest about Rs. 11,100 that you receive in 7.5 years. So, roughly around Rs.1,600 per meter per annum that you will receive including both. So, all the meters that are installed, let us say in first year we have installed 60 lakh meters. So, we received Rs. 900 for those 60-lakh meters upfront and Rs.1,480 per meter as annuity payment.

Bharath Shah: So, IRR would work out to both on a one-meter basis?

Anupam Misra: More than 25%, if you look at equity returns on project returns would be excess of 18%.

Moderator: Thank you. Next question is from the line of Dhruv Muchal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchal: Sir, the regulatory asset base that you mentioned for Dahanu of Rs. 815 crores, that is the regulated equity or the overall capital base?

Kandarp Patel: It's a combine of regulatory debt and equity both.

Dhruv Muchal: Sir, I am just trying to understand how the book value is Rs 2,321 crores in the regulatory asset, the overall asset is 815 crores So, is that the disallowed CAPEX or what is that?

Kunjal Mehta: So, what had happened is that when this asset was acquired five years back the acquisition cost was allocated to various assets at that point in time and Dahanu generating asset has been allocated a higher value than the regulated value that's why you have the book value having been higher than the regulated value. But just to confirm Dhruv, there is no regulatory disallowance as far as RAB is concerned at Dahanu.

Dhruv Muchal: Okay. So, when the acquisition had happened you had increased the value, so effectively allocation led to an increase in the book value of the Dahanu asset and which now gets written off?

Kunjal Mehta: Correct.

Anupam Misra: So, Dhruv if I can explain this. Once the transaction has happened, the entire distribution business was carved out of RInfra and was sold to a SPV, that transferred happened at a fair valuation, which was about Rs. 12,000 to 12,500 which is the book value of the asset. And the regulated asset base at that time was about Rs. 5,000 to 5500 crores so that is the reason why you have a disparity in book value and regulated asset base, there is no disallowance of CAPEX of any form.

Dhruv Muchal: Got it. So, the asset gets transferred now at the regulated asset value?

Anupam Misra: Yes.

Dhruv Muchal: One-time regulated asset got it.

Anupam Misra: Yes, and you have to think of it this way, you have to think of it it's a thermal power asset with one year of PPA left, it's got 25-year life which is already over. And in addition to that, there is potentially a view that a buyer can take when the PPA can be extended for two more years. So, that's all of those factors that had to be taken into consideration while you work out the value of the asset.

Dhruv Muchal: Got it, make sense. And this will have some small implication on your regulatory asset base, but you say that, that can be offset based on your CAPEX plans in the regulatory?

Kandarp Patel: Yes. So, the RAB immediately will reduce by about Rs. 800 crores, but by the end of year because we continue to add that CAPEX it will reach back to the same year in fact, there will be some additional RAB as well. And most important point to note here is that, now in the entire RAB of AEML there will not be any thermal assets, it is pure transmission and distribution assets only.

Anupam Misra: And see this also Dhruv drives a reduction in cost to capital for AEML as well as AESL because a larger pool of capital which is ESG part of capital can then start playing into this because of the negative factor that was there, the thermal asset sitting there has now been carved out.

Dhruv Muchal: Yes. So, last question is just on the transmission segment, I just wanted to re-verify. So, assuming the under-construction projects they will require about so you must complete them over the next two years, they will require about Rs. 7,000-8,000 crore odd CAPEX every year for the next two, three years. So, that's the number, do you see any upside to that number based on the bidding that we have or all bidding that we do now, the related CAPEX to that happens from probably FY27 onwards.

Anupam Misra: So, if I can take an attempt in answering that question. Out of the Rs. 17,000 crore of CAPEX that we have for the projects under construction, about Rs. 4,000 crores are already spent. So, the balance Rs. 13,000 crores will be spent this year and the next year. So, FY25 and FY26, that's Rs 7,000 crore the next year and Rs 5,000 crore the subsequent year. The projects that we win this year, we normally enter starting expensing CAPEX, here zero is the winning year and then year one, two, three, depending on the kind of the project and the design of the project, we spend it so you should actually start seeing that also in FY26 and FY27.

Moderator: Thank you. Next question is from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: Sir, firstly on CAPEX that you mentioned, could you give me a segment wise breakdown of the CAPEX for FY25 and FY26 that will be my first question. And the second is that the transmission of bidding pipeline, what do you think is the pipeline looking that and how much will we be able to garner. Those are my two questions.

