

adani

# Adani Enterprise Ltd

Update Sept 2022

Hydrogen ecosystem & Airports to be the next growth driver



Kyon ki bhaiya, sabse bada rupaiya.

**BUY @ CMP INR 3,717**
**Target: INR 4,310 in 24 months**
**Upside Potential: 16.0%**

## Hydrogen ecosystem & Airports to be the next growth driver

Since our coverage initiation on Adani Enterprises Ltd (AEL) the stock has rallied ~70%, much more than our price target of INR 2,821. This sharp re-rating has been on the back of the strong visibility around the green H2 ecosystem (that is being built at a brisk pace) and the inclusion of AEL in the Nifty50 stocks, which has triggered a slew of new demand. At the time of publication of the IC, we had factored in only 1 mmtpa of green H2 while valuing the subsidiary ANIL. Since then, the rapidly changing geopolitical situation, especially in Europe, has raised the imperative for hastening the implementation of alternate green energy sources. As such the visibility around 2.5 mmtpa of green H2 production too has got upended. We raise the price target to INR 4,310, which represents an upside of 16.0% from the CMP of 3,717 over the next 24 months.

Apart from the above, we believe that AEL will be exploring green energy opportunities across the globe and any announcement towards the same can lead to further rerating of the stock, beyond our estimates. Another trigger on the anvil for a re-rating is the possibility of a stake sale to a strategic investor in the airports business and declaration of a timeline for its listing.

Since our last coverage, the following developments have taken place across the various business verticals which supports our thesis for a rerating of the stock.

### ANIL is now a global platform for the green hydrogen ecosystem

- Adani New Industries Ltd (ANIL) has commissioned its first greenfield facility for the manufacturing of a 5.2 MW wind turbine generator (WTG) and the prototype is in testing mode. The company is expecting the commercial production of WTG from Feb 2023 and targeting 7.5 GW of WTG production by FY31. Solar module capacity expansion of 2.0 GW has also been completed, which increased the installed capacity to 3.5 GW. AEL is targeting 10 GW of solar module capacity by FY31 along with complete backward integration of solar manufacturing from polysilicon, ingots, wafers and cells to solar modules.

### Key Consolidated Financial Data (INR Cr, unless specified)

	Net Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	Adj EPS (₹)	Adj BPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY21	39,537	2,505	923	6.3	2.3	8.1	165.2	4.9	6.3	461.3	22.5	175.5
FY22	69,420	3,713	777	5.3	1.1	6.8	235.2	2.9	4.2	548.1	15.8	124.6
FY23E	1,48,720	7,144	1,764	4.8	1.2	15.4	301.8	5.1	4.4	241.3	12.3	69.4
FY24E	78,846	14,499	6,750	18.4	8.6	59.0	408.6	14.4	7.7	63.1	9.1	35.6
FY25E	1,19,539	22,831	7,751	19.1	6.5	67.7	519.1	13.0	8.8	54.9	7.2	23.8

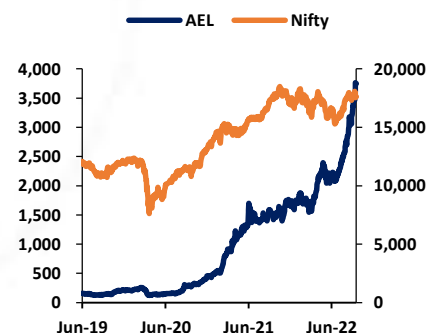
**Industry** Diversified

**Scrip Details**

Face Value (INR)	1.0
Market Cap (INR Cr)	4,23,704
Price (INR)	3,717
No of Sh O/S (Cr)	114
3M Avg Vol (000)	336
52W H/L (INR)	3,884/1,345
Dividend Yield (%)	0.01

**Shareholding (%)** Jun 2022

Promoter	72.3
Institution	21.5
Public	6.2
<b>TOTAL</b>	<b>100.0</b>

**Price Chart**


- The company is targeting 1 MMT of green H2 by FY28 and 2.5 MMT by FY31. Production of green ammonia, urea and methanol is expected to start in FY27.
- ANIL's vision is to be the lowest cost producer of green H2 and in partnership with TotalEnergies, we expect this platform to be extended to the global theatre in the forthcoming future. This partnership could consider duplicating the existing green H2 platform design across the geographies of the Middle East, North Africa and Central America, which are abundant solar energy recipients.
- The final share purchase agreement between AEL and TotalEnergies is in process, the valuation of which is to be announced shortly.
- Green H2 is expected to replace a significant portion of India's crude oil import which is currently at 89% of the total consumption. It could also create an export market for India's green H2 supplies to Europe and Japan, where the crude oil dependency is 96% and 99% respectively. Besides these geographies don't have similar topographies essential for solar energy generation, the crucial raw material for the production of green H2.

#### Road vertical on track to double its lane km

- Adani Road Transport Ltd (ARTL) has signed the concession agreement for the Kagal-Satara Road project (391 lane km) for INR 2,200 cr.
- The company also acquired 4 road projects from Macquarie for INR 3,152 cr (2 projects in Gujarat and 2 in Andhra Pradesh).
- The company has also received COD for the Bilaspur-Pathrapali HAM projects and COD for the Surendrapeth HAM project is about to happen in Oct 2022.
- With these projects, ARTL's road portfolio is expected to increase to 5,000 lane km by the end of FY23 and is on path to achieve its target of 6,551 lane km by FY25.

#### Navi Mumbai Airport achieves final closure. To be operational by Q4FY25

- Adani Airports Holdings Ltd (AAHL) has completed the financial closure for NMIAL. The company raised INR 500 cr for the development of the upcoming airport. Approx. 20-25% project work of NMIAL has been completed and the airport is expected to be operational by Q4FY25.
- On the existing portfolio of AAHL's airports, pax volumes have rebounded to 16.8 mn (85% of the pre-COVID levels in a quarter) and is expected to scale to 72 mn by the end of FY23 and eventually grow to 106 mn by FY25. During Q1FY23, business travel picked up significantly on the back of resumption of business conferences/events, government delegations, and the India-Africa conclave among others.
- Development of new industrial corridors (DMIC, AKIC, BMEC, VCIC & CBIC), China+1 (manufacturing setup by Foxconn, Samsung, etc) and FDIs by marquee companies are expected to accelerate business travel and pax volumes at Indian airports. Being the largest private operator of airports in India, AAHL is well positioned to benefit from the upcoming opportunity.

- Induction of a strategic investor into AAHL will not only help in lowering the gearing but will also result in value unlocking and paving the road for future public listing.

#### Adani ConneX Chennai data centre to bill from Q3FY23

- AdaniConneX is about to start the Chennai data centre and the billing will start from Q3FY23.
- The company has acquired and in process to acquire land for data centres at Bhubneshwar, Kolkata, Navi Mumbai, Vizag and Pune. The development of these new sites is expected to begin soon. When completed, AEL's data centre capacities will stand enhanced to 168 MW by the end of FY25.
- Due to cheap data charges India has emerged as one of the largest data guzzlers globally. However, the data centre capacity lags the demand by far when compared with the US and China. Additionally, the laws around data localization are expected to lead to increased internet usage given the reduced latency and increased response speed thus setting up a virtuous circle. Adani is best placed to benefit from this space given its aggressive expansion plans and easier access to renewable power capacities which is vital for marketing of these facilities.

