

Adani Energy Solutions Ltd

Strong fundamentals fueling a resilient growth



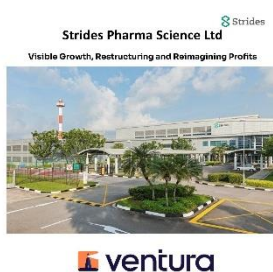
Our recent initiating coverage reports



Anant Raj



Tata Consumer



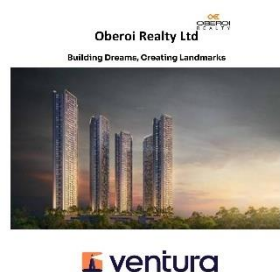
Strides Pharma



PVR Inox



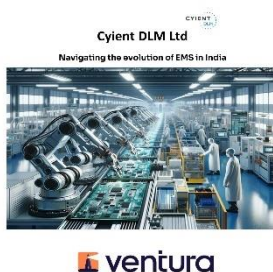
Just Dial



Oberoi Realty



Kalyan Jewellers



Cyient DLM



Digispice Tech



Hero Motocorp



Gopal Snacks



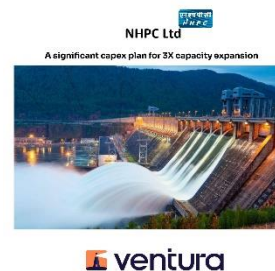
Krsnaa Diagnostic



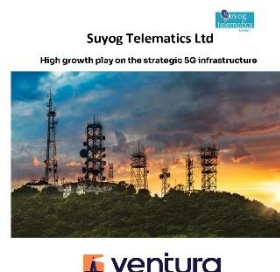
DMART



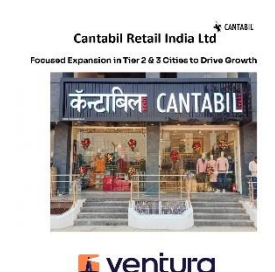
Protean e-Gov



NHPC



Suyog Telematics



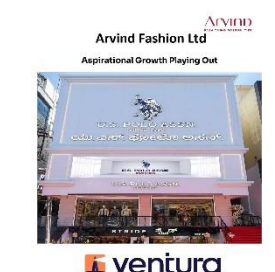
Cantabil Retail



Fino Payments



Jana SFB



Arvind Fashion

TABLE OF CONTENTS

Summary	03
Valuation	04
Consensus vs Ventura Estimates	07
Band Charts	08
Peer Comparison & Scatter Plot	09
Financial Summary	11
SWOT Analysis	12
Company Overview & Growth Drivers	13
Business Quality Score	21
Key Management Personnel	22
Risk & Concerns	22
Quarterly Financials	23
Financial Statement Analysis & Projections	24
Disclaimer	25

BUY @ CMP INR 772
Target: INR 1,675 in 24 months
Upside Potential: 116.9%

Strong fundamentals fueling a resilient growth

Business model – AESL operates in the power T&D space, acquiring projects primarily through TBCB. The company's business model focuses on developing, operating, and maintaining power T&D networks under 35-year contracts. AESL generates fixed tariff-based returns or RoA annually, ensuring a stable and predictable cash flow.

Adani Energy Solutions Ltd (AESL), a frontrunner in India's private power transmission sector with a 30% market share and key distributor of power in Mumbai & Mundra, is diversifying into the smart meter segment to drive growth. Despite stock volatility following Hindenburg's fresh allegations in Nov 2024, AESL has demonstrated resilience, supported by robust fundamentals and operational strength, including:

- **Transmission:** Since Apr 24, AESL augmented its transmission assets by adding:
 - Khavda IV A: 602 ckm/4,500 MVA with an asset base of INR 40.9 bn.
 - Khavda IV D: 816 ckm/4,500 MVA with an asset base of INR 34.6 bn.
 - Navinal: 516 ckm/6,000 MVA with an asset base of INR 23.8 bn.
 - Jamnagar: 941 ckm/3,000 MVA with an asset base of INR 38.2 bn.
 - Mahan-Sipat transmission operational asset (673 ckm) through acquisition.
 - As per the media reports, AESL won the largest TBCB bid for an HVDC line in Rajasthan in Dec 2024, with an asset base of INR 250 bn.
- **Smart Meter Push:** Launched supply and installation across nine regions, generating INR 453 cr in revenue.
- **Distribution business** remains strong, delivering a 15% RoA and backed by a capex plan exceeding INR 10,000 cr over the next six years, which is expected to drive significant EBITDA growth.

India's transmission capacity is expected to grow from 523 kckm/1208 GVA in FY24 to 828 kckm/2093 GVA by FY34, driven by the government's plans to double generation capacity to 900 GW. This expansion involves an investment of INR 8.2 trillion in transmission infrastructure over the next decade, with INR 2.3 trillion via private TBCB projects. AESL, commanding ~30% of the private TBCB market, is well-positioned to capitalize on these developments. Moreover, the government's decision to allow private companies to acquire urban power distribution licenses presents new opportunities for AESL.

To fund its business expansion, AESL raised INR 8,373 cr via QIP in Aug 2024 at INR 976 per share—Adani Group's first capital raise post-Hindenburg episode—attracting strong interest from global and domestic investors. Over FY24-27E, AESL's revenue, EBITDA, and net profit are expected to grow at a CAGR of 19.8%, 31.0%, and 50.6%, reaching INR 28,544 cr, INR 12,843 cr, and INR 3,881 cr, respectively. EBITDA and net margins are projected to expand by 1060bps to 45% and 675bps to 13.6%.

Valuation call – AESL's robust fundamentals, strategic initiatives, and favorable industry dynamics reaffirm its long-term growth story. We recommend BUY with a DCF-based price target of INR 1,696 (19.6X FY27 EV/EBITDA). At the CMP of INR 772 (11.2X FY27 EV/EBITDA), the stock represents 116.9% upside over a 24-month period.

Industry Power T&D

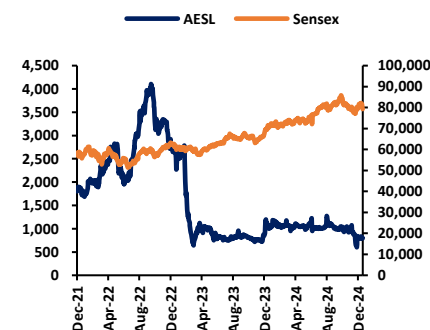
Scrip Details

Face Value (INR)	10.0
Market Cap (INR Cr)	92,739
Price (INR)	772
No of Sh O/S (Cr)	120.1
3M Avg Vol (000)	8,105.2
52W H/L (INR)	1,348/588
Dividend Yield (%)	0.0

Shareholding (%) Sep 2024

Promoter	69.9
Institution	24.1
Public	6.0
TOTAL	100.0

Price Chart



Key consolidated financial data (INR Cr, unless specified)

	Net Revenue	EBITDA	Adj. Net Profit	EBITDA (%)	Adj Net (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/EBITDA (X)
FY23	13,293	5,553	1,256	41.8	9.5	10.5	107.2	10.7	9.1	73.8	22.4
FY24	16,607	5,711	1,137	34.4	6.8	9.5	114.1	9.0	8.4	81.5	22.3
FY25E	21,547	7,237	1,789	33.6	8.3	14.9	186.1	8.0	9.2	51.8	17.5
FY26E	24,238	10,441	3,068	43.1	12.7	25.5	211.7	12.6	11.9	30.2	12.9
FY27E	28,544	12,843	3,881	45.0	13.6	32.3	244.0	13.7	12.4	23.9	11.2

Valuation

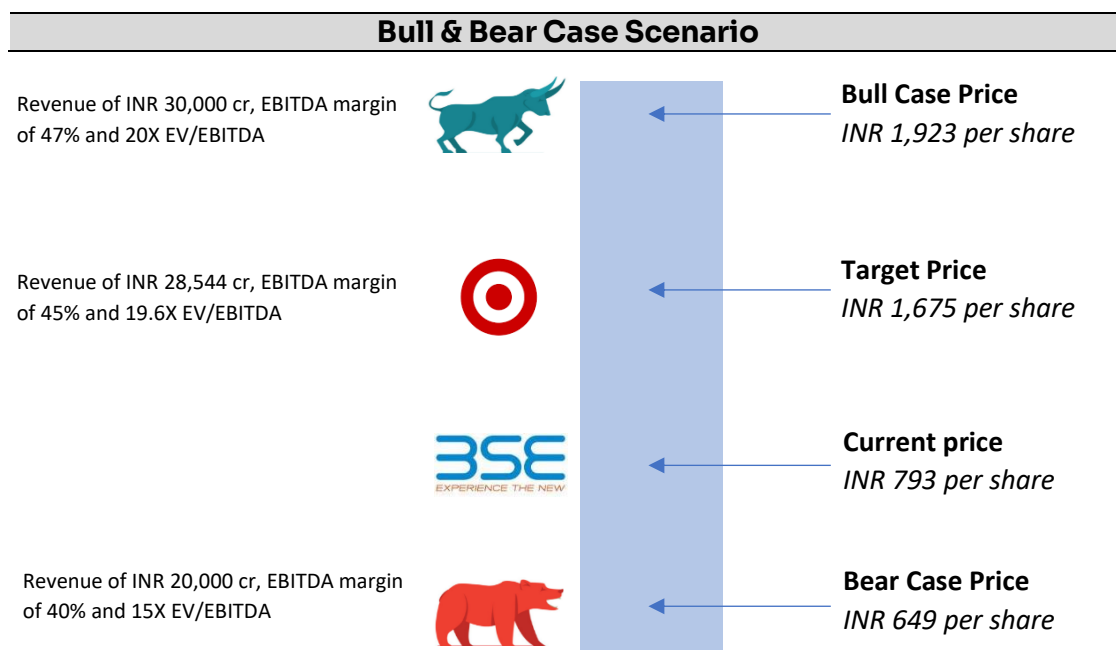
We have used the DCF model to value AESL since its TBCB contracts generate significant cash over the next 35 years (typical life of a TBCB contract). We have discounted back the future cash flows to FY27 and value the company at INR 1,675, presenting an upside of 116.9% from the CMP of INR 772.

Fig in INR cr, unless specified	FY27	FY28	FY29	FY30	FY35	FY40	FY45	FY50
FCFF	(96)	3,182	5,912	15,975	18,804	18,010	17,336	16,681
Discount factor at 8.4% (X)	1.00	0.92	0.85	0.78	0.52	0.35	0.23	0.16
Discounted FCFF	(96)	2,935	5,030	12,539	9,857	6,304	4,053	2,604
Total discounted FCFF	160,401							
Terminal value at 3% growth	587,807							
Present value of terminal value	91,771							
Enterprise value	252,172							
Less: Net Debt	51,008							
Value of equity	201,164							
Value per share (INR)	1,675							

Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for the FY27 price, based on revenue growth, EBITDA margins and EV/EBITDA multiples.

- Bull Case:** We have assumed revenue of INR 30,000 cr (FY24–27E CAGR of 21.8%) and a EBITDA margin of 47% at a EV/EBITDA of 20X, which will result in a Bull Case price target of INR 1,923 (an upside of 149.1% from CMP).
- Bear Case:** We have assumed revenue of INR 20,000 cr (FY24–27E CAGR of 6.4%) and a EBITDA margin of 40% at a EV/EBITDA of 15X, which will result in a Bear Case price target of INR 649 (a downside of 15.9% from CMP).

