“Adani Energy Solutions Limited

Q2 & H1 FY ‘27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Q2 and H1 FY '27 Earnings Conference Call, hosted by Adani Energy Solutions Limited. From AESL side, we have the following on the call as main speakers, Mr. Kandarp Patel, CEO, AESL; Mr. Ashok Jagetiya, CFO, AESL; Mr. Raj Kumar Jain, Business Head, Energy Solutions Platform; Mr. Prashant Soni, Head Finance, AESL.

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 touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prashant Soni from AESL. Thank you, and over to you, Mr. Soni.

Prashant Soni: Thank you. Thank you, and a very good day to everyone. I welcome you all to Q2 and H1 FY '27 earnings call of AESL. We hope you had an opportunity to review the earnings presentation and financial results that we shared on our website. To outline the flow of today's call, we will begin with the opening remarks from our CEO, Mr. Kandarp Patel, following which we will open the floor for Q&A. The call will conclude with closing remarks from CFO, Mr. Ashok Jagetiya. For those who wish to ask the questions, we request you to start joining the question queue a little in advance to help us manage the Q&A efficiently.

Thank you. And with that, I would like to hand over to Mr. Kandarp Patel for his opening remarks. Sir, over to you.

Kandarp Patel: Hello, good morning, everyone. Thank you for joining Q2 FY '27 call today. This quarter marks another important milestone for AESL evolution. Our performance in this quarter demonstrate that AESL is now becoming mature India's leading integrated infrastructure platform and utility, and it is supported by all our four business, which is in a growth mode, that's Transmission, Distribution, Smart Metering and Energy Solution. Our focus obviously remains on building long duration utility assets.

Currently, we have asset base of about INR83,000 crores. And we have already locked in capex of more than INR100,000 crores and that we will be delivering in another 4 to 5 years. So asset will grow almost 1.3x, 1.4x from what we have today in next 5 years. In fact, since we have been focusing continuously on capex delivery on the ground, and we see now results coming up, the capex in this first half of the year in the all-time high. We have deployed about INR7,850 crores of capex in among all our businesses.

As far as Transmission is concerned, during this quarter, we added another two projects. One is at Vizag Pendurthi and second one is Satara. And with these two projects, our order book remains at about INR87,000 crores. And as we said earlier, we have been focusing on those critical transmission assets, where a large renewable and consumption that we are integrating.

So these two projects, obviously, is very, very important for development of -- Satara is important for development of PSP projects and Pendurthi is for data centers that is coming up in Vizag region. And we will continue to focus on those large and critical projects like HVDC and

this kind of project where we are enabling renewable integration into the grid and also enabling rapid consumption in our economy.

As far as Distribution is concerned, both at AEML and MUL, we continue to deliver exceptional operational performance. Our Distribution losses in Mumbai has reduced further to 4.29 percentage in the first half. And this despite the fact that consumption has also increased by more than 10 percentage. And we also continue to focus on reliability, customer service and operational excellence as far as Distribution is concerned.

Smart Metering, we have now delivered about 14.8 million meters so far. And around 60 percentage of our order book, that we have delivered and balance portion, we wish to complete in another 12 to 14-month time. As far as C&I and Energy Solutions platform is concerned, we are steadily transitioning from incubation to scale now. During this quarter, the platform delivered revenue of over INR2,000 crores and EBITDA of over INR800 crores.

And we already have a tie-up of 4 gigawatt of renewables and 3.5 gigawatt of base capacity. So while we are tying up on the supply side, we have also now started tie up on the consumer side. We executed a 2,500-megawatt RE-RTC contract with MSEDCL. And we also expect to further scale up on both sides on our supply as well as consumer side significantly going forward.

Financially as well, we delivered another strong quarter with total income growing over 50 percentage. EBITDA also increasing close to 67 percentage and PAT growing 145 percentage. As we made a commitment, and we continue to focus on the governance and the ESG part, we are happy to say that now in S&P Global Electric Utility category, we are number one globally, getting 90 out of 100 rank, where industry average is about 40, and we will continue to focus on those aspects going forward as well.

On our funding and balance sheet side, a significant portion of our debt is also the fixed rate or hedged appropriately. So we don't expect much of the volatility due to foreign exchange or interest rate realization in our P&L or balance sheet. Overall, in all segments, be it Transmission, Distribution, Smart Metering or C&I, we see great opportunities going forward.

Those opportunity pipeline remains robust, and we are well positioned to take advantage of the opportunity available to us in all the segments. And we will continue to focus on besides ESG, as I said, on capex delivery. So this is in a nutshell, and I hope you must have received all the details and material on our financials.

