Adani Energy Solutions

India | Utilities | Initiating Coverage

Leading the charge

20 February 2025

Adani Energy Solutions (AESL IN) is set to post robust growth in its transmission, distribution, and smart meters businesses. Transmission EBITDA is likely to double to INR 76bn by FY27E, driven by India's renewable energy (RE) target, 20-25% market share in INR 840bn near term transmission bid and an INR 548bn project pipeline. In distribution, Mundra SEZ demand is set to surge from 50MW to 5GW, pushing regulated asset base (RAB) to INR 15-20bn while Mumbai operations would get annual capex of INR 12-15bn, which would increase regulated equity to INR 60bn by FY27E. AESL also dominates the smart meters space with a 17% market share at 23mn meters, sustaining an EBITDA margin of 85%. We initiate AESL with a **Buy** rating and a SOTP-based TP of INR 930.

Transmission EBITDA to double in the next three years: The Government of India's (GoI) goal to achieve 500GW of renewable energy (RE) capacity needs a robust transmission network for green power evacuation, driving a surge in bidding activity for transmission projects. Industry estimates a near-term bidding value at INR 840bn, with AESL likely to secure a 20-25% market share. Currently, the company holds transmission projects worth INR 548bn slated for completion within the next 18-24 months. Following its QIP in FY25, it has secured five additional projects valued at INR 388bn. These new projects are likely to generate incremental EBITDA of ~INR 70bn, effectively doubling EBITDA from the current INR 40bn to around INR 76bn by FY27E.

Growth potential in Mundra DISCOM: AESL operates two distribution companies, one at Mumbai and the other at Mundra. Mumbai RAB is INR 76bn as on FY25YTD while Mundra RAB is INR 500mn. Power demand at Mundra SEZ is likely to rise significantly, from the current 50MW to 5GW, driven by the Adani Group's plans to establish three major businesses in the SEZ. Growth is likely to increase RAB of Mundra's distribution company in the range of INR 15-20bn by FY27E.

Smart meters emerges as key catalyst: The GoI has launched an ambitious smart meters initiative targeting 250mn households. AESL's experience in operating in operating Mumbai DISCOM has led it to emerge as a key player in this program, securing an orderbook of 23mn as on FY25YTD. The installation of each meter needs an upfront capital investment of INR 5,800. During the 90-month agreement term, the company is likely to generate revenue of INR 12,000 per meter. The company is set to sustain an EBITDA margin of 85% in this vertical.

Initiate with Buy and a TP of INR 930: We initiate on AESL with a **Buy** rating and a SOTP-based TP of INR 930. The valuation assumes regulated transmission assets at 2.5x FY27E P/BV, TBCB transmission projects at 14.0x FY27E EV/EBITDA, distribution assets at 2.5x FY27E P/BV, and smart meters at 12.0x FY27E EV/EBITDA. Additionally, we attribute an option value of INR 196 per share for its upcoming smart meter projects and INR 156 per share for the new transmission projects under National electricity plan. (NEP) opportunity. We expect an EBITDA CAGR of 26% and an EPS CAGR of 29% during FY24-27E. Key risks include increased competition and the need for timely project execution.

Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR mn)	132,927	166,074	212,200	263,147	281,340
YoY (%)	27.4	24.9	27.8	24.0	6.9
EBITDA (INR mn)	45,175	61,712	67,498	97,201	123,839
EBITDA margin (%)	34.0	37.2	31.8	36.9	44.0
PAT (INR mn)	12,562	11,372	16,314	19,492	26,306
YoY (%)	4.3	(9.5)	43.5	19.5	35.0
Fully DEPS (INR)	11.3	10.2	13.6	16.2	21.9
RoE (%)	10.7	9.0	7.3	8.0	9.9
RoCE (%)	6.2	8.7	7.5	8.3	9.0
P/E (x)	88.1	100.7	81.0	67.8	50.2
P/BV (x)	9.4	9.1	5.9	5.4	5.0

Note: Pricing as on 19 February 2025; Source: Company, Elara Securities Estimate

Rating: Buy

Target Price: INR 930

Upside: 39%

CMP: INR 671

As on 19 February 2025

Key data

Bloomberg	ADANIENS IN
Reuters Code	ADAI.NS
Shares outstanding (mn)	1,201
Market cap (INR bn/USD mn)	806/9,267
Enterprise Value (INR bn/USD mn)	1,138/13,113
Avg daily volume 3M (INR mn/USD mn)	1,115/13
52 week high/low	1,348/588
Free float (%)	-

Note: *as on 19 February 2025; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Promoter	73.2	74.9	69.9	69.9
% Pledged	2.6	2.3	0.5	0.8
FII	17.5	15.5	18.7	17.3
DII	3.8	4.0	5.4	5.9
Others	5.5	5.6	6.0	6.9

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.7)	(7.3)	3.1
Adani Energy Solutions	(22.4)	(38.5)	(36.8)
NSE Midcap	(6.9)	(12.8)	3.1
NSE Smallcap	(11.5)	(17.0)	(3.3)

Source: Bloomberg

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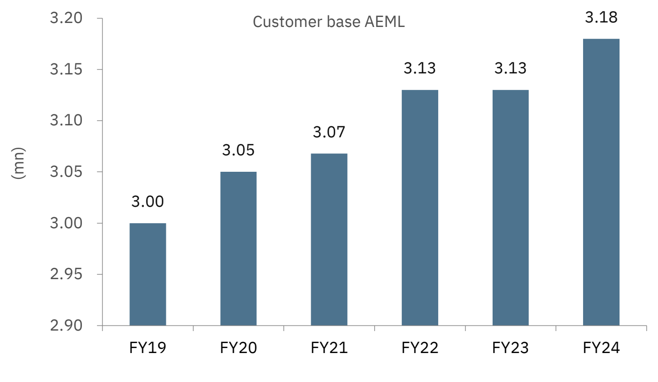
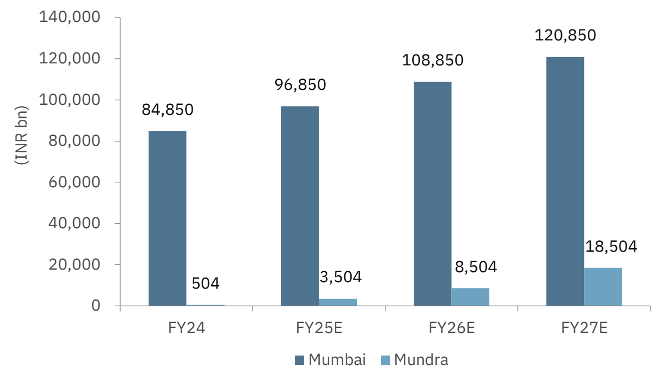
Story in charts

Exhibit 1: AEML customer base at ~3.2mn as on FY24



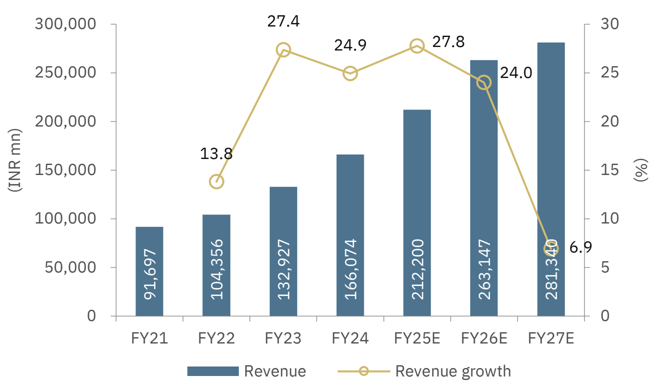
Source: Company, Elara Securities Research

Exhibit 2: Regulated asset base for its distribution vertical likely to expand to INR 139bn FY27E



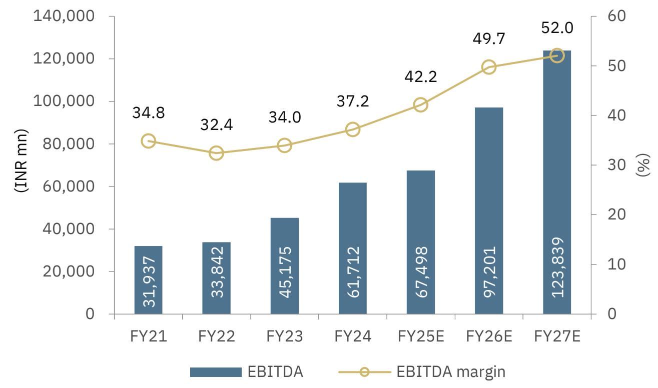
Source: Company, Elara Securities Estimate

