



“Adani Energy Solutions Limited  
Q4 FY-24 Earnings Conference Call”  
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**Moderator:** Ladies and gentlemen, good day and welcome to the Adani Energy Solutions Limited Q4 FY24 Earnings Conference Call. 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. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kunjal Mehta. Thank you and over to you, sir.

**Kunjal Mehta:** Hello all. Good afternoon and our best wishes to all the participants and thank you for joining Adani Energy Solutions Q4 results.

We have released the investor materials on our website, and you must have read it. At the very start, I am very pleased to share that AESL has received an ESG score of 25.3 from Sustainalytics in their recent assessment, which placed the company among the top 20 global electric utilities and helped us surplus the global and the industry averages. We are also happy to share one more another important development in our Mumbai DISCOM, which is Adani Electricity Mumbai, which again got ranked number one utility in India in the integrated rankings of all the DISCOMs evaluated by Ministry of Power and McKinsey. This is the second time in a row that the Electricity Mumbai got ranked as number one among all the DISCOMs throughout the country.

We had a strong quarter as far as the operational results are concerned, both in the transmission as well as in the distribution sector. In terms of our performance, we continue to achieve system availability of 99.6% in our transmission business and that led to the normal incentive income that we always get, and we achieved an incentive income of about INR 104 crores. We are also happy to share that we have operationalized 1,244 circuit kilometers and because of which our total circuit kilometers now is around 20,509 circuit kilometers. So, this being very special for us as we achieved a strategic milestone of 20,000 circuit kilometers.

The company also made certain strides in completing certain important projects, the most important one being the 400 KV Kharghar-Vikhroli line, which is an important line to reduce the congestion in the city of Mumbai. We also added or completed the line of the Warora-Kurnool line, 765 KV Khavda-Bhuj line, which will enable about one gigawatt of renewable power from the Khavda region. These are the few important projects that got completed during the year.

In terms of electricity, Mumbai, the number of units sold ended up being 9.4% higher on a year-on-year basis and the most important achievement that the Mumbai DISCOM achieved was in terms of the distribution losses. Last year, the distribution losses were around 5.93%, or lower than 6%. We further reduced it down to 5.29% which is the lowest in the history of Adani Electricity, Mumbai.

In terms of the financial updates, during the financial year 2024, the company achieved a revenue growth of 17% and we crossed the mark of INR 14,200 crore in terms of the full year revenue based on the various lines that got completed during the financial year. The full year operational EBITDA grew by 7% and just around INR 5,695 crore, that is the operational EBITDA that the company achieved. The comparable PAT after excluding one-time items has also grown 12%.

If you exclude the one-time items which were there during the last year, the comparable PAT has grown around 12%.

We continue to remain buoyant with respect to our transmission businesses. We have an under-construction project pipeline of INR 17,000 crores which is well on track to get completed during the next financial year and we have around INR 1.1 lakh crores of transmission bidding pipeline which is going to come up during this and next financial year. In terms of the distribution business, the regulated asset base of Mumbai continues to grow from INR 5,500 which was at the time of acquisition in 2018, to INR 8,500 by the end of this financial year.

The emerging and important business, which is the smart metering business, we now have close to around 22.8 million smart meter projects already won, which takes a total contract value of around INR 27,000 crores. In this line of business, we have already started the implementation of smart meters in the BEST regions and work is in full swing at other project locations in Maharashtra, Bihar, Assam, Uttarakhand, and Andhra Pradesh-

With that, I will take a pause and happy to take certain questions which anyone has with respect to the company or with respect to the financial results.

**Moderator:** We have our first question from the line of Apoorva Bahadur from Goldman Sachs. Please go ahead.

**Apoorva Bahadur:** Hi, sir. Thank you for the opportunity. Sir, I wanted to check with you regarding the INR 1.1 trillion pipeline that you just mentioned for bidding. First, how much did it used to be? I mean, has there been any positive movement over the last one year or six months or so? Secondly, does it also include the three HVDC projects which CTUIL had identified as a part of the 500-gigawatt renewable plan? I mean, those lines will be sort of added later.

**Kunjal Mehta:** Your first question was with respect to whether this INR 1.1 trillion includes the HVDC lines?

**Apoorva Bahadur:** Yes, sir, the three HVDC lines.

**Kunjal Mehta:** Yes, yes. So, INR 1.1 trillion includes the three HVDC lines. We believe that in next three months all these projects would get started for bidding. I think post the elections; all these bids would open.