#### Coal volumes and pricing to remain robust given the geopolitical situation

- AEL's coal IRM vertical clocked 27 MMT coal volume in Q1FY23 (higher than the avg quarterly volume of 15-20 MMT) and the company is targeting 110 MMT in FY23.
- The government has allowed coal import for power plants, which has increased India's imports and is expected to benefit AEL's IRM business. However, with the improvement in domestic coal supplies, AEL's IRM volumes are expected to settle at 65-70 MMT in FY24.
- AEL's Carmichael, Australia coal mine got operational in Q4FY22 and AEL extracted 1 MMT in Q1FY23. The company is planning to extract 8 MMT in FY23 and targets 15 MMT per annum by FY25. Offtake from Carmichael is never an issue as its high calorific value has global acceptance.
- AEL has also acquired 6 domestic commercial coal mines. The approvals for these mines are in process and the company is hopeful of starting production by FY26. The existing coal ecosystem (captive mines and IRM) has favourable tailwinds which will endure the already appreciated energy pricing.
- India's growing appetite for coal is set to add 130 MMT to the coal demand over FY22-25, taking the Indian coal consumption to 1185 MMT by FY25 (CAGR of 3.9%)

#### Fledgling businesses – defence and MRO – on the cusp of take off

- AEL's other incubating businesses such as defence and MRO are on the verge of gaining traction and should be value accretive in the short to medium term.
- The increase in sourcing of UAVs and drones from surveillance and modernization of the Indian army with automatic guns/machine guns have improved the business

prospects for the defence vertical, while an increased focus on cost-effective MRO services in India for public airlines and fighter aircraft have opened a significant new opportunity.

Over the period of FY22-25E, we are expecting AEL's revenue/ EBITDA/ net profit to grow at a CAGR of 19.9%/ 83.2%/ 115.3% to INR 1,19,539 cr/ INR 22,831 cr/ INR 7.751 cr respectively. EBITDA and net margins are expected to improve by 1375bps to 19.1% and 537bps to 6.5% respectively by FY25. Subsequently, return ratios – RoE and RoIC – to improve by 1261bps to 16.1% and 463bps to 8.8% respectively by FY25.

#### Financial discipline to provide balance sheet cushion during expansion

While we expect the total debt and net debt to increase by INR 1,10,177 cr & 81,398 cr to INR 1,51,201 & 1,18,439 cr by FY25, we would like to highlight the group's successful track record of managing debt levels during expansionary phase. For detailed read on the same, please refer to our [detailed coverage report on AEL \(Capital management part\)](#) dated 5<sup>th</sup> July,22





## Valuation

We value AEL on a SOTP basis for a price target of INR 4,310 per share and recommend a BUY at a CMP of INR 3,717, representing an upside of 16.0% over the next 24 months. In our earlier coverage, we had taken into consideration only 1.0 MMT of green H2 production while valuing ANIL's business. Since then (Aug 22) AEL has guided for improved visibility to achieve 2.54 MMT of green H2 by FY31 due to the growing demand for this critical fuel from India, Europe and Japan. Accordingly, we value the consolidated entity higher.

### AEL valuation summary

Particulars	Valuation method	Mar 2025 Value (INR Cr)	AEL Stake (%)	AEL Stake Value (INR Cr)	Conglomerate Discount (%)	Equity value attributable to AEL (INR Cr)	Attributable value per share (INR)
<b>Existing Businesses</b>							
Airports	DCF	1,19,654	100	1,19,654	15	1,01,706	888
Road Consutruction	DCF	35,987	100	35,987	15	30,589	267
FMCG	DCF	1,23,357	44	54,277	15	46,136	403
Coal (Carmichael + IRM & MDO)	DCF	19,651	100	19,651	15	16,703	146
Defence	EV/EBITDA	9,112	100	9,112	15	7,745	68
<b>Value from existing businesses</b>						<b>2,02,879</b>	<b>1,772</b>
<b>Future Businesses</b>							
Green Hydrogen	DCF	3,91,534	75	2,93,650	15	2,49,603	2,180
Data Centers	DCF	21,980	50	10,990	15	9,342	82
Copper	DCF	22,503	100	22,503	15	19,128	167
Petrochemicals	DCF	14,787	100	14,787	15	12,569	110
<b>Value from future businesses</b>						<b>2,90,641</b>	<b>2,538</b>
<b>Consolidated Value of AEL</b>							<b>4,310</b>
<b>Current Market Value of AEL</b>							<b>3,717</b>
<b>Upside Potential (%)</b>							<b>16.0</b>

Source: Company Reports

We are of the opinion that the Adani management views ANIL's green hydrogen ecosystem (in partnership with Total) as a platform for replication on the global arena. Any announcement of plans to set up similar hydrogen ecosystems globally are an upside risk to our estimates.

We believe that the induction of any strategic investor in the Airports business can lead to reduction of the debt and value unlocking opportunity from a listing of the business. Both the above represent upside risks to our estimates on the performance of the AEL stock.

### Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for FY25 price, based on the discount factor of individual subsidiaries.

- **Bull Case:** We have assumed 1% lower WACC rate while calculating the DCF value of AEL's subsidiaries, which will result in a Bull Case consolidated price target of INR 5,607 (an upside of 50.8% from CMP).

**Bull case price target for AEL**

Bull case scenario	Valuation method	Mar 2025 Value (INR Cr)	Equity value attributable to AEL (INR Cr)	Attributable value per share (INR)
<b>Existing Businesses</b>				
Airports	DCF	1,42,892	1,21,458	1,061
Road Consutruction	DCF	37,369	31,764	277
FMCG	DCF	1,33,637	49,980	437
Coal (Carmichael + IRM & MDO)	DCF	25,370	21,565	188
Defence	EV/EBITDA	9,112	7,745	68
<b>Value from existing businesses</b>			<b>2,32,512</b>	<b>2,031</b>
<b>Future Businesses</b>				
Green Hydrogen	DCF	5,56,847	3,54,990	3,100
Data Centers	DCF	32,930	13,995	122
Copper	DCF	28,042	23,836	208
Petrochemicals	DCF	19,609	16,668	146
<b>Value from future businesses</b>			<b>4,09,489</b>	<b>3,576</b>
<b>Consolidated Value of AEL</b>				<b>5,607</b>

- **Bear Case:** We have assumed 1% higher WACC rate while calculating the DCF value of AEL's subsidiaries, which will result in a Bear Case consolidated price target of INR 3,311 (a downside of 10.9% from CMP).

