



Adani Energy Solutions Limited

Q1 FY26 Earnings Conference Call

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Management: **Mr. Kandarp Patel – CEO – AESL**
 Mr. Kunjal Mehta – CFO – AESL
 Mr. Kapil Sharma – Business Head, Transmission
 Mr. Pushpendrasinh Zala, Business Head, Smart Meter
 Mr. Anupam Misra – Head Group Corporate Finance
 Mr. Vijil Jain – Head IR – AESL

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Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '26 Earnings Update Conference Call hosted by Adani Energy Solutions Limited. From the Adani Energy Solutions side, we have the following on the call as main speakers. Mr. Kandarp Patel, CEO, AESL; Mr. Kunjal Mehta, CFO, AESL; Mr. Anupam Misra, Head, Group Corporate Finance; Mr. Vijil Jain, Head IR, AESL; Mr. Kapil Sharma, Business Head, Transmission AESL; Mr. Pushpendrasinh Zala, Business Head, Smart Meter, AESL.

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

I now hand the conference over to Mr. Vijil Jain from AESL. Thank you, and over to you, Mr. Jain.

Vijil Jain: Thank you. Good morning and good afternoon. Thank you so much, everyone, for joining. I just hope that you've got a chance to go through the earnings material uploaded on the website. Just to very quickly explain the flow of the call. So, we will start with an opening remark from the CEO, Mr. Kandarp Patel, followed by a Q&A session and then the closing remarks from Mr. Kunjal Mehta, the CFO.

And if you have any questions, you can join the question queue in advance, so that we can manage the Q&A in a better way. Lastly, let me now hand over the call to Mr. Kandarp Patel, CEO, for opening remarks. Thank you and over to you, sir.

Kandarp Patel: Thank you, all investors and analysts, friends for joining this call. We are pleased to share that AESL has reported another good quarter in terms of financial performance and operational performance, highlighting AESL's strong on-ground execution and focused O&M. The company continues to focus on unlocking the tied-up growth through timely completion of transmission projects, ensuring stable performance in distribution segment and also maintaining industry-leading daily smart meter installation run rate.

I'll give you a few key highlights from quarter 1. So, we secured a new transmission project during this quarter called WRNES Talegaon Transmission Project. We also commissioned three transmission projects in this quarter. One was Khavda Phase 2 Part-A. The second was Khavda Pooling Station. Both these projects are in Gujarat.

Those are interstate projects. And the third one is Sangod Transmission Project, which is an intrastate project in Rajasthan. With this new project, Talegaon project, our under-construction order book stands at about INR 59,300 crores.

With the smart meter, in fact, we made significant progress during this quarter on the lines of guidance that we had at the beginning of the year. We installed about 24 lakh meters during this quarter, which has taken cumulative number to 55.44 lakh meters. With this, we are poised to achieve our target of 70 lakh meters during the current year. So, this was one of the main issue around smart metering installation rate, and now we have been able to achieve this kind of rate successfully over a period of the entire quarter. As far as the capex progress at consolidated level is concerned, this year, we did a capex of INR 2,224 crores as compared to INR 1,313 crores in last year same quarter, which is about 1.7x of the capex that we did in last year's same quarter.

Most of the capex has come from the transmission and smart metering segments. The growth in capex has come from these two segments, whereas distribution capex in AEML has remained stable. Now moving on to operational and financial performance. Operationally, also, we have done exceedingly well. We have achieved a line availability of 99.8%, which has also enabled us to earn an incentive of INR 29 crores.

With these three new projects getting commissioned, our total network -- transmission network now stood at about 26,696 circuit kilometers. As far as the distribution business is concerned, the demand remains stagnant in AEML, essentially due to the early onset of monsoon. However, our Mundra distribution company, the sales growth was 22% year-on-year, which was basically due to an increase in industrial demand in Mundra region.

As far as distribution loss is concerned, we continue to improve our performance. This quarter, our distribution loss in AEML stood at 4.24 % as compared to 5.18 % in the first quarter last year. In fact, with this level, we are one of the most efficient as far as T&D losses are concerned, not only in the country, but we are also comparable with the global benchmark.

As far as smart metering is concerned, as I mentioned, we have already commissioned 24 lakh meters in this quarter, which is making the total installed meter to about 55 lakh meter. Out of 55 lakh meter, 51 lakh meter has already been commissioned, and revenue has started coming from these 51 lakh meters.

As far as the C&I business is concerned, we have been talking that we'll be focusing on this business. Now with all our efforts and team in place, we have commenced that C&I business. Now we have 14 big industrial and commercial customers, aggregating a total load of about 717 megawatts that we are catering to. So, you will see a lot of action on C&I front in AESL in the times ahead.

Similarly, in cooling business, we also made a start there. We are building India's largest district cooling facility at Mundra with a capacity of 45,000 tons of refrigeration. So, with that the total capacity that we are implementing currently is 52,000 tons of refrigeration. And we are also talking to various developers, thus you will see significant action in cooling solutions business as well.