So I thank all of you. And now we'll be happy to take questions from all friends. Thank you.

Moderator: Thank you. The first question comes from the line of Manish Somaiya with Cantor.

Manish Somaiya: Congratulations on a strong quarter and first half. I did have a couple of questions. Maybe to kick it off on Intellismart, when should we expect the transaction to close?

Kandarp Patel: Thank you, Manish bhai, for your question. Intellismart, the approval from CCI is pending, and we expect this approval very soon. In fact, we had a couple of meetings with them, and they

wanted various information on transactions as well as on the market. We have provided all those information. So we also are required to take approval from all the utilities where Intellismart has concession. We have secured all those approvals. And we expect the CCI approval very soon. And once we have the CCI approval, we will complete the transaction immediately. So we expect that will happen in next one month time.

Manish Somaiya: Okay. That's super helpful. And then on the legacy Smart Meter business, you had installations of about 1.3 million in the second quarter. It did show that the quarter was a little bit of a slower deployment. Maybe if you can just help us understand how we should think about the second half deployment? And perhaps what's really happening on the ground that might potentially speed up the deployment in the second half?

Kandarp Patel: Yes, obviously, the deployment in the first half was lower than even our expectation and those reasons were mainly extraneous, but we are working on those, and those reasons are obviously resistance from people for a smart meter, where we have now ramped up our campaign to educate those customers. The second one was that a few of the distribution companies wanted to focus on a specific type of Smart Meter installation.

So point in case was that Maharashtra was expecting us to install mainly HT consumer meters. And once you target a very specific consumer meters, obviously, the speed will reduce because you won't be able to capture the entire geography. And they were wanting to do it for the right reason because they wanted to complete that energy accounting or -- real-time energy accounting for HT consumer. So we also supported them.

But now that they have asked us to deploy other types of meter, which is pending, so we expect that speed will increase significantly. And similarly in Bihar, they wanted us to do the tagging of all the customers before we install that meter. And we also have completed those activity now in Bihar and Maharashtra where the pace was low, we expect that to increase significantly.

Manish Somaiya: Okay. And then just lastly on Transmission, if I can just have one more question. I think you said that the second half capitalization should be much better than the first half. And perhaps if you can just help us understand the 2 or 3 projects that really bump up the second half versus the first half.

Kandarp Patel: Yes. So if you see the track record or the past few years performance, the capex performance obviously is little lesser in first two quarter as compared to second two quarter, mainly because of the weather conditions. A lot of transmission capex get hindered in monsoon and summer. We expect to do total capex of transmission in the range of about INR14,000 crore. So we will be doing about INR8,000 crores to INR9,000 crores of capex in second half. And we are fully lined up for that. All the contracts has been awarded, teams has been mobilized, contractor has been mobilized, and you will see a lot of execution activity on the ground scaling up in the second half.

Moderator: The next question comes from the line of Rohan Mehta with Strateasy.

Rohan Mehta: A couple of questions regarding the Energy Solutions platform. First, so I gather that we have been selling in the merchant market in the previous quarter and now we'll tie up with MSEDCL. So will the margins go down? And second, how do we see the progress of this segment, say, in the H2 and FY '28?

Kandarp Patel: So Rohan, our long-term strategy is to make sure that we have substantial capacity tied up on a long-term basis on both sides. We would obviously not want a large exposure of market as far as AESL platform is concerned. When we started and scaled up this activity, obviously we started with tying up a generating capacity, and we have now started tying up on consumer side as well. And you must have seen that we have done this long-term PPA with MSEDCL, which will start operating from last quarter of this year.

And we were fortunate enough that between this period where we start our long-term supply, the market was good and we have been able to earn a good margin. In the long run, we wanted to have a stabilized revenue profile rather than creating volatility based on a market in our P&L.

Rohan Mehta: And what about the long-term strategy, sir, in terms of volumes?

Kandarp Patel: So in terms of volume, we will certainly continue to scale up this. And currently, we have about 2,500 megawatts of MSEDCL PPA. We will be doing another PPA with AEML, where regulatory approval has already been achieved, so we will be doing that PPA. So we will continue to scale up this volume, and we will reach to about total aggregate capacity on both sides about 7,000 megawatts to 8,000 megawatts of tie up over 3 to 4 years.

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

Mahesh Patil: Sir, my first question is on our Transmission order book. So we have reported around INR870 billion of work in hand. So I guess this doesn't include the recently won Apta project, which is around INR120 billion?

Kandarp Patel: This includes Vizag and Satara, which we recently won.