**Apoorva Bahadur:** Okay. And how much did this INR 1.1 trillion used to be, say, six months back or one year back? Are we seeing any positive movement over here?

**Kunjal Mehta:** This used to be around INR 40,000 to INR 50,000 about a year back or probably even less than that. But now the things would start moving much faster and we would see more projects coming up into the pipeline.

**Apoorva Bahadur:** Okay, even beyond the INR 1.1 trillion?

- Kunjal Mehta:** There could be a possibility of even beyond INR 1.1 trillion. Currently, we have a strong visibility of INR 1.1 trillion primarily on account of the three HVDC projects, which itself comprises of around INR 50,000 odd crores.
- Apoorva Bahadur:** Okay. And, sir, what's the update on your Mumbai HVDC line? How far have we progressed and when do we expect the commissioning?
- Kunjal Mehta:** The HVDC project, implementation, and construction is going on. We are looking to complete the project during, Q1 or Q2 of the next financial year.
- Apoorva Bahadur:** FY '26?
- Kunjal Mehta:** Yes, in the Q1 and Q2 of FY '26.
- Apoorva Bahadur:** Understood. Also, just one wanted to check on the global and macro picture, I mean, so globally we are seeing that there's a transmission equipment shortage, especially on the transformer side. So, are you seeing anything on this in India? And if it is, then how are we sort of factoring that in our plans, or can the manufacturing capacity be ramped up quickly?
- Kunjal Mehta:** So, you are right. Because of the significant bids which are coming up and the huge demand across the transmission and the distribution sector, there are constraints and challenges with respect to the supply chain. But because of the tie-up and the long-term tie-up which we generally have with most of our large key players, we do not see significant challenge over there with respect to the key components.
- Therefore, in most of the key projects or key components that we have, we have already tied up with the large players for all the projects that we currently have.
- Apoorva Bahadur:** So, key component would be your transformer substations?
- Kunjal Mehta:** Correct.
- Apoorva Bahadur:** Okay. Fair enough. Thank you. Thank you so much for that. I'll get back in the queue.
- Moderator:** Thank you, sir. We have our next question from the line of Nikhil from Alliance Bernstein. Please go ahead.
- Nikhil:** Thank you for taking my question. My first question is on the pipeline and other construction capex. So, I wanted to understand from a pipeline of INR 1.1 lakh crores, what is the typical market share you think which should be achievable for Adani Energy Solutions? And secondly, even in terms of ballpark capex for the transmission business, what should be pencilled in the coming years for the transmission business?
- Kunjal Mehta:** We are targeting this INR 1.1 lakh crore tendering, our share would be in the range of around 20-25 percentage. And most importantly we are looking at those projects which are very critical for the Khavda renewable sector, for the evacuation of the renewable power.

In terms of the capex guidance for the next financial year looking at in the range of around INR 6,000 odd crores which includes around INR 1,200 to INR 1,500 odd crores for the distribution business in Mumbai, and rest would be for the transmission business.

But as smart meter projects are also underway, there could be an addition to the above capex – I mean as and when we start deploying the smart meters on a full-fledged basis.

**Nikhil:** Got it. That's helpful. The second question I had, was regarding the competitive intensity in TBCB projects. So, last year, there were rumours of higher intensity in terms of competition for bidding for those projects. Do you see any of that easing, improving returns on ongoing tenders? Do you see that happening?

**Kunjal Mehta:** No, certainly. The competition continues to be there. But the most important part is, there are very few players in the market who can do certain types of the projects or certain high-value projects especially certain niche projects like HVDC.

And given that background in certain types of the projects there are very few players who bid for these types of projects. For smaller projects, I mean, in the range of around INR 500 odd crores where we generally do not tend to participate, there could be higher competition, but as the projects become more deeper, wider, more niche than you have very few players currently in the industry.

**Nikhil:** Understood. Any indicative returns you could guide on equity IRRs that one can expect in these kinds of projects?

**Kunjal Mehta:** We benchmark ourselves in the range of say around 14-15 odd percentage when we start for bidding to protect our returns and margins. Those are certain benchmarks that we use for transmission projects and that philosophy is true even for smart meter businesses. Hence, there are certain benchmarks IRRs which we target for both these businesses beyond which we do not participate into those projects.