As far as the financial update is concerned, the total income has risen by 28%. EBITDA has increased by 14 % year-on-year, which now has crossed INR 2,000 crores. It is INR 2,017 crores as compared to INR 1,762 crores last year Q1. PAT also increased significantly. It increased by 71% year-on-year to INR 539 crores. That was essentially because of the increase in EBITDA and lower depreciation and tax outgo.

The cash profit has also improved significantly. Now, it has crossed INR 1,000 crores this quarter as compared to around INR 900 crores in the last quarter. As far as the business outlook is concerned, for all three-four businesses, we see a significant opportunity, be it transmission, distribution or smart meters. In transmission, we are already having an order book worth INR 59,000 crores. And we also expect bidding of about INR 90,000 crores in the coming time, which includes two large HVDC projects. So, we see a significant opportunity there as well.

As far as distribution is concerned, while we continue to do the expansion or growth in AEML, the way we are doing, we also see opportunity there. There is privatization discussion happening in UP. And also, our second license application for Navi Mumbai came up for hearing last week. So, we see action on that distribution side as well.

As far as smart metering is concerned, we will continue to focus on implementation. And we would want to achieve the number of 70 lakh and more during the current year. And with this kind of exposure and experience, we would certainly want to maintain our market share of about 22% in future opportunities as well. So, with all these things, I think in AESL, there is a significant amount of opportunity in all the business verticals, and our team is fully geared up and that can be seen from the results that we will continue to focus on execution and managing those assets well and efficiently.

So now we can go to the Q&A session.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes on the line of Mohit Kumar with ICICI Securities. Please go ahead.

Mohit Kumar: My first question is on the smart meter. I think you mentioned that we have roughly 55 lakh smart meter as we speak. And in the quarter, we did 24 lakh, right? Is it fair to assume that by the end of this year, in this fiscal, we'll have more than 1 crore smart meter installed? And can you please help us with the revenue run rate which you expect from the smart meter in FY '27 based on this 1 crore installation?

Kandarp Patel: Mohit, you are always the opening batsman in our session. With this execution run rate, we are fully confident that we will be going beyond 1 crore smart meter installation by the time we complete this financial year. In fact, we could have done a little better in the current quarter, but the unexpected rain in May affected our progress. But even with that, we continue to have a daily average of about 27,000 meters. And with that, we will be easily completing that 1 crore target that we have taken for ourselves.

Mohit Kumar: And sir, the revenue run rate from the smart meters in FY '25?

Kunjal Mehta: Yes. Mohit, so we continue to give the guidance that the revenue would be based on the meter month based on the number of meters as and when they get installed. So roughly, each meter month would give us a revenue of about INR100 per meter per month. Even in this quarter, the 55 lakh meters actually translates to about 106 meter months. And 106 meter months -- on a meter month concept would translate to a revenue of about INR 115 crores in this quarter.

I mean we are not reporting segment numbers for the smart meters as of now. But going forward, we intend to do that. But for this quarter, on a meter month basis, the revenue earned is INR 115 crores. Under the Ind-AS and the accounting treatment, the revenue classification is different. But from a conventional perspective, I can share that INR 115 crore is the per meter per month revenue recorded in this quarter.

Mohit Kumar: And sir, is there any update on the smart meter tendering for Tamil Nadu? Has it happened? Has it completed?

Kandarp Patel: No. So, Tamil Nadu bid has been getting extended. In fact, they also revised the bid document a couple of times. Now, they are again planning to go ahead with the bidding process. But still, the Tamil Nadu bidding has not happened.

Mohit Kumar: Three questions on my side, on the HVDC pipeline like Mumbai, Aarey to Kudus, I think we're working on Phase 2, right? Are you expecting this work to commence somewhere in this fiscal or next fiscal? Or are you still waiting for the approval?

Kandarp Patel: So as far as Mumbai HVDC is concerned, in fact, the project is progressing very well, and we expect to commission the Mumbai HVDC project during this financial year itself which is Phase 1. We have already requested STU for evaluating whether Phase 2 will be required or not because in their scheme of things, it will be required.

So now we are asking them as to when STU thinks that, that project should be operational. Now basis the study and analysis, that project will be progressing ahead. But as of now, we won't be able to tell you as to when that approval will come. But that project certainly will come because they have already taken that project into their long-term plan.

Mohit Kumar: Understood, sir. And the last question on the revenue side for this quarter for the transmission. Sir, I think we had last year, we added one project in TBCB. And last quarter, we added 3 more, right? So put together, I think we have added around 38 billion, 39 billion of asset in Q1 FY '26. But the revenues are flat in this quarter this quarter for transmission. Can you explain the anomaly what led to that?

Kunjal Mehta: No, you are right. So basically, the key reason for the flat revenue is -- so one is that, of course, as the capex completes and the project gets commissioned. This quarter, we have done an additional transmission revenue of INR 66 crores. But what happens is that in certain assets, which are the traditional cost-plus assets, there is a depreciation factor.