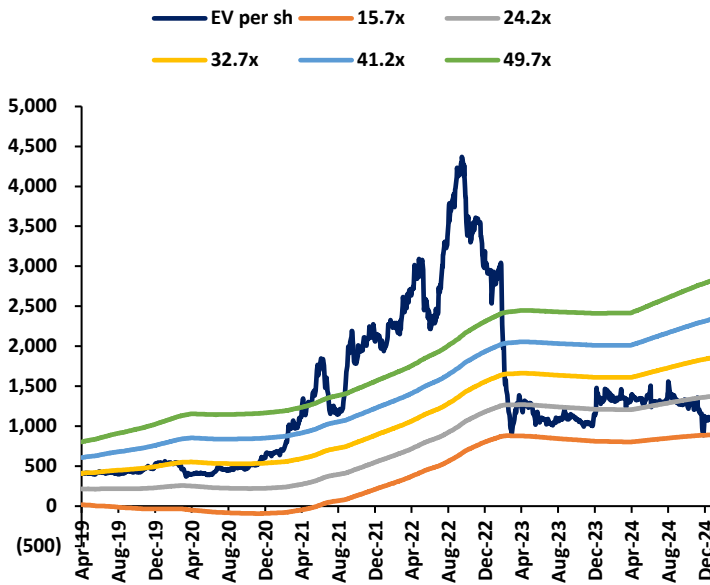


Source: BSE & Ventura Research

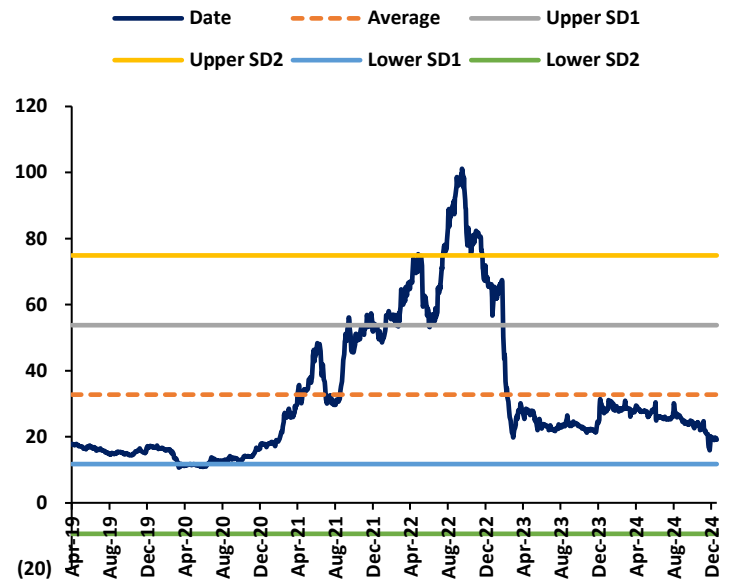
Consensus vs Ventura Estimates					
Consensus vs Ventura Estimates	FY24	FY25E	FY26E	FY27E	FY24-27E CAGR (%)
Revenue (INR cr)					
Consensus	16,607.4	19,898.6	23,002.7	27,578.9	18.4
YoY Growth (%)	24.9	19.8	15.6	19.9	
Ventura Estimates	16,607.4	21,547.3	24,237.9	28,544.1	19.8
YoY Growth (%)	24.9	29.7	12.5	17.8	
EBITDA (INR cr) & EBITDA margin (%)					
Consensus	5,711.2	7,507.7	9,941.7	13,085.9	31.8
Consensus Margin (%)	34.4	37.7	43.2	47.4	
Ventura Estimates	5,711.2	7,236.8	10,440.9	12,842.7	31.0
Ventura Margin (%)	34.4	33.6	43.1	45.0	
Net Profit (INR cr) & Net margin (%)					
Consensus	1,137.3	2,799.7	4,112.4	5,298.6	67.0
Consensus Margin (%)	6.8	14.1	17.9	19.2	
Ventura Estimates	1,137.3	1,789.4	3,068.1	3,881.5	50.6
Ventura Margin (%)	6.8	8.3	12.7	13.6	
Net Debt (INR cr)					
Consensus	34,338.0	38,208.9	50,558.4	64,658.5	23.5
Ventura Estimates	34,338.0	34,238.0	41,940.5	51,008.3	14.1
Valuation					
P/E Ratio (X)					
Consensus	81.5	33.1	22.6	17.5	
Ventura Estimates	81.5	51.8	30.2	23.9	
EV/EBITDA Ratio (X)					
Consensus	22.3	17.4	14.4	12.0	
Ventura Estimates	22.3	17.5	12.9	11.2	

Strong growth outlook, improving profitability and healthy balance sheet could re-rate the valuation

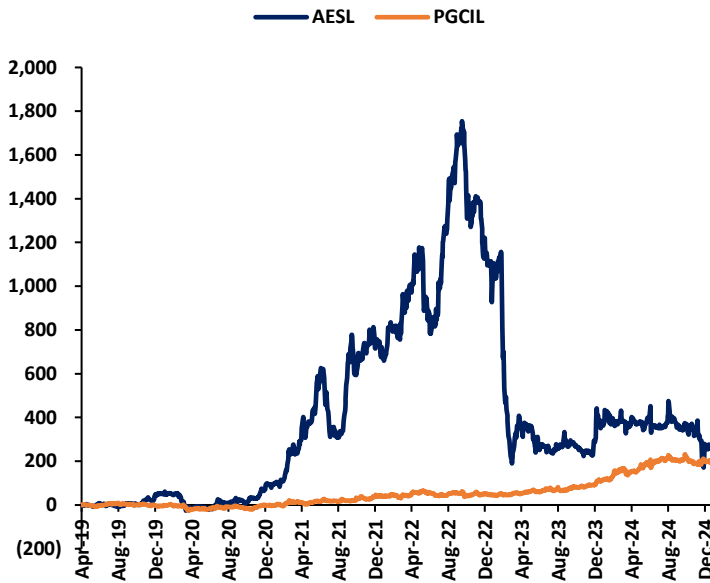
1 year forward EV/EBITDA



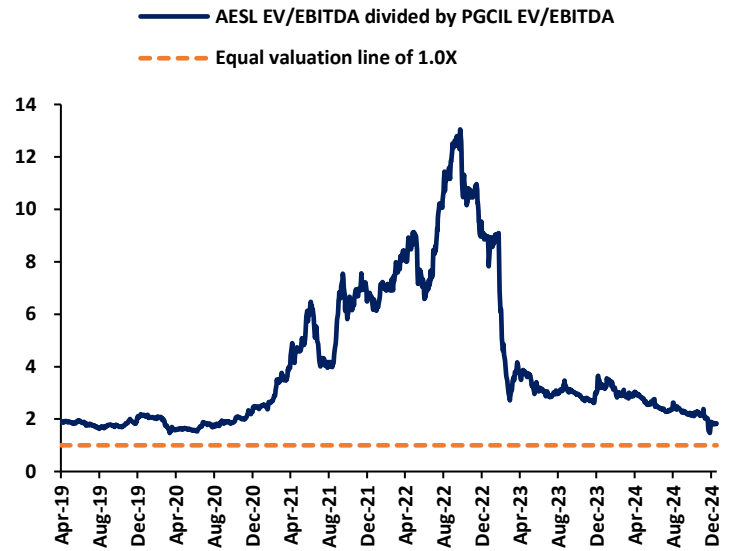
1 year forward EV/EBITDA and its standard deviation



Price performance - AESL vs PGCIL



Despite strong growth of AESL, its valuation gap with PGCIL has significantly reduced

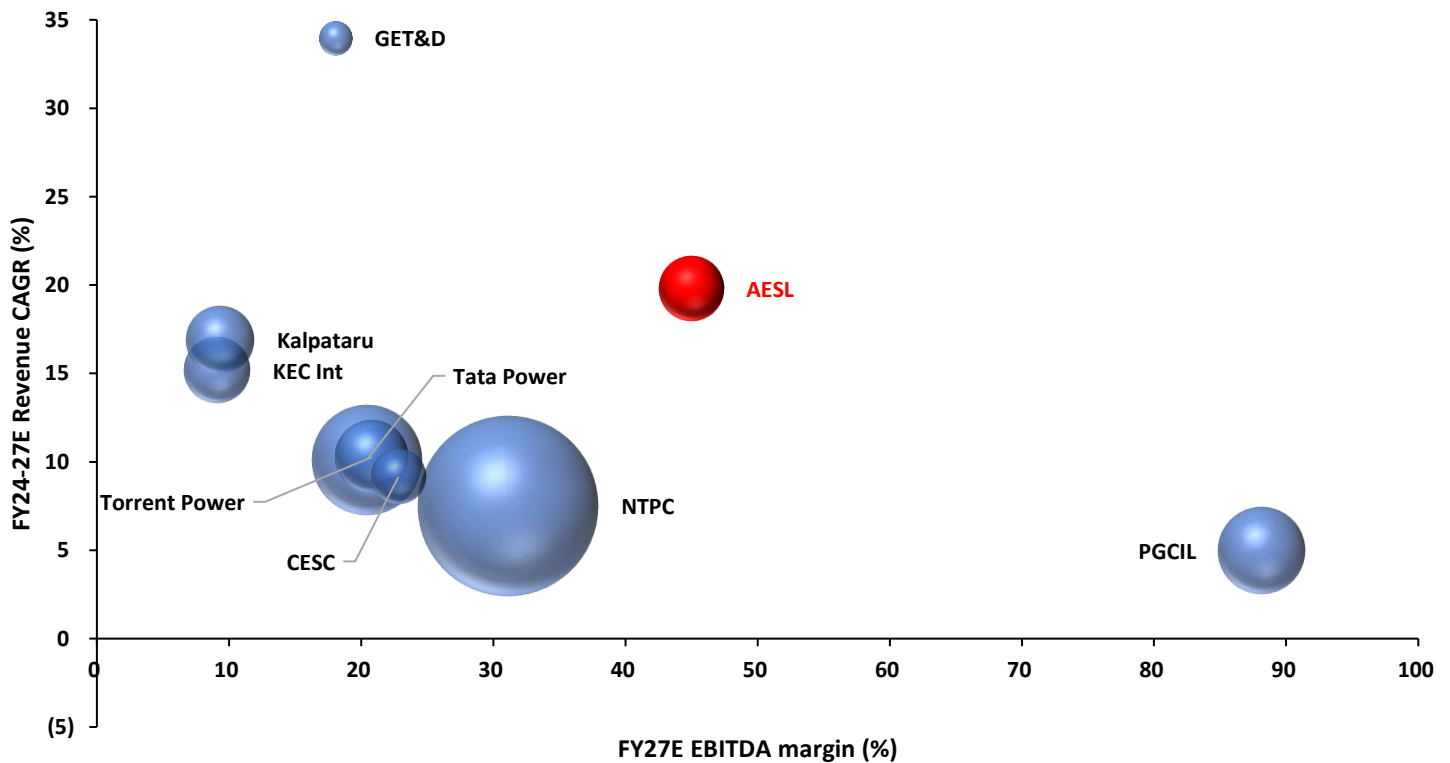
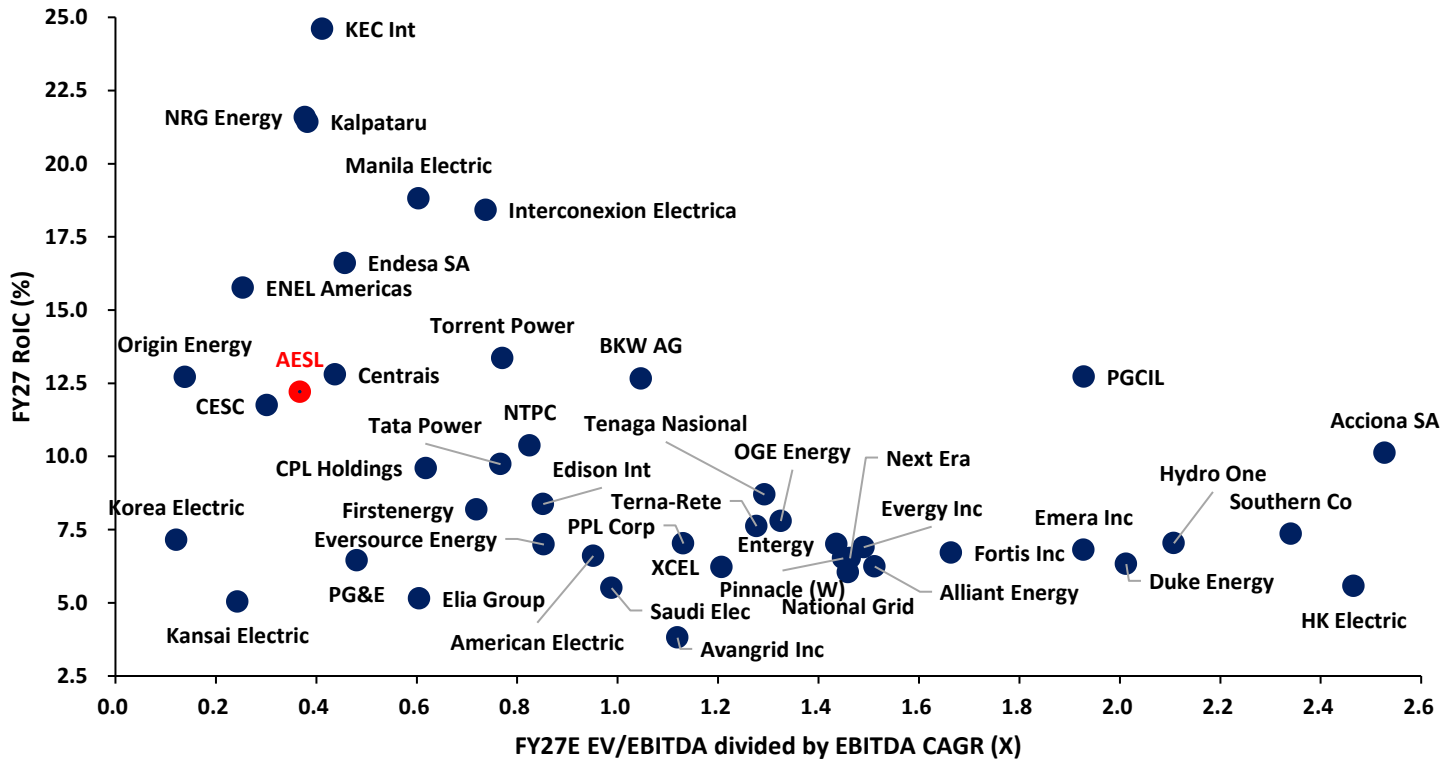