**Nikhil:** Got it. That's helpful. A couple of more questions. One is - any traction on intrastate transmission TBCB projects or is there still some time away?

**Kunjal Mehta:** We have not seen much traction as far as intrastate is concerned. I mean, not very large projects on that side.

**Nikhil:** Got it. And the last question, if I may squeeze in, regarding transmission equipment as was discussed earlier, would you say transformers especially higher voltage transformers is that the key or the biggest bottleneck in executing projects faster or is some other equipment?

**Kunjal Mehta:** No. Both transformers and the substations continue to be the key important factor in our supply chain management. Yes, there are supply chain management issues around because of the huge demand, which is there in the transmission side, and that we will continue to see. But how you manage those supply chain that's the critical aspect that we have been able to do in all our projects.

- Nikhil:** Understood. That's very helpful. Thank you for answering my questions.
- Moderator:** Thank you, sir. We have our next question from the line of Shivang Chauhan from Barclays. Please go ahead.
- Shivang Chauhan:** Hi. Thank you for the opportunity. My first question is on the status of Dahanu Thermal power plant. So, it was like carving out from the AEML. Should we provide some light on that?
- Kunjal Mehta:** As we had indicated earlier the intention of the company is to carve out ASAP. There are processes involved and once those processes are completed, we will then be able to make the necessary announcement with respect to the Dahanu Power plant.
- Shivang Chauhan:** Got it. Thank you. Another one would be related to bonds. So, any further plans on tenders after the earlier USD 120 billion exercise?
- Kunjal Mehta:** That depends on liquidity positions of the company and post the capex and the business requirement of AEML. And the last bond was on account of liquidation of past regulatory receipts that the company had because of which the company was able to do the bond. But once we have again liquidity available, then we will not shy away from doing the bond tender if necessary and if available.
- Shivang Chauhan:** Got it. Also, any funding plans for the USD market for either of the subsidiaries?
- Kunjal Mehta:** I would put it slightly differently. I would say Adani Energy Solutions has access to both the dollar bond market as well as the rupee market and as well as the bank market, which it uses either for this under construction project or for its capex requirement. Therefore, at the right time, we tap these markets for our capital requirements. So, if there could be a need in rupee bonds, we would tap the rupee bonds and if the need is in the dollar bonds, we could tap the dollar bonds.
- Moderator:** Thank you, sir. We have our next question from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Thank you so much and congrats on good numbers. My first question is on the opportunity that you talked about INR 1.1 trillion. How much of that is towards Khavda side?
- Kunjal Mehta:** Khavda would be in the region of, say, around INR 30,000 to 40,000 crores.
- Puneet Gulati:** And do you expect that entire INR 1.1 trillion to be tendered out over the next one year or do you foresee any risk of slippages there?
- Kunjal Mehta:** Yes. This is the pipeline which we have identified. I mean, this is over the next 12-15 months, which we think. There could be a possibility that 12 months could extend to, say, 15 months or around that. And the key important thing is the event which we are looking is once the elections are completed, then the state, the central governments and NCT would be more comfortable coming out with the bids.