And since the depreciation reduces, the cost-plus asset or the revenue also translates into a lower number. So therefore, in case of certain cost-plus assets, the revenue declined, which in this quarter, unfortunately, the transmission earnings on account of new projects got commissioned off-set that revenue.

So, INR 66 crores of new revenue which was there on account of new projects that got completed, but it got offset by the higher depreciation charge on the cost-plus assets, which are historically there with the company.

Moderator: Next question comes from the line of Anuj Upadhyay with Investec.

Anuj Upadhyay: Sir, of late we have been listening to a lot of concerns related to the commissioning of the transmission project, which is leading to delay in the execution of renewable capacity. Just want to get your thought process on this, what is delaying the project? How we are progressing in case of Khavda and other power projects over? And what are the major bottlenecks which are leading to this kind of a delay?

Kandarp Patel: So, Anuj, you must have noticed we commissioned 2 transmission projects relating to Khavda in this quarter. And in fact, both the projects got commissioned prior to their

scheduled date of commissioning. So as far as our projects are concerned, we are progressing well. In fact, in all the projects, we are more or less on time, except 2 projects, which is NKTL and WRSR. NKTL, we know the reason. But that project and even WRSR is also on the verge of commissioning. So, all our projects are going on time and schedule.

Even HVDC, we are going to commission in this year itself. That will be a landmark for Mumbai region. No project has got commissioned in such a short time frame in Mumbai region.

As far as renewable evacuation is concerned, there you are right. There are certain projects of other developers got delayed. It has impacted evacuation of renewable power, both in Rajasthan region as well as in Khavda region. So, the main difficulty which is being faced in the sector is obviously the equipment. But nowadays, the larger issue is not equipment, but it is the ability of skilled manpower for stringing and erection of the tower.

Anuj Upadhyay: Got it, sir. So, we don't face concern this majority of the project is what you are trying to say?

Kandarp Patel: Yes. So, we have set up our project implementation in such a way that we don't face these challenges. We are also trying various ways of optimising these operations. So, your dependability on manpower reduces there. And we are also undertaking a lot of training to create new pool for such manpower requirement.

Anuj Upadhyay: Got it, sir. Secondly, sir, you mentioned about the upcoming INR 90,000 crores of an opportunity in the transmission bids, which are lined up. Can you set a timeline by when can the tenders be floated? Also, you mentioned 2 HVDC projects are also included in this INR 90,000 crores. What would be the quantum of this, sir?

Kandarp Patel: So, this INR 90,000 crores project should get bid out in around one year time. And 2 HVDC projects are one for Khavda, that is Khavda-Olpad and another one is for Rajasthan.

Anuj Upadhyay: And the value? Sir, value for it?

Kandarp Patel: So, Rajasthan project would be around INR 25,000 crores and this Olpad would also be around INR 20,000-odd crores.

Anuj Upadhyay: Okay. Okay. And lastly, sir, on the smart metering. So, I believe we still sit at around close to 2.28 crore meters order book, which we have in the smart meter space. And our target was to reach it -- I mean, scale it up to around 6 crores meters over the next

2- or 3-years kind of a timeline. So, any update or status on that because if the projects are not getting added, I mean, the fresh orders. So, in that case, how do we target to attain that 6 crores meters mark?

Kandarp Patel: So, Anuj, the fact remains that still about 12 crore meters are to be bid out. There are many states who has not taken an initiative. We feel that once the positive results from various states where smart metering has been being implemented -- start flowing in, probably those states will also take up those smart metering projects.

Meanwhile, what we are doing, we are focusing on our execution. So, we wanted to finish as early as possible our existing order book. So, this year, we will at least complete 70 lakh and reach to 1 crore plus meter. And next year, we plan to complete the balance part. So, we are confident that during this period, 1.5 years, the states which are pending for bidding, those all states will move ahead, and the opportunity will come up.

Anuj Upadhyay: Okay, sir. And which are these states, sir, who are likely to come up for the smart meter bid in the near term or the likelihood for which would be more positive?

Kandarp Patel: So, part of the Madhya Pradesh, Telangana, Karnataka, Tamil Nadu, those are the big states which are still having a smart metering opportunity.

Moderator: Next question comes from the line of Dhruv Muchhal with HDFC AMC.

Dhruv Muchhal: Sir, continuing the Mohit's question on transmission revenue, despite commissioning, we are not seeing that run rate. So, you mentioned that there is an INR 66 crores drag because of the depreciation adjustment as per the regulatory accounts. So, is that correct, sir?

Kandarp Patel: INR66 crores is the addition on account of new project that got commissioned. But that got offset on account of the depreciation.

Dhruv Muchhal: So broadly INR60 crores or INR70 crores will be the depreciation impact on revenue?

Kandarp Patel: INR 58 crores to be precise on depreciation and INR 66 crores on account of increase in revenue on account of new projects coming.