Mahesh Patil: Okay. And sir, the Transmission commissioning, right, so H1, I think we haven't commissioned any meaningful capacity. I see in CEA data that it's largely due to the ROW issues, some clearance, et cetera, including some capacity in Khavda. So are we expecting these 3, 4 projects that are delayed in H1 to get commissioned in H2? Or what are we doing to kind of accelerate these projects?

Kandarp Patel: Mahesh, we recently commissioned one element of phase 4, Khavda-Bhuj recently. The work on Khavda-Lakadia and Khavda-Halvad is also going on. Halvad is stacked up because of the ROW problem. And we expect resolution very soon. In fact, it is being discussed at Government of Gujarat as well as our Government of India level very frequently.

The other project that we expect to commission would be WRSR in this year, and probably we will complete. We are trying to push that project. We might complete the Navinal project in the current year, or maybe it may spill over in the next year first half. We'll be commissioning

WRSR, Khavda phase 4, Halvad and Navinal, probably we might be able to commission. And in Mahan as well, phase 1 will get commissioned, the phase 2 will be in next year first quarter.

So Mahesh, you must have seen, despite these ROW challenges, we have been able to scale up our capex deployment as far as transmission is concerned. With the resolution of this ROW in Gujarat, we are hopeful that we will be able to scale up even further.

Mahesh Patil: Got it, sir. Sir, my second question is on the Energy Solutions segment. So we sold around 12.2 billion units this quarter. So can we have the breakup of how much of this is sold through our long-term contracts and how much on short-term basis?

Kandarp Patel: So in quarter 2, we sold about 14,500 million units. Out of this 14,500 million units, about 3,500 million units is the unit that we take a position and sell in the market, whether to third party or exchange. So there we have a long-term tie up in terms of supply and sell it in the market, that is 3,500 million units.

The second volume, which is about 9,500 million units is where we do power trading. So we sell on behalf of someone, which is 9,500 million units. There are about 1,500 million units where we manage or provide the power management services. So totaling that 3,500 million units, 9,500 million units, and 1,500 million units, so that's a total volume of 14,500 million units that we handled this quarter.

Mahesh Patil: Okay. But sir, this quarter, I was just checking the numbers. Out of 25 BUs, we have reported in H1, correct? And in Q1, we had reported around 13 BUs. So I thought this quarter, we have sold around 12 BU, but the number is not matching.

Kandarp Patel: So the H1 number is 28,540 million units and Q2 number is 14,583 million units. Out of 28,540 MUs - 3,207 MUs are from Power Management Services

Mahesh Patil: Okay. And sir, lastly, in the P&L, we have booked some assets, right, from deferred assets of around INR17 billion. So could you throw some light on what is this exactly?

Ashok Jagetiya: See, there are two companies, MEGPTCL and ATIL, where we have decided to go to the new tax regime and recognize the past paid MAT assets in the books of account which are close to around INR1,500 crores. Since these are Section 62 assets, and therefore corresponding adjustable recoverable liability has also been created and to that extent, there is no impact on P&L.

Moderator: Next question comes from the line of Nikhil Nigania with Bernstein.

Nikhil Nigania: My questions are on the Energy Solutions business. Earlier, you had said you plan to scale it up to 7,000 megawatts, 8,000 megawatts in a few years. Just wanted to clarify, you meant that on the sourcing side or on the power sales side you wanted to scale it up to that level?

Raj Kumar Jain: Nikhil, this is Raj. So it's largely on the consumer stack side. Obviously, there will be capacities which will be required to match that demand, so that would be higher. But yes, this is a consumer stack side, that is what we are targeting.

Nikhil Nigania: Understood, Raj. And in terms of entities you're targeting, you mentioned this Maharashtra contract. Beyond that, are we targeting small C&I customers as well? Or are you thinking to the large data center kind of opportunities primarily?

Raj Kumar Jain: So we have a diverse set of consumer stack even today. So one, obviously, you have 2,500 megawatts of the MSEDCL PPA, 750 megawatt of AEML, so that's 3,250 megawatts. We are targeting multiple data center customers. We are in advanced discussions with them. Then further, we also have close to 400 megawatts of C&I clients, which are smaller ones as well as we are also managing some of the other demand and provide our services for a competitive power to various internal consumers. So we are making it diverse to ensure that the margins reflect the complete solutions.

Nikhil Nigania: Got it, Raj. And on the sourcing side, then, do we also plan to source coal-based generation and pump storage? Or would we largely stick to renewable solar plus BESS kind of setup, solar, wind, BESS?

Raj Kumar Jain: So the sourcing would reflect the consumption per se, as we want to match on a long-term basis on both the sides. Obviously, the demand from our consumers is also diverse, as you can understand, based on the mix which we are talking. So it will be having all kinds of sources, including thermal, PSP, renewables, BESS and whatnot. So it will be full diverse, including third-party clients and the market sourcing.