- Puneet Gulati:** Right. But from a full year perspective, if you look at 12 months from June 2024, do you think the entire INR1.1 trillion has a fair bit of probability of being tendered out?
- Kunjal Mehta:** So, I would say -- you can say 12 to 15 months would be a fair estimate to complete it.
- Puneet Gulati:** Understood. Yes, that's all from me. Thank you so much.
- Moderator:** Thank you, sir. We have our next question from the line of Yunyun Bai from Barings. Please go ahead.
- Yunyun Bai:** Sorry, my question has been asked. I have no more question for now. Thank you.
- Moderator:** Thank you. We have our next question from the line of Koundinya Nimmagadda from Jefferies. Please go ahead.
- Koundinya Nimmagadda:** Yes, hi, sir. Thanks for the opportunity. Sir, my first question is on the bid pipeline, the INR1.1 lakh crores that you spoke of. I'm assuming all of this is approved by NCT. Please correct me if I'm wrong on that. And specific to that also on the HVDC project, if my understanding is correct, the first HVDC project was supposed to be bided out about in September last year, and it keeps getting pushed out every time. So, any specific reasons that you would like to highlight here on the visibility part as well?
- Kunjal Mehta:** No. As I told earlier, this is, of course, delayed. Earlier it was planned to get completed in September. It got pushed to financial year end. We were looking it to bid out by March. Thereafter, this event of election got announced, and therefore, it has got delayed because of these two months.
- Now, there cannot be any project where bidding can start. So, we strongly expect that by around July-August, the strong bidding pipeline will reoccur to be bid out in an aggressive manner, especially these HVDC lines.
- Koundinya Nimmagadda:** And sir, specific to the company, we all understand that last year the competitive intensity has been a bit higher, and therefore, your market share has come off a touch. So, you did allude to the fact that you're targeting 20% share. So, do you see any risks or any challenges in achieving this share because your share has dropped a bit for the past year? So just trying to understand what is your outlook on that front?
- Kunjal Mehta:** Outlook in the sense of winning those bids?
- Koundinya Nimmagadda:** Yes, winning those bids. I mean, how confident are you or do you still prefer IRRs over market share? I mean, what is the thought process?
- Kunjal Mehta:** Yes, you are right. We will continue to benchmark our bidding process purely based on IRRs. That's the key thing which we will look for in any of these bids. Unless those bids come at those desired IRRs, we would not aggressively participate into it. But at the same time, it is very important for us to understand is that these HVDC projects are high return assets, especially given the nature of projects and the complexities involved, and especially the size of these

projects. So, therefore, we are also at the same time confident of the 20% share which we have projected on that.

**Koundinya Nimmagadda:** Sure, sir. So, my second question is on the smart metering business. So, of the INR 27,000 crores capex, what is the potential top-line that you can see? And what is the outlook? I mean, how do you think it will pan out maybe over the next two, three years, if you can give some color on that, please?

**Kunjal Mehta:** This INR 27,000 crores, that is the contract value or revenue potential itself. Now, it would be spread out over, as you know, the entire listing is spread out over a period of 10 years. The project value is spread out over the entire 10-year period. The capex for that would get incurred during the next, say, 25 to 30 months or so. So, in that region, it would be spread out. And INR27,000 crores would be recognized over the next 90 months or 9-10 years over which the contract would be done.

**Koundinya Nimmagadda:** Understood, sir. And, sir, what are the kind of IRRs you are seeing here? And, if you can throw some color on that execution, because we understand that, you know, it's a bit manpower intensive. So, if you can speak a little bit about that front on the resource availability as well.

**Kunjal Mehta:** On smart meter business, the key components are, of course, the meters and then the important part is the communication and the networking infrastructure that has to be laid or to be deployed along with the infrastructure. In case of smart meter, what we have done is that we have tied up with almost all the key components in terms of the meters, in terms of the lease lines, in terms of the communication lines. We have tied up with a company called Esyasoft, which is a market leader in the networking and the infrastructure of this whole electronic smart metering thing is concerned.

They have experience of doing this in other regions in India. We have a tie-up with them. We have a tie-up with Airtel for our communication infrastructure. We have long-term tie-ups for our cybersecurity as well as tie-up for the cloud part. So, the supply part of it has now been fully completed and fully integrated. Now, we are looking during the next 12 to 18 months, we would aggressively look to start deploying all these meters for the contracts that we have won.

So, that's how this thing is going to pan out. Most important is that Adani Electricity or Adani Energy Solutions is the only company currently in India or the private player in India which has an experience of running a distribution company and actually installing smart meters and making those smart meters work. In our Mumbai DISCOM, we currently have around 5 lakh meters which are fully installed and operational.

And therefore, we are very confident of that same thing being getting replicated. There are very few players in the country who are doing the business of distribution and being able to deploy those smart meters at the same time. So, that same efficiency and the same knowledge that the company has, the expertise and the experience that the company has in the Mumbai DISCOM would be used for deploying these smart meters that the company has already won.



**Koundinya Nimmagadda:** If I may ask one last question, if you can provide some color on the current states of the parallel licensing that you are working on, on the three circles, please?