Dhruv Muchhal: Okay. So, if my understanding is right, this does not impact your PAT. It just impacts your EBITDA and revenue because your depreciation is lower, your EBITDA is also lower, your revenue is also lower, correct?

Kandarp Patel: Correct. Correct.

- Dhruv Muchhal:** And sir, this impact should be for the full year or part of that was already there in the base -- I mean, in FY '25 and this part of it is continuing? For the next quarter it will.
- Kunjal Mehta:** Yes. Next quarter, you will see all the projects which were commissioned during the last 3 or 4 quarters, full revenue will start coming in during the future quarters. So therefore, this will not repeat in the coming quarters.
- Dhruv Muchhal:** Yes. I mean, on a Q-on-Q basis, it will not reflect. But Y-o-Y basis, it will still reflect?
- Kunjal Mehta:** Correct.
- Dhruv Muchhal:** Got it. And sir, are there any other meaningful such projects where there is a regulatory adjustment pending? I mean probably I think 12 years get over and hence after that, you see a big dip in depreciation. Is that right?
- Kunjal Mehta:** So, these are there in all cost-plus assets, it will happen that way only. So, this was happening in the earlier 2 lines, which were there where 12 years got completed. So, because of that, the depreciation impact got. Now most of the projects are on tariff base. So, you will not see such type of impact going forward.
- Dhruv Muchhal:** Okay. So, majority of the drag is already behind now as we have completed their 12 year. And sir, I wanted to -- probably you mentioned about C&I that you have started. I wanted to understand in deep. I'm not sure if that's the time. But if you can share how the economics for the C&I business will work for you? How do you plan to scale it up? What load that you are targeting? What kind of customers that you're targeting? And yes, some thoughts there.
- Kandarp Patel:** So, Dhruv, essentially, the concept here is that we will provide an end-to-end energy solution to the customer. And we will take full responsibility of not only cost but also reliability. And creating a right mix for that customer in such a way that they achieve their ESG target as well as their cost is optimized.
- So, we started with our cement business, and we did an excellent contribution there in terms of reduction in energy cost. Now we have started with third parties as well. And there is total 13 consumer where we are providing these services, 14 industrial customers in fact. And the total load currently is about 717 MW.
- The bouquet of services will increase as we will contract out that energy storage capacity, then our ability to serve their RTC load will increase significantly. And once we have that storage capacity contracted out with us, we'll be able to scale it up very fast because we will not only be able to offer them a larger share of green power as

compared to the existing distribution supply, but we will also be able to reduce their cost. So, our target is to achieve about 7,000 megawatts in another 5 years.

Dhruv Muchhal: And sir, your economics is the cost at which you purchase minus the cost at which you sell? So, you do a PPA with your -- you do -- I'm not sure buying agreement with some of the developers, including with the developers and you have a selling price, probably fixed selling price with your customers. So how does it work?

Kandarp Patel: There is one fundamental difference. Normally, when you talk of trading, usually, you must have seen through back-to-back contracts. What we will be doing is aggregation of the capacity. And from aggregate capacity, we'll be offering a customized solution. So, in our case, we will hardly see any back-to-back or a mirror contract, whereby you only earn trading margin. So that will be a significant difference there.

Dhruv Muchhal: So basically, like a DISCOM, how our DISCOM operates, it's kind of a similar structure for C&I customers?

Kandarp Patel: Correct.

Dhruv Muchhal: Got it. And sir, the price at which you sell to the customer, is it a fixed price or it changes -- is it a discount to what the alternate cost, let's say, for example, the customer could be buying from a DISCOM. So how does the price move?

Kandarp Patel: So, it depends on the customer requirement. There are certain contracts where we commit upfront price to them. There are certain customers who wants a solution where the price is linked to distribution companies' tariff and we are open for both.

Dhruv Muchhal: Sir, you see largely in terms of the scale up because 7,000 MW is a large number over 5 years in context of the C&I market that is why. The open access rules, the restrictions by DISCOMs, the issues that they used to raise earlier, I'm not sure banking rules and all those, they are reasonably sorted out for you to scale up?

Kandarp Patel: Yes, Dhruv all those complications we will manage. And that is what the differentiation between what we are offering in C&I as compared to all other players. Now our having exposure of running a distribution company, running a green project and all that regulatory knowledge that we have accumulated over a period of time.

We will leverage those resource and knowledge and provide them -- because at the end of day, those customers won't be able to understand this kind of complexity in our power sector. And there our role will be significant. For them, we will be one point solution, and we will do everything for them.