**Bear case price target for AEL**

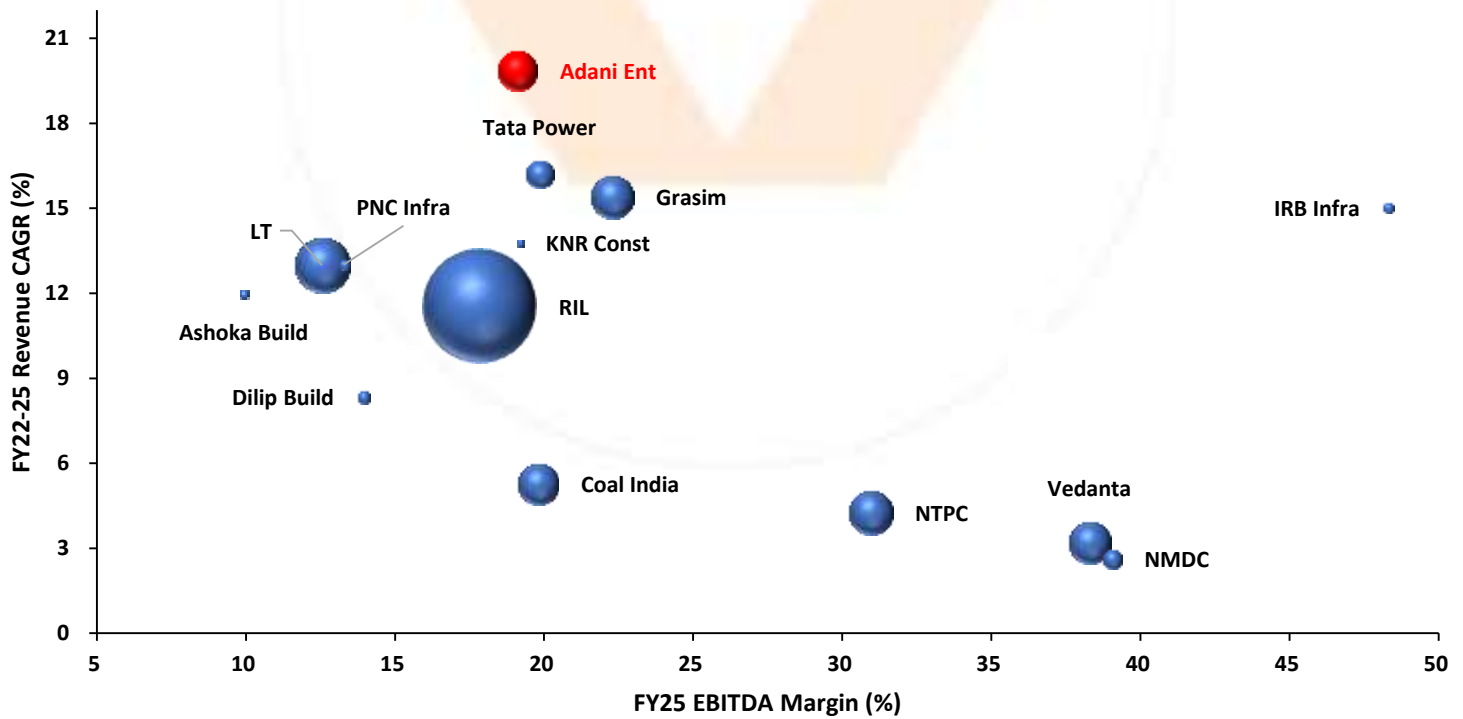
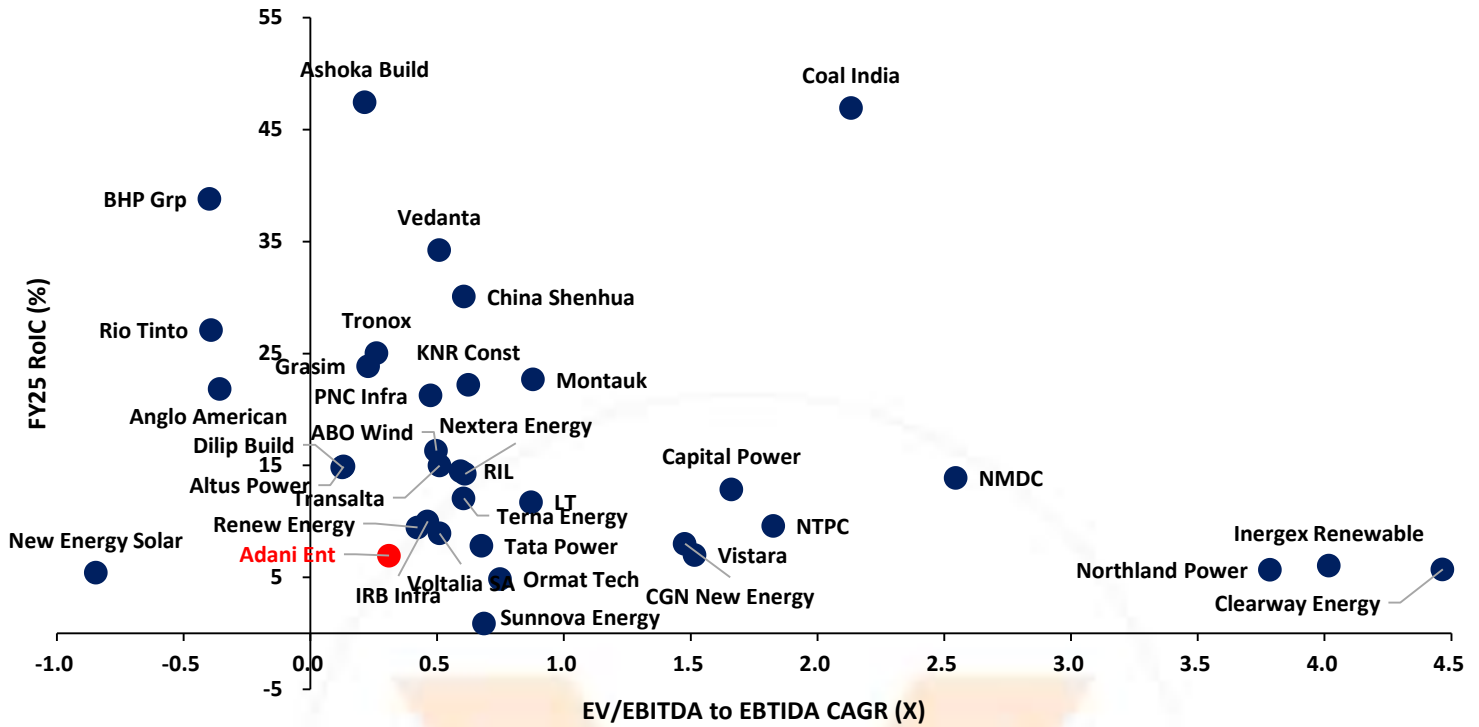
Bear case scenario	Valuation method	Mar 2025 Value (INR Cr)	Equity value attributable to AEL (INR Cr)	Attributable value per share (INR)
<b>Existing Businesses</b>				
Airports	DCF	97,198	82,618	722
Road Consutruction	DCF	34,742	29,531	258
FMCG	DCF	1,13,077	42,291	369
Coal (Carmichael + IRM & MDO)	DCF	18,063	15,354	134
Defence	EV/EBITDA	9,112	7,745	68
<b>Value from existing businesses</b>			<b>1,77,539</b>	<b>1,551</b>
<b>Future Businesses</b>				
Green Hydrogen	DCF	2,65,215	1,69,075	1,477
Data Centers	DCF	15,075	6,407	56
Copper	DCF	19,012	16,160	141
Petrochemicals	DCF	11,726	9,967	87
<b>Value from future businesses</b>			<b>2,01,609</b>	<b>1,761</b>
<b>Consolidated Value of AEL</b>				<b>3,311</b>