Source: Ventura Research

Valuation and comparable metrics of domestic and global companies

Company Name	Mkt Cap	Price	EV/EBITDA to EBITDA CAGR (X)	P/E (X)			EV/Sales (X)			EV/EBITDA (X)			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
				2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Domestic Peers (fig in INR cr, unless specified)																											
Adani Energy Solutions	92,739	772.0	0.4	51.8	30.2	23.9	5.9	5.6	5.0	17.5	12.9	11.2	8.0	12.1	13.2	9.0	11.7	12.2	21,547	24,238	28,544	33.6	43.1	45.0	8.3	12.7	13.6
Power Grid Corp	301,014	323.7	1.9	18.6	17.5	16.5	9.0	8.6	8.5	10.3	9.8	9.6	17.7	17.8	18.0	13.1	13.3	12.7	45,917	48,203	51,126	87.3	88.2	88.2	35.2	35.7	35.6
GE T&D	52,770	2,061.0	0.6	101.6	73.0	52.9	12.0	8.9	6.8	70.6	51.5	37.5	31.8	33.1	32.4	34.8	36.1	35.4	4,369	5,817	7,607	17.0	17.4	18.1	11.9	12.4	13.1
Tata Power	131,328	411.0	0.8	30.0	26.6	23.2	2.6	2.6	2.5	14.5	13.3	12.1	12.2	12.5	12.6	9.6	9.5	9.7	69,661	75,314	82,042	18.3	19.5	20.4	6.3	6.6	6.9
NTPC	326,244	336.5	0.8	14.9	13.4	12.4	2.9	2.7	2.6	9.7	8.9	8.4	12.9	13.2	13.2	10.4	10.9	10.4	193,326	206,839	219,424	29.5	30.3	31.2	11.4	11.8	12.0
KEC International	32,077	1,205.0	0.4	44.9	28.2	21.9	1.5	1.3	1.2	20.9	15.6	12.8	13.8	18.5	19.7	18.0	22.3	24.6	22,830	26,128	29,934	7.3	8.6	9.1	3.1	4.4	4.9
Kalpataru Projects	22,059	1,291.7	0.4	29.6	21.5	18.3	1.1	0.9	0.8	12.0	9.9	8.3	12.0	14.3	14.5	18.7	19.8	21.4	22,488	26,625	31,344	9.0	9.3	9.3	3.3	3.9	3.9
Torrent Power	81,582	1,619.0	0.8	34.8	31.2	28.6	3.1	2.9	2.9	16.7	15.4	13.9	16.3	16.0	15.4	15.6	14.3	13.4	30,233	33,471	36,061	18.5	19.0	20.8	7.8	7.8	7.9
CESC	24,832	187.3	0.3	15.8	14.2	12.6	2.1	2.1	2.0	10.1	9.5	8.7	12.8	13.0	13.3	10.5	10.8	11.7	17,544	18,572	19,889	21.3	21.9	22.8	9.0	9.4	9.9
Global Peers (fig in USD mn, unless specified)																											
Next Era Energy Inc	56,767	11.6	1.5	19.7	13.1	12.3	4.4	4.6	4.9	13.5	11.6	11.3	6.6	8.9	9.2	5.8	6.4	6.5	24,951	24,142	24,036	32.9	39.7	43.1	11.5	17.9	19.1
Duke Energy Corp	81,541	105.8	2.0	17.8	16.5	15.5	5.4	5.4	5.3	11.9	11.5	11.1	9.2	9.7	9.8	6.2	6.3	6.3	30,317	31,271	32,767	45.9	47.1	48.0	15.1	15.8	16.1
Southern Company	89,213	81.5	2.3	20.1	18.8	17.5	5.8	5.7	5.6	13.2	12.8	12.2	13.4	13.6	13.9	6.9	7.1	7.3	26,545	27,438	28,323	44.2	44.7	45.5	16.7	17.3	18.0
The National Grid PLC	56,454	57.8	1.5	19.6	13.1	12.3	4.4	4.6	4.9	13.4	11.6	11.3	5.3	7.6	7.8	5.2	6.0	6.0	24,951	24,142	24,036	32.9	39.7	43.1	11.5	17.9	19.1
SAUDI ELECTRICITY CO	18,631	4.5	1.0	5.1	6.4	5.4	4.0	3.6	3.3	14.6	8.4	7.6	7.8	10.1	10.6	3.8	5.7	5.5	22,825	24,272	25,653	27.4	43.0	43.0	16.1	11.9	13.4
EVERSOURCE ENERGY	20,577	56.2	0.9	12.7	11.8	11.0	3.9	3.7	3.7	12.1	11.0	10.7	10.2	10.4	10.6	6.2	6.8	7.0	12,262	12,893	13,202	32.4	33.7	34.8	13.2	13.5	14.1
EDISON INTERNATIONAL	30,298	78.3	0.9	15.8	13.6	12.7	3.8	3.7	3.6	9.9	9.0	8.7	13.4	14.2	14.3	7.1	8.1	8.4	17,341	18,092	18,861	38.2	41.1	41.9	11.1	12.3	12.6
CLP HOLDINGS LTD	20,747	8.2	0.6	14.0	13.4	13.2	2.5	2.5	2.4	8.7	8.5	8.4	10.8	10.9	10.7	9.5	9.8	9.6	11,069	11,192	11,437	29.1	29.3	29.2	13.4	13.8	13.8
P G & E CORP	51,148	19.2	0.5	17.6	15.9	14.7	4.3	4.3	4.2	11.2	10.2	9.7	8.2	8.3	8.2	5.8	6.3	6.4	24,700	25,690	26,494	38.4	41.6	43.7	11.8	12.5	13.2
ENDESA SA	22,188	21.0	0.5	11.5	10.9	10.4	1.2	1.3	1.3	6.0	5.9	5.7	23.5	22.9	22.1	17.3	16.6	16.6	26,674	26,028	24,839	20.5	21.6	23.4	7.2	7.8	8.6
XCEL ENERGY INC	39,529	66.4	1.2	19.9	18.0	16.3	4.6	4.7	4.6	12.1	11.7	11.0	9.7	10.0	10.3	5.8	6.0	6.2	14,715	15,610	16,463	38.1	40.0	42.1	13.5	14.1	14.7
ENTERGY CORP	31,385	73.2	1.4	20.2	18.6	16.3	4.7	4.7	4.7	11.9	11.4	10.8	10.3	10.6	11.3	6.7	6.8	7.0	12,690	13,350	14,118	39.4	41.0	43.4	12.2	12.7	13.6
PPL CORP	23,312	31.6	1.1	18.3	17.2	16.0	4.7	5.0	4.9	11.7	11.2	10.9	8.9	9.1	9.3	6.9	7.1	7.0	8,424	8,300	8,710	40.4	44.4	45.3	15.1	16.3	16.7
FIRSTENERGY CORP	22,557	39.1	0.7	14.7	13.5	12.6	3.4	3.4	3.4	10.5	9.8	9.4	12.4	12.7	13.0	7.8	8.1	8.2	13,497	13,995	14,465	32.4	34.3	36.1	11.4	11.9	12.4
FORTIS INC	20,478	41.2	1.7	18.2	17.2	16.1	5.1	4.9	4.8	11.3	11.0	10.5	7.4	7.7	7.9	6.4	6.5	6.7	8,361	8,891	9,283	45.1	45.2	46.0	13.4	13.4	13.7
AVANGRID INC	13,731	35.5	1.1	16.3	15.8	15.1	3.2	3.6	3.6	11.5	12.3	11.5	4.5	4.3	4.4	3.6	3.7	3.8	8,597	8,951	9,026	28.2	29.5	31.3	9.8	9.7	10.0
CK Infrastructure	17,399	6.9	4.3	16.0	15.1	14.3	23.6	22.9	22.3	52.3	49.8	47.6	6.5	6.8	7.0	1.8	1.9	1.9	793	814	835	45.1	45.9	46.8	136.9	142.0	146.2
TERNA-RETE ELETTRICA NAZIONALE	15,812	7.9	1.3	14.5	15.6	14.5	7.4	7.8	7.7	10.6	11.3	10.9	14.2	12.6	13.1	8.7	7.6	7.6	3,790	3,882	4,215	69.3	68.9	70.2	28.7	26.2	25.8
EVERGY INC	13,900	60.5	1.5	15.7	14.9	14.0	4.7	4.7	4.7	10.5	10.1	9.7	8.9	9.1	9.1	6.6	6.8	6.9	5,841	6,011	6,232	44.9	46.3	47.9	15.1	15.5	15.9
AMERICAN ELECTRIC POWER	48,416	90.9	1.0	16.3	15.2	14.0	4.6	4.6	4.6	11.5	11.2	10.8	11.1	11.2	11.5	6.5	6.5	6.6	20,259	21,334	22,065	40.0	41.2	43.1	14.7	14.9	15.7
HYDRO ONE LTD	18,196	30.4	2.1	22.4	21.1	20.0	5.2	5.2	5.1	14.3	13.8	13.3	9.5	9.7	9.9	6.7	6.9	7.0	5,822	6,081	6,345	36.6	37.3	38.2	14.0	14.2	14.4
ALLIANT ENERGY CORP	14,921	58.2	1.5	19.3	18.0	16.6	6.1	6.1	6.1	14.0	13.5	13.1	11.5	11.7	11.9	6.3	6.3	6.2	4,147	4,316	4,453	43.5	45.1	46.7	18.7	19.2	20.2
TENAGA NASIONAL BHD	17,940	3.1	1.3	19.6	17.0	15.9	2.1	2.1	2.1	6.5	6.2	6.2	6.7	7.5	7.8	8.0	8.8	8.7	13,061	13,531	13,972	32.9	33.6	33.3	7.0	7.8	8.1
ENEL AMERICAS SA	9,450	0.1	0.3	6.2	9.1	7.2	0.9	0.9	0.8	3.1	2.8	2.6	9.7	6.5	7.7	13.7	14.9	15.8	13,527	13,395	13,947	30.5	32.2	32.0	11.3	7.8	9.4
EMERA INC	10,907	37.2	1.9	18.5	16.0	14.9	4.5	4.2	4.3	11.4	10.2	10.2	7.4	8.4	8.9	5.7	6.9	6.8	5,395	5,850	5,887	39.3	41.3	41.9	10.9	11.6	12.4
KOREA ELECTRIC POWER	9,111	14.2	0.1	3.7	2.1	2.0	1.5	1.4	1.3	6.4	5.3	5.1	8.8	13.5	12.5	5.0	7.0	7.1	65,124	68,169	69,636	23.7	26.5	26.6	3.7	6.4	6.6
ACCIONA SA	6,124	111.6	2.5	16.3	9.7	11.8	0.7	0.7	0.7	6.4	5.3	5.4	7.1	11.1	8.7	8.4	11.2	10.1	19,722	20,431	21,176	11.2	13.1	12.8	1.9	3.1	2.5
CENTRAIS ELETRICAS BRASILEIRAS	13,028	5.6	0.4	10.9	8.3	6.0	3.1	3.0	2.7	5.7	5.3	4.4	6.0	7.5	9.8	10.3	11.2	12.8	6,321	6,323	6,815	55.4	56.4	60.1	18.9	24.7	32.0
NRG ENERGY INC	17,990	88.8	0.4	12.4	12.5	12.0	0.9	0.8	0.9	7.5	7.2	8.2	43.2	40.2	41.6	19.7	19.4	21.6	31,784	32,483	30,382	11.6	11.6	10.6	4.6	4.4	4.9
HK ELECTRIC	5,960	0.7	2.5	14.3	13.8	13.7	8.1	7.9	7.7	11.4	11.2	10.8	6.6	6.8	6.7	5.4	5.4	5.6	1,558	1,598	1,650	70.7	70.7	70.7	26.8	27.1	26.3
KANSAI ELECTRIC POWER	11,636	10.7	0.2	3.8	6.0	6.1	1.4	1.5	1.5	5.1	8.7	8.5	16.7	10.5	9.6	11.1	5.2	5.0	28,114	28,142	27,532	26.8	17.6	18.1	10.9	6.9	7.0
ELIA GROUP SA/NV	5,633	76.6	0.6	13.4	11.2	9.3	4.1	4.0																			