Nikhil Nigania: Perfect. And one last question. When this Maharashtra PPA starts, how much of our BESS already is contracted or to be contracted would transition to this PPA?

Raj Kumar Jain: So I would say this way that within the Maharashtra one, 2,500 megawatts, we have broadly covered 50% right now based on our sourcing. And obviously, we are further in the market, discussing with various parties for further sourcing of various types of capacities. That's how we are currently positioned. And this is across the sources, not only the battery.

Nikhil Nigania: Okay. Solar plus BESS, okay, got it.

Moderator: Next question comes from the line of Shirom Kapur with Jefferies.

Shirom Kapur: My first question, carrying on from the energy trading business. You first gave the volume breakups. Would it also be possible to share the revenue and EBITDA breakups, as you had given on the last quarter, for the three segments within this, the long-term trading, C&I trading, and power management?

Ashok Jagetiya: See, the average realization as far as trading is concerned is about INR5.75. And what we sell on exchange on behalf of others, we get about INR0.02 to INR0.03 per unit.

Kandarp Patel: So just to add further, the total sale is about -- for the H1 is about INR3,800 crores. That's a purchase and sale revenue. For rest of the category, we do accounting on a net basis, means it's only a margin part. So long-term sale that we have done -- sale from a long-term contract we have done is about INR3,688 crores. And the balance in other category, power trading and those

C&I customer and power management, those revenue which are margins are about INR52 crores, INR57 crores, and INR32 crores, respectively.

Shirom Kapur: Got it, sir. And just secondly, on the -- so the EBITDA that you would have earned on the long-term trading would just be -- so you're saying INR0.02 to INR0.03 as a fair estimate to take on the power management and C&I trading and the balance is all coming from the long-term trading. Is that correct?

Kandarp Patel: Yes.

Shirom Kapur: Got it. And just secondly, on the Transmission business. You mentioned that you're expecting to commission 3 projects this year, WRSR, Halvad and Khavda phase 4. So earlier you had given a guidance of around INR15,000 crores of capitalization. So are you revising that downwards, given that maybe some projects have been pushed to the next year?

Kandarp Patel: Not immediately because we are still hopeful that we will be able to complete what we plan in the current year because now we expect the next 6 months will be a fair season for transmission project working, and we expect those constraints which were there relating to ROW in Gujarat, we will be able to sort it out. In fact, we have started handling that and started working on the ground.

As I mentioned, we have already completed one element of Khavda phase 4. Element second, Lakadia, is also progressing very fast. In Halvad, only 50 locations is pending, and we expect that also to get completed very soon. WRSR project is also on fag end of commissioning. The substation on both the side is completed. The line portion is limited issue or balance work is pending. Now we are doing stringing also, the last phase of stringing there in WRSR.

We have started utilizing drone to avoid ROW problem for stringing. So we expect that to complete in this year only. So we do not see a requirement currently as of now to revise the capex guideline, and we hope that we will be able to do it in next 6 months of this year.

Shirom Kapur: Right, sir. And lastly, on your Smart Meter business, you know you earlier guided for about 10 million installations this year itself. You've done 3.4 million in the first half. So just wondering whether you're still on track for meeting that 10 million this year?

Kandarp Patel: So we plan for about 80 to 90 lakh meters this year. And the balance about 40 lakh, 45 lakh, we hope that we will be able to complete in the next half year.

Moderator: Next question comes from the line of Vishal Periwal with PL Capital.

Vishal Periwal: Sir, on this Energy Solutions platform, I think the contract where we take a position, last quarter, we have done almost like 3.3 billion units, where the spread is higher, margins are higher. And this time, we have done 3.5 billion units. So can you give some perspective, like, I mean, at the end of the year, maybe on a quarterly basis, how this ramp-up can happen on this particular portfolio for us?

Raj Kumar Jain: So I think two points which are very relevant here. One is, as we answered earlier, we are ramping up this particular portfolio. Starting end of -- the last quarter, we would be having capacities going to Maharashtra. So that's where a lot of this capacity, which is currently available with us, would be deployed towards, and the margins would reflect the PPAs, which is what is our long-term strategy. And you would see that the volumes, what you see today, are expected to only increase as we ramp up more capacities on the sourcing side. So this is broadly the business model that you would find as we tying up the capacities prior to our deployment. So that's what you would reflect -- you would see in our results.