## Valuation and comparable metric of domestic and global companies

Company Name	Mkt Cap	Price	PEG 2025	P/E (X)				P/B (X)				EV/EBITDA (X)				RoE (%)				RoIC (%)				Sales				EBITDA Margin (%)				Net Margin (%)			
				2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
<b>Domestic Peers (fig in INR cr, unless specified)</b>																																			
<b>Adani Enterprise Ltd</b>	4,23,704	3,717.0	0.5	545.6	NA	62.8	54.7	15.7	12.3	9.1	7.1	125.2	72.9	36.7	25.2	2.9	5.1	14.4	13.0	3.6	3.2	6.3	6.9	69,420	1,48,720	78,846	1,19,539	5.3	4.8	18.4	19.1	1.1	1.2	8.6	6.5
Reliance Industries Ltd	16,92,726	2,502.0	1.1	27.8	20.6	18.4	17.6	2.2	1.9	1.8	1.6	16.0	12.1	10.6	9.2	7.7	9.5	9.7	9.2	9.4	11.8	12.5	14.5	6,94,803	8,67,101	9,06,712	9,64,233	16.0	17.0	18.0	17.8	8.8	9.5	10.1	10.0
Grasim Industries Ltd	1,14,682	1,742.0	0.3	16.8	16.3	11.6	7.8	1.6	1.4	1.2	1.1	7.9	7.6	5.8	3.8	9.3	8.6	10.7	13.5	2.2	14.0	18.4	23.9	88,958	1,13,715	1,23,494	1,36,713	21.6	19.2	21.6	22.3	7.7	6.2	8.0	10.8
ITC Ltd	4,16,029	335.7	1.9	27.4	24.3	22.0	20.3	6.6	6.4	6.1	6.1	20.6	18.4	16.3	14.2	24.2	26.5	27.9	30.2	31.6	36.2	45.9	58.5	57,495	64,056	69,209	76,141	34.7	34.8	35.5	36.2	26.5	26.8	27.3	26.9
Larsen & Toubro Ltd	2,71,504	1,932.2	0.9	29.3	24.2	20.0	17.3	3.3	3.0	2.7	2.5	20.1	17.2	14.8	13.3	11.3	12.5	13.8	14.5	8.7	9.8	11.0	11.7	1,57,184	1,79,192	2,02,283	2,26,755	11.8	12.0	12.4	12.5	5.9	6.3	6.7	6.9
Vedanta Ltd	1,04,119	280.1	0.6	5.4	4.3	4.5	4.3	1.5	1.5	1.3	1.2	3.0	2.5	2.5	2.4	28.7	34.0	28.8	28.1	37.1	44.7	40.6	34.2	1,21,482	1,37,566	1,34,007	1,33,594	36.7	37.4	36.6	38.3	16.0	17.7	17.1	18.1
Tata Power Ltd	75,138	235.2	1.6	33.4	28.1	26.0	22.3	3.4	3.1	2.8	2.4	15.5	13.6	12.1	10.7	10.2	10.9	10.6	11.0	7.3	8.5	9.1	7.8	37,975	47,625	51,555	59,598	20.0	18.6	19.3	19.8	5.9	5.6	5.6	5.6
NTPC Ltd	1,66,589	171.8	1.2	10.7	9.3	7.9	8.6	1.2	1.1	1.0	1.0	9.0	5.8	5.2	7.1	11.6	12.1	13.0	11.8	8.0	13.1	13.9	9.6	1,30,493	1,43,628	1,54,096	1,47,879	31.3	31.5	31.9	30.9	12.0	12.5	13.7	13.0
Coal India Ltd	1,41,712	230.0	0.5	8.7	7.6	7.7	6.0	3.4	2.9	2.6	2.1	5.5	4.6	4.5	4.2	39.3	38.5	33.5	34.8	51.4	50.6	45.6	46.9	1,05,598	1,17,009	1,21,209	1,23,162	21.8	22.4	22.0	19.8	15.4	15.9	15.2	19.1
NMDC Ltd	37,277	127.2	1.8	3.9	4.1	3.8	3.6	1.1	1.0	1.0	0.9	3.0	3.3	3.2	3.0	27.5	24.8	25.7	25.2	41.8	24.3	21.8	13.9	26,191	25,281	25,737	28,310	40.7	39.2	40.7	39.0	36.9	36.2	38.1	36.3
IRB Infrastructure Ltd	13,549	224.3	0.2	42.6	21.8	14.0	10.0	1.1	1.0	1.0	0.9	8.3	8.2	6.7	6.8	2.6	4.7	7.0	9.2	9.4	9.2	10.7	10.0	5,906	6,752	7,771	8,989	48.6	46.9	47.6	48.3	5.4	9.2	12.5	15.1
KMR Construction Ltd	6,799	241.8	0.9	19.4	14.5	13.1	12.8	2.9	2.4	2.1	1.9	10.0	8.6	7.7	7.2	15.0	16.9	16.4	14.5	26.8	23.2	25.0	22.2	3,200	3,900	4,471	4,716	20.3	19.5	18.8	19.2	10.9	12.1	11.7	11.2
Dilip Buildcon Ltd	3,493	238.9	1.5	10.9	11.5	10.0	9.1	0.8	0.7	0.7	0.7	7.8	4.1	3.8	3.5	7.5	6.4	7.1	7.2	8.0	14.5	14.2	14.8	9,303	10,408	10,755	11,831	8.6	13.9	13.9	13.9	3.5	2.9	3.2	3.2
Ashoka Buildcon Ltd	2,382	84.9	0.1	7.2	4.5	3.5	3.2	2.5	1.2	0.9	0.7	5.2	4.3	3.4	3.1	34.6	27.9	26.3	22.4	59.6	52.9	51.3	47.4	5,587	6,273	7,133	7,846	9.2	9.7	9.9	9.9	5.9	8.5	9.6	9.6
PNC Infratech Ltd	7,132	278.0	0.9	14.9	12.5	10.9	10.6	2.1	1.8	1.6	1.4	8.1	7.0	6.4	5.9	14.1	14.7	14.5	13.6	23.8	25.4	23.0	21.2	6,085	7,225	8,134	8,784	13.5	13.1	13.3	13.3	7.8	7.9	8.0	7.7
<b>Global Peers (fig in USD mn, unless specified)</b>																																			
BHP Group Ltd (Australia)	1,50,503	29.7	-0.7	6.9	8.0	11.1	13.0	2.8	2.8	2.8	2.4	3.6	3.9	5.0	5.0	41.1	35.3	25.3	18.6	64.8	60.1	44.6	38.8	66,558	61,556	52,468	51,392	63.8	62.3	57.0	55.0	32.9	30.6	25.8	22.6
Rio Tinto (Australia)	1,10,919	74.8	-0.6	5.8	7.8	9.2	10.9	2.1	2.1	1.9	1.9	3.3	4.1	4.5	4.7	36.4	26.6	21.1	17.6	55.6	39.7	32.5	27.1	59,507	52,548	49,406	45,498	56.4	52.0	49.9	50.4	31.9	27.2	24.4	22.3
China Shenhua Energy (China)	90,870	4.9	-1.4	8.9	8.7	8.4	7.6	1.6	1.6	1.5	1.3	4.1	4.1	3.9	3.6	17.9	17.9	17.9	16.5	41.2	35.8	34.6	30.1	50,708	51,783	52,861	58,147	35.0	35.7	36.3	36.3	20.0	20.2	20.6	20.6
Anglo American PLC (UK)	51,974	42.4	-0.6	6.1	7.6	9.2	13.2	1.6	1.4	1.3	1.2	2.9	3.2	3.6	3.7	26.7	19.1	14.5	9.1	46.4	34.4	27.0	21.8	41,743	39,124	36,994	33,518	46.4	43.4	40.7	41.7	20.3	17.6	15.3	11.8
Tronox Holdings PLC (USA)	2,492	16.0	0.3	4.9	4.3	4.1	3.4	1.1	0.9	0.8	0.6	4.4	3.8	3.5	2.2	21.7	20.9	19.4	19.0	17.2	18.2	17.7	25.0	3,992	4,130	4,203	4,443	27.0	28.1	28.6	30.9	12.8	14.0	14.4	16.5
Renew Energy PLC (USA)	2,361	5.9	0.2	78.7	54.4	41.4	12.8	1.6	1.6	1.4	1.3	9.6	9.0	8.8	7.4	2.1	2.8	3.4	10.0	8.3	8.0	8.0	9.5	797	1,125	1,336	1,471	88.5	80.3	82.9	77.8	3.8	3.9	4.3	12.6
Montauk Renewables (USA)	2,039	14.2	0.7	39.0	27.6	22.0	19.0	8.6	6.5	5.0	4.0	22.0	19.2	15.6	14.1	22.0	23.7	22.9	21.0	25.6	27.0	25.5	22.7	204	224	269	303	45.9	48.2	49.3	48.3	25.6	33.1	34.4	35.4
Transalta Corp (Canada)	2,968	11.0	-1.8	15.5	42.8	62.6	73.2	4.6	4.4	4.4	6.1	8.7	6.4	6.1	5.8	29.6	10.3	7.0	8.4	16.9	12.8	12.7	15.0	1,832	1,665	1,588	1,562	33.7	51.2	54.3	54.7	10.5	4.2	3.0	2.6
Ormat Technologies (USA)	4,128	73.6	1.3	55.4	37.0	32.8	29.8	2.0	2.0	1.8	1.7	14.0	11.7	10.6	9.6	3.6	5.3	5.5	5.7	5.2	6.8	8.3	4.8	722	872	942	955	59.5	59.7	59.6	64.6	10.3	12.8	13.4	14.5
Capital Power Corp (Canada)	4,115	33.9	3.1	16.7	21.5	17.8	14.6	2.3	2.3	2.4	2.8	8.7	7.7	7.7	7.5	13.9	10.9	13.7	19.2	10.7	9.3	11.3	12.9	1,547	1,534	1,569	1,539	49.0	56.4	55.7	56.2	15.9	12.5	14.7	18.3
Vistara Corp (USA)	9,725	22.5	19.5	13.3	7.4	12.1	13.0	1.8	1.8	1.8	3.0	5.8	5.0	5.4	5.4	13.7	24.1	14.8	23.2	9.3	15.7	9.7	7.0	14,972	15,037	13,796	12,124	21.1	23.7	25.9	28.9	4.9	8.7	5.8	6.2
Northland Power (Canada)	6,541	28.3	2.5	19.9	21.4	20.0	16.4	4.1	4.0	4.5	2.7	11.7	11.3	11.9	13.6	20.4	18.6	22.2	16.3	10.9	11.1	9.2	5.7	1,699	1,747	1,762	1,811	57.7	58.5	59.6	60.2	19.4	17.5	18.5	22.0
Clearway Energy Inc (USA)	6,125	28.7	1.6	38.0	25.6	26.0	24.6	1.8	1.8	1.7	1.6	10.0	9.6	9.6	9.3	4.8	6.9	6.5	6.5	4.1	5.0	4.9	5.7	1,367	1,325	1,333	1,373	90.2	96.9	94.7	95.5	11.8	18.1	17.6	18.2
Nextera Energy (USA)	5,638	67.2	1.8	28.2	24.0	24.2	20.4	2.7	1.4	3.1	7.6	6.5	6.0	5.8	5.4	9.4	5.7	12.7	37.2	7.8	7.2	10.5	14.2	1,741	1,968	2,142	2,291	97.8	96.0	96.8	95.7	11.5	11.9	10.9	12.1
Innex Renewable (Canada)	2,690	13.2	0.2	126.6	46.5	31.7	19.3	3.6	3.9	5.0	3.7	13.0	12.3	12.8	12.7	2.9	8.4	15.9	19.1	5.2	5.9	6.3	6.0	683	721	751	762	75.9	75.5	74.4	74.6	3.1	8.0	11.3	18.3
Sunnova Energy Int. (USA)	2,012	17.6	0.2	33.5	#####	72.5	10.0	1.2	0.8	1.4	1.2	54.5	43.1	37.8	31.7	3.4	-0.7	1.9	12.2	-1.0	-0.0	0.3	0.9	353	509	657	849	34.5	38.1	41.6	44.8	17.0	-3.5	4.2	23.6
Altus Power (USA)	1,186	7.7	-1.8	18.4	90.3	42.0	38.1	3.2	3.0	2.8	2.6	24.7	12.4	7.6	6.9	17.2	3.4	6.7	6.9	7.9	8.7	14.2	14.9	104	179	284	312	54.8	63.1	65.0	65.0	61.9	7.3		