Revenue growth and margin expansion deserves re-rating in valuation



Bubble size represents the size of the companies' revenue

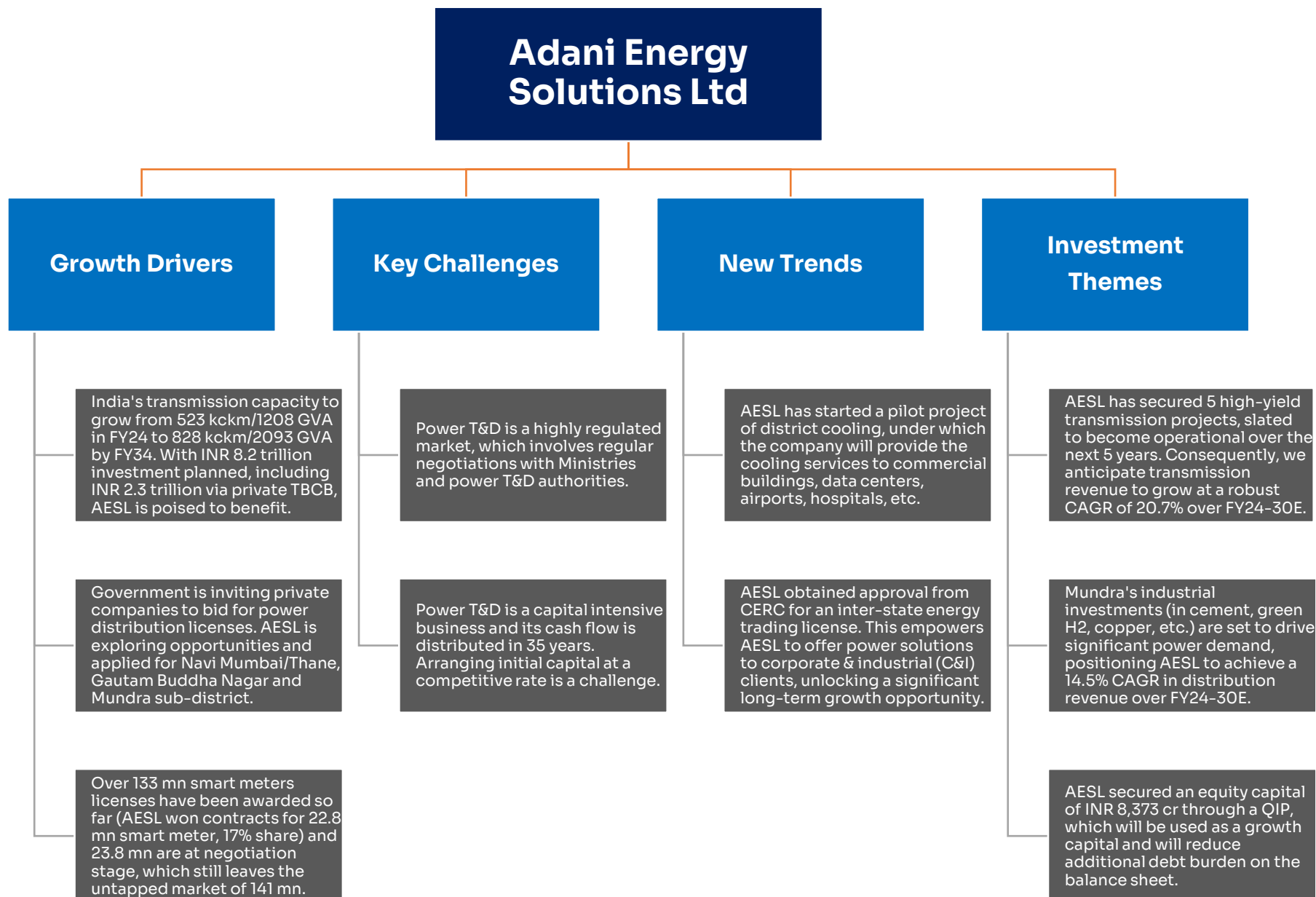
AESL's Financial Summary

Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Power distribution revenue	6,966	8,592	10,173	12,260	14,247	16,298	18,419	20,613	22,885	25,240	27,683	30,220	32,857	35,600
YoY Growth (%)	15.2	23.3	18.4	20.5	16.2	14.4	13.0	11.9	11.0	10.3	9.7	9.2	8.7	8.3
Share in total revenue (%)	61.9	64.6	61.3	56.9	58.8	57.1	53.6	51.1	46.7	48.7	50.3	51.7	53.0	54.2
Power transmission revenue	3,469	3,945	5,114	7,110	7,412	7,989	9,500	10,889	15,833	16,071	16,676	17,336	18,051	18,821
YoY Growth (%)	11.1	13.7	29.6	39.0	4.2	7.8	18.9	14.6	45.4	1.5	3.8	4.0	4.1	4.3
Share in total revenue (%)	30.8	29.7	30.8	33.0	30.6	28.0	27.7	27.0	32.3	31.0	30.3	29.7	29.1	28.7
Smart meter revenue			291	985	1,280	2,800	4,760	6,920	8,000	8,000	8,000	8,000	8,000	8,000
YoY Growth (%)				238.7	29.9	118.8	70.0	45.4	15.6	0.0	0.0	0.0	0.0	0.0
Share in total revenue (%)			1.8	4.6	5.3	9.8	13.9	17.2	16.3	15.4	14.5	13.7	12.9	12.2
Trading revenue	822	756	1,030	1,193	1,300	1,457	1,675	1,890	2,323	2,479	2,662	2,853	3,054	3,265
YoY Growth (%)	7.9	6.0	6.7	6.2	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Share in total revenue (%)	7.3	5.7	6.2	5.5	5.4	5.1	4.9	4.7	4.7	4.8	4.8	4.9	4.9	5.0
Revenue from operations	11,258	13,293	16,607	21,547	24,238	28,544	34,354	40,312	49,042	51,790	55,021	58,410	61,963	65,686
YoY Growth (%)	13.4	18.1	24.9	29.7	12.5	17.8	20.4	17.3	21.7	5.6	6.2	6.2	6.1	6.0
Power Generation & Distribution Cost	4,666	5,979	6,488	7,527	8,423	9,606	10,885	12,197	13,766	15,099	16,503	17,964	19,483	21,065
Power G&D Cost to Sales (%)	41.4	45.0	39.1	34.9	34.8	33.7	31.7	30.3	28.1	29.2	30.0	30.8	31.4	32.1
Net movement in RDA	(682)	(1,036)	460	665	0	0	0	0	0	0	0	0	0	0
Net movement in RDA to Sales (%)	(6.1)	(7.8)	2.8	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Employee Cost	885	987	952	1,149	1,212	1,427	1,718	2,016	2,452	2,589	2,751	2,920	3,098	3,284
Employee Cost to Sales (%)	7.9	7.4	5.7	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Other Expenses	1,500	1,809	2,996	4,969	4,162	4,668	5,223	6,040	7,145	7,656	8,224	8,817	9,437	10,085
Other Expenses to Sales (%)	13.3	13.6	18.0	23.1	17.2	16.4	15.2	15.0	14.6	14.8	14.9	15.1	15.2	15.4
EBITDA	4,889	5,553	5,711	7,237	10,441	12,843	16,529	20,060	25,679	26,446	27,543	28,708	29,944	31,252
EBITDA Margin (%)	43.4	41.8	34.4	33.6	43.1	45.0	48.1	49.8	52.4	51.1	50.1	49.1	48.3	47.6
PAT	1,918	2,316	1,196	359	3,153	3,982	5,840	7,687	11,697	12,598	13,883	15,261	16,728	18,344
PAT Margin (%)	17.0	17.4	7.2	1.7	13.0	13.9	17.0	19.1	23.9	24.3	25.2	26.1	27.0	27.9
Net Profit	1,205	1,256	1,137	283	3,068	3,881	5,720	7,545	11,524	12,416	13,690	15,056	16,510	18,113
Net Margin (%)	10.7	9.5	6.8	1.3	12.7	13.6	16.6	18.7	23.5	24.0	24.9	25.8	26.6	27.6
Adjusted EPS	10.0	10.5	9.5	2.4	25.5	32.3	47.6	62.8	95.9	103.4	114.0	125.3	137.4	150.8
P/E (X)	77.0	73.8	81.5	327.3	30.2	23.9	16.2	12.3	8.0	7.5	6.8	6.2	5.6	5.1
Adjusted BVPS	57.1	97.8	105.2	177.3	202.8	235.1	282.8	345.6	441.5	544.9	658.8	784.1	921.6	1,072.4
P/BV (X)	13.5	7.9	7.3	4.4	3.8	3.3	2.7	2.2	1.7	1.4	1.2	1.0	0.8	0.7
Enterprise Value	123,920	124,177	127,077	126,977	134,679	143,747	150,911	156,459	152,166	143,991	135,121	125,266	114,321	102,125
EV/EBITDA (X)	25.3	22.4	22.3	17.5	12.9	11.2	9.1	7.8	5.9	5.4	4.9	4.4	3.8	3.3
Net Worth	6,857	11,749	12,642	21,298	24,366	28,247	33,967	41,513	53,037	65,453	79,142	94,198	110,708	128,821
Return on Equity (%)	17.6	10.7	9.0	1.3	12.6	13.7	16.8	18.2	21.7	19.0	17.3	16.0	14.9	14.1
Capital Employed	39,727	45,948	49,650	59,561	71,037	83,570	96,170	109,618	117,465	122,297	126,476	132,045	138,093	143,796
Return on Capital Employed (%)	7.0	7.2	5.3	5.3	8.3	8.8	10.1	10.9	13.6	13.4	13.4	13.4	13.3	13.2
Invested Capital	38,038	43,187	46,980	55,536	66,306	79,256	92,139	105,233	112,464	116,705	121,525	126,725	132,291	138,207
Return on Invested Capital (%)	9.1	9.1	8.4	9.2	11.9	12.4	14.1	15.2	19.0	18.8	18.7	18.6	18.5	18.4
Cash Flow from Operations	4,097	3,777	6,038	838	8,343	9,682	11,960	14,848	17,676	21,515	21,958	22,596	23,293	24,012
Cash Flow from Investing	(3,948)	(4,699)	(4,943)	(5,082)	(11,870)	(13,765)	(13,403)	(14,039)	(6,988)	(7,350)	(7,965)	(8,572)	(9,182)	(9,797)
Cash Flow from Financing	(235)	923	(543)	6,954	4,161	3,553	1,004	(613)	(10,305)	(13,647)	(14,719)	(13,746)	(13,723)	(14,528)
Net Cash Flow	(86)	1	551	2,709	633	(530)	(439)	195	383	518	(727)	279	388	(313)
Free Cash Flow	1,809	1,420	2,467	(6,282)	(225)	(96)	3,182	5,912	15,975	18,804	18,010	17,336	16,681	15,935
FCF to Revenue (%)	16.1	10.7	14.9	(29.2)	(0.9)	(0.3)	9.3	14.7	32.6	36.3	32.7	29.7	26.9	24.3
FCF to EBITDA (%)	37.0	25.6	43.2	(86.8)	(2.2)	(0.7)	19.2	29.5	62.2	71.1	65.4	60.4	55.7	51.0
FCF to Net Profit (%)	150.2	113.0	216.9	(2,217.1)	(7.3)	(2.5)	55.6	78.4	138.6	151.5	131.6	115.1	101.0	88.0
FCF to Net Worth (%)	26.4	12.1	19.5	(29.5)	(0.9)	(0.3)	9.4	14.2	30.1	28.7	22.8	18.4	15.1	12.4
Total Debt	32,870	34,199	37,009	38,263	46,671	55,323	62,203	68,106	64,428	56,844	47,333	37,847	27,385	14,974
Net Debt	31,181	31,438	34,338	34,238	41,941	51,008	58,172	63,720	59,427	51,252	42,382	32,527	21,583	9,386
Net Debt to Equity (X)	4.5	2.7	2.7	1.6	1.7	1.8	1.7	1.5	1.1	0.8	0.5	0.3	0.2	0.1
Net Debt to EBITDA (X)	6.4	5.7	6.0	4.7	4.0	4.0	3.5	3.2	2.3	1.9	1.5	1.1	0.7	0.3
Interest Coverage Ratio (X)	1.5	1.4	1.4	1.4	1.9	1.9	2.2	2.5	3.2	3.6	4.4	5.5	7.5	12.0
Fundamental scores														
Altman Z Score	0.9	1.0	1.2	1.8	1.7	1.6	1.6	1.5	1.7	1.8	1.9	2.0	2.1	2.4
Piotroski F-score	6.0	6.0	4.0	6.0	5.0	5.0	6.0	6.0	6.0	7.0	6.0	7.0	7.0	7.0
Beneish M-score	(2.3)	(2.2)	(2.4)	(0.8)	(2.2)	(2.1)	(2.1)	(2.1)	(2.0)	(2.3)	(2.2)	(2.2)	(2.2)	(2.1)

Source: ACE Equity, Company Reports & Ventura Research

Absolute net profit in FY25 is expected to be INR 283 cr (considering the exceptional loss of INR 1506 cr reported in Q1FY25). Adjusted net profit for FY25 is expected to be INR 1789 cr

Adani Energy Solutions Ltd SWOT Analysis in a nutshell

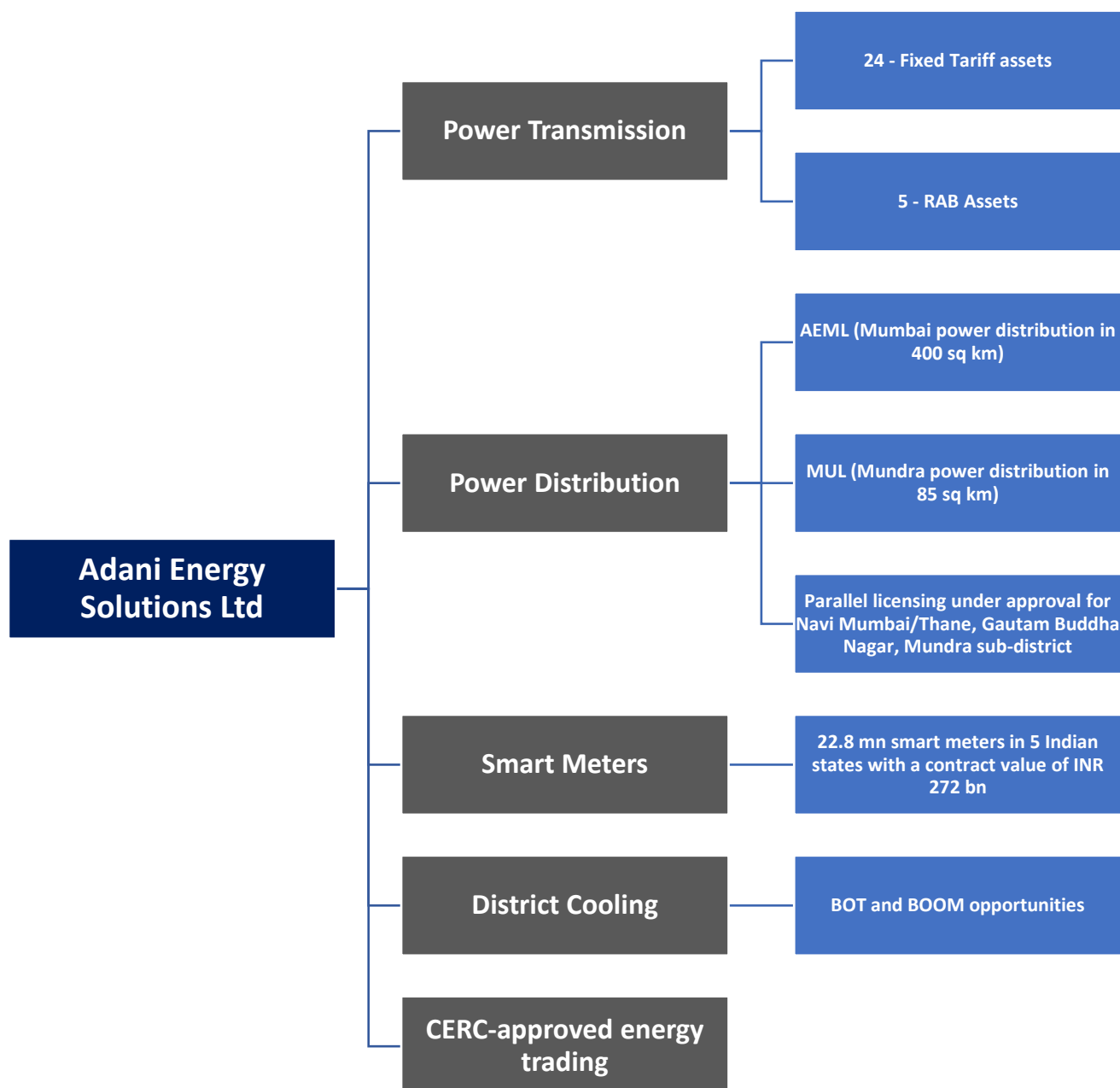


AESL – A frontrunner in the domestic power T&D space

AESL is a key player in India's power T&D sector, with a 30% share in the private transmission market and distribution rights in Mumbai and Mundra. Its transmission business ensures stable tariffs, while distribution yields 15% RoA. The company is diversifying into smart meters, securing 9 contracts worth INR 272 bn for 22.8 mn units across 5 Indian states. The company has also ventured into cooling solutions.