Exhibit 3: Operational revenue CAGR of 19% during FY24-27E



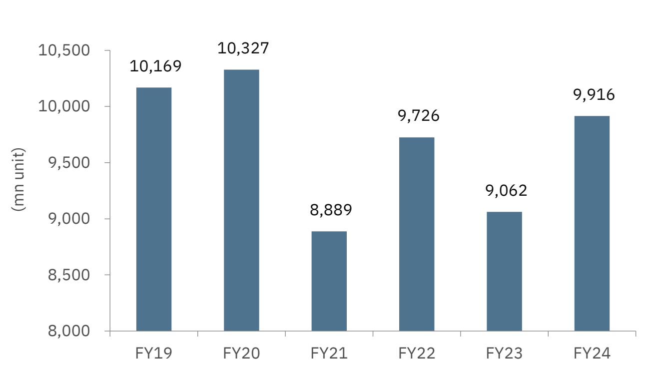
Source: Company, Elara Securities Estimate

Exhibit 4: EBITDA CAGR of 26% during FY24-27E



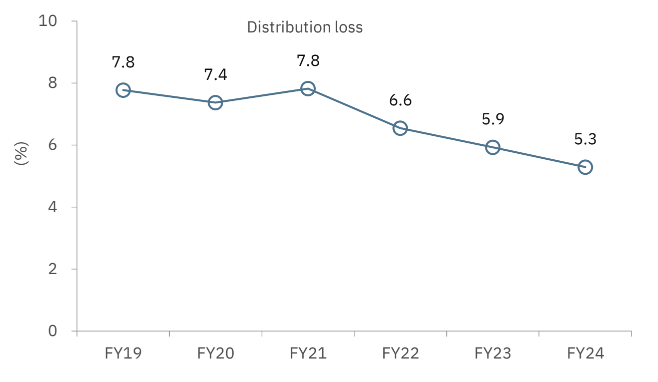
Source: Company, Elara Securities Estimate

Exhibit 5: AEML sells 9,916MU in FY24



Source: Company, Elara Securities Research

Exhibit 6: Distribution loss declines to 5.29% in FY24



Source: Company, Elara Securities Research

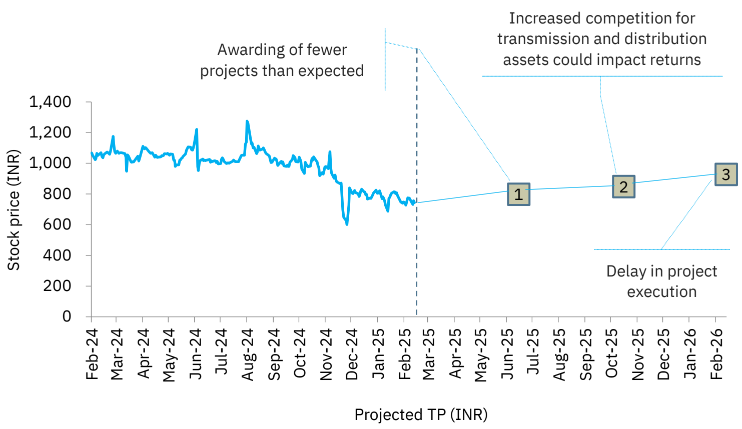
Investment Rationale

As one of India's largest private power transmission and distribution companies, AESL supplies electricity to Mumbai and the rapidly expanding Mundra SEZ, providing significant growth opportunities in the T&D sector

With India's target of 250mn smart meters by CY30 and only ~21mn deployed (Source: National Smart Grid Mission), the company holds ~17% market share and aims to secure more contracts

Cooling solutions is a huge Greenfield opportunity. India's air conditioning (AC) market currently is 7-9% penetrated compared to most developed nations at 90%

Valuation Triggers



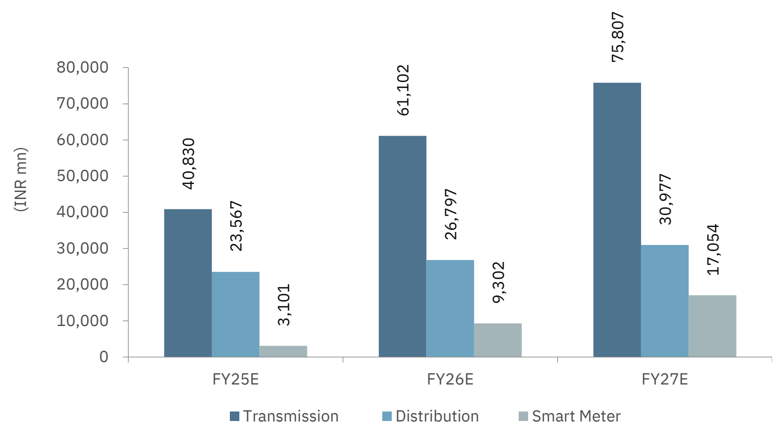
Valuation triggers

- Incremental projects win especially in the HVDC space
- Acquiring parallel licenses at Navi Mumbai and Thane region, Munda Subdistrict, and Gautam Buddha Nagar would allow AESL to broaden its distribution business

Our assumptions

- Revenue CAGR of 19% during FY24-27E
- EBITDA CAGR of 26% during FY24-27E
- PAT CAGR of 32% during FY24-27E

Valuation drivers: EBITDA to rise at a CAGR of 26% over FY24-FY27E



Source: Elara Securities Estimate

Key risks to our call

- Awarding of fewer projects than expected
- Increased competition for transmission and distribution assets could impact returns
- Delay in project execution

Valuation

(INR)	FY27E
Transmission	297
Distribution	138
Smart Meters	134
Cash & Investments	10
Option value for smart meters	196
Option value for NEP opportunity	156
Target price	**930**

Source: Elara Securities Estimate

Industry trends and macro factors

- Higher-than-anticipated surge in tendering and awarding activities in the transmission sector
- Renewed focus on privatizing distribution utilities is a major tailwind

Market position and competitive landscape

- Strong execution capabilities. Sustained market share of 17% in smart meters.
- New order win in high value HVDC

Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	132,927	166,074	212,200	263,147	281,340
EBITDA	**45,175**	**61,712**	**67,498**	**97,201**	**123,839**
Add:- Non operating Income	5,477	6,110	5,944	4,737	5,594
OPBIDTA	50,653	67,821	73,441	101,939	129,433
Less :- Depreciation & Amortization	16,077	17,761	21,385	31,692	36,137
EBIT	**34,575**	**50,060**	**52,056**	**70,247**	**93,295**
Less:- Interest Expenses	27,815	27,665	29,369	42,745	56,180
PBT	**6,761**	**22,395**	**22,687**	**27,502**	**37,116**
Less :- Taxes	4,353	5,801	5,331	6,876	9,279
Adjusted PAT	**2,407**	**16,594**	**17,355**	**20,627**	**27,837**
Add/Less: - Extra-ordinaries	10,155	(5,222)	(1,041)	(1,134)	(1,531)
Reported PAT	**12,562**	**11,372**	**16,314**	**19,492**	**26,306**
Balance Sheet (INR mn)	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Share Capital	11,155	11,155	12,013	12,013	12,013
Reserves	106,337	115,261	212,486	230,508	254,830
Borrowings	313,304	335,596	345,523	502,878	660,936
Other liabillties	38,349	44,148	44,148	44,148	44,148
Total Liabilities	**469,145**	**506,160**	**614,170**	**789,547**	**971,926**
Net Block	302,953	364,367	368,576	460,329	448,712
Add:- Capital work in progress	62,004	30,027	87,678	74,525	107,500
Investments	3,129	3,238	4,738	6,238	7,738
Net Working Capital	(743)	839	47,657	47,575	77,507
Other Assets	101,801	107,688	105,521	200,879	330,469
Total Assets	**469,145**	**506,160**	**614,170**	**789,547**	**971,926**
Cash Flow Statement (INR mn)	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Cash profit adjusted for non cash items	56,014	57,439	73,441	101,939	129,433
Add/Less : Working Capital Changes	(15,788)	5,939	(9,984)	(102,645)	(136,685)
Operating Cash Flow	40,226	63,377	63,457	(706)	(7,252)
Less:- Capex	(47,022)	(54,295)	(61,859)	(78,601)	(21,358)
Free Cash Flow	(6,797)	9,082	1,598	(79,307)	(28,610)
Financing Cash Flow	9,232	(5,432)	61,285	112,006	98,363
Investing Cash Flow	(46,987)	(49,430)	(83,244)	(110,293)	(57,495)
Net change in Cash	**2,471**	**8,514**	**41,498**	**1,007**	**33,616**
Ratio Analysis	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Income Statement Ratios (%)					
Revenue Growth	27.4	24.9	27.8	24.0	6.9
EBITDA Growth	33.5	36.6	9.4	44.0	27.4
PAT Growth	4.3	(9.5)	43.5	19.5	35.0
EBITDA Margin	34.0	37.2	31.8	36.9	44.0
Net Margin	9.5	6.8	7.7	7.4	9.4
Return & Liquidity Ratios					
Net Debt/Equity (x)	2.8	2.8	1.4	2.0	2.3
ROE (%)	10.7	9.0	7.3	8.0	9.9
ROCE (%)	6.2	8.7	7.5	8.3	9.0
Per Share data & Valuation Ratios					
Diluted EPS (INR/Share)	11.3	10.2	13.6	16.2	21.9
EPS Growth (%)	4.3	(9.5)	33.2	19.5	35.0
P/E Ratio (x)	88.1	100.7	81.0	67.8	50.2
EV/EBITDA (x)	31.7	24.2	24.3	18.6	15.7
EV/Sales (x)	10.8	9.0	9.9	8.7	8.0
Price/Book (x)	9.4	9.1	5.9	5.4	5.0

Note: Pricing as on 19 February 2025; Source: Company, Elara Securities Estimate

We expect an overall revenue CAGR of 19% YoY during FY24-27E

PAT CAGR of 32%YoY during FY24-27E

Leading company in India's energy transition

- Transmission EBITDA to double in the next three years
- Growth potential in Mundra DISCOM
- Smart meters emerges as key catalyst

Transmission EBITDA to double in the next three years

Rising power demand requires robust transmission infrastructure

India's power sector is undergoing a major transformation to keep pace with rising electricity demand. With peak electricity demand likely to reach 388GW by CY31-32, according to National Electricity plan, expanding the transmission network becomes key to ensuring seamless power supply. To support this growth, the country has planned a significant expansion in its transmission infrastructure. During CY22-27, ~114,687km of transmission lines and 776,330 MVA of transformation capacity at 220kV and above will be added (Source: National Electricity Plan). Additionally, 1,000MW of high voltage direct current (HVDC) bi-pole capacity will be introduced. The estimated investment for this expansion is ~INR 4.2tn, with INR 2.7tn allocated for Inter-State Transmission Systems (ISTS) and INR 1.6tn for intra-state networks (Source: National Electricity Plan).

During CY27-32, further transmission development has been planned to accommodate 997GW of installed generation capacity, including significant renewable energy integration. This phase will see an additional 76,787km of transmission lines, 497,855 MVA of substation capacity, and 32,250MW of HVDC bi-pole capacity. The required investment for this period is estimated at INR 4.9tn, with ~INR 3.9tn for ISTS and ~INR 992.9bn for intra-state transmission. By CY31-32, India's transmission network will expand significantly, with total transmission lines reaching 648,190km and transformation capacity growing to 23,45,135 MVA. HVDC bi-pole and back-to-back capacity will also rise to 66,750MW, ensuring a more resilient, efficient, and future-ready power grid. This strategic investment in transmission infrastructure will be essential in meeting India's energy needs, integrating renewable power sources, and sustaining stable & reliable electricity supply.

Consistent growth in the transmission system

The country's transmission network and transformation capacity have consistently expanded in line with rising electricity generation and demand. Notably, growth has been more pronounced at higher voltage levels, emphasizing the need for a robust transmission system capable of transporting bulk power over long distances. During calendar year 1985-CY25 YTD, India posted total length of transmission lines CAGR of 6%, increasing from 52,034km to 491,871km. Similarly, substation capacity expanded at a CAGR of 9%, rising from 46,621 MVA to 13,02,580 MVA during the same period. The development of the transmission system has progressed alongside the expansion of generation capacity. This growth is reflected not only in physical expansion of the transmission network but also in the adoption of higher transmission voltages and advanced technology for efficient bulk power transmission.

Green hydrogen & ammonia manufacturing hubs need incremental transmission planning

According to the Ministry of New and Renewable Energy (MNRE), green hydrogen and ammonia production is planned in coastal regions of Odisha, West Bengal, Gujarat, Andhra Pradesh, Tamil Nadu, and Karnataka. Initial estimates indicate by FY26-27, electricity demand for these projects could reach 10,500MW.

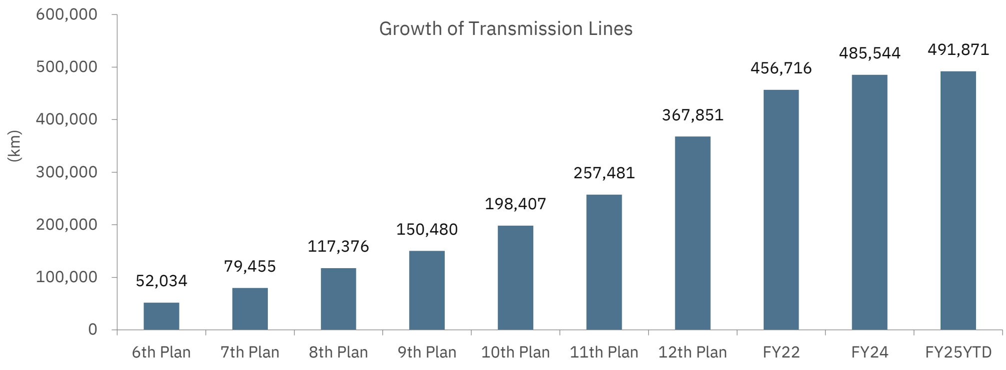
As a result, a transmission system has been planned to deliver power to green hydrogen and ammonia manufacturing hubs in Odisha, Gujarat, Andhra Pradesh, and Tamil Nadu in the initial phase, aligning with estimated 10,500MW demand by FY26-27. The implementation of this transmission infrastructure will be carried out in phases, in sync with the progress of these manufacturing hubs.

Exhibit 7: Installed generation capacity expected to reach 900 GW by FY32 as per NEP

Fuel	Installed capacity (MW)
Coal	259,643
Gas	24,824
Hydro	62,178
PSP	26,686
Nuclear	19,680
Wind	121,895
Solar	364,566
Biomass	15,500
Small Hydro	5,450