Vishal Periwal: Okay. So basically, the 3.5 billion quarterly run rate, a jump is expected in quarter 4? And in terms of -- I mean, because if you do that working of INR0.01 to INR0.02 in other portfolio that we make, then we are making more than like INR2.20 in this particular side of the business. Then in RE-RTC, the numbers are in similar projecting, that is there for us for the Maharashtra one or probably it is a little different?

Raj Kumar Jain: So see, I think one first question on the volume, as I mentioned that there will be a steady increase in our volumes as we increase our tie-ups on both the sides. So what you see today, obviously, there is seasonal, weather variations. But at the same time, on a trajectory basis, we are expected to increase the volumes.

Now margins is a question of what the underlying tie ups are on both on supply as well as the deployment side. The margins in the PPAs are reflecting the long-term return profile of those PPAs, and you will see that happening. But we believe that we will continue to maintain healthy margins in our businesses across the diversified consumer base, and that's what you would see.

Vishal Periwal: Okay. And then just maybe one last question is on the Smart Metering. I think we are do -- I mean, sir, has already given a clarification target for this year and next year. But in terms of further buildup of order book, are you seeing activities on the ground, any tendering opportunity that is kind of probably scaling up or maybe are bidding? Any colors that can be provided will be helpful, sir.

Raj Kumar Jain: So on the Smart Metering side, yes, the market right now is still untapped for large capacities to be coming for the auctions. There are already current auctions, which are there in market. We are participating, and we believe that the portfolio can be ramp up because the market is seeing the benefits of it coming in, and we are fully positioned to actually tap that opportunity.

Kandarp Patel: And there could also be an opportunity of acquisition in the market on top of what we get here through bidding.

Moderator: Next question comes from the line of Vivek Rajamani with Morgan Stanley.

Vivek Rajamani: Thanks so much for the opportunity...

Moderator: Mr. Rajamani, sorry for interrupting. Your voice is breaking. Can you please come in the range and talk?

Vivek Rajamani: congratulations on a good set of numbers. Just to kind of clarify on the question on the previous participant. Obviously, the new contracts that you will scale up from 4Q of 2027, and the portfolio mix will obviously change going into fiscal '28. Could you just give us a sense that from the very strong quarter that we've witnessed, would it be fair to say that there could be some softening as we get into the more cooler periods from a merchant perspective, given that your more longer-term volumes will only commence meaningfully from fiscal '28 onwards? Is that a fair statement?

Raj Kumar Jain: So I think, yes, see, we are -- as we have said in the earlier answer as well, we are transitioning more and more merchant volumes, which are currently available with us to long-term PPAs. We, again, in future, are likely to have timing mismatches and we will have the volumes available to us for those timing mismatches as we tie up capacities in advancement of our deployment.

Now what we realize on that, that merchant capacity is based on the market conditions, and we obviously try to maneuver our strategy in a manner that we are able to realize healthy returns on those things. Now within that framework, obviously, there are PPAs which we want to tie up, and we are already have roughly 3.25 gigawatts of PPAs, which also have very healthy returns. So with volumes picking up and all of the PPAs coming in, we expect to maintain a very good EBITDA margin in this business.

Kandarp Patel: So Vivek, as I said earlier, in the long run, we would not want major volatility in our C&I profitability, and therefore, we would not take a long-term or a large volume exposure to the market. We will continue to tie up capacity on both sides on a long-term basis, so that we have stability in revenue as well as profitability. And obviously, to leverage the advantage of having this diverse portfolio of supply as well as consumer side, we will keep certain capacity open, but it will not be a significant one. So what you will see in the long run is a steady and growing cash flow as well as volume and profitability.

Vivek Rajamani: Just a second question was a bookkeeping one...

Moderator: Mr. Rajamani, your voice is breaking. Next question comes from the line of Apoorva Bahadur with IIFL Capital.

Apoorva Bahadur: Just one question. Adani Green has added more battery capacity in 2Q. So just wanted to know if we are going to take that over as well and then operate for the rest of the year?

Raj Kumar Jain: See, I think we are in active discussions with multiple parties, including Adani Green for whatever capacity being deployed. If they find it attractive to tie up with us independently based on the market benchmarks, they would do with us. So obviously, we connect with them as well for these capacities, and you would see some of those happening in the near future, but purely on the market benchmarks, where the value is available for both the entities, if at all those transactions happen.

Apoorva Bahadur: So if we do take over it, it need not necessarily be at the INR4.85 tariff, I believe?

Raj Kumar Jain: See, I won't stick to a particular number. Number is a result of where the market benchmarks are. It could be lower, it could be higher, depending upon how the market costs are moving at. What you should be looking at is whether I am tying up at the numbers, which are market benchmarks or not. So whether it is SECI, NTPC, or other bids, which are available to me, or similar players are available to me when I am going in the market and tying up with them versus what opportunities they may have in their own folio.