AESL's emerging ventures, including district cooling solutions and a CERC-approved energy trading license for customized power solutions targeting corporate and industrial customers, are set to diversify its revenue streams significantly. However, these verticals are not factored into our current forecast. Any cash flow contribution from these businesses could present an upside to our target price.

AESL's business structure



Strong fundamentals fueling a resilient growth

AESL witnesses strong revenue growth and profit margin expansion due to high yielding assets in the transmission business, incremental capex in Mumbai & Mundra distribution and the rollout of smart meters.

Expansion in transmission business, incremental capex in Mumbai/Mundra distribution and smart meters rollout are set to boost revenue growth and profit margins.

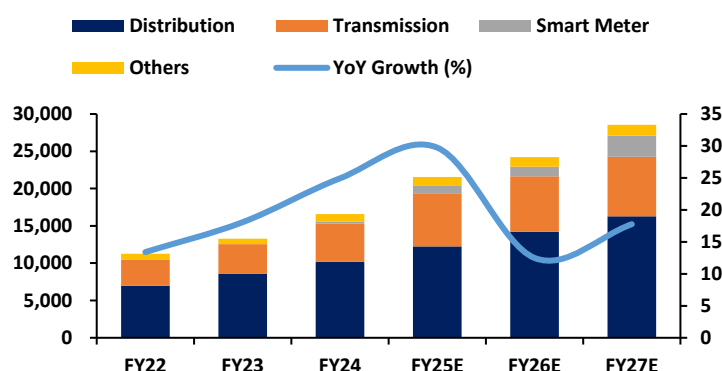
Over FY24-27E, AESL's revenues are expected to grow at a CAGR of 19.8% to INR 28,544 cr, primarily due to:

- Power transmission revenue is anticipated to grow at a 16% CAGR to INR 7,989 cr, fueled by a robust pipeline of under-construction projects and the expected award of new TBCB projects. This growth will be further supported by a focus on high-capacity KVA and HVDC lines, which offer superior yields.
- Power distribution revenue is projected to grow at a 17% CAGR to INR 16,298 cr, driven by increasing power consumption in Mumbai and strong growth prospects in Mundra. The Mundra region's substantial investment pipeline across industries like cement, steel, copper, aluminium, green hydrogen, and renewable energy manufacturing (wind turbines and solar) will generate significant power demand, which AESL is well-positioned to meet.
- The smart meter vertical is expected to generate INR 2,800 cr in revenue by FY27, driven by the full deployment of 22.8 mn smart meters. This rollout will establish a long-term, recurring income stream for the company.

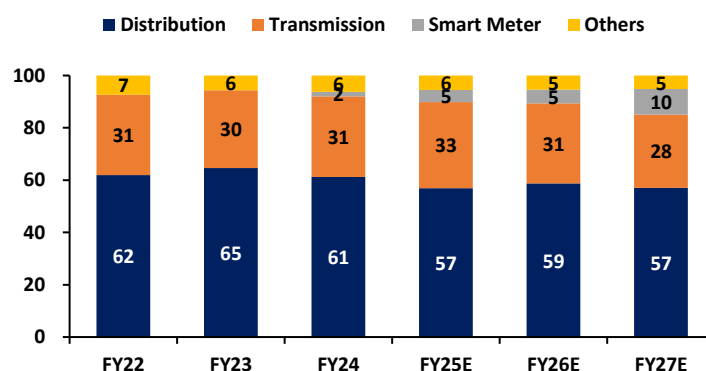
High yield transmission lines, regulated distribution returns, strong margins in smart meters and QIP-led finance cost savings to boost profitability

- EBITDA and net earnings are expected to grow faster than revenue due to higher yields on new transmission lines (especially HVDC lines), regulated returns from distribution assets and 85-90% margins from smart meter vertical.
- Additionally, the company raised INR 8,373 cr in August 2024, which is being allocated toward under-construction projects. This strategic deployment will reduce debt requirements and result in significant savings on financing costs.
- As a result, EBITDA and net earnings are expected to grow at a CAGR of 31% to INR 12,843 cr and 50.6% to INR 3,881 cr respectively, while EBITDA and net margins are expected to improve by 1060bps to 45% and 675bps to 13.6% respectively

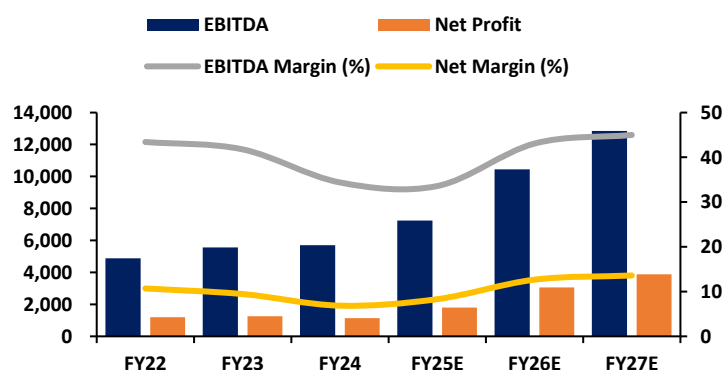
Revenue performance



Segmental revenue share (%)



Profitability performance



Power Transmission – Leading market share in TBCB based private power transmission space

AESL is the largest private transmission company in India with 24,085 ckm of transmission lines, 75,186 MVA of power transformation capacity and an asset base of INR 797 bn.

AESL's power transmission business size

Particulars	Transmission line length (ckm)	Transformation capacity (MVA)	Asset base (INR bn)
Fixed tariff (TBCB) operational projects	11,576	19,025	189
Fixed tariff (TBCB) under-construction projects	5,890	34,896	233
TOTAL	17,466	53,921	422
Regulated return (RoA) operational projects	6,539	16,590	299
Regulated return (RoA) under-construction projects	80	4,675	76
TOTAL	6,619	21,265	375
Total operational projects (TBCB+RoA)	18,115	35,615	488
Total under-construction projects (TBCB+RoA)	5,970	39,571	309
TOTAL	24,085	75,186	797

#Excluding Rajasthan HVDC line of INR 250 bn asset base

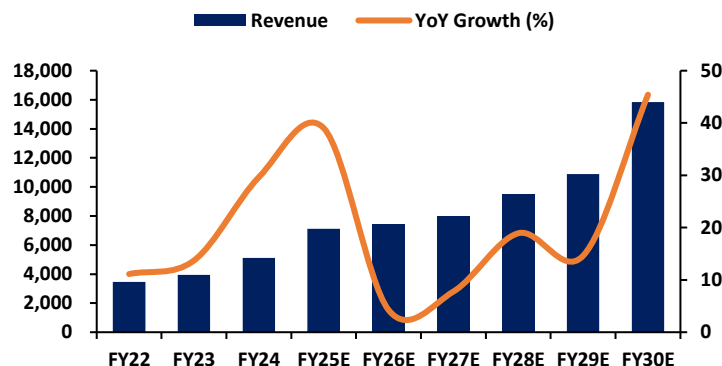
Significant transmission operational base and strong under-construction pipeline provides revenue visibility

During FY22–24, AESL's transmission revenue grew at a CAGR of 21.4% to INR 5,114 cr.

The segment's revenue is projected to grow at a 16% CAGR, reaching INR 7,989 cr by FY27, and accelerate further with a 25.6% CAGR to INR 15,833 cr by FY30.

The growth will be fueled by a robust pipeline of under-construction projects and the expected award of new TBCB projects. This growth will be further supported by a focus on high-capacity KVA and HVDC lines, which offer superior yields.

AESL's power transmission revenue performance



Power Distribution – Steady growth in Mumbai distribution and strong growth prospects in Mundra

Under its power distribution business, AESL has licenses for Mumbai and Mundra regions. The company has formed two subsidiaries to operate these geographies:

- Adani Electricity Mumbai Ltd (AEML), which distributes electricity to over 3.20 mn connections (households and industrial). AEML operates at a RoA of 15.5%.
- Mundra Utility Ltd (MUL), which distributes electricity in Mundra SEZ & port region. MUL operates at a RoA of 14%.

Both the licenses are regulated asset-based where the RoA is fixed irrespective of cost volatility, thereby protecting the profits of the asset.

Growth drivers for Mumbai distribution (AEML)

- The marked increase in connections within the Mumbai region (from 3 mn in FY19 to 3.2 mn in Q2FY25) highlights the strong electrification of informal households.
- The launch of the Network Operation Center (NOC) in Mumbai enables proactive identification of power disruptions and early detection of issues, preventing major outages. This enhances operational efficiency and availability, paving the way for improved profit margins.
- As of Sept 2024, AEML achieved a 39% renewable energy mix and is targeting 60% by FY27, positioning Mumbai among the few global metropolises with such a significant share of renewable energy in its power supply mix.

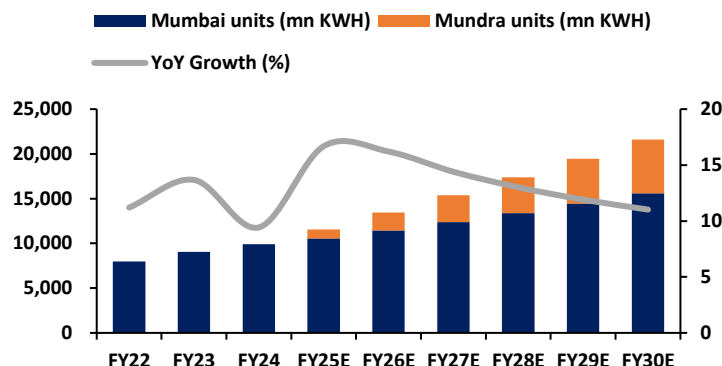
Growth drivers for Mundra distribution (MUL)

- The Mundra SEZ region has substantial investment pipeline across industries like cement, steel, copper, aluminium, green hydrogen, and renewable energy manufacturing (wind turbines and solar) will generate significant power demand, which AESL is well-positioned to meet.
- Although the current power usage in Mundra is less than in Mumbai, the rapid industrial development is likely to lead to a significant surge in power demand soon. We are targeting 30% power consumption contribution from Mundra, while the remaining is expected to come from Mumbai region.

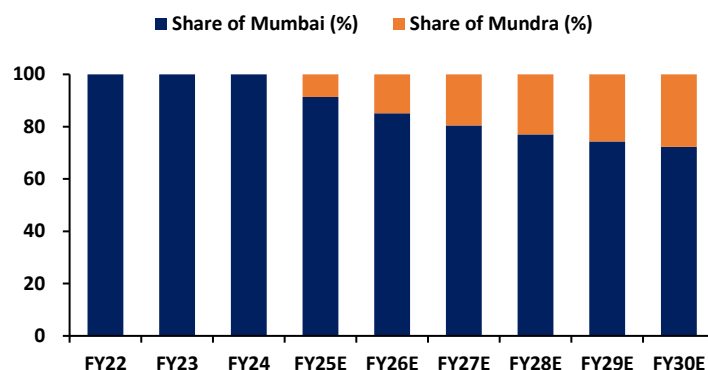
Strong revenue growth in forecasted period

- During FY22-24, AESL's distribution revenue grew at a CAGR of 21.4% to INR 5,114 cr.
- The segment's revenue is projected to grow at a 16% CAGR, reaching INR 7,989 cr by FY27, and accelerate further with a 25.6% CAGR to INR 15,833 cr by FY30.