- Dhruv Muchhal:** Got it. And sir, just last question on this point is will most of the customers be interstate connected customers, I mean, very large interstate connected, or you can also work with intrastate customers?
- Kandarp Patel:** We can also work with interstate and intrastate as well.
- Dhruv Muchhal:** Perfect, sir. Great. Thank you so much. That's very helpful. Thanks, and all the best.
- Moderator:** Thank you. Next question comes from the line of Aditya Trivedi with Nepean Capital. Please go ahead.
- Aditya Trivedi:** So, the guidance for FY '26 as far as the transmission business capex is concerned was INR12,000 crores to INR13,000 crores. And this quarter, we've done about INR1,025 crores of transmission capex, which is nearly 9% of the targeted capex. So, are you on track to meet the targeted capex for the year?
- And also according to the CEA data, the quantum of transmission line addition in the first quarter of FY '26 was less than 20% of the planned additions. So, what have been the reasons for a decline in capacity addition for the industry?
- Kandarp Patel:** So, Aditya, we are more or less on the track. But, yes, some impact has happened because of unexpected monsoon in May. But we have realigned our plant, and we are confident that we will fulfil our guidance for the current year. As far as the performance at the country level is concerned, you will see almost every year, the addition during the first quarter is much less as compared to the last quarter of the year. That is the reason one.
- And, obviously, rain has affected all other players as well. Besides that, the shortage in manpower essentially for erection and stringing that has also caused the dip in the performance in the sector.
- Aditya Trivedi:** Okay. And as far as the transmission tender pipeline stands at about INR 90,000 crores. So, what is your target win rate and are you seeing more competition now from private players?
- Kandarp Patel:** I don't think competition landscape will change either positively or negatively much during the year. In fact, there are reasons why intensity should reduce, because the project tender pipeline in the sector is a good number. In fact, with almost all players there are sufficient capacity available for implementation.
- And we will also be very, very disciplined as far as taking up a new project is concerned. We will be taking those projects where we feel confident of executing in

time, both in terms of execution and from OEM supply side. And also, that is within our financial metrics and parameters that we have decided for ourselves.

Aditya Trivedi: Got it. And one last question is that AEML's operating EBITDA declined 7.6% year-on-year, and this is despite improved distribution loss metrics. So, what are the underlying cost pressures or have there been some regulatory changes driving this and is this decline structural or transitory?

Kandarp Patel: So, the distribution loss whatever improvement that I do in distribution loss, it doesn't contribute to my profitability. The advantage of reduction in distribution loss goes to a customer.

Aditya Trivedi: Okay, got it. Thank you so much.

Kunjil Mehta: But just to add, I mean, on a year-on-year basis, if you recall last year, we had Dahanu power plant. This time, we don't have it. And that's the reason -- one of the reasons why on a year-on-year basis, you will see a flat growth. So, despite there being a growth -- underlying growth on account of addition of capex because Dahanu power plant not being there this quarter, that's the reason why you have an operating revenue flat even in distribution business.

Aditya Trivedi: Okay. Thank you.

Moderator: Thank you. Next question comes from the line of Nikhil with UTI Mutual Funds. Please go ahead.

Nikhil: Just a couple of questions. So earlier, did you mention what is the contracted C&I capacity that you have as on date?

Kandarp Patel: As on date, we have 717 megawatts.

Nikhil: 717 megawatts. And what would be the ticket size of the customers of the average ticket size?

Kandarp Patel: So, these are ranging from 5 megawatts to 150 megawatts.

Nikhil: And sir, I mean, 2 years back, we have seen you apply for parallel licensing -- parallel license across a few cities. And all of a sudden in the last 2, 3 months, we have seen the activity pick up over there. So, I mean, can you just guide us as to what is happening in the space and what is the realistic timeline for this parallel license is getting awarded?

Kandarp Patel: So we applied for parallel license in Maharashtra as well as UP and in the Gujarat expansion of our AEML license area. The thing progressed well initially in Gujarat and Maharashtra and then that remained pending for quite a long time with the commission. In last week, MERC held a public hearing. Now the order is risen which is the last step in license grant. So, we see that there should be a decision from MERC very soon.

As far as other states are concerned, we are not sure about timeline because it is pending with them since long time. But from a legal standpoint, I don't see any opportunity -- any issue because this is -- our application is in line with legal requirement. So someday, they will have to clear that application. But on timeline I'm not sure as to when that can happen.

Nikhil: Understood. I mean -- and how would this parallel license exactly work? Will you be using existing infrastructure and paying some commission or would you be setting up your own infra?

Kandarp Patel: So, we must -- the legal requirement is that when you become a second license, you have to set up your own network. You can't use the existing network. And accordingly, when we applied for Navi Mumbai, we gave a detailed rollout plan to MERC as to how are we going to set up and expand our network in Navi Mumbai area. And we gave a rollout plan for 5 years, and we mentioned as to how we will progress from area to area wise.

Nikhil: Okay. So, you won't be getting into existing areas, but likely to expand in newer areas basically targeting the existing areas?

Kandarp Patel: Sorry.

Nikhil: So, you are basically targeting the existing areas, but maybe you would like to get into the undeveloped areas basically there is no existing path?

Kandarp Patel: No, we will be going in all the areas -- in the entire distribution license area that will be granted. And we will develop a network in that area gradually area by area. So we will pick up one area, complete the entire network there, then we'll go to another parcel, then we will go to another parcel. That is how we'll be doing.