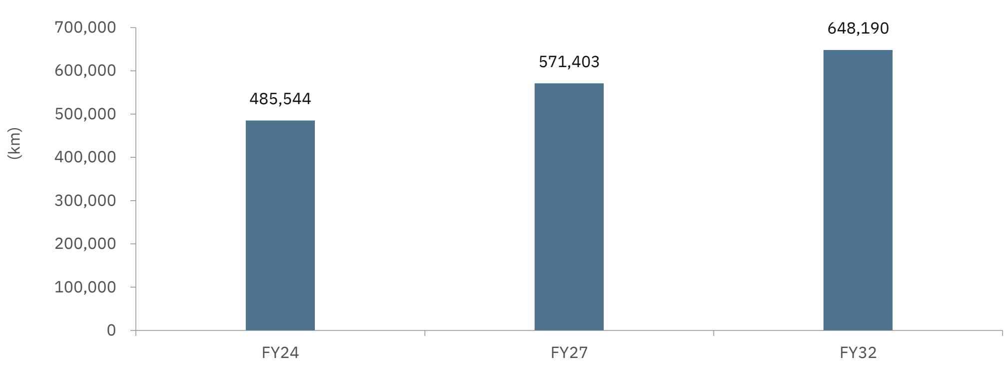
Source: CEA, Elara Securities Research

Exhibit 8: Total transmission lines stands at 491,871 CKM as of FY25YTD



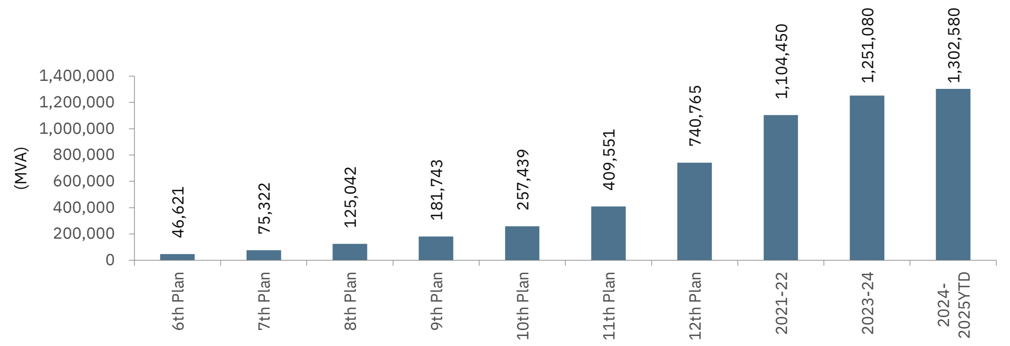
Source: CEA, Elara Securities Research

Exhibit 9: Total transmission line anticipated to reach 648,190ckm as per NEP by FY32



Source: National Electricity Plan, Elara Securities Research

Exhibit 10: Total substation capacity at 1,302,580 MVA as on FY25 YTD



Source: CEA, Elara Securities Research

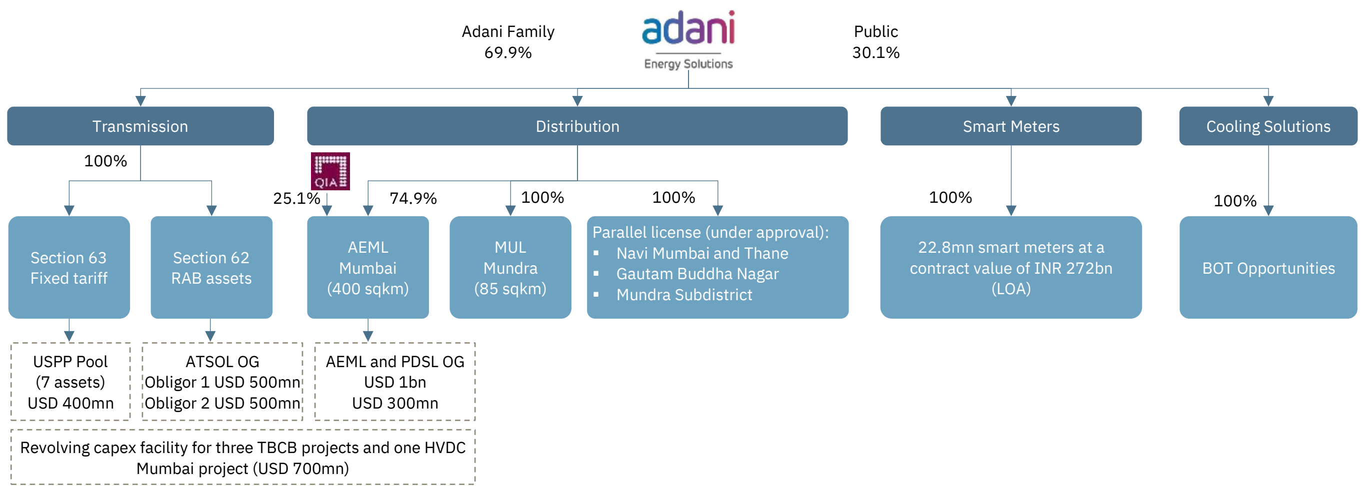
Significant private opportunity

The private sector plays a crucial role in development of the power sector, with competition being a key aspect of the Electricity Act, 2003. The National Electricity Policy, 2005, emphasizes the need to encourage private investment in transmission, while the National Tariff Policy 2006 advocates tariff determination through competitive bidding. To facilitate greater private sector participation, the GoI has implemented measures to create a competitive and enabling framework. The Tariff Policy, introduced by the Ministry of Power, enabled private sector participation in the transmission sector through the tariff-based competitive bidding (TBCB) model. A 2016 policy revision prompted several States to adopt competitive bidding for intra-state transmission projects. During the past decade, the number of regulated transmission projects has declined, as seen in the reduced share of Power Grid Corporation of India's cost-plus projects, leading to fewer standalone projects by AESL. While bidding activity increased between FY15 and FY17, it slowed during FY18-23 due to the drop in new project awards. However, India's focus on enhancing grid infrastructure has led to a sharp rise in transmission project bidding in FY24, as the process gained momentum.

One of the leading private transmission company in India

AESL is one of the country's leading private power transmission company, with a more than 35% market share in TBCB-based private transmission assets. Its portfolio comprises 25 operational TBCB transmission assets and 13 under construction transmission assets including Mumbai HVDC which is a cost-plus asset. It has five regulated assets, with a total asset value of INR 129bn. The company's extensive network spans 25,778km and a capacity of 84,186 MVA across 14 States. Known for sustaining operational availability well above required threshold, AESL earns performance-based incentives due to its efficiency. This success stems from robust operations and maintenance (O&M) capabilities, advanced technologies, economies of scale across key transmission corridors, and extensive technical expertise.

Exhibit 11: AESL business snapshot



Source: Company, Elara Securities Research

Capital expenditure picks up pace

AESL currently has 13 transmission assets under construction valued at INR 548bn, which are likely to be completed within the next 18-24 months. The recently won Bhadla Fatehpur will likely be completed by FY29. Following its qualified institutional placement (QIP) in FY25, the company has secured five new projects worth INR 388bn. These projects will contribute an additional 6576ckm of transmission lines. AESL's transmission sector currently has an EBITDA of ~INR 40bn, which is set to double post commissioning of its under-construction projects. AESL capital expenditure, which was in the range of INR 40-50mn, has seen significant growth, and the company plans to allocate INR 100-120bn annually. The transmission sector is likely to see near term tenders totaling INR 840bn, with AESL set to secure INR 100-200bn of new transmission projects each year.

Pivot toward an unregulated model

AESL transmission asset operates on a cost-plus and TBCB basis. Earnings from the transmission project operating on a regulated basis are governed by existing regulations and are linked to availability & equity invested in projects. Contract of transmission assets is 35 years. Earnings and return from a bid project are based on capex incurred, quoted tariff and availability. Under the new bidding model, the developer has to quote a single tariff for 35 years. Competition has increased in TBCB projects.

Specialized firm need of the hour for specialized projects

The adoption of HVDC technology in India's power transmission sector has been advancing steadily, playing a crucial role in transforming the National Grid from regionally divided zones into a unified synchronous system. HVDC is particularly effective for long-distance power transmission, as it minimizes energy losses, making it suitable for transferring large volume of electricity and integrating renewable energy sources into both regional and national grids. Given the complexity and scale of HVDC projects, it is essential for experienced companies, such as AESL, to take the lead in execution. Each year, 2-3 HVDC projects are likely to enter the development pipeline. Currently, two significant projects are in progress, one in Rajasthan and another at Mumbai..

Growth potential in Mundra DISCOM

India's distribution sector weakest link in power value chain

Distribution is often considered both the backbone and the most fragile segment of the power sector, due to its financial and operational challenges. Despite incumbent high losses, progress has been made, reflected in reduction of aggregate technical and commercial (AT&C) losses, a key performance metric, supported by initiatives, such as the Revamped Distribution Sector Scheme (RDSS) and Late Payment Surcharge (LPS) regulations, which have improved financial discipline and operational efficiency in DISCOM.