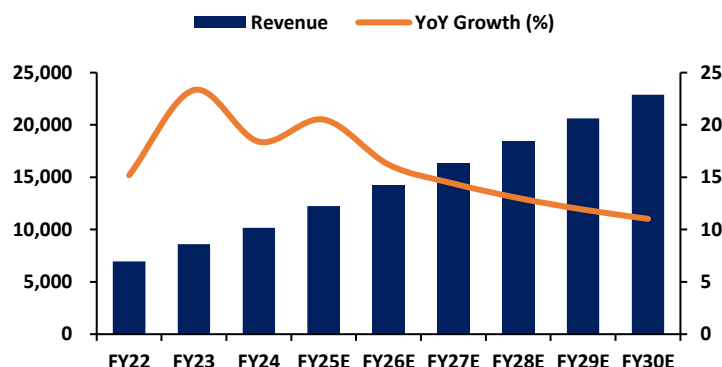
AESL's power consumption units (mn KWH)



Regionwise power consumption share (%)



AESL's power distribution revenue performance

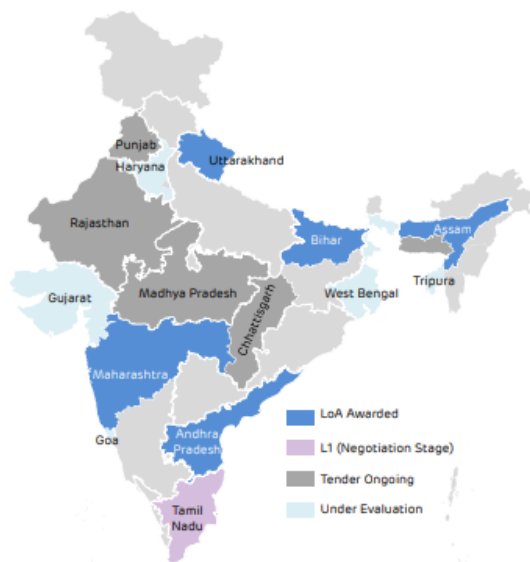
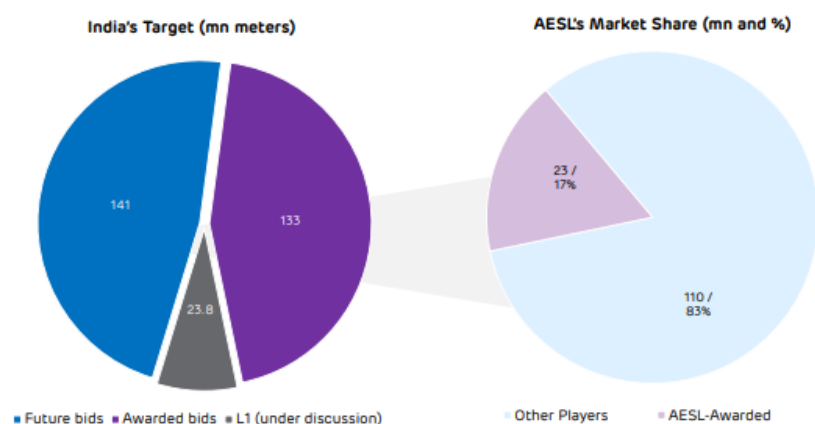


Power Distribution – Fast emerging business segment is showing promising development and growth

Through the Revamped Distribution Sector Scheme (RDSS), the government aims to deploy 250 mn smart meters across India by the year 2026, supported by a funding allocation of INR 2.2 trillion. Over 133 mn smart meters licenses have been awarded so far (AESL won contracts for 22.8 mn smart meter, 17% market share) and 23.8 mn are at negotiation stage, which still leaves the untapped market of 141 mn smart meters.

Smart metering opportunity in India and share of AESL

- Awarded (LOA) and Negotiation (L1) stage: 157 Mn Smart Meters
- Untapped market: 93 Mn Smart meters



AESL's smart meter portfolio

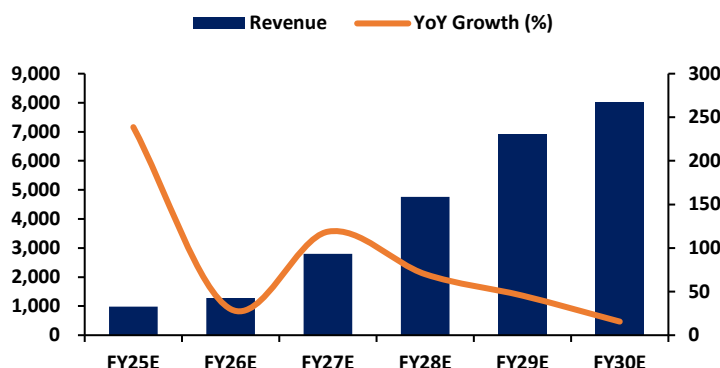
Counter party	Geography	Contract value (INR bn)	No of smart meters (mn)	Per meter charges (INR)	Month of award
Brihanmumbai Electricity Supply & Transport (BEST)	Mumbai	13.0	1.1	11,818	Sep-22
Assam Power Distribution Company Ltd	Tejpur, Mangaldoi & North Lakhimpur	8.4	0.8	10,500	Feb-23
Andhra Pradesh Eastern Power Distribution Co Ltd	Srikakulam, Vizianagaram, Visakhapatnam & Godavari	13.0	1.1	11,818	Jun-Dec 2023
Andhra Pradesh Central Power Distribution Co Ltd	Krishna, Guntur & Prakasam	20.8	1.7	12,235	Jun-Nov 2023
Andhra Pradesh Southern Power Distribution Co Ltd	Nellore, Chittoor, Kadapa, Anantapuram, Kurnoolam & Kurnool	18.0	1.3	13,846	Jun-Sep 2023
Maharashtra State Electricity Distribution Co Ltd	Bhandup, Kalyan & Konkan	96.7	8.1	11,938	Aug-23
Maharashtra State Electricity Distribution Co Ltd	Baramati & Pune	62.9	5.2	12,096	Aug-23
North Bihar Power Distribution Co Ltd	Siwan, Suran, Gopalganj, Vaishali & Samastipur	31.0	2.8	11,071	Aug-23
Uttarakhand Power Corporation Ltd	Kumaon	8.1	0.7	11,571	Dec-23
TOTAL		271.9	22.8	11,925.4	

Per meter charges includes the sourcing cost, O&M expenses and profits of the company, out of which the sourcing cost is capitalized by AESL

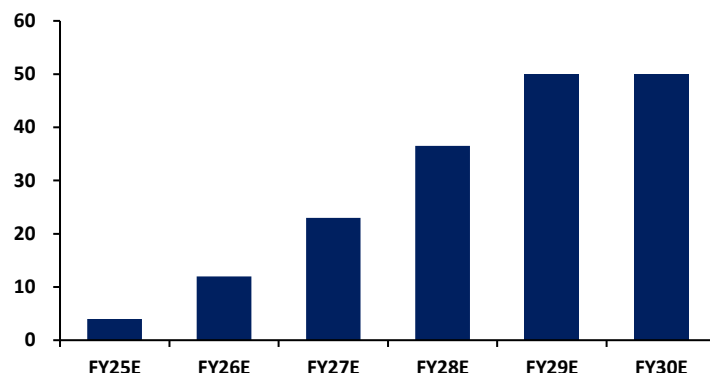
All the contracts have been awarded for 120 months and are based on DBFOOT (Design-Build-Finance-Own-Operate-Transfer) type

AESL smart meter segment performance

AESL's smart meter revenue performance



Number of smart meters



Although AESL has secured a contract for 22.8 mn smart meters, we anticipate the company will win additional contracts for 27 mn meters from upcoming bids for 141 mn smart meters. This would bring AESL's total smart meter base to 50 mn in the coming years.

Upcoming verticals – District cooling and interstate energy trading license to provide customized power solutions to corporate & industrial clients

District cooling – The system generates chilled water at a central plant and distributes it to multiple buildings through an underground pipe network for space and process cooling. The company will fully fund the system's capex, reducing project costs for real estate developers and lowering cooling costs for end-users by 20-25%. The main target market will be commercial real estate, offices, industrial units, data centers and airports

Energy trading license – The company has secured approval from CERC for transferring the inter-state energy trading license from Adani Enterprises Ltd (group company). This license will enable AESL to provide customized power solutions to C&I customers

Both businesses are still in the pilot phase and have yet to generate commercial revenue. Consequently, we have excluded this segment's financials from our projections.

Key strength of AESL

Strong project execution skills

AESL has a Project Management & Assurance Group (PMAG) which specializes in end-to-end project integration covering the entire lifecycle from concept to commissioning. It leverages a team of 90 professionals with over 2,000+ man-years of experience in managing projects of varying scales.

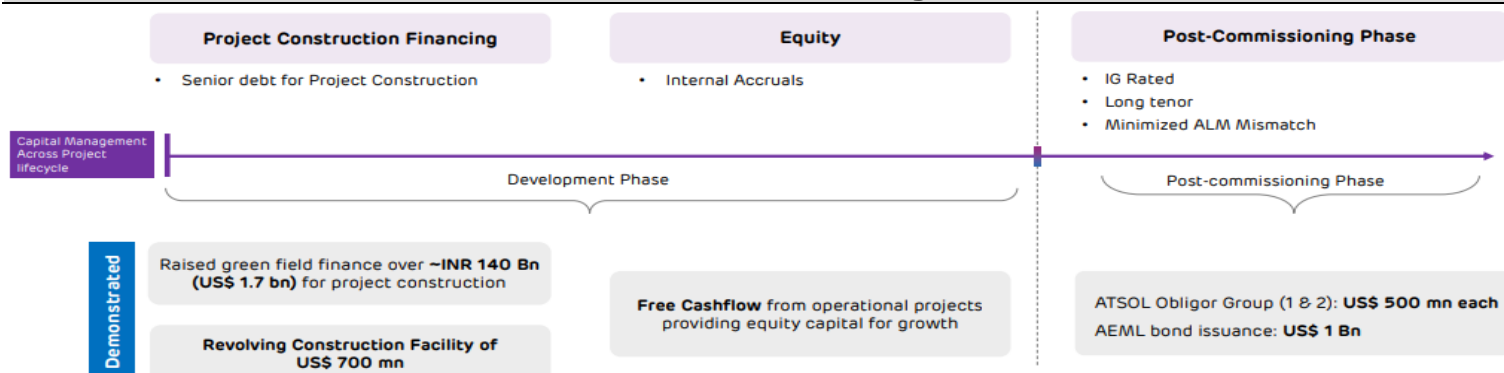
AESL's end-to-end project execution skill



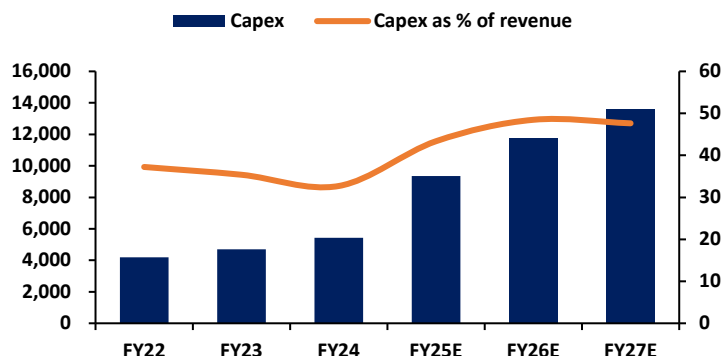
Astute capital management

Power transmission projects require significant capital investments, making long-term debt financing essential. The repayment period for this debt, aligned with the 30-35-year lifespan of the assets, ensures enhanced operating cash flows over time. AESL benefits from a fully regulated power transmission portfolio, providing either a fixed RoE or a fixed annual tariff. This structure guarantees stable cash flows, timely debt repayments, and eliminates default risk.

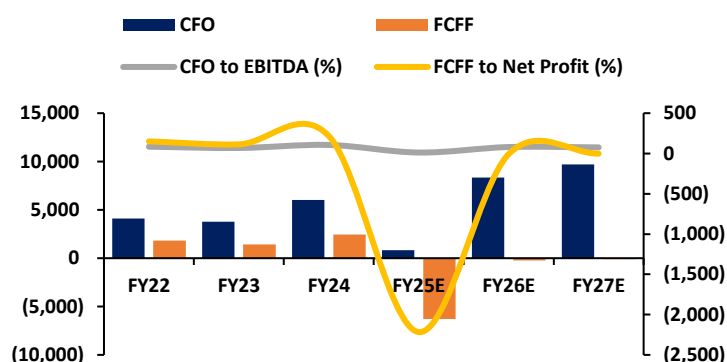
AESL's project capital management



Capex and its % of revenue



Cash flow performance



Strategic Capital Management and Equity Funding of INR 8,373 Cr to Alleviate Debt Burden

- **Debt Optimization Amid Growth Projects:** While under construction transmission projects and smart meter procurement may elevate debt levels, the company's strengthening EBITDA and improving operating cash flows are expected to reduce the debt burden progressively.
- **Utilization of Recent QIP:** The recently raised INR 8,373 cr through QIP will serve as growth capital, freeing up operating cash flows for timely debt repayment upon maturity.
- **No Significant Near-Term Debt Maturity:** With no substantial debt obligations in the near term, the company's operating cash flows can be entirely directed towards business expansion.

Enhanced Return Ratios Through Improved Liquidity and Reduced Debt

- **Strengthening Financial Position:** Reduced debt levels, robust liquidity, and increasing cash flows are contributing to the improved return profile.
- **Improved RoE and RoIC:** The RoE and RoIC are projected to rise significantly by 474bps to 13.7% and 399bps to 12.4%, respectively, reflecting enhanced financial efficiency.