Nikhil: Sure, sir. I have a few questions regarding the economics of it, but I will get back. Thank you.

Moderator: Thank you. Next question comes from the line of Jalaj Manocha from Svan. Please go ahead.

- Jalaj Manocha:** Thanks for the opportunity and congrats on scaling up the smart meter business so well. Just wanted to understand the unit economics around it. Could you please explain the unit economics, what is the initial capex and who pays and how long is the tenure?
- Kandarp Patel:** So, the initial capex is roughly in the range of around INR 4,500 to INR 4,800 per meter, and we get based on the tariffs which we have quoted which is about INR 11,000 over a 3-month period.
- Jalaj Manocha:** Okay. And the eventual payment will come from the respective -- from the government regulator, in this case, the DISCOM or what, who pays eventually for it?
- Kandarp Patel:** It is paid by the DISCOM, but it comes directly from the customer's wallet as the consumers who are paying to the DISCOM on a monthly basis for the power which they are consuming from that wallet itself, it comes directly into our account.
- Jalaj Manocha:** Okay. So, the payment risk is not there as such in this front?
- Kandarp Patel:** Correct.
- Jalaj Manocha:** Got it. And sir, on the -- just one other part was the C&I. I just wanted to understand, would we be keeping the trading margin in it or how does it work in it? Because we would do a back-to-back arrangement with the Genco is what my understanding is as you explained. So, could you explain?
- Kandarp Patel:** Jalaj, what we will not do is a back-to-back arrangement. We will have to offer a customized solution to each of the customer, and it would be very, very different from customer-to-customer. So, the model here is we will contract different capacity. We will aggregate it and make a customized solution for each of the customer from that aggregate capacity.
- And when you are procuring power, there is a huge amount of opportunity created when you aggregate the capacity, which is not there in a back-to-back basis. And essentially, we genuinely feel that when you are doing a back-to-back arrangement, you are hardly adding any value there.
- Jalaj Manocha:** Understood. Thanks. Fine, sir. Thank you and best of luck.
- Moderator:** Thank you. Next question comes from the line of Shirom Kapur with Jefferies. Please go ahead.
- Shirom Kapur:** I just wanted to ask on your transmission business, what are your capitalization targets for FY '26 and FY '27?

- Kandarp Patel:** So, the capitalization essentially would mean that once the project gets completed, the underlying asset gets capitalized. So, this year, roughly around INR15,000-odd crores of projects are likely to get capitalized, which includes the largest one being the Mumbai HVDC projects.
- We will continue to maintain that run rate of close to around INR15,000 crores, INR16,000-odd crores of capitalization to get completed each year. As you know that the company has close to INR60,000 crores of projects, which are to be completed in the next 3 to 4 years.
- Shirom Kapur:** Understood. And from this Mumbai HVDC, how much is the value of this project specifically?
- Kandarp Patel:** INR 7,000 crore.
- Shirom Kapur:** Got it. And just on your C&I business, I just want to understand how much is the revenue and profit contribution in this quarter and in FY '25 to your overall business?
- Kunjal Mehta:** This quarter, it's not that significant. In fact, this was the first quarter where we actually started earning. But on a number basis, it's around INR18-odd crores, which was earned during this quarter, largely from the C&I business.
- Shirom Kapur:** Okay. Got it. Thank you so much.
- Moderator:** Thank you. Next question comes from the line of Dhruv Muchhal with HDFC.
- Dhruv Muchhal:** I missed -- in interstate market, it seems the bidding activity has slowed down a bit. Is it just because you're absorbing all the bids or because of the -- I'm not sure because of the execution challenges, they are waiting and watching. So just trying to understand what's causing this somewhat of slowdown.
- Kandarp Patel:** Dhruv, the bidding slowed down not because of execution challenges or anything else, but there were a few deliberations happened at CEA and CTU level that was regarding some regulatory issue. And also, they wanted to have a relook at the way the transmission system has been planned and designed. So, they wanted to review it. And having done that, now you will see that bidding happening the way it was happening earlier.
- Dhruv Muchhal:** So, no major change in terms of the path that the system was taking earlier and now after the review of the design?
- Kandarp Patel:** Yes, yes. No major change. In fact, if I can share that, they undertook an evaluation whether HVDC should be implemented, or a battery storage should be implemented.

Having done the detailed study, they decided that the system that they have planned, they will continue with that. And therefore, now you will see the bidding happening. In fact, one HVDC bid -- initial bid has already been submitted. Now the bids are under technical evaluation. And maybe in a months' time, they will do the reverse auction.

Moderator: Next question comes from the line of Mahesh Patil with ICICI Securities.

Mahesh Patil: Sir, my first question is on the Khavda, HVDC. So, this is the one you mentioned that the bids have been submitted, right? And the awards should be done in the next 1 or 2 months, right?

Kandarp Patel: Correct.

Mahesh Patil: Okay. And sir, on the other opportunity at the interstate level, say Maharashtra, there is coming that they are doing some large amount of transmission capex, including HVDC. So how do you see the opportunity? Any discussions going on that side?