**AEL is in a high growth phase, which could reduce its RoIC, however, it is well-positioned for decadal growth**



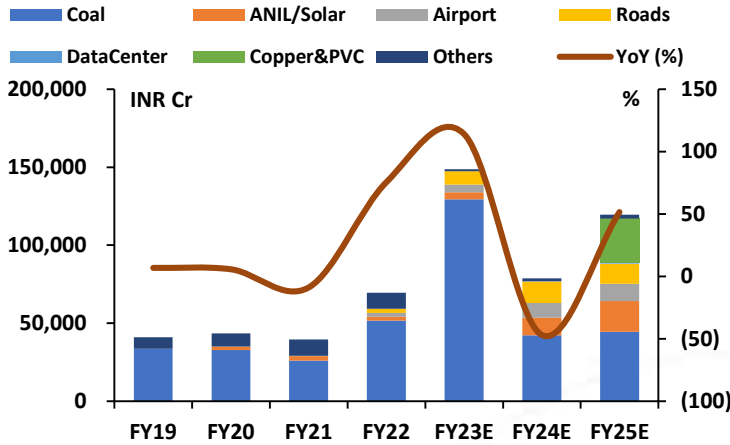
Source: Ventura Research, ACE Equity & Bloomberg

### AEL Consolidated Financial Summary

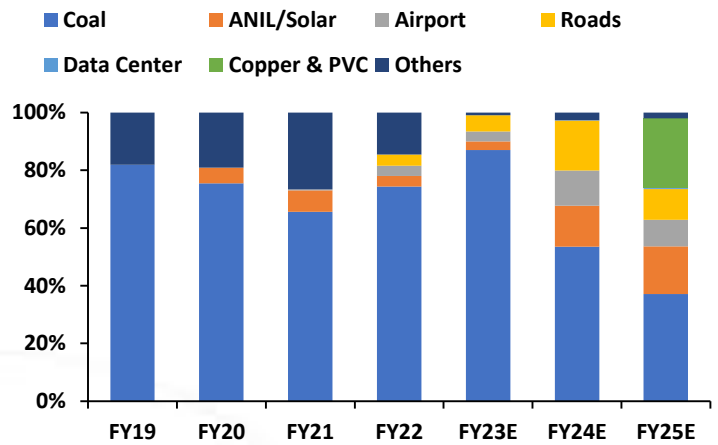
Fig in INR Cr (unless specified)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue from operations</b>	<b>37,238</b>	<b>38,424</b>	<b>41,056</b>	<b>43,403</b>	<b>39,537</b>	<b>69,420</b>	<b>1,48,720</b>	<b>78,846</b>	<b>1,19,539</b>
<i>YoY Growth (%)</i>	<i>9.7</i>	<i>3.2</i>	<i>6.9</i>	<i>5.7</i>	<i>-8.9</i>	<i>75.6</i>	<i>114.2</i>	<i>-47.0</i>	<i>51.6</i>
RM Cost and Opex	34,891	35,166	38,914	41,118	37,032	65,707	1,41,576	64,346	96,709
<i>Expenses to Sales (%)</i>	<i>93.7</i>	<i>91.5</i>	<i>94.8</i>	<i>94.7</i>	<i>93.7</i>	<i>94.7</i>	<i>95.2</i>	<i>81.6</i>	<i>80.9</i>
<b>EBITDA</b>	<b>2,348</b>	<b>3,258</b>	<b>2,143</b>	<b>2,284</b>	<b>2,505</b>	<b>3,713</b>	<b>7,144</b>	<b>14,499</b>	<b>22,831</b>
<i>EBITDA Margin (%)</i>	<i>6.3</i>	<i>8.5</i>	<i>5.2</i>	<i>5.3</i>	<i>6.3</i>	<i>5.3</i>	<i>4.8</i>	<i>18.4</i>	<i>19.1</i>
<i>YoY Growth (%)</i>			<i>(34.2)</i>	<i>6.6</i>	<i>9.7</i>	<i>48.2</i>	<i>92.4</i>	<i>103.0</i>	<i>57.5</i>
Depreciation	-34.4	108.6	416	472	537	1,248	2,886	4,698	8,200
<b>EBIT</b>	<b>2,382.1</b>	<b>3,149.5</b>	<b>1,726</b>	<b>1,812</b>	<b>1,968</b>	<b>2,465</b>	<b>4,258</b>	<b>9,801</b>	<b>14,631</b>
<i>EBIT Margin (%)</i>			<i>4.2</i>	<i>4.2</i>	<i>5.0</i>	<i>3.6</i>	<i>2.9</i>	<i>12.4</i>	<i>12.2</i>
<i>YoY Growth (%)</i>			<i>(45.2)</i>	<i>5.0</i>	<i>8.6</i>	<i>25.3</i>	<i>72.7</i>	<i>130.2</i>	<i>49.3</i>
Other Income	118.5	236.4	580	684	754	1,013	1,013	3,540	3,477
Finance Cost	491.6	337.1	1,637	1,572	1,377	2,526	3,155	5,781	9,365
Exceptional Items	1	(161)	(158)	199	(259)	0	0	0	0
<b>PBT</b>	<b>2,010</b>	<b>2,888</b>	<b>511</b>	<b>1,122</b>	<b>1,086</b>	<b>952</b>	<b>2,117</b>	<b>7,561</b>	<b>8,743</b>
<i>PBT Margin (%)</i>			<i>1.2</i>	<i>2.6</i>	<i>2.7</i>	<i>1.4</i>	<i>1.4</i>	<i>9.6</i>	<i>7.3</i>
<i>YoY Growth (%)</i>			<i>-82.3</i>	<i>119.7</i>	<i>-3.2</i>	<i>-12.3</i>	<i>122.3</i>	<i>257.2</i>	<i>15.6</i>
Tax Expense	60	127	194	324	340	477	801	1,414	1,719
<i>Tax Rate (%)</i>	<i>3.0</i>	<i>4.4</i>	<i>38.0</i>	<i>28.9</i>	<i>31.3</i>	<i>50.1</i>	<i>37.8</i>	<i>18.7</i>	<i>19.7</i>
<b>PAT</b>	<b>1,950</b>	<b>2,761</b>	<b>317</b>	<b>798</b>	<b>746</b>	<b>475</b>	<b>1,316</b>	<b>6,146</b>	<b>7,024</b>
<i>PAT Margin (%)</i>			<i>0.8</i>	<i>1.8</i>	<i>1.9</i>	<i>0.7</i>	<i>0.9</i>	<i>7.8</i>	<i>5.9</i>
<i>YoY Growth (%)</i>			<i>-88.5</i>	<i>152.1</i>	<i>-6.5</i>	<i>-36.3</i>	<i>176.7</i>	<i>367.2</i>	<i>14.3</i>
Min Int/Sh of Associates	(963)	(2,004)	401	340	176	301	448	604	727
<b>Net Profit</b>	<b>988</b>	<b>757</b>	<b>717</b>	<b>1,138</b>	<b>923</b>	<b>777</b>	<b>1,764</b>	<b>6,750</b>	<b>7,751</b>
<i>Net Margin (%)</i>	<i>2.7</i>	<i>2.0</i>	<i>1.7</i>	<i>2.6</i>	<i>2.3</i>	<i>1.1</i>	<i>1.2</i>	<i>8.6</i>	<i>6.5</i>
<i>YoY Growth (%)</i>			<i>-5.3</i>	<i>58.7</i>	<i>-18.9</i>	<i>-15.8</i>	<i>127.1</i>	<i>282.7</i>	<i>14.8</i>
<b>Adjusted EPS</b>	<b>9.0</b>	<b>6.9</b>	<b>6.5</b>	<b>10.3</b>	<b>8.4</b>	<b>7.1</b>	<b>16.0</b>	<b>61.4</b>	<b>70.5</b>
<i>P/E (X)</i>	<i>413.9</i>	<i>539.8</i>	<i>570.0</i>	<i>359.2</i>	<i>443.1</i>	<i>526.4</i>	<i>231.8</i>	<i>60.6</i>	<i>52.7</i>
<b>Adjusted BVPS</b>	<b>128.5</b>	<b>137.2</b>	<b>134.2</b>	<b>154.1</b>	<b>156.0</b>	<b>202.4</b>	<b>250.9</b>	<b>340.3</b>	<b>437.8</b>