**Kunjal Mehta:** Currently, we have made applications to the respective state governments for the parallel licensing, one in the Navi Mumbai region and the other is in the Gautam Buddha Nagar near Noida or near Delhi. Both are under evaluation by the respective state departments or the state governments. And then at the right time, the licensing processes would be awarded to us. So, it is still some time away before the entire process gets completed and before the license gets awarded to us. It's a long-drawn process under the Electricity Act. And so, both are under evaluation stage right now.

**Koundinya Nimmagadda:** Sir, if I correct me if I'm wrong, I think there's also one more under Mundra that you're looking at, can you provide us a status on that as well, please?

**Kunjal Mehta:** So, Mundra, we are already operating as a distribution business in the SEZ area where we are providing distribution of the power to the units which are operating in the SEZ unit. We have also applied for expanding the entire license area to cover the entire district of Mundra. The most important part in case of Mundra district is to provide most reliable and competitive power to the industrial units which are coming up in the Mundra region, so that those regions can get uninterrupted, very competitive power through Mundra.

And Mundra utility will also again follow the same model as Adani Electricity Mumbai, that is a cost-plus model, and the entire revenue would be dependent on the asset base as and when it gets increased. All the other costs would be passed through to the consumers under the tariff or under the regulatory mechanism.

**Koundinya Nimmagadda:** Thank you very much sir for the opportunity and patient answer. All the best.

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

**Kunjal Mehta:** Manav, we have two questions in the question queue. Can you please take those?

**Moderator:** Okay, sir. We have a next question from the line of Anderson Dong from PIMCO. Please go ahead.

**Anderson Dong:** Hi, management. Thanks very much for the call. Can you please share the capex guidance on a consolidated basis for fiscal 2025 and also break it down by segments including transmission, distribution, HVDC and the smart metering. Thank you.

**Kunjal Mehta:** The AEML Mumbai would have a capex plan of around INR 1,500 odd crores, which is in line with what we have been doing in the last few years. Transmission based on the projects which are under operational and based on the projects which we will win, it would be in the range of around INR 5,000 odd crores. Smart meters would take additional capex requirements based on the meters it would get deployed. But it would be fair to be that we would incur at least around INR 1,000 crores INR 2,000 odd crores in case of smart metering. In the next financial year.

- Anderson Dong:** Thank you. And how about the funding plan for those projects?
- Kunjal Mehta:** Sure. As you know that AEML would be funded directly through its own internal accruals. There is no requirement to raise any debt in case of Mumbai. There has been no requirement to raise debt since last two years. And we do not expect any fresh borrowing in case of AEML in the next financial year. In case of transmission or even in case of smart meters, it would be a mix of debt and equity. And the equity component would be funded largely through its own surpluses that the company has been generating. And the necessary debt would be availed at the right time for the transmission project.
- Anderson Dong:** Thank you. And last question. Can you share the progress of any equity-raising plan?
- Kunjal Mehta:** Any what plan?
- Anderson Dong:** Equity-raising at the AEML, sorry, at the Adani Energy Solutions level.
- Kunjal Mehta:** There are no immediate plans to do that. But as and when there could be a further requirement or fresh requirements, we want to raise our opportunities to raise our growth listing beyond what we currently have. At that point in time, the company would look to raise equity at the right time and the right sources.
- Anderson Dong:** Okay. Thank you. That's all from my side.
- Moderator:** Thank you, sir. We have a next question from the line of Shivang Chauhan from Barclays. Please go ahead.
- Shivang Chauhan:** Hi. You have mentioned HVDC Mumbai project would be completed in the first quarter FY'26. So, just wanted to know if you could share how much is invested so far?
- Kunjal Mehta:** This project, roughly would cost us around INR 7,000 odd crores in the next 12 to 15 months. And around currently out of which around INR 1,200 crores to INR 1,500 crores has already been incurred. So, the balance would be incurred over the next 15 months or so.
- Shivang Chauhan:** Got it. Thank you. That's all.
- Moderator:** Thank you, sir. As there are no further questions, I would now like to hand the conference over to Mr. Kunjal Mehta for closing comments. Over to you, sir.
- Kunjal Mehta:** I would just like to thank all the participants who attended this call. And in case you have any further questions, happy to connect with you separately. You can reach out to us or to our investor relations team Vijil. And thank you again for participation in the call.
- Moderator:** Thank you. On behalf of Adani Energy Solutions, that concludes this conference. Thank you for joining us and you may now disconnect your lines.