Kandarp Patel: So, Mahesh, not only Maharashtra and as we discussed over various calls, but we also see a lot of opportunities coming now from state sector. So, Maharashtra has already started. 2 projects got under auction in last month. We see a couple of more projects in a month's time. Similarly, Karnataka also has come out with a few projects under TBCB. Even Rajasthan has approved a significant amount of transmission project under TBCB. So, we see a lot of projects and opportunities coming for transmission from various states now.

Mahesh Patil: Okay, sir. And sir, one question is on the C&I side. Typically, what is the lock-in period for the contract that you have with the customers?

Kandarp Patel: So currently, few contracts are for 13 to 14 months. And there are 2, 3 contracts, which is a long-term contract, which goes up to 10 years as well.

Mahesh Patil: Okay, sir. And sir, last question is on the 3 other projects apart from Mumbai HVDC that you are planning to commission this year. Any timeline next 6 months or something that you are planning to -- these projects are expected to come online?

Kandarp Patel: So, the way things are progressing, we should be commissioning somewhere in the later part of January or February, but before this year end for sure.

Mahesh Patil: Okay, sir. And sir, lastly, on the Mumbai HVDC, the part 2 that you mentioned Phase 2, any estimate about the cost or let's say, comparatively through the earlier phase of Rs 70 billion? Do you have any estimate?

Kandarp Patel: So, it would be very, very premature even to find out the cost today, because we are not pretty sure as to what is the kind of configuration that they will decide. Besides the HVDC, there might be connected GIS or substations. So once the scope is clear, then probably we'll be able to figure out as to what would be the estimated cost. But obviously, it will be around INR 10,000 crores considering the current market situation in HVDC market.

Moderator: Next question comes from the line of Bhavik Shah with Invexa Capital.

Bharat Shah: So, you mentioned in your opening remarks about the 45,000 ton refrigeration (TR) cooling facility at Mundra. Can you throw some light on that business? What is the opportunity? What are we looking at? And what exactly could be the potential?

Kandarp Patel: So, Bhavik this concept itself is gaining a lot of traction in the country. So theoretically, all the AC requirements can be converted into district cooling. So, it is certainly a humongous opportunity. But this concept is very, very useful and could be very efficient when cluster development is happening and of a mixed use. So, take any development where multiple buildings of residential, commercial and other things are developing.

This could be a very, very good concept because you get cooling as a service. You don't have to invest into those AC and managing and maintaining those AC. And when you have an aggregation and this big size of plant, which is distributing cooled air, you also get a lot of optimization and efficiency.

So essentially, when you have a district cooling plant, your energy efficiency will improve by at least 20 %. So, this concept we strongly feel will get a lot of traction in coming times in India as well. Like in Middle East and other developed countries, the district cooling is a normal phenomenon there.

Bhavik Shah: Understood, sir. And sir, has it anything to do with the data centers which we are building? Are we going to use it there? Or how is it?

Kandarp Patel: No, the data center can also be one of the end uses, but it could be anywhere, like so any new development that is happening, the district cooling could be a good concept. In fact, we are talking to various developers, a big developer in Pune, Hyderabad as well as Chennai, where cluster development is happening. So, the things have progressed very well there. And we see that getting replicated everywhere else as well.

Bhavik Shah: Understood. Sir, regarding the depreciation on old assets, sir, so this trend will continue, right, for the projects or assets which we have? So eventually, the new income will continue to get offset going ahead, right?

- Kunjal Mehta:** No. So, this will not continue to happen because earlier the projects were awarded on a cost-plus basis. Now most of the projects are awarded on a fixed tariff basis.
- Bhavik Shah:** Okay. Understood. And sir, like how do we see the impact of the ISTS charges? Like will we be impacted? Or how are generally our terms with the customer?
- Kandarp Patel:** Are you talking about C&I or transmission?
- Bhavik Shah:** Sir, both.
- Kandarp Patel:** Okay. So as far as transmission business is concerned, we have no connection with the ISTS tariff, which is being charged to distribution company or customer. Essentially, how it operates is that all the transmission charges of all interstate transmission assets get aggregated and that aggregated costs get allocated to all the customers.
- So, depending on how much new transmission capacity is getting added, how many assets are getting depreciated basis that the interstate transmission charges keep on varying. So, as far as transmission business is concerned, there is no linkage with the ISTS transmission charges being charged to distribution company or end consumer.
- In the C&I, obviously, it can impact. But now with the new transmission charge regime in place, which is a point of draw means, so there irrespective from which source you are taking power, the transmission charges payable remains the same. In that sense, whatever that average transmission charge works out at a country level, that will be applicable.
- Moderator:** Next question comes from the line of Vishal Periwal with Antique Stockbroking.
- Vishal Periwal:** Sir, in the call, you did mention like in the transmission side, we are seeing opportunity. So out of this INR 90,000 crore worth opportunity, which you mentioned, so what would be like the breakup between center and state out there? And sorry. And second parallel to that, this opportunity -- I mean, are you seeing moving more towards the state in the last couple of quarters and how exactly it is?
- Kandarp Patel:** In this INR 90,000 Cr, almost 90% currently is from interstate. In terms of state, there are only few states that has recently started. But you are right. As we move forward, we see the pie of interstate project getting bigger as compared to what we have today.
- Vishal Periwal:** Okay. Got it. And then just from an economics point of view, the central -- interstate and the state one, does this really differ when we are bidding and when we start earnings from these assets?