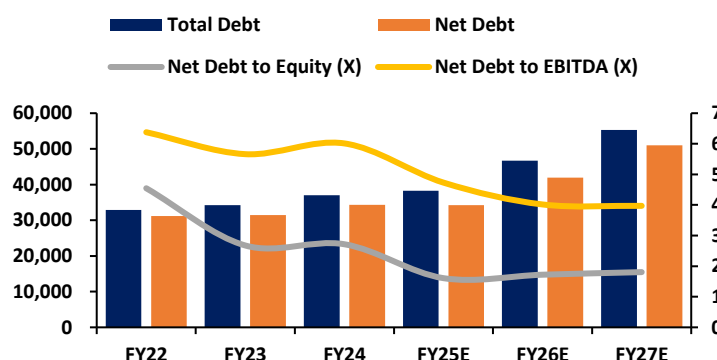
Increased Capex in the Medium Term Driven by New Projects

- **Higher Capex Allocation:** Expenditure on under-construction transmission projects and smart meter deployment across 5 states is expected to drive an increase in capex during the forecast period.
- **Rising Capex as a Revenue Proportion:** Capex as a percentage of revenue is projected to grow from 33% in FY24 to 45-50% over FY25-FY27E, fueled by:
 - Power Transmission Projects: INR 15,000 cr allocated.
 - Power Distribution: INR 5,300 cr planned.
 - Smart Meter Deployment: INR 13,500 cr committed.

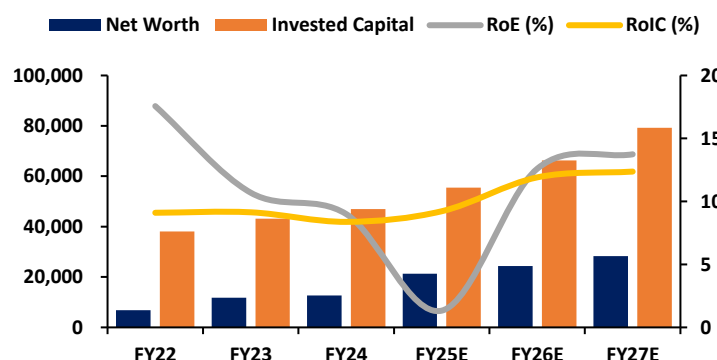
Operating Cash Flow to Strengthen, While Heavy Capex Pressures FCF

- **Robust Operating Cash Flow:** New transmission projects and the smart meter segment are expected to generate strong EBITDA, resulting in improved operating cash flow.
- **Short-Term FCF Impact:** Significant capex on projects is likely to constrain FCF generation over the next 3-4 years. However, a recovery in FCF is anticipated post the construction phase, as projects begin contributing to cash flows.

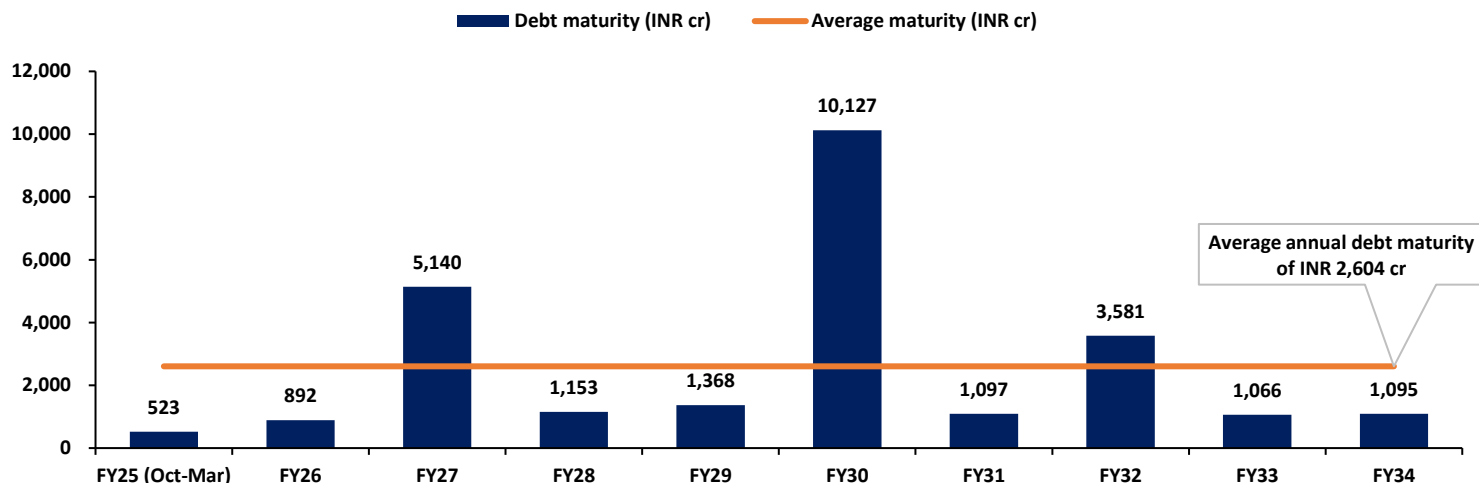
Debt and balance sheet health



Return ratios



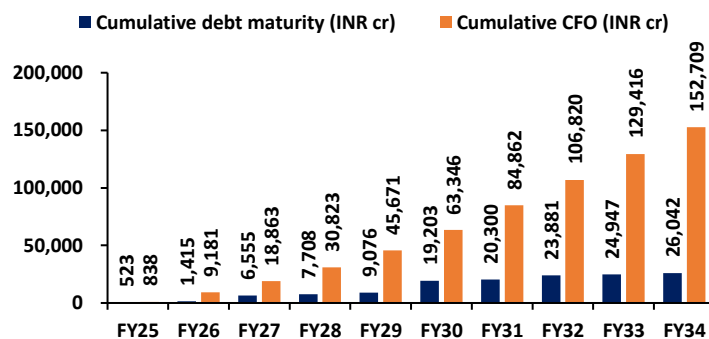
AESL long term debt maturity



Cash flows and EBITDA are sufficient to cater to long term debt maturities over the next 10 years

- AESL faces no significant debt maturities in the near term, ensuring a stable financial position. The cumulative operating cash flow is significantly higher than the cumulative debt maturities over the next 10 years.
- The company's average annual debt maturity over the next 10 years stands at INR 2,604 cr, while its current EBITDA generation exceeds this amount by more than 2x. This strong EBITDA coverage effectively shields AESL from any undue debt repayment pressures.

Cumulative debt maturities vs cumulative operating cash flows



Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
Management & Leadership			
Management Quality	9	Low	The management is of high quality. It has been able to deliver on its guidance; investor-friendly with timely updates on developments
Promoters Holding Pledge	10	Low	The promoters are currently holding 69.9% stake in the company and there is no pledging
Board of Directors Profile	8	Low	The average experience of directors is >30 years with significant experience in their respective sectors and expert areas
Industry Consideration			
Industry Growth	8	Low	India is doubling its power generation and transmission capacities. Half of this expansion will be allocated to private companies through TBCB route, where AESL has a strong presence. Similarly, the government is inviting private companies for power distribution, which will open a significant opportunity for private players.
Regulatory Environment or Risk	8	Low	Power T&D business is subject to extensive regulatory risk which includes several laws, rules and directives issued by the government and regulatory authorities.
Entry Barriers / Competition	8	Low	Power T&D is a capital intensive business. It also requires expertise and strong B2G relations, which takes time. We believe that these are strong entry barriers.
Business Prospects			
New Business / Client Potential	8	Low	Strong growth in power generation and transmission in India along with opportunities in the power distribution space offers significant growth prospects to AESL.
Business Diversification	8	Low	AESL has ventured into smart meters installation and O&M. The company has bagged an order for 21.1 mn smart meters and there is a significant opportunity for more such orders in the coming years. It will significantly diversify the business.
Market Share Potential	8	Low	AESL has 30% market share in TBCB based private power transmission industry and it is also expanding its presence in the power distribution space.
Margin Expansion Potential	8	Low	Strong project execution skills and operational excellence has helped the company in improving its profitability.
Earnings Growth	8	Low	Rise in profitability along with strong business growth is expected to accelerate earnings growth in the coming years.
Valuation and Risk			
Balance Sheet Strength	8	Low	AESL has a strong balance sheet, and it is supported by the fixed cash flow structure from its regulated assets.
Debt Profile	6	Medium	As on 30 th Sep 2024, AESL had a consolidated net debt of INR 32,831 cr and reported a net debt to equity of 2.8X and net debt to EBITDA of 5.7X. This debt is backed by power T&D asset base of INR 47,140 cr.
FCF Generation	6	Medium	Power T&D business require regular capex towards new asset acquisition and O&M cost, which slows down the FCFF growth.
Dividend Policy	5	Medium	AESL is in the growth phase and therefore, the company is not paying dividend to its shareholders.
Total Score	9	Low	The management is of high quality. It has been able to deliver on its guidance; investor-friendly with timely updates on developments
Ventura Score (%)			

Source: Company Reports & Ventura Research

Management Team

Key person	Designation	Details
Mr. Anil Sardana	Managing Director	He holds an engineering degree from Delhi College of Engineering along with PG degree in cost accountancy from ICWAI and PGDBM & Executive Program from IIM Ahmedabad. He has +43 years of experience in the power & infrastructure space, particularly in the energy and telecom sector having managed complex transactions, developments and operations. Prior to joining Adani Group he has worked with NTPC (for 7 years), BSES (for 14 years) and Tata Power (for 18 years).
Mr. Kandarp Patel	CEO	He graduated with Bachelor's degree in Electrical Engineering from Birla Viswakarma Mahavidhyalaya Engineering College in 1994 and has an MBA degree in Finance from G.H. Patel PG Institute of Business Management in 1997. He has more than two decades of multi-faceted experience in the areas of Power Trading, Fuel Management, Legal and Regulatory and Commercial aspects of the Power Business.
Mr. Kunjal Mehta	CFO	He is a qualified Chartered Accountant and Cost Accountant with over 24 years of work experience across various sectors, such as Power, Steel, Ports and logistics, Technology & ITES sectors. In his previous positions, he has worked with Adani Electricity, Adani Ports & SEZ and Essar Steel.

Source: Company Reports

Key Risks & Concerns

- AESL has 13 under-construction power transmission projects (11 TBCB fixed tariff and 2 RAB based project, excluding Rajasthan HVDC). Such projects typically require substantial funding and a long gestation period of 2-5 years before the commencement of commercial operations. Any delay due to operational or macro reason could impact the projects' future cash flows.
- Private participation in the TBCB based bidding picked up since FY16 and it is also attracting more private companies due to its fixed cash flow model. Though AESL enjoys more than ~20% market share in this space, increased competitive pressure could adversely affect the pricing and ability of AESL to successfully bid for projects.
- TBCB based fixed tariff transmission lines generate a fixed annuity-based cash flow. In the inflationary environment and surge in O&M cost could impact the profitability of AESL.
- AESL is regularly investing in its power distribution assets (AEML and MUL) to enhance the infrastructure and improve its equity portion to generate better returns. However, any slowdown in the power demand in these areas could materially impact the company's return on invested capital.
- Power T&D business is subject to extensive regulatory risk which includes several laws, rules and directives issued by the government and regulatory authorities. To conduct transmission business, the company must obtain various licenses, permits and approvals. In addition, the operations are subject to continued review and audit by the governing bodies.