Privatization of DISCOM yet to pick up pace

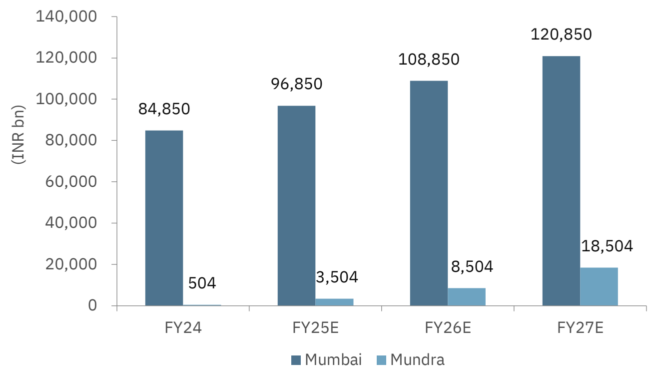
The GoI has been pursuing privatization of DISCOM since the early 2000s, but progress remains gradual. It also has introduced the franchisee model to bring in private sector expertise. Both private distribution licensees and franchisees have achieved notable success in reducing AT&C losses in their respective areas. However, some setbacks, particularly failure in private franchisee operations, have dampened the initial optimism surrounding the model. Broader adoption of privatization has been hindered by challenges, such as resistance from State governments, opposition from employee unions, and concerns over potential tariff increases, slowing overall momentum.

AEML leading electricity distribution company in India

Adani Electricity Mumbai (AEML), a subsidiary of AESL, is a prominent electricity distribution company in India, committed to establishing a digital-driven, future-ready DISCOM. Its portfolio includes two assets managed by subsidiaries AEML and MPSEZ Utilities (MUL). Since its acquisition in CY18, AEML RAB has grown from INR 55.3bn to INR 84.9bn as on FY24. MUL operates in Mundra SEZ, India's largest port-based industrial hub spanning 85 sqkm, catering to commercial and industrial customers through its 237km distribution network.

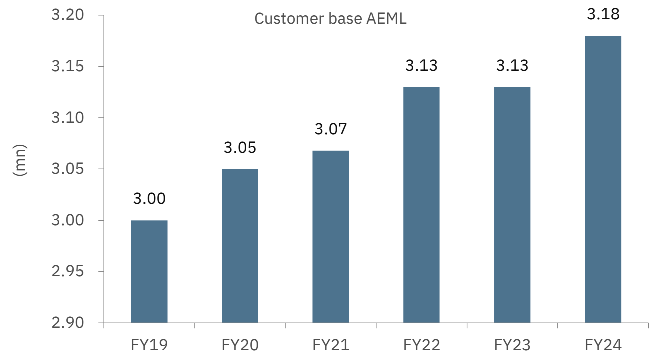
AEML is Mumbai's leading power utility and holds the distinction of being ranked India's No. 1 power utility. With a 25-year license granted by the Maharashtra Electricity Regulatory Commission(MERC) in CY11, it serves 3.2mn customers in and around Mumbai, with distribution losses as low as 5.3% in FY24. The company plans an annual capex of INR 12-15bn, including INR 8bn for maintenance and remaining for growth initiatives.

Exhibit 12: Regulated asset base for its distribution vertical likely to expand to INR 139bn as on FY27E



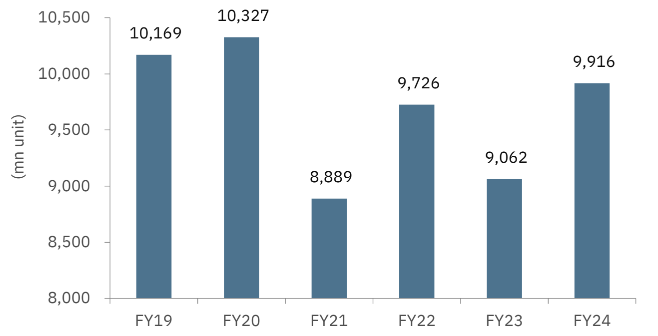
Source: Company, Elara Securities Estimate

Exhibit 13: AEML customer base at ~3.2mn as on FY24



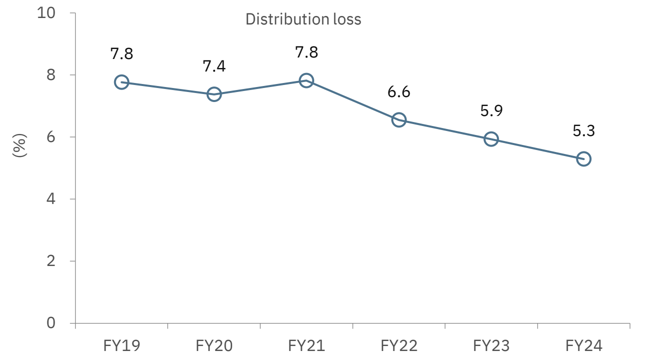
Source: Company, Elara Securities Research

Exhibit 14: AEML sells 9,916MU in FY24



Source: Company, Elara Securities Research

Exhibit 15: Distribution loss declines to 5.3% in FY24



Source: Company, Elara Securities Research

Huge power demand potential from Mundra to drive investment in MUL

Currently, Mundra caters to power demand of 50MW, which is set to rise significantly to 5,000MW with the implementation of Adani Group's plans to establish three major business ventures within the SEZ. This rapid growth is likely to increase RAB of Mundra's distribution company, scaling up from INR 500mn to an estimated INR 15-20bn.

Plans underway to expand distribution business via parallel licensing

AESL plans to expand operations by obtaining parallel distribution licenses, enabling entry into neighboring energy markets and broadening its footprints. The Navi Mumbai and Thane region alone has 18GW of pending electricity connection applications, highlighting a significant opportunity for growth in the distribution segment. The company has applied for parallel licenses in areas, such as Navi Mumbai and Thane, Gautam Buddha Magar, and the Mundra subdistrict, with the potential to achieve a nine-fold increase in its distribution area.

Smart meters emerges as key catalyst

Smart meters gain traction

AESL began its foray into the smart meters business in FY23 and operated it through wholly owned subsidiaries, including BEST Smart Metering, NE Smart Metering, Adani Transmission Step-Six, Adani Transmission Step-Seven, and Adani Transmission Step-Eight. These smart meters projects were awarded under the competitive mechanism. The scope of work includes installation of smart meters, deployment of communication network, Cloud infrastructure, and data management systems, as well as providing end-to-end smart meters services under the design-build-finance-own-operate-and-transfer (DBFOOT) model. Under this model, all consumer & distribution points, and feeders will be equipped with smart meters to enable complete energy accounting without manual intervention. Smart meters measure electricity consumption and automatically transmit consumption data to power utility companies in real time. Additionally, these meters facilitate two-way communication with utility providers via cellular communication or radio frequency, ensuring more precise consumption monitoring. By eliminating power theft and enhancing billing efficiency, smart meters contribute to improved operational performance for distribution companies.

Recurring business opportunity from smart meters

Smart meters play a crucial role in transforming India's energy sector by addressing key challenges, such as high aggregate technical & commercial (AT&C) losses and delayed bill payments, which extend DISCOM's receivable cycles. To tackle these issues, the GoI has prioritized smart meter deployment under the RDSS program, targeting 250mn installations by FY25-26. AESL smart meter business aligns with this mandate, enhancing billing accuracy, transparency, and energy management through actionable insights. These advanced meters enable DISCOM to effectively manage risks and minimize losses while helping consumers optimize electricity cost by analyzing consumption patterns. Leveraging its expertise, the company has secured orders for 22.8mn smart meters, representing a 17% market share and a revenue potential of INR 271.9bn. It is focused on efficiently managing front- and back-end processes to ensure seamless execution of these orders.

Policy push and adequate supply chain will be important for quick ramp-up of meter installation

The Ministry of Power (MoP) has launched initiatives to encourage smart meter installations, including the Deen Dayal Upadhyay Gram Jyoti Yojana and the Integrated Power Development Scheme. However, the introduction of the RDSS has provided a significant boost to the power distribution sector by aiming to reduce overall losses. With an allocation of INR 3.0tn during FY22-26, including INR 970bn as gross budgetary support (GBS), RDSS integrates smart meters as a key component.

Major DISCOM in Tamil Nadu, Uttar Pradesh, Maharashtra, West Bengal, Gujarat, Rajasthan, and Madhya Pradesh have emerged as the largest beneficiaries of this scheme based on approved metering cost. GBS is set to cover 18% of overall metering expenses. GBS plays a crucial role in partially reimbursing capital expenditure in the early stages of implementation, making it an essential element of the scheme.