<i>P/BV (X)</i>	<i>28.9</i>	<i>27.1</i>	<i>27.7</i>	<i>24.1</i>	<i>23.8</i>	<i>18.4</i>	<i>14.8</i>	<i>10.9</i>	<i>8.5</i>
<b>Enterprise Value</b>	<b>4,44,630</b>	<b>4,41,277</b>	<b>4,35,128</b>	<b>4,34,584</b>	<b>4,39,757</b>	<b>4,62,637</b>	<b>4,95,793</b>	<b>5,16,109</b>	<b>5,44,035</b>
<i>EV/EBITDA (X)</i>	<i>189.4</i>	<i>135.4</i>	<i>203.1</i>	<i>190.2</i>	<i>175.5</i>	<i>124.6</i>	<i>69.4</i>	<i>35.6</i>	<i>23.8</i>
<b>Net Worth</b>	<b>14,136</b>	<b>15,089</b>	<b>14,756</b>	<b>16,947</b>	<b>17,159</b>	<b>22,261</b>	<b>27,599</b>	<b>37,426</b>	<b>48,153</b>
<i>ROE (%)</i>	<i>7.0</i>	<i>5.0</i>	<i>4.9</i>	<i>6.7</i>	<i>5.4</i>	<i>3.5</i>	<i>6.4</i>	<i>18.0</i>	<i>16.1</i>
<b>Capital Employed</b>	<b>34,982</b>	<b>32,726</b>	<b>25,999</b>	<b>29,366</b>	<b>33,160</b>	<b>63,284</b>	<b>1,24,637</b>	<b>1,46,526</b>	<b>1,99,355</b>
<i>ROCE (%)</i>	<i>4.4</i>	<i>4.5</i>	<i>4.1</i>	<i>4.4</i>	<i>4.1</i>	<i>1.9</i>	<i>2.1</i>	<i>5.4</i>	<i>5.9</i>
<b>Invested Capital</b>	<b>33,170</b>	<b>30,770</b>	<b>24,287</b>	<b>25,934</b>	<b>31,319</b>	<b>59,301</b>	<b>97,795</b>	<b>1,27,938</b>	<b>1,66,592</b>
<i>ROIC (%)</i>	<i>5.1</i>	<i>6.5</i>	<i>7.1</i>	<i>7.0</i>	<i>6.3</i>	<i>4.2</i>	<i>4.4</i>	<i>7.7</i>	<i>8.8</i>
<i>ROIC (%)</i>	<i>16.9</i>	<i>-11.8</i>	<i>4.1</i>	<i>5.2</i>	<i>2.9</i>	<i>1.8</i>	<i>4.7</i>	<i>18.4</i>	<i>12.5</i>
Cash Flow from Operations	774	2,942	3,327	2,454	4,094	1,385	-4,470	21,029	8,837
Cash Flow from Investing	(1,229)	(7,706)	1,809	(2,323)	(7,902)	(17,487)	(27,174)	(38,578)	(30,411)
Cash Flow from Financing	716	5,120	-6,158	-221	3,059	15,901	56,434	9,359	35,712
<b>Net Cash Flow</b>	<b>261</b>	<b>355</b>	<b>-1,023</b>	<b>-90</b>	<b>-750</b>	<b>-201</b>	<b>24,790</b>	<b>-8,190</b>	<b>14,138</b>
<b>Free Cash Flow</b>	<b>-1,476</b>	<b>-4,424</b>	<b>929</b>	<b>612</b>	<b>441</b>	<b>-11,582</b>	<b>-34,484</b>	<b>-21,987</b>	<b>-25,570</b>
<i>CF to EBITDA (%)</i>	<i>33.0</i>	<i>90.3</i>	<i>155.3</i>	<i>107.4</i>	<i>163.4</i>	<i>37.3</i>	<i>(62.6)</i>	<i>145.0</i>	<i>38.7</i>
<i>FCF to EBITDA (%)</i>	<i>(62.9)</i>	<i>(135.8)</i>	<i>43.3</i>	<i>26.8</i>	<i>17.6</i>	<i>(311.9)</i>	<i>(482.7)</i>	<i>(151.6)</i>	<i>(112.0)</i>
<i>FCF to Net Profit (%)</i>	<i>(149.4)</i>	<i>(584.2)</i>	<i>129.5</i>	<i>53.8</i>	<i>47.8</i>	<i>(1,491.5)</i>	<i>(1,955.2)</i>	<i>(325.7)</i>	<i>(329.9)</i>
<i>FCF to Net Worth (%)</i>	<i>(10.4)</i>	<i>(29.3)</i>	<i>6.3</i>	<i>3.6</i>	<i>2.6</i>	<i>(52.0)</i>	<i>(124.9)</i>	<i>(58.7)</i>	<i>(53.1)</i>
<b>Net Capex</b>			<b>1,765</b>	<b>2,722</b>	<b>3,359</b>	<b>13,493</b>	<b>27,019</b>	<b>36,434</b>	<b>28,621</b>
<i>Net Capex to Revenue (%)</i>			<i>4.3</i>	<i>6.3</i>	<i>8.5</i>	<i>19.4</i>	<i>18.2</i>	<i>46.2</i>	<i>23.9</i>
<b>Total Debt</b>	<b>20,846</b>	<b>17,637</b>	<b>11,243</b>	<b>12,419</b>	<b>16,001</b>	<b>41,024</b>	<b>97,038</b>	<b>1,09,101</b>	<b>1,51,201</b>
<b>Net Debt</b>	<b>19,034</b>	<b>15,681</b>	<b>9,531</b>	<b>8,988</b>	<b>14,161</b>	<b>37,041</b>	<b>70,196</b>	<b>90,512</b>	<b>1,18,439</b>
<i>Net Debt to Equity (X)</i>	<i>1.3</i>	<i>1.0</i>	<i>0.6</i>	<i>0.5</i>	<i>0.8</i>	<i>1.7</i>	<i>2.5</i>	<i>2.4</i>	<i>2.5</i>
<i>Net Debt to EBITDA (X)</i>	<i>8.1</i>	<i>4.8</i>	<i>4.4</i>	<i>3.9</i>	<i>5.7</i>	<i>10.0</i>	<i>9.8</i>	<i>6.2</i>	<i>5.2</i>
<i>Interest Coverage Ratio (X)</i>	<i>1.1</i>	<i>1.1</i>	<i>1.1</i>	<i>1.2</i>	<i>1.4</i>	<i>1.0</i>	<i>1.3</i>	<i>1.7</i>	<i>1.6</i>
Piotroski F-score (higher is better)	4.0	7.0	7.0	8.0	5.0	3.0	4.0	7.0	6.0
Altman Z-score (higher is better)	3.5	4.0	4.2	3.1	3.6	0.8	1.0	0.8	1.0