AESL's quarterly and annual performance

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	FY25E	FY26E	FY27E
Power distribution revenue	4,270	7,676	6,048	6,966	8,592	2,738	2,480	2,560	2,396	10,173	3,373	3,014	12,260	14,247	16,298
YoY Growth (%)		79.8	(21.2)	15.2	23.3	23.7	14.6	21.7	13.5	18.4	23.2	21.5	20.5	16.2	14.4
Share in total revenue (%)	58.5	67.2	60.9	61.9	64.6	74.7	67.5	56.1	50.9	61.3	62.7	48.7	56.9	58.8	57.1
Power transmission revenue	2,193	2,815	3,122	3,469	3,945	926	1,017	1,265	1,906	5,114	1,762	2,303	7,110	7,412	7,989
YoY Growth (%)	(29.9)	28.4	10.9	11.1	13.7	10.8	17.2	7.8	78.5	29.6	90.2	126.4	39.0	4.2	7.8
Share in total revenue (%)	30.0	24.7	31.5	30.8	29.7	25.3	27.7	27.7	40.5	30.8	32.8	37.2	33.0	30.6	28.0
Smart meter revenue									291	291	76	377	985	1,280	2,800
YoY Growth (%)													238.7	29.9	118.8
Share in total revenue (%)										1.8	1.4	6.1	4.6	5.3	9.8
Trading revenue	842	925	757	822	756	0	177	738	114	1,030	167	490	1,193	1,300	1,457
YoY Growth (%)	13.0	8.8	8.3	7.9	6.0	0.0	5.1	19.3	2.7	6.7	3.3	9.2	6.2	6.0	6.0
Share in total revenue (%)	11.5	8.1	7.6	7.3	5.7	0.0	4.8	16.2	2.4	6.2	3.1	7.9	5.5	5.4	5.1
Revenue from operations	7,305	11,416	9,926	11,258	13,293	3,664	3,674	4,563	4,707	16,607	5,379	6,184	21,547	24,238	28,544
YoY Growth (%)	85.2	56.3	(13.0)	13.4	18.1	17.0	13.0	28.5	40.2	24.9	46.8	68.3	29.7	12.5	17.8
Power Generation & Distribution Cost	3,130	4,622	3,643	4,666	5,979	1,460	1,441	2,205	1,383	6,488	1,804	2,251	7,527	8,423	9,606
Power G&D Cost to Sales (%)	42.8	40.5	36.7	41.4	45.0	39.8	39.2	48.3	29.4	39.1	33.5	36.4	34.9	34.8	33.7
Net movement in RDA	(81)	233	(583)	(682)	(1,036)	304	154	57	(56)	460	594	72	665	0	0
Net movement in RDA to Sales (%)	(1.1)	2.0	(5.9)	(6.1)	(7.8)	8.3	4.2	1.2	(1.2)	2.8	11.0	1.2	3.1	0.0	0.0
Employee Cost	587	973	931	885	987	243	270	259	179	952	276	293	1,149	1,212	1,427
Employee Cost to Sales (%)	8.0	8.5	9.4	7.9	7.4	6.6	7.3	5.7	3.8	5.7	5.1	4.7	5.3	5.0	5.0
Other Expenses	907	1,335	1,402	1,500	1,809	388	458	571	1,579	2,996	1,054	1,853	4,969	4,162	4,668
Other Expenses to Sales (%)	12.4	11.7	14.1	13.3	13.6	10.6	12.5	12.5	33.5	18.0	19.6	30.0	23.1	17.2	16.4
EBITDA	2,762	4,254	4,533	4,889	5,553	1,269	1,350	1,471	1,621	5,711	1,651	1,715	7,237	10,441	12,843
EBITDA Margin (%)	37.8	37.3	45.7	43.4	41.8	34.6	36.7	32.2	34.4	34.4	30.7	27.7	33.6	43.1	45.0
PAT	559	706	1,872	1,918	2,316	183	285	348	383	1,196	(1,189)	773	359	3,153	3,982
PAT Margin (%)	7.7	6.2	18.9	17.0	17.4	5.0	7.8	7.6	8.1	7.2	(22.1)	12.5	1.7	13.0	13.9
Net Profit	559	742	1,224	1,205	1,256	176	277	325	364	1,137	(823)	675	283	3,068	3,881
Net Margin (%)	7.7	6.5	12.3	10.7	9.5	4.8	7.5	7.1	7.7	6.8	(15.3)	10.9	1.3	12.7	13.6
Adjusted EPS	4.7	6.2	10.2	10.0	10.5	1.5	2.3	2.7	3.0	9.5	(6.8)	5.6	2.4	25.5	32.3
P/E (X)	165.8	125.0	75.8	77.0	73.8					81.5			327.3	30.2	23.9
Adjusted BVPS	38.6	43.4	50.7	57.1	97.8					105.2			177.3	202.8	235.1
P/BV (X)	20.0	17.8	15.2	13.5	7.9					7.3			4.4	3.8	3.3
Enterprise Value	115,367	117,654	121,065	123,920	124,177					127,077			126,977	134,679	143,747
EV/EBITDA (X)	41.8	27.7	26.7	25.3	22.4					22.3			17.5	12.9	11.2
Net Worth	4,635	5,220	6,090	6,857	11,749					12,642			21,298	24,366	28,247
Return on Equity (%)	12.1	14.2	20.1	17.6	10.7					9.0			1.3	12.6	13.7
Capital Employed	28,180	32,745	35,880	39,727	45,948					49,650			59,561	71,037	83,570
Return on Capital Employed (%)	4.4	6.0	7.6	7.0	7.2					5.3			5.3	8.3	8.8
Invested Capital	27,263	30,135	34,416	38,038	43,187					46,980			55,536	66,306	79,256
Return on Invested Capital (%)	6.9	10.2	9.3	9.1	9.1					8.4			9.2	11.9	12.4
Cash Flow from Operations	2,591	5,437	3,784	4,097	3,777					6,038			838	8,343	9,682
Cash Flow from Investing	(3,138)	(5,643)	(4,025)	(3,948)	(4,699)					(4,943)			(5,082)	(11,870)	(13,765)
Cash Flow from Financing	38	1,250	(745)	(235)	923					(543)			6,954	4,161	3,553
Net Cash Flow	(509)	1,045	(986)	(86)	1					551			2,709	633	(530)
Free Cash Flow	2,319	4,140	1,632	1,809	1,420					2,467			(6,282)	(225)	(96)
FCF to Revenue (%)	31.7	36.3	16.4	16.1	10.7					14.9			(29.2)	(0.9)	(0.3)
FCF to EBITDA (%)	83.9	97.3	36.0	37.0	25.6					43.2			(86.8)	(2.2)	(0.7)
FCF to Net Profit (%)	414.6	558.1	133.3	150.2	113.0					216.9			(2,217.1)	(7.3)	(2.5)
FCF to Net Worth (%)	50.0	79.3	26.8	26.4	12.1					19.5			(29.5)	(0.9)	(0.3)
Total Debt	23,545	27,525	29,791	32,870	34,199					37,009			38,263	46,671	55,323
Net Debt	22,629	24,916	28,326	31,181	31,438					34,338			34,238	41,941	51,008
Net Debt to Equity (X)	4.9	4.8	4.7	4.5	2.7					2.7			1.6	1.7	1.8
Net Debt to EBITDA (X)	8.2	5.9	6.2	6.4	5.7					6.0			4.7	4.0	4.0
Interest Coverage Ratio (X)	1.4	1.3	1.5	1.5	1.4					1.4			1.4	1.9	1.9
Fundamental scores															
Altman Z Score	0.5	0.6	0.7	0.9	1.0					1.2			1.8	1.7	1.6
Piotroski F-score	4.0	7.0	5.0	6.0	6.0					4.0			6.0	5.0	5.0
Beneish M-score	(1.2)	(2.4)	(2.0)	(2.3)	(2.2)					(2.4)			(0.8)	(2.2)	(2.1)

Source: ACE Equity, Company Reports & Ventura Research

Absolute net profit in FY25 is expected to be INR 283 cr (considering the exceptional loss of INR 1506 cr reported in Q1FY25). Adjusted net profit for FY25 is expected to be INR 1789 cr

AESL's consolidated financials & projections

Fig in INR Cr (unless specified)	FY23	FY24	FY25E	FY26E	FY27E	Fig in INR Cr (unless specified)	FY23	FY24	FY25E	FY26E	FY27E
Income Statement						Per share data & Yields					
Revenue	13,292.7	16,607.4	21,547.3	24,237.9	28,544.1	Adjusted EPS (INR)	10.5	9.5	2.4	25.5	32.3
YoY Growth (%)	18.1	24.9	29.7	12.5	17.8	Adjusted Cash EPS (INR)	23.8	24.3	20.0	46.7	57.6
Power Cost (incl. net change in RDA)	4,943.7	6,948.4	8,191.9	8,422.8	9,606.4	Adjusted BVPS (INR)	107.2	114.1	186.1	211.7	244.0
RM Cost to Sales (%)	37.2	41.8	38.0	34.8	33.7	Adjusted CFO per share (INR)	31.4	50.3	7.0	69.4	80.6
Employee Cost	986.7	951.7	1,149.1	1,211.9	1,427.2	CFO Yield (%)	4.1	6.5	0.9	9.0	10.4
Employee Cost to Sales (%)	7.4	5.7	5.3	5.0	5.0	Adjusted FCF per share (INR)	11.8	20.5	(52.3)	(1.9)	(0.8)
Other Expenses	1,809.2	2,996.1	4,969.4	4,162.3	4,667.8	FCF Yield (%)	1.5	2.7	(6.8)	(0.2)	(0.1)
Other Exp to Sales (%)	13.6	18.0	23.1	17.2	16.4	Solvency Ratio (X)					
EBITDA	5,553.2	5,711.2	7,236.8	10,440.9	12,842.7	Total Debt to Equity	2.7	2.7	1.7	1.8	1.9
Margin (%)	41.8	34.4	33.6	43.1	45.0	Net Debt to Equity	2.4	2.5	1.5	1.6	1.7
YoY Growth (%)	13.6	2.8	26.7	44.3	23.0	Net Debt to EBITDA	5.7	6.0	4.7	4.0	4.0
Depreciation & Amortization	1,607.7	1,776.1	2,116.3	2,543.9	3,038.9	Return Ratios (%)					
EBIT	3,945.5	3,935.1	5,120.5	7,897.0	9,803.8	Return on Equity	10.7	9.0	8.0	12.6	13.7
Margin (%)	29.7	23.7	23.8	32.6	34.3	Return on Capital Employed	7.2	5.3	5.3	8.3	8.8
YoY Growth (%)	14.0	(0.3)	30.1	54.2	24.1	Return on Invested Capital	9.1	8.4	9.2	11.9	12.4
Other Income	1,583.3	611.0	538.3	563.6	617.0	Working Capital Ratios					
Finance cost	2,781.5	2,766.5	3,575.4	4,246.7	5,099.7	Payable Days (Nos)	49	38	28	28	28
Interest Coverage (X)	1.4	1.4	1.4	1.9	1.9	Inventory Days (Nos)	4	6	6	6	6
Exceptional Item	0.0	0.0	(1,506.0)	0.0	0.0	Receivable Days (Nos)	39	34	77	77	77
PBT	2,747.3	1,779.6	577.4	4,213.8	5,321.1	Net Working Capital Days (Nos)	(6)	2	55	55	55
Margin (%)	20.7	10.7	2.7	17.4	18.6	Net Working Capital to Sales (%)	(1.6)	0.6	15.1	15.1	15.1
YoY Growth (%)	15.3	(35.2)	(67.6)	629.8	26.3	Valuation (X)					
Tax Expense	431.1	584.0	218.4	1,060.6	1,339.3	P/E	73.8	81.5	51.8	30.2	23.9
Tax Rate (%)	15.7	32.8	37.8	25.2	25.2	P/BV	7.2	6.8	4.1	3.6	3.2
PAT	2,316.2	1,195.6	359.0	3,153.2	3,981.7	EV/EBITDA	22.4	22.3	17.5	12.9	11.2
Margin (%)	17.4	7.2	1.7	13.0	13.9	EV/Sales	9.3	7.7	5.9	5.6	5.0
YoY Growth (%)	20.7	(48.4)	(70.0)	778.2	26.3	Cash Flow Statement					
Min Int/Sh of Assoc	(1,059.9)	(58.3)	(75.7)	(85.1)	(100.3)	PBT	2,747.3	1,779.6	577.4	4,213.8	5,321.1
Net Profit	1,256.3	1,137.3	283.4	3,068.1	3,881.5	Adjustments	1,536.3	5,146.4	3,633.0	5,591.0	6,342.9
Margin (%)	9.5	6.8	1.3	12.7	13.6	Change in Working Capital	(75.5)	(304.4)	(3,154.2)	(401.5)	(642.5)
YoY Growth (%)	4.3	(9.5)	(75.1)	982.8	26.5	Less: Tax Paid	(431.1)	(584.0)	(218.4)	(1,060.6)	(1,339.3)
Balance Sheet						Cash Flow from Operations	3,777.0	6,037.6	837.8	8,342.8	9,682.2
Share Capital	1,115.5	1,115.5	1,201.3	1,201.3	1,201.3	Net Capital Expenditure	(4,702.2)	(5,429.5)	(9,343.2)	(11,746.1)	(13,594.2)
Total Reserves	11,760.3	12,587.6	21,158.0	24,226.1	28,107.6	Change in Investments	3.5	486.5	4,260.8	(124.2)	(170.8)
Shareholders Fund	12,875.8	13,703.1	22,359.3	25,427.4	29,308.8	Cash Flow from Investing	(4,698.7)	(4,943.0)	(5,082.4)	(11,870.2)	(13,765.0)
Long Term Borrowings	31,330.4	33,559.6	35,000.0	43,000.0	51,000.0	Change in Borrowings	(145.3)	2,309.1	2,156.0	8,407.5	8,652.2
Deferred Tax Assets / Liabilities	1,424.3	1,612.4	1,612.4	1,612.4	1,612.4	Less: Finance Cost	(2,781.5)	(2,766.5)	(3,575.4)	(4,246.7)	(5,099.7)
Other Long Term Liabilities	723.5	979.0	1,270.2	1,428.8	1,682.6	Proceeds from Equity	3,850.0	0.0	8,373.1	0.0	0.0
Long Term Trade Payables	32.8	37.4	48.5	54.6	64.3	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	527.7	630.2	761.0	802.5	945.1	Dividend Paid	0.0	(85.8)	0.0	0.0	0.0
Total Liabilities	46,914.5	50,521.7	61,051.3	72,325.6	84,613.2	Cash flow from Financing	923.2	(543.2)	6,953.7	4,160.8	3,552.5
Net Block	32,645.1	38,919.7	46,146.7	55,348.8	65,904.2	Net Cash Flow	1.5	551.4	2,709.0	633.3	(530.3)
Capital Work in Progress	6,200.4	3,002.7	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	0.0	0.0	Opening Balance of Cash	189.1	190.6	742.1	3,451.1	4,084.4
Non Current Investments	312.9	323.8	420.1	472.6	528.5	Closing Balance of Cash	190.5	742.0	3,451.1	4,084.4	3,554.1
Long Term Loans & Advances	1,782.1	1,525.4	1,979.1	2,226.2	2,621.8						
Other Non Current Assets	4,084.3	5,148.7	6,680.2	7,514.3	8,849.4						
Net Current Assets	1,889.6	1,601.4	5,825.2	6,763.7	6,709.4						
Total Assets	46,914.5	50,521.7	61,051.3	72,325.6	84,613.2						

Source: Company Reports & Ventura Research

Absolute net profit in FY25 is expected to be INR 283 cr (considering the exceptional loss of INR 1506 cr reported in Q1FY25). Adjusted net profit for FY25 is expected to be INR 1789 cr

Disclosures and Disclaimer

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is member of BSE, NSE and MCX-SX. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Commodities Limited, Ventura Guaranty Limited, Ventura Insurance Brokers Limited and Ventura Allied Services Private Limited are associates of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for product or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL, the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Securities Market.

Ventura Securities Limited - SEBI Registration No.: INH000001634

Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608