According to the National Smart Grid Mission (NSGM), out of 138mn smart meters awarded as on February 10, 2025, only 20mn meters had been installed. The installation pace is likely to accelerate in the next two years due to increased sanctioning, awarding, and higher manufacturing capacity utilization,

Exhibit 16: Around 138mn meters have been awarded as on FY25 YTD

	Target by FY26 (mn)	Meters awarded to date (mn)	Meters installed to date (mn)
Smart Meters	250	138	20.8

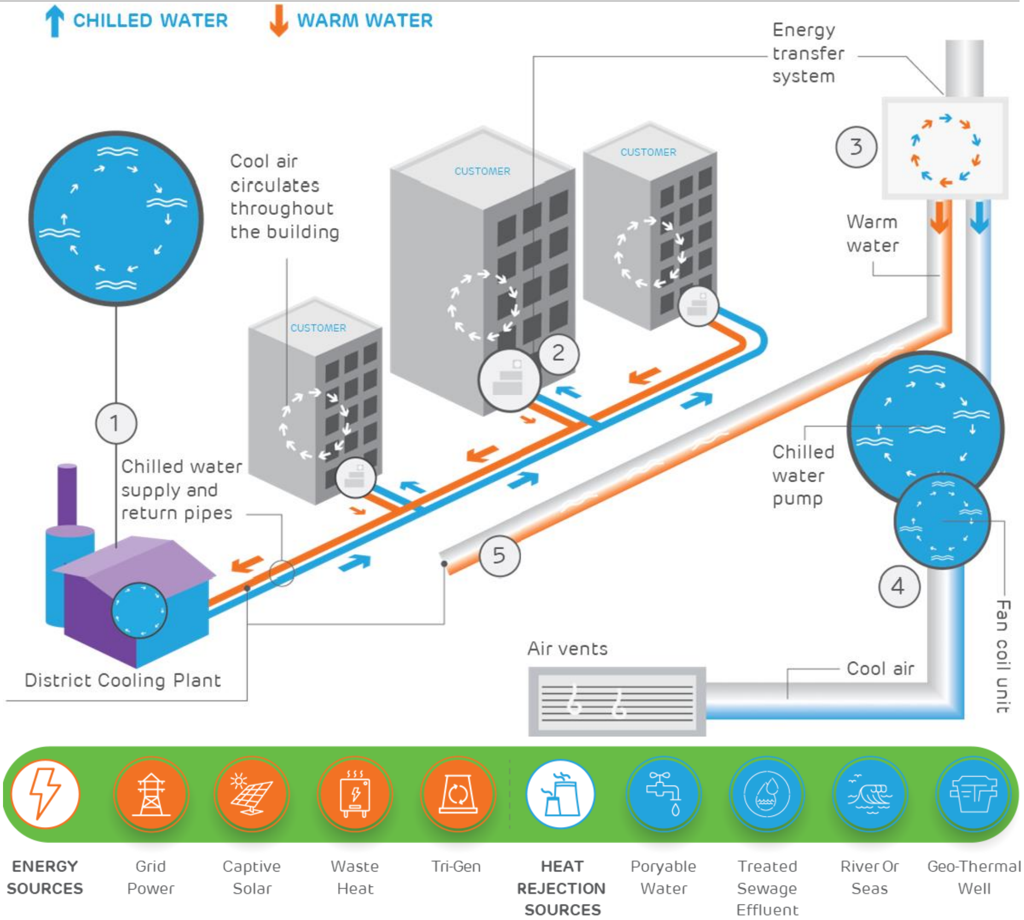
Source: National Smart Grid Mission, Elara Securities Research

Foraying into new business verticals -- cooling as a service

India's cooling solutions sector presents a significant growth opportunity, with demand set to increase 20-fold for the next two decades. This surge is driven by rising disposable income, global warming, and a low air conditioning penetration rate of 7-9% compared to 90% in developed countries. Future demand is likely to shift from traditional air conditioners, which are energy-intensive.

Sustainable cooling solutions, including thermal storage and district-level systems, are gaining traction. Offering innovative cooling-as-a-service models, which are low-carbon, affordable, and pay-per-use, positions the company to capture a huge share of the market, likely to exceed 7.9mn tonne of refrigeration by FY30.With less competition and strong knowledge of the domestic market, AESL is executing projects with prominent builders at Navi Mumbai and Adani Realty at Ahmedabad, delivering comprehensive, sustainable air conditioning solutions that reducing fire risks and greenhouse gas emissions.

Exhibit 17: Pioneering sustainable solutions in comfort and space cooling



Source: Company presentation, Elara Securities Research

Incubating new businesses -- energy as a service

AESL is expanding its footprint in the commercial and industrial (C&I) energy solutions sector, leveraging its presence in generation, renewable energy, transmission, and distribution. The company has identified growing demand from customers, such as data centers, which need high reliability, some percentage of green energy, and timely infrastructure readiness. The company has secured contracts of 20MW and is in discussions for an additional 250MW, as per management. It expects to reach 5,000mn units and generate INR 1,500mn in annual EBITDA. Discussions with global IT giants are underway, and significant growth in this segment is likely in the upcoming quarters and the next financial year.

Valuation and recommendation

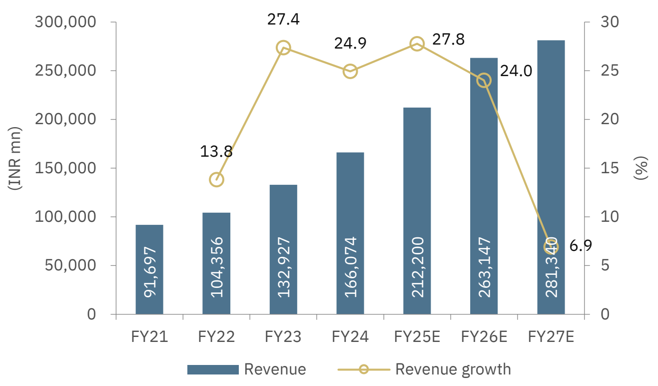
- Transmission vertical to drive growth
- Expansion in regulated entity for distribution to drive earnings
- Initiate with Buy and TP of INR 930, implying 39% upside

Transmission vertical to drive growth

Overall EBITDA CAGR of 26% and core EPS CAGR of 29% during FY24-27E

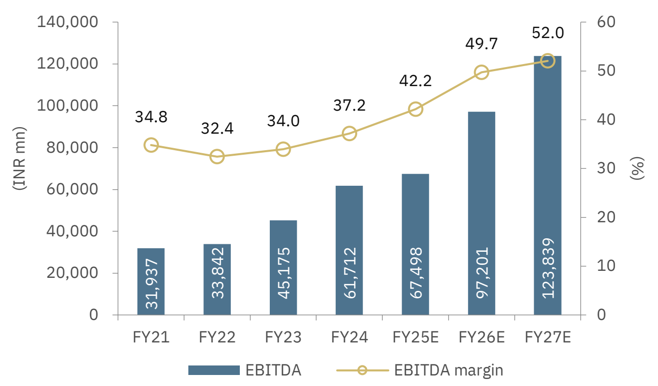
We expect an operational revenue CAGR of 19% during FY24-27E, driven by revenue growth of 23% in the transmission segment. AESL currently has a transmission project portfolio worth INR 548bn, with projects under active construction likely to be completed by FY27E, contributing significantly to earnings growth. Overall EBITDA is set to post a CAGR of 26% during the same period, with the transmission segment EBITDA likely to nearly double to INR 76bn by FY27E. Additionally, we expect EBITDA of INR 17bn from smart meters and INR 31bn from the distribution segment in FY27E. We expect an overall PAT CAGR of 32%during FY24-27E.