- Kandarp Patel:** No, I don't think it differs because conceptually both are same. What only differs is your counterparty. In the state, it is STU, whereas in interstate, it is CTU.
- Vishal Periwal:** Okay. Got it. And in terms of even the numbers of players who are bidding, they are largely limited because in central, we do have seen like a limited set of players?
- Kandarp Patel:** So state, it will be further less number as compared to interstate.
- Vishal Periwal:** Okay. And then one last thing. Sir, in terms of segmental numbers that we report, where do we club our smart meter business?
- Kunjal Mehta:** So, smart meter currently forms part of the others. We are not showing separately smart meter as a segment because it still is slightly nascent. Going forward, as I mentioned earlier, smart meter will also be shown in a separate segment.
- Vishal Periwal:** Okay. So, in others, when we see a sharp increase on a year-on-year basis, so that is primarily driven by -- as we are commissioning more smart meter? Or is there any other revenue that is coming -- forming part of the others?
- Kandarp Patel:** So that is because of the SCA income, as the construction income increases, the service concession arrangement income also increases.
- Vishal Periwal:** Okay. And then will that be a number handy with you, sir? I mean this could be how much the construction service or capex margin?
- Kandarp Patel:** So, this quarter, the number was INR178 crores, INR 133 crores on account of transmission assets and INR 45 crores on account of smart meter assets.
- Moderator:** Next question comes from the line of Vinod with Phillip Capital.
- Vinod:** Sir, I just wanted to ask you about this in the recent NCT - minutes of the meeting, they have stated that for every HVDC project, you should have a comparable calculation with BESS. But are these two strictly comparable in that sense? Can BESS replace a transmission line? And even if you have a BESS, you still require transmission capacity, right, to transmit that power from the battery storage systems?
- Kandarp Patel:** So, answer is both yes and no. Now you can certainly reduce requirement of additional transmission capacity when you have a battery storage co-located with a renewable generator. So today, if you see that if I have a 10,000 megawatt of solar power plant, I will require a 10,000 megawatt equivalent transmission capacity.

But if I store half of the capacity, then probably I might require 5,000 megawatts because solar generates during 8 hours where the 10,000 megawatt is being used and rest of the time, it is not being used.

So, if you have a battery storage, you can obviously use that capacity -- transmission capacity during non-solar hour. So, it can certainly reduce the requirement of transmission capacity. But it is straightforward -- your point is also valid that to a certain extent, you will require the transmission capacity, may not be to the fullest extent, but obviously, a little more than what capacity comes after consideration of battery storage.

Vinod: Okay. But it will reduce the demand for high-voltage system. Would that be a right way to look at it?

Kandarp Patel: Yes. It can optimize the requirement for transmission system -- new transmission system at least.

Vinod: And sir, the other thing is, I think the NCT also calls for, I think, technology-agnostic HVDC project now. How would that work? Because ultimately, who decides whether it should be VSC LCC? Is the developer or it is NCT?

Kandarp Patel: So currently, it is being decided by the planner. So, it is basically NCT. There is a discussion around this point that should it be kept open and leave it to developer to decide as to which technology will be better for -- given the transmission requirement.

Vinod: No. But now they are saying it will be agnostic, and the developer gets to bid, right? You can bid either on an LCC costing or a VSC costing depending on.

Kandarp Patel: It has not happened so far. That's under discussion.

Moderator: Next question comes from the line of Anuj Upadhyay with Investec.

Anuj Upadhyay: Just to get an update on the UP DISCOM side, where exactly are we in the stage of this tender, where the bids have been submitted and when we can expect the final outcome to be out? Secondly, there's a lot of buzz around that the DISCOM has been spread into price circle. So, any update which you can provide would be helpful, sir.

Kandarp Patel: So, Anuj, by this time, the RFP should have come out, it has yet not come out. We expect that RFP to come out soon. And then those bid submission and evaluation, and award will happen. So, what we have understood is the discussion is going on between UPRC and government of UP on certain issues relating to privatization. Once they have a final decision, they should come out with an RFP for initiating the bidding process.

Moderator: Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Kunjal Mehta for closing comments.

Kunjal Mehta: Thank you all for taking out the time to attend the call. Just to remind anybody, in case because of the paucity of time, if we have not answered any clarification or any questions, we are just a phone call away. You can reach out to us for any additional information. Thank you all. Thank you once again for the call.

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