Kunjal Mehta: Sure. So, for the projects, which are already under construction in transmission business, the CAPEX which is planned for FY25 is 7,000 crores and for FY 2026 is Rs. 5,000 crores which will ensure their completion of all the nine projects that we have in hand. Of the pipeline, which is there which Kandarp mentioned earlier of around Rs 1 lakh crores coming up for bidding each year, we will continue to have the existing market share of around 20%. So, that's in terms of the planned CAPEX in transmission business. In case of the existing distribution business in case of AEML and Mundra utility, we would have a planned CAPEX of around Rs. 1,500 to Rs. 1,700 crores in each of the years. On smart meters, we have currently won 23 million meters, as I told you we have a CAPEX outlay of around Rs. 5,800 per meter and our plan is to install close to 50 to 60 lakh meters this year and which will increase to a crore or more than a crore in the next year. So, that's on the existing businesses that we have won and the CAPEX for the future businesses or the additional businesses would depend upon the project that we win.

Nidhi Shah: Alright. And just a follow up on the transmission side, as the competitive intensity there declined or given that the pipelines are strong and in the new tenders especially that are upcoming what do you think in your experience is going to be the competitive intensity?

Kandarp Patel: So, Nidhi certainly the intensity in competition has reduced but not significantly so far. But we expect that with the kind of pipeline that is already announced and in the various stages of bidding, we certainly feel that intensity will reduce significantly because we are talking of about Rs 90,000 crore to Rs 1 lakh crore CAPEX of a project in a year. So, we feel that intensity will reduce significantly.

Nidhi Shah: Alright, thank you so much.

Moderator: Thank you. Next question is from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: Sorry, if this question has been answered earlier in the call, but could I just ask what would be the use of proceeds on your disposal of the Dahanu Power Plant?

Kunjal Mehta: So, Dahanu Power Plant proceeds would be based on the covenants and the waterfall which is as per that bond covenant which we have and would largely be used to reduce our debt which is there in the company. So, because the cash flows of AEML are more than sufficient to take care of the CAPEX requirements, this additional cash flow on terms of Dahanu will be used to repay the existing debt of the company.

Abhiram Iyer: So, of AEML debt or are you envisaging some flow to AESL debt as well?

Kunjal Mehta: AEML debt.

Abhiram Iyer: Understood. And second question on AEML. So, if I look at the revenue increase on a year-on-year basis, it's about 23%, adjusted EBITDA is around 15%, could you please just clarify on why the margins have fallen for this quarter?

Kandarp Patel: So, margins have not fallen, if you understand the business model, regulatory asset-based business model, it is essentially EBITDA which will remain constant or will increase, the revenue has increased because of two reasons. Obviously, there is an increase in tariff because of the levy of FAC (fuel adjustment charges) and higher amount of sale. But you must have seen during the COVID period when my sale reduces significantly, but EBITDA remained constant and margins improved significantly, but that is not material in distribution business because it is regulatory asset base driven model here.

Abhiram Iyer: Understood, so basically if I compare EBITDA plus the change in your regulatory balance, it should more or less be in similar line or in a similar ratio with respect to the same quarter previous year?

Kandarp Patel: Correct.

Abhiram Iyer: Understood. And one last question could you just please give what would be the current debt and cash balance at AEML as of June?

Kunjal Mehta: At AEML or AESL?

Abhiram Iyer: AEML.

Kunjal Mehta: At AEML, there are two outstanding dollar bonds, one is of $ 880 million, which initially was $ 1,000 million. Now it is $ 880 and there is a $ 300 million of SLB bond which takes the total to around $ 1.1 billion of dollar bond and then there is a $ 282 million of quasi debt from the shareholder in AEML.

Abhiram Iyer: Understood. So, once the transaction for Dahanu is complete the debt will reduce by around, the net debt will basically reduce by around $ 100 million.

Anupam Misra: Correct.

Moderator: Thank you. Next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: First question is on transmission, in first quarter how much of bidding has happened and what is the share of Adani?