So that's where I think there is a good meeting of minds happening, and we have been able to tie up large capacities based on that understanding in past, where they get their market returns and we get capacities at that rate. And we are able to do this without having risk of SECI, PSA tie-ups or any of those things which you see in the center. At the same time, we are able to tap large resources, so it's a mutual win-win. At the same time, both parties would decide based on how the market benchmarks are moving for a similar rate profile, for a similar long-term tie-ups, and similar terms and conditions.

Moderator: Next question comes from the line of Vin C with PhillipCapital.

Vin C.: I had an industry-related question. So now China is putting a ban on solar tech exports and possibly it could lead to a slowdown in solar in India. So can you see a reduction in the need for transmission lines going ahead, if that happens?

Kandarp Patel: Sorry, Phillip you said they are putting a ban on solar?

Vin C.: They are putting a ban on export of technology in solar, so India is still not fully integrated in the solar value chain. So if that leads to a possible slowdown in solar capacity additional, do you see there will be a lesser need for adding new transmission lines?

Raj Kumar Jain: So I think, Phillip, per se, we do not see the equipment bans in China because it's largely on a high tech side that there had been some reservation in exporting technology outside China largely focused on, I would rather say, more towards the ingot and wafer or the earlier part of the value chain in the solar manufacturing. But at the same time, if you look at India, per se, India is today on the solar side, manufacturing side is an overcapacity market, which is available in the ALMM schedules and all of that, those are available.

So we do not necessarily see any impact on solar. But I don't think that is the way we could be looking at transmission. The transmission opportunity is coming from multi-facets, not only based on solar deployment. You have a huge amount of pipeline right now, which is coming from the states upgrading their networks because they need to absorb capacities for their increased demands. A lot of cities now looking for solutions to bring more power to their own consumption centers. You can see a lot of demand coming from the Mumbai area as well or Maharashtra area as well. Similar things are getting replicated in other metros.

Obviously, the third phase is also now coming up with more than 100 gigawatt of capacities coming on thermal. So that entire thing is also pushing the capacities on the transmission side, a requirement of that. Similarly, you have PSPs coming in a very big way. So solar is one component. At the same time, we do not see any meaningful slowdown in solar for the reasons

which you just alluded to. So it's basically a market where we can decide how much opportunity we want to tap in rather than there is any dearth of opportunity.

Vin C.: Just to extend that thought on thermal, this 100 gigawatt of thermal, I think bulk of it is brownfield expansion that I think transmission lines are already present. So if we move more towards thermal to offset any reduction in solar, do you see the overall transmission pipeline shrinking a bit that what it would have, had it been entirely renewables?

Kandarp Patel: No, no, it's not correct because even though it is a brownfield expansion, the original transmission line plan for that original capacity. And obviously, when you add that capacity, you will also require additional transmission capacity for that. So for whatever capacity is getting added in new or brownfield, the capacity requirement as far as transmission will be the similar one.

Vin C.: Sure. But would it trend more towards the 400 kV line rather than a 765 kV or HVDC line because it will be incremental transmission capacity that can come?

Kandarp Patel: No, no, no. I don't think it will also be pushing towards the 400 kV line because those brownfield expansions are also large scale. So if 2 units are getting added, then it's a 1,600 megawatts. Obviously, there are multiple thermal projects getting developed in the vicinity. So probably it will also require a similar kind of a solution like HVDC. Recently, you must have seen one mega project that has been approved by Government of India, which itself is more than INR80,000 crore, right, Raj? That is from east to north transmission corridor.

So as Raj said, transmission demand is coming from various sectors. Now you will see a lot of transmission opportunities coming from the project, which is aimed at system upgradation and also on consumption side and mainly around city areas.

Moderator: Next question comes from the line of Shirom Kapur with Jefferies.

Shirom Kapur: Just a clarification. You mentioned that you have about 3.25 gigawatts of PPAs signed up already on the energy trading, so that would be the 2.5 gigawatts MSEDCL and 750 megawatts AEML, is that correct? And are those both -- is the AEML one operational already or is that also yet to be operationalized?

Raj Kumar Jain: In terms of time lines and the capacity, 2.5 gigawatts MSEDCL signed, the capacity starts being deployed from end of February this year, 1,000 megawatts, then 1,000 megawatts from end of April and then another 500 megawatts end of July in the next year. As far as 750 megawatts is concerned, that's already approved by the regulator. All process already done. We are in the process of executing that, expect that to happen over the course of next 3 to 4 weeks. The capacity in that particular PPA would be 2 years from the date of signing that PPA, so that flexibility is there in terms of our deployment. Hope that answers your question.