Exhibit 18: Operational revenue CAGR of 19% during FY24-27E



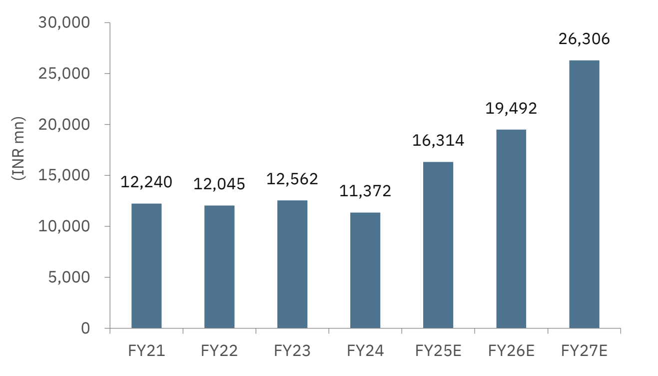
Source: Company, Elara Securities Estimate

Exhibit 19: EBITDA CAGR of 26% during FY24-27E



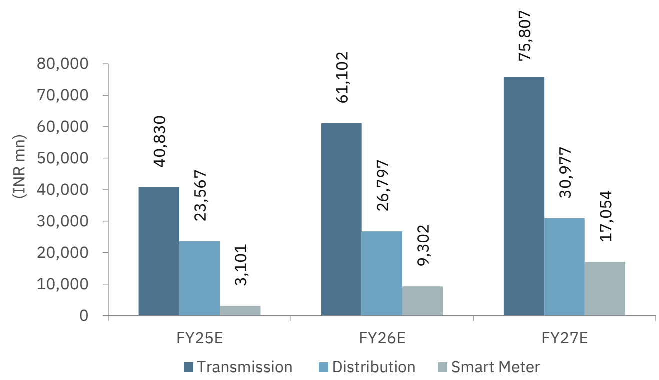
Source: Company, Elara Securities Estimate

Exhibit 20: Overall PAT CAGR of 32% during FY24-27E



Source: Company, Elara Securities Estimate

Exhibit 21: EBITDA to rise at a CAGR of 26% over FY24-FY27E



Source: Company, Elara Securities Estimate

Expansion in regulated equity for distribution to drive earnings

As on December 2024, AESL's regulated equity for its Mumbai distribution utility stands at INR 44bn. We expect an annual capital expenditure of INR 12-15bn for systems strengthening and network expansion at Mumbai, which would increase regulated equity to INR 60bn by FY27E. Regulated equity for Mundra is currently at INR 277mn, with power demand set to surge from 50MW to 5,000MW, due to Adani Group's plans to establish three major business ventures in the SEZ. This rapid growth is likely to raise Mundra's regulated equity to INR 5.7bn by FY27E.

Initiate with Buy and TP of INR 930

We initiate coverage of AESL with a **Buy** rating and a SOTP-based TP of INR 930. The valuation assumes regulated transmission assets at 2.5x FY27E P/BV, TBCB transmission projects at 14.0x FY27E, EV/EBITDA, distribution assets at 2.5x FY27E P/BV, and smart meters at 12.0x FY27E EV/EBITDA. Additionally, we attribute an option value of INR 196 per share for its upcoming smart meter projects and INR 156 per share for the new transmission projects under the NEP opportunity. We expect an EBITDA CAGR of 26% and a core EPS CAGR of 29% during FY24-27E.

Exhibit 22: SOTP valuation

	FY27E	Valued on	Multiple (x)	EV (INR mn)	Market cap (INR mn)
Regulated equity - transmission	57,567	P/BV	2.5		143,917
EBITDA -transmission (TBCB projects)	48,325	EV/EBITDA	14.0	676,548	
Debt transmission (TBCB projects)	463,997				212,551
Regulated equity - distribution	66,137	P/BV	2.5		165,343
EBITDA - smart meters	17,054	EV/EBITDA	12.0	204,653	
Debt - smart meters	43,639				161,014
Cash					11,848
Option value					
EBITDA smart meters - new project wins	23,934	EV/EBITDA	12.0	287,203	
Debt	52,056				235,148
NEP opportunity for transmission	93,607	P/BV	2.0		187,213
Total					1,117,033
Shares (mn)					1,201
CMP (INR)					**671**
TP (INR)					**930**

Note: pricing as on 19 February 2025; Source: Elara Securities Estimate

Exhibit 23: Peer valuation

	Ticker	Rating	Market cap (INR bn)	CMP (INR)	TP (INR)	Upside (%)	P/E (x)			EV/EBITDA (x)			P/BV (x)		
							FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
NTPC	NTPC IN	Buy	3,152	315	462	46.8	15.9	15.0	14.8	10.9	10.2	10.1	2.5	2.3	2.1
Power Grid	PWGR IN	Buy	2,462	263	356	35.3	15.1	13.7	13.7	8.9	8.2	8.1	2.6	2.5	2.3
Coal India	Coal IN	Buy	2,247	362	499	37.8	6.3	5.8	5.7	5.0	4.6	3.8	2.2	1.8	1.5
Tata Power	TPWR IN	Buy	1,149	348	488	40.4	24.1	21.6	19.8	13.3	12.0	11.6	3.1	2.8	2.5
JSW Energy	JSW IN	Buy	828	455	630	38.5	45.0	29.0	20.7	22.3	16.0	13.3	2.8	2.6	2.3
Adani Energy Solutions	**ADANIENS IN**	**Buy**	**821**	**671**	**930**	**38.6**	**81.0**	**67.8**	**50.2**	**24.3**	**18.6**	**15.7**	**5.9**	**5.4**	**5.0**
NHPC	NHPC IN	Buy	781	75	118	58.2	20.4	15.4	13.9	23.1	17.7	16.1	1.9	1.8	1.8
Torrent Power	TPW IN	Reduce	634	1,259	1,397	11.0	24.9	33.3	30.1	14.5	14.7	13.6	4.6	4.4	4.1
SJVN	SJVN IN	Buy	361	90	131	45.5	34.6	18.5	11.0	33.0	18.8	10.4	2.4	2.2	1.9
NLC	NLC IN	Buy	315	229	320	39.6	12.6	10.4	10.0	13.0	13.1	12.3	2.1	1.9	1.6
CESC	CESC IN	Buy	181	132	228	73.3	11.6	10.5	9.8	10.6	10.7	10.4	1.4	1.3	1.2
IEX	IEX IN	Buy	151	169	220	29.9	33.3	29.6	26.0	23.7	21.0	18.3	12.6	10.5	8.8
PTC India	PTC IN	Buy	44	147	191	29.8	9.7	9.5	8.5	6.5	6.0	5.3	1.0	0.9	0.9

Note: Pricing as on 19 February 2025; rating and TP are as per last published note; Source: Bloomberg, Elara Securities Estimate

Exhibit 24: Global peer valuation

	Ticker	CMP (USD)	M Cap (Usd mn)	P/E (x)			EV/EBITDA (x)			P/BV (x)		
				CY25E	CY26E	CY27E	CY25E	CY26E	CY27E	CY25E	CY26E	CY27E
NextEra Energy Transmission	NEE US	69	142,058	18.8	17.8	16.2	13.2	11.7	10.9	2.5	2.3	2.2
Iberdrola	IBE SM	13	90,010	15.2	14.9	14.1	10.0	9.9	9.4	1.7	1.7	1.6
Duke Energy Corporation	DUK US	112	86,190	17.7	16.6	15.5	11.7	10.9	10.3	1.7	1.6	1.5
National Grid plc	NG/ LN	953	58,619	13.2	12.6	11.4	11.2	10.4	9.2	1.2	1.2	1.1

Note: Pricing as on 19 February 2025; Source: Bloomberg, Elara Securities Research

Key risks to our call

- Awarding of fewer projects than expected
- Increased competition for transmission and distribution assets could impact returns
- Delay in project execution
- Implementation and operation of smart meters in India have a limited track record. The company may face risks, such as site non-availability and compliance-related challenges
- Projects are vulnerable to rising input cost or change in scope
- AESL faces counterparty risk from State utilities with weak credit profile and unproven payment reliability in its smart meter business

Company Description

Adani Energy Solutions (AESL IN), part of the Adani Group portfolio, is a multidimensional organization with a presence in the energy domain, namely power transmission, distribution, smart meters, and cooling solutions. AESL is the country's largest private transmission company, with a presence across 16 States and a cumulative transmission network of more than 24,000km and 75,000 MVA transformation capacity. In its distribution business, the company serves more than 12mn consumers at metropolitan Mumbai and the industrial hub of Mundra SEZ. It is ramping up its smart meters business and is on course to become India's leading smart meters integrator with an orderbook of 22.8mn meters. AESL, with its integrated offering through expansion of its distribution network via parallel licenses and competitive & tailored retail solutions, including a significant share of green power, is revolutionizing the way energy is delivered to the end-consumer.