Kandarp Patel: So, in first quarter there are four projects which got bided and we have got one the processes is going on for allocation. So, they will have to take a decision and then go to regulatory commission for adoption or tariffs, we expect that should happen in the next week. So, our pipeline that is our share remains almost same about 20-25% but, this project we got at much better IRRs.

Puneet Gulati: But in terms of value, whether you want to talk in terms of transmission income or the CAPEX, that was out for bidding?

Kandarp Patel: So, the project we have won is about Rs. 4,000 crore CAPEX.

Puneet Gulati: Should I assume that Rs. 20,000 Crores CAPEX was bid out and you got same 20% market share there?

Kandarp Patel: So, the bid out was about Rs. 30,000 odd crore there was one HVDC project in Rajasthan and this was AC project for Khavda and there are two HVDC project coming up for Khavda in next couple of months.

Puneet Gulati: And how is the pipeline looking for the second, this current quarter?

Kandarp Patel: So, in current quarter as well, we expect at least one HVDC projects will get bid out and another three to four projects. So, roughly around Rs 30,000 to 35,000 crores worth of bidding opportunity.

Puneet Gulati: That's helpful. And secondly if you can talk a bit about your experience on the smart metering side some bit of installation has happened, how has the collection behavior been and in terms of payment by government, etc. etc.?

Kandarp Patel: So, Puneet, what we did is that first we focus on standardization of our solution. So, all those smart meters, HES, MDMS, communication, cloud and then everything integrated seamlessly with the distribution billing system. So, we have completed that aspect in fact, if you would not have done that aspect very well then you will face a lot of problem not only during implementation, but also during operation. So, we learned that part when we were implementing smart metering at AEML. So, we have concluded that part is on the distribution company where we have worked on order. We have started implementing in BEST, Assam and Bihar. We are facing some resistance in BEST, but in Assam and Bihar there is no resistance we have reached to combine there Assam and Bihar we have reached to about 6,000-meter installation a day. In a couple of weeks, we will start implementing in three distribution company of Andhra, one in Uttarakhand and two in Maharashtra. So, combined we wanted to reach to about 20,000-to-25,000-meter installation a day. And, that we will be able to demonstrate that by the end of this quarter.

Moderator: Thank you. Ladies and gentlemen, we will take our last follow up question from the line Bharath Shah from ASK Investment Managers. Please go-ahead sir.

Bharath Shah: Digitally once the smart meter is installed, your job is done and all the benefits of avoiding energy leakages and remote monitoring and all other value-added benefits would accrue to the DISCOMs. How do we derive value, because we lay a lot of data through those meters and how do we leverage this data in terms of intelligent analytics to benefit and convert into revenue over a period of time or would that belong entirely to DISCOM, and we have no role to play?

Kandarp Patel: So, Bharath, that data certainly belongs to DISCOM, we are the only custodian and we can have a very limited use, but what probably is the advantage that we can derive from this smart metering that you can certainly understand the consumption pattern and payment behavior and eventually, if you wanted to expand your distribution business in those areas, obviously this kind of insight will be very handy. And you can actually plan your investment and operations quite efficiently if you decide to take distribution asset there or you wanted to apply for a second license.

Bharath Shah: And after the meter is installed after 10 years, what happens, how do we rejuvenate these revenue streams?

Kandarp Patel: So, as per contract I have to hand over entire infra to the existing distribution company. But see what happens, those meter life is also for 10 years and now they will once this contract is over they will have to appoint another meter AMISP contractor to deploy a new set of meter and here we see we are having a great competitive advantage when they decide to replace this meter through another tendering process, because we will have presence there we would have understood that entire geography and we would have operated in that geography for last 10 years. So, the knowledge of that particular geography and working with a distribution company will become a major competitive advantage when they decide to replace the existing smart meters with a new meter through bidding process.

Bharath Shah: And the life of these typical meter would be about?

Kandarp Patel: Sorry, I couldn't get your point.

Bharath Shah: What is the physical life of smart meter?

Kandarp Patel: 10 years,

Bharath Shah: After 10 years it becomes kind of useless.

Kandarp Patel: Correct.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Kunjal Mehta for the closing comments.

Kunjal Mehta: Thank you all. Thank you for the questions and look forward to continuous engagement with all investors. In case you have any clarifications, Vijil is available for any of additional clarification that you have.

Anupam Misra: Thank you everyone.

Moderator: On behalf of Adani Energy Solutions Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.