Source: Company Reports & Ventura Research

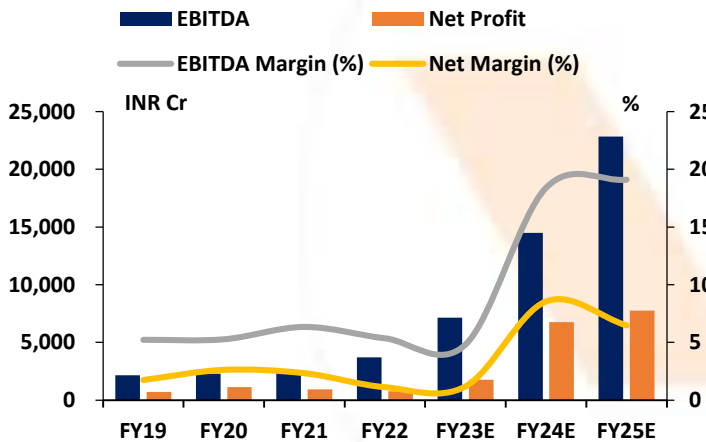
**Entry in new segments to accelerate revenue growth in the coming years**



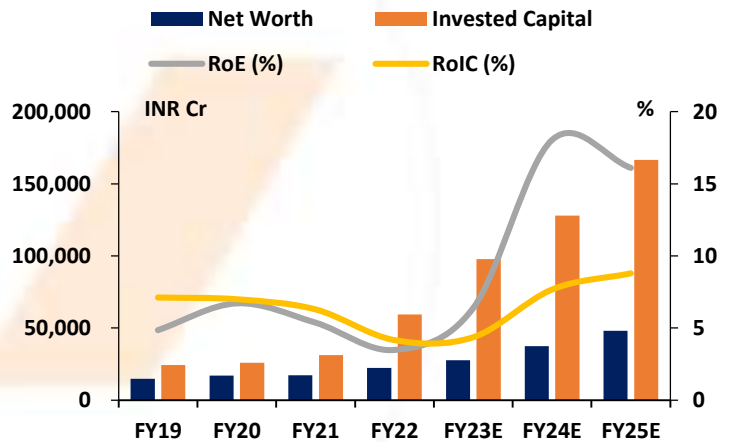
**Revenue share of coal to decline and new businesses to evolve**



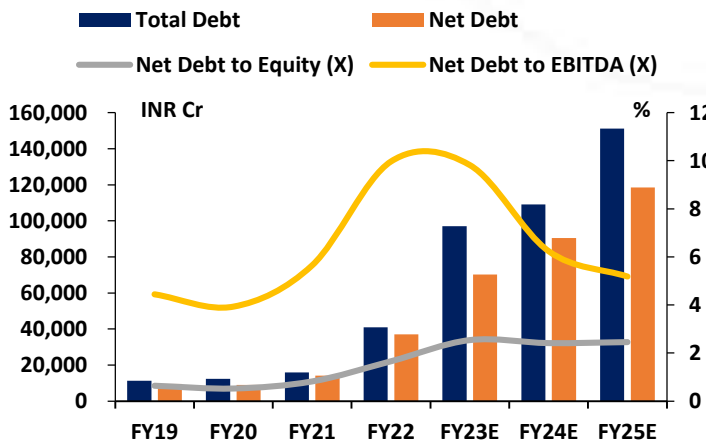
**Additional earnings from the new businesses to drive profitability**