Board of Directors & Management

Chairman and Founder Gautam Adani: Promoter Director of the Company since June 17, 2015. Chairman and Founder of the Adani Group. Under his leadership, Adani Group has emerged as a global integrated infrastructure conglomerate with interests across resources, logistics and energy verticals. This has not only enabled the Group to achieve numerous milestones with speed and scale but also resulted in the creation of a robust business model which is contributing towards building sound infrastructure in India.

Director Rajesh Adani: Promoter Director of the Company since June 17, 2015. Associated with Adani Group since its inception. In-charge of operations of the Group and has been responsible for developing its business relationships

Managing Director Anil Sardana: MD & CEO of Adani Energy Solutions since May 2018 and of Adani Power since July 2020, with 40 years of experience in the energy and telecom sectors. Previously CEO & MD of Tata Power, driving significant transformations, including the turnaround of Tata Power Delhi Distribution (TPDDL) with reduction in technical and commercial losses. Also led M&A deals, including with NTT DOCOMO and the formation of VIOM, while successfully launching brands like Tata DOCOMO and Tata Photon. Extensive experience at NTPC, BSES, and the Tata Group managing complex transitions and operations. Engineering graduate from the Delhi College of Engineering, with additional qualifications in cost accountancy and management. Contributes to industry bodies, serving as National Co-Chair of CII's Infra Council.

Chief Executive Officer Kandarp Patel:: Mr. Kandarp Patel, Chief Executive Officer of the Company, brings with him over two decades of multi-faceted experience in the areas of Power Trading, Fuel Management, Legal and Regulatory and Commercial aspects of the Power Business. He started his career with Gujarat Electricity Board (GEB) as Controller of Accounts. Subsequently, his role enlarged to manage commercial aspects of GEB. Over time, he developed a legal acumen in regulatory bylaws, which helped him in resolving complex issues and disputes during his tenure at GEB. He joined Adani Enterprises in 2004 and spearheaded the Power Trading business laying a strong foundation, which made Adani Enterprises a pioneer in Power Trading. From 2009 onwards, he led the Business Development for Adani Power and successfully mandated the execution of Power Purchase Agreements for about 10,000+ MW with various state utilities in India. In 2013, he led integration of acquired business from Lanco. He was awarded as "The Most Innovative Young Power Professional" by IPPAI in 2017. As an avid learner, he has attended international programs organized by The Institute for Public-Private Partnerships in Washington, DC in 2004 and by Coaltrans training at Sentosa, Singapore in 1999. He graduated with Bachelor's Degree in Electrical Engineering from Birla Viswakarma Mahavidhyalaya Engineering College in 1994 and an MBA in Finance from G.H. Patel PG Institute of Business Management in 1997.

Independent Director K Jairaj: A 1976 batch Indian Administrative Service officer, who held prominent roles in infrastructure, energy, transport, and urban development, including Additional Chief Secretary (Energy), Chairman of BESCOM, and Managing Director of organizations like Bangalore International Airport, Karnataka Power Corporation, and Karnataka State Road Transport Corporation. Played a key role in establishing India's first Greenfield airport under a public-private partnership with Siemens alongside NR Narayana Murthy. Served as a senior public sector management specialist with the World Bank in Washington, DC. Degrees in economics and public policy from prestigious institutions like the Delhi School of Economics, Princeton University, and Harvard University, where he was an Edward Mason Fellow. Actively engaged in management and education. Former President of the All-India Management Association. Served on the boards of IIM Bangalore & IIM Kashipur and continues to contribute to educational and non-profit initiatives.

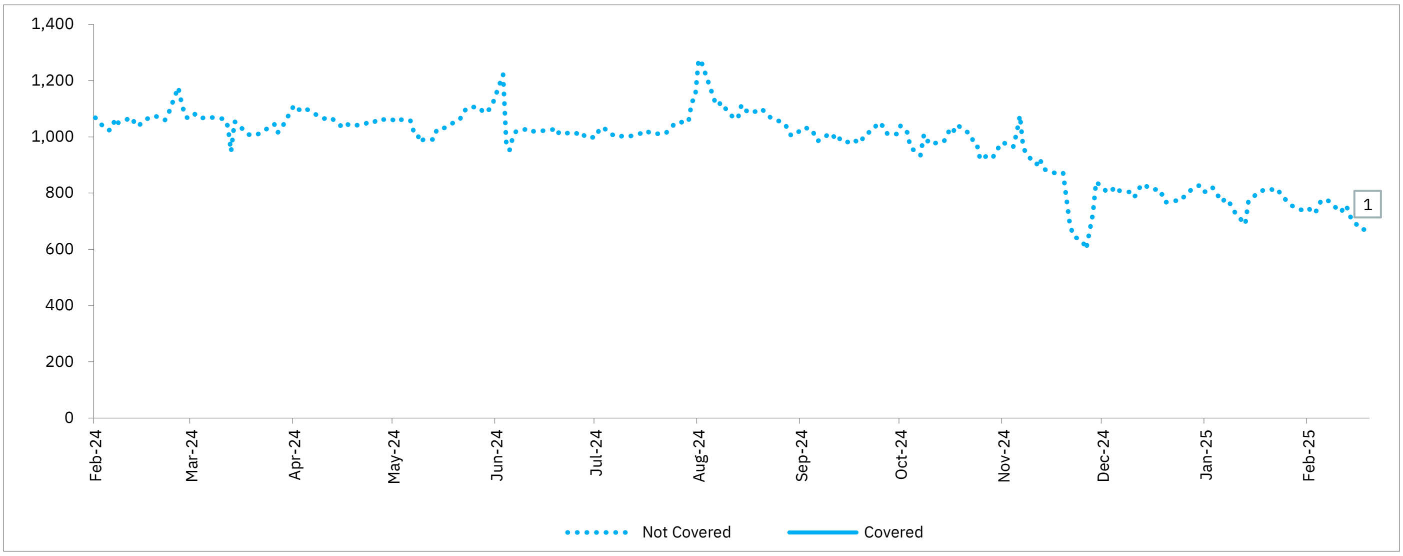
Independent Director Meera Shankar: Joined the Indian Foreign Service in 1973 and had an illustrious career spanning 38 years. Served in the Prime Minister's Office for six years, from 1985 to 1991, working on foreign policy and security matters. Led the Commercial Wing in the Indian Embassy in Washington as Minister (Commerce) till 1995. Director General of the Indian Council of Cultural Relations overseeing India's cultural diplomacy. Extensive experience in South Asia, having worked on Bangladesh, Sri Lanka and Maldives as Under Secretary and Deputy Secretary in the Ministry of External Affairs. Joint Secretary heading divisions dealing with Nepal & Bhutan, and the South Asian Association of Regional Cooperation (SAARC). Additional Secretary to the UN and international security issues. Served as Ambassador of India to Germany from 2005 to 2009 and then to the US from 2009 to 2011. Appointed as Additional Independent Director on June 17, 2015.

Independent Director Lisa Caroline MacCallum: Began professional life in Accounting, Finance and Consulting with KPMG in Australia and the US. Long career at NIKE (2001-2014) based in the US, serving on the executive leadership team in commercial and brand strategy roles and as Vice President of NIKE's Corporate Philanthropy & Global Community Investments. Cofounded Tokyo-based, multi-media and executive education company, Business Breakthrough. Currently serves as an ESG Advisory Board Member of KAO Corporation, Japan, and Independent Non-Executive Director of Bond University Australia and Seattle-based employee experience company, Limeade.

Abbreviation and acronym

NEP	National Electricity Plan
HVDC	High Voltage Direct Current
MVA	Mega Volt Ampere
MNRE	Ministry of New and Renewable Energy
TBCB	Tariff Based competitive bidding
AT&C	Aggregate Technical and Commercial Losses
MERC	Maharashtra Electricity Regulatory Commission
NSGM	National Smart Grid Mission

Coverage History



	Date	Rating	Target Price	Closing Price
1	19-Feb-2025	Buy	INR 930	INR 671

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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