Shirom Kapur: That's clear, sir. And just secondly, coming back to the transmission side, if you could quantify, you recently won an intrastate project as well a few weeks ago. Could you quantify what the project value for that would be and what is the pipeline ahead? This INR1.4 trillion tender

pipeline that you are talking about, how much of that is interstate versus intrastate, and how you see the progress on the intrastate side specifically?

Kandarp Patel: So both the projects that we have won last quarter, one is Satara as well as second is Pendurthi. Both are interstate projects.

Raj Kumar Jain: And right now, see, I think the tender pipeline itself at the country level is around INR140,000 crores. It's spread across the states and the central. Obviously, central includes some of the HVDCs as well. So the tilt is in favor of the center in terms of the portion of the tenders which are out. But as we mentioned earlier, there is significant amount of capacity build-out, and the new GEC 2 category as well, which has been recently approved, is more focused towards creating intrastate network.

So this breakup is more evolving breakup and would have its own spread as we move forward. So we obviously decide where it is more suitable for us, which projects are more suitable for us, and focus on them to ensure that we make value for our bids and add value to our shareholders.

Kandarp Patel: And, directionally, you will see lot of new project and opportunity coming from state side, as I said earlier. So there will be a lot of projects that will have to be developed on a consumption side, especially for those areas where huge amount of consumptions in terms of data center or manufacturing are coming up. Also around those cities which is growing, like this year, we see consumption increase in the city of Mumbai of the order of 11 percentage to 12 percentage. So those kind of consumption growth in the cities will also push for need of additional transmission capacity around those city areas.

Shirom Kapur: Right, sir. But just continuing on the intrastate pipeline, you are saying directionally we will see more opportunities coming up, how is the competitive landscape in the intrastate side versus interstate? Do you see your typical project IRRs or ROEs being a little bit lower on the intrastate side versus the typical interstate ROEs?

Kandarp Patel: So on intrastate, typically it is a little better as compared to interstate because, obviously, those developers will see as an state regulatory versus central regulatory landscape. So typically in state, the ROE would trend a little better.

Moderator: Next question comes from the line of Vishal Biraia with Bandhan AMC.

Vishal Biraia: Sir, could you restate the capitalization target for FY '27 and '28, please, for the transmission business?

Ashok Jagetiya: See, as we said in the earlier question, we actually expect to incur to INR6,000 crores additional capex in the second half of this year and another INR18,000 crores to INR19,000 crores in the FY '28. That's the pipeline we are projecting as far as Transmission is concerned.

Vishal Biraia: And sir, capitalization also addition to gross block?

Kandarp Patel: So the capitalization also would be of the order of INR8,000 crores to INR9,000 crore. If we take WRSR, Khavda phase 3, Halvad, that's a Halvad project, and Khavda phase IV, if we take these three only, then it will be close to INR9,000 crore.

Vishal Biraia: And next year, we should be closer to INR10,000 crores?

Kandarp Patel: In terms of capitalization or capex?

Vishal Biraia: Yes, capitalization.

Kandarp Patel: Capitalization would be about, give me a minute, that will also be of the order of INR10,000 crores. The capitalization will jump after the subsequent years after next year because of commissioning of those HVDC projects, that will add capitalization in lump.

Vishal Biraia: Sir, one question on the borrowing side. Of the total net debt of INR41,000 crores odd, how much is from ECB?

Ashok Jagetiya: On the borrowing side, ECB is around 10%. On the overall debt of INR51,000 crores, 10% is from the ECB.

Vishal Biraia: 10% is from ECB, okay. And this year, the currency is hedged, as you had mentioned earlier, but is the interest rate also fixed for a few years or that is completely variable?

Ashok Jagetiya: No, no, no. All our USD bonds modes and ECBS, the interest rates are fixed. So 75% to 80% of our debt portfolio is on fixed coupon basis.

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

Anuj Upadhyay: Sir, just one clarification. The 4.6 gigawatts tie up and 3.5 gigawatts of battery storage is entirely from Adani Green, right? There is no tie up which includes Adani Power as of now.

Kandarp Patel: So there is no tie-up with Adani Power as of now. But out of the total capacity, around 700 megawatts is from third party as well, 650 megawatts.

Anuj Upadhyay: Okay. And you mentioned that of the total volume, which we traded under the Energy Solutions close to around INR3.5 billion was for the merchant basis, and rest was on a trading where we earned around INR0.02 to INR0.03 as a margin. So can you just mention what was the margin on the merchant basis, sir, on EBITDA per se?