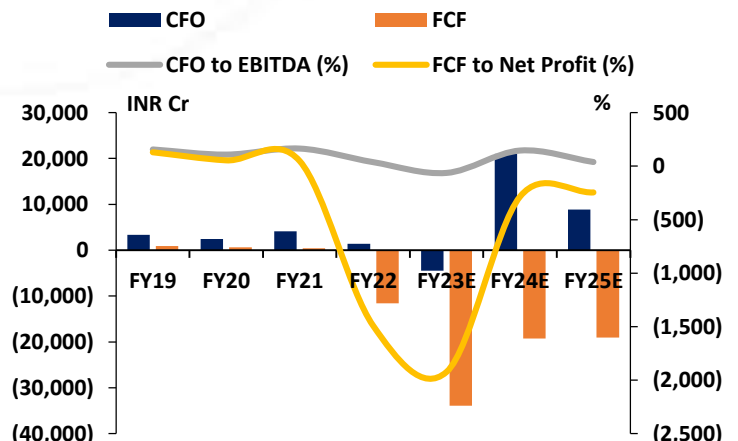
**Return ratios to follow the operating performance in the coming years**



**Initial capex in the new businesses to increase debt on the balance sheet**



**Initial capex to dent operating cash flow and FCF performance**



Source: Company Reports & Ventura Research

## AEI's Financial Analysis & Projections

Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E	Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E
<b>Income Statement</b>						<b>Per share data &amp; Yields</b>					
Revenue	39,537	69,420	1,48,720	78,846	1,19,539	Adjusted EPS (INR)	8.1	6.8	15.4	59.0	67.7
YoY Growth (%)	-8.9	75.6	114.2	-47.0	51.6	Adjusted Cash EPS (INR)	12.7	17.7	40.6	100.0	139.3
Operating Expenses	37,032	65,707	1,41,576	64,346	96,709	Adjusted BVPS (INR)	165.2	235.2	301.8	408.6	519.1
Other Exp to Sales (%)	93.7	94.7	95.2	81.6	80.9	Adjusted CFO per share (INR)	35.8	12.1	-39.0	183.7	77.2
EBITDA	2,505	3,713	7,144	14,499	22,831	CFO Yield (%)	1.0	0.3	-1.1	4.9	2.1
Margin (%)	6.3	5.3	4.8	18.4	19.1	<b>Solvency Ratio (X)</b>					
YoY Growth (%)	9.7	48.2	92.4	103.0	57.5	Total Debt to Equity	0.8	1.5	2.8	2.3	2.5
Depreciation & Amortization	537	1,248	2,886	4,698	8,200	Net Debt to Equity	0.7	1.4	2.0	1.9	2.0
EBIT	1,968	2,465	4,258	9,801	14,631	Net Debt to EBITDA	5.7	10.0	9.8	6.2	5.2
Margin (%)	5.0	3.6	2.9	12.4	12.2	<b>Return Ratios (%)</b>					
YoY Growth (%)	8.6	25.3	72.7	130.2	49.3	Return on Equity	4.9	2.9	5.1	14.4	13.0
Other Income	754	1,013	1,013	3,540	3,477	Return on Capital Employed	4.1	1.9	2.1	5.4	5.9
Finance Cost	1,377	2,526	3,155	5,781	9,365	Return on Invested Capital	6.3	4.2	4.4	7.7	8.8
Interest Coverage (X)	1.4	1.0	1.3	1.7	1.6	<b>Working Capital Ratios</b>					
Exceptional Item	-259	0	0	0	0	Payable Days (Nos)	109	93	80	70	60
PBT	1,086	952	2,117	7,561	8,743	Inventory Days (Nos)	16	36	40	50	60
Margin (%)	2.7	1.4	1.4	9.6	7.3	Receivable Days (Nos)	111	72	80	90	100
YoY Growth (%)	-3.2	-12.3	122.3	257.2	15.6	Net Working Capital Days (Nos)	18	15	40	70	100
Tax Expense	340	477	801	1,414	1,719	Net Working Capital to Sales (%)	5.0	4.1	11.0	19.2	27.4
Tax Rate (%)	31.3	50.1	37.8	18.7	19.7	<b>Valuation (X)</b>					
PAT	746	475	1,316	6,146	7,024	P/E	461.3	548.1	241.3	63.1	54.9
Margin (%)	1.9	0.7	0.9	7.8	5.9	P/BV	22.5	15.8	12.3	9.1	7.2
YoY Growth (%)	-6.5	-36.3	176.7	367.2	14.3	EV/EBITDA	175.5	124.6	69.4	35.6	23.8
Min Int/Sh of Assoc	176	301	448	604	727	EV/Sales	11.1	6.7	3.3	6.5	4.6
Net Profit	923	777	1,764	6,750	7,751	<b>Cash Flow Statement</b>					
Margin (%)	2.3	1.1	1.2	8.6	6.5	PBT	1,086	952	2,117	7,561	8,743
YoY Growth (%)	-18.9	-15.8	127.1	282.7	14.8	Adjustments	1,435	1,779	7,660	13,706	19,442
<b>Balance Sheet</b>						Change in Working Capital	1,912	-869	-13,445	1,177	-17,629
Share Capital	110	114	116	117	119	Less: Tax Paid	-340	-477	-801	-1,414	-1,719
Total Reserves (incl Min Int)	18,800	26,818	34,436	46,673	59,314	<b>Cash Flow from Operations</b>	4,094	1,385	-4,470	21,029	8,837
Shareholders Fund	18,910	26,932	34,551	46,790	59,432	Net Capital Expenditure	-3,359	-13,493	-27,019	-36,434	-28,621
Long Term Borrowings	9,523	20,803	44,884	70,542	92,905	Change in Investments	-4,543	-3,994	-155	-2,144	-1,790
Deferred Tax Liabilities	409	2,606	5,583	2,960	4,488	<b>Cash Flow from Investing</b>	-7,902	-17,487	-27,174	-38,578	-30,411
Other Long Term Liabilities	1,624	7,293	11,459	8,767	11,030	Change in Borrowings	4,435	18,505	59,765	15,815	45,852
Long Term Provisions	77	279	527	242	311	Less: Finance Cost	-1,377	-2,526	-3,155	-5,781	-9,365
Total Liabilities	30,543	57,914	97,005	1,29,301	1,68,166	Dividend Paid	0	-78	-176	-675	-775
Net Block	10,838	30,076	54,209	85,945	1,06,367	<b>Cash flow from Financing</b>	3,059	15,901	56,434	9,359	35,712
Capital Work in Progress	8,686	19,564	19,564	19,564	19,564	<b>Net Cash Flow</b>	-750	-201	24,790	-8,190	14,138
Intangible assets under developer	139	3,980	3,980	3,980	3,980	Forex Effect	-708	447	0	0	0
Non Current Investments	5,473	4,276	6,363	8,570	10,323	Opening Balance of Cash	2,125	666	916	25,706	17,517
Long Term Loans & Advances	5,201	9,209	14,469	11,070	13,927	Closing Balance of Cash	666	912	25,706	17,517	31,654
Other Non Current Assets	1,265	3,535	5,554	4,250	5,346						
Deferred Tax Assets	459	174	372	197	299						
Net Current Assets	-1,520	-12,900	-7,508	-4,276	8,359						
Total Assets	30,543	57,914	97,005	1,29,301	1,68,166						

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