Kandarp Patel: So margin on the -- of the order of INR1.70 to INR2.

Anuj Upadhyay: And in our previous interaction, sir, you have mentioned that we would be eyeing close to around 10 gigawatt of PPA with the C&I and data center category, where the average spread could come in the range of INR0.80 to INR1. Now the supply side PPA, which we are -- the off-taker side PPA which we are signing as on date, it's like with AEML, we have signed 700 megawatt, with MSEDCL we have signed 2.5 gigawatt. So even on this 3.5 gigawatt, we expect to have similar

kind of a margin or margins out here are more of like a regulated basis where it would be much lower?

Kandarp Patel: No, no, it would not be much lower, but it would also not be this high because -- this is because of market condition prevalent in these two quarters. And as we said earlier, we expect -- we don't expect -- as I said earlier, we would not want to have this kind of market volatility that in a certain quarter, because of market condition, you have a bumper margin and maybe subsequently you may not have that significant margin. So we will tie up on a long-term basis where those margins will be in the order of INR0.80 to INR1 on a consistent basis.

Anuj Upadhyay: Okay. Fair enough, sir. And is it fair to assume, sir, based on the tie up which we have as of now on the supply side, that is from Adani Green and the 600 megawatts, 700 megawatts from the third party, the available volume which we have to trade on a merchant basis would be in the range of 13 billion to 14 billion on an annual basis based on the current contract.

Just on a very simplistic calculation which I did on a 4.6 gigawatts, that gives us close to around 10 billion of units to be traded. And 3.5 gigawatts hour of battery, assuming that battery, again, it charges through the power. If we take it from the grid at a very lower rate during the solar hour, it gives somewhere close to 14 billion of unit.

And just going by your quarterly run rate, this quarter, this whole somewhere in the range of 3.3 billion on a merchant basis. So it is fair to assume, based on our current tie ups, we have this quarterly run rate of 3.3 billion or 3.5 billion of units available to be traded on merchant. Till that time, the PPA...

Kandarp Patel: You are right. But again, we have to be mindful of the fact that renewable, both wind and solar will be a seasonal profile. But on an overall basis, it would be of the order of 3,500 million units per quarter.

Ashok Jagetiya: And this MSEDCL about 1,000 megawatt will start supply towards the end of February, so some part will go there.

Moderator: Next question comes from the line of Ishan from Antique.

Ishan: Just wanted to understand that our contracts with Adani Green are on a take-or-pay basis. So given the curtailment is a larger issue, so if the power is not scheduled or the grid backs are down, who bears the cost?

Raj Kumar Jain: It's basically whatever they are giving me the power, I am paying that -- the cost for that power. So on the generation side, obviously, the grid issue is with the generator. We are like any other buyer like they would have PPAs risks like SECI or anyone else. They pay for the power, which is provided.

Ishan: Okay. So if the power is not reaching to you then, Adani Green would be paying for the curtailment, is it?

Raj Kumar Jain: Yes, that's the risk they have in their business.

Kandarp Patel: So essentially, how it is being done is that in any PPAs that you would have, whether it is with AESL or whether it is with any utility, generator is to schedule that power, and once it is scheduled, that becomes your responsibility to uptake and pay for that. Currently, they have not been able to schedule corresponding to the curtailment that is being enforced. So our responsibility starts the moment power is scheduled.

Ishan: Got it. Secondly, sir, you mentioned that there is no PPA yet with Adani Power, but I believe this MSEDCL PPA also includes some thermal component to supply the round-the-clock power. So you could get -- sometimes will there be a tie-up with Adani Power or like how much thermal capacity do we need to tie up under this particular contract?

Kandarp Patel: So in MSEDCL PPA, there is no compulsion that we need to have a thermal. There is full flexibility. It is energy supply contract rather than a conventional PPA tied up with a particular source. So I can do any kind of combination there. But obviously, we will require a thermal capacity, and we are exploring various other options of taking capacity, thermal capacity, on a long-term basis. It could be Adani Power, it could be other as well, and we have been talking to third party for thermal PPA as well.

Ishan: Okay. So at this point, we cannot quantify how much of thermal will be required for this particular PPA?

Kandarp Patel: Correct. And we also don't want to lock those kind of a capacity in a way that we wanted to retain the full flexibility on the supply side. So I can leverage that entire supply stack in the most optimal manner, both in terms of technical and commercial side.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I now hand the conference over to Mr. Ashok Jagetiya for closing comments.

Ashok Jagetiya: Thank you, everyone, for taking time out and joining this call. If any other questions left out, you please share one-to-one, and we will be happy to answer those. Thank you.

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