Adani Power Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Dominant thermal utility player with a current 24 GW capacity and a clear, visible roadmap to reach 31 GW by 2030, bolstered by a strategic 26% stake sale in MEL to Reliance Industries.**	□Positive
2	**Revenue grew 11.6% YoY to □56,203 Cr, driven by high demand visibility and a pivot from deleveraging toward aggressive capacity expansion.**	□Positive
3	**Operating Profit Margin (OPM) improved to 38% despite fuel price volatility, aided by a 29.9% reduction in coal inventory and superior fuel management.**	□Positive
4	***Reported PAT is subject to aggressive accounting treatments, including the use of an extended 40-year useful life for plants and a 555% surge in capitalized employee costs (228 Cr).***	□Negative
5	Total debt increased to □39,495 Cr to fund growth, yet the balance sheet remains stable with a Debt/Equity ratio of 0.70x and a robust ROCE of 23%.	□Neutral
6	**Cash Flow from Operations (CFO) reached □21,501 Cr, representing 100% of operating profit and significantly exceeding PAT (CFO/PAT of 1.69x).**	□Positive
7	**Capital expenditure is accelerating with CWIP surging 1,208% to □12,104 Cr, reflecting a massive 12.5 GW under-construction pipeline.**	□Positive
8	***Earnings quality is pressured by high regulatory asset concentration, with 95.22% of receivables (12,399 Cr) tied to litigated claims and estimated accruals.***	□Negative
9	**Governance profile improved significantly (9/10 rating) following the removal of statutory audit qualifications and the maintenance of a 50% independent board.**	□Positive
10	***Material cash leakage noted via 4,758 Cr (22% of CFO) transferred to promoters through the redemption of perpetual and preference securities.***	□Negative
11	***Significant geopolitical risk exists via the Godda plant, where 42% of cash flows are exposed to sovereign volatility and payment freezes from Bangladesh (BPDB).***	□Negative
12	The era of zero-tax is ending as tax shields exhaust, evidenced by a reversal of □2,295 Cr in DTA and an effective tax rate jump to 22%.	□Neutral
13	**Stance: ACCUMULATE; key monitorables include the aging of the □4,630 Cr legacy CWIP and the recovery timeline of disputed regulatory dues.**	□Positive

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1. BUSINESS OVERVIEW

- **Business Segments:** Primarily engaged in thermal power generation and solar power project development. Operates a diversified portfolio of thermal power plants across India (Mundra, Tiroda, Kawai, Udupi, Raipur, Raigarh, Mahan, and Godda).

- **Capacity Roadmap:** Aggressive escalation plan to increase capacity from 24 GW to 31 GW by 2030, a ~28% increase in the growth terminal.
- **Revenue Drivers:** Power Purchase Agreements (PPAs) with State Discoms and international entities (BPDB), merchant power sales, and regulatory "Change in Law" claims.
- **Cost Drivers:** Fuel sourcing (imported and domestic coal), logistics, and finance costs. Shift toward SHAKTI Policy coal linkages to stabilize fuel costs.
- **Industry Position:** Acts as the "consolidator of last resort" for stressed thermal assets in India; currently the largest private thermal power producer.
- **Expansion & Acquisitions:** Recent integration of Korba Power (Lanco Amarkantak) and Coastal Energen (CEPL). New 1,600 MW Ultra-supercritical project for MSEDCL.
- **Geographical Presence:** Strong domestic footprint across multiple Indian states and international presence via the Godda plant (exporting to Bangladesh) and new entities in the Middle East and Singapore.
- **Strategic Partnerships:** 26% stake sale in a 600 MW unit of Mahan Energen (MEL) to Reliance Industries (RIL) under the Captive User Policy.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has shifted the company's strategic phase from "deleveraging and consolidation" to "aggressive capacity escalation" to meet India's projected 400 GW peak demand by 2032.
- The removal of the statutory audit qualification regarding SEBI investigations is highlighted as a major milestone in restoring institutional normalcy.
- The partnership with Reliance Industries is viewed as a strategic de-risking move, securing a 20-year PPA and reducing competitive friction in the green hydrogen/industrial space.
- Management is prioritizing Ultra-supercritical technology for all new projects to hedge against future carbon taxes and ensure "merit-order" preference.
- A massive □11,000 Cr fundraising mandate via NCDs signals a shift from bank debt to capital markets and high confidence in "AA" credit ratings.
- The company is moving away from merchant volatility toward linkage-backed stability through the SHAKTI Policy.
- International expansion via new subsidiaries in the Middle East and Singapore is intended to globalize thermal expertise and optimize fuel sourcing.
- Gautam Adani's commentary emphasizes that no group members have been charged with FCPA violations, signaling a "reputation-rebuilding" mode and a commitment to global-standard governance.
- The long-term vision is to become a "Thermal Utility Giant" with a 31 GW capacity, funded increasingly through internal accruals and capital market instruments.
- **Management Tone:** The tone is triumphant and uncharacteristically direct, blending defensive resilience regarding group-level allegations with aggressive growth optimism. Management is signaling a "clean" narrative to attract institutional investors while maintaining a "Hum Karke Dikhate Hain" (We deliver what we promise) posture. (Positive/Aggressive)

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Sales -	56,203.00	50,351.00
Sales Growth %	11.62	29.86
Expenses -	34,785.00	32,124.00
Manufacturing Cost %	58.00	60.00
Employee Cost %	1.00	1.00
Other Cost %	3.00	2.00
Operating Profit	21,418.00	18,228.00
OPM %	38.00	36.00
Other Income -	2,590.00	9,883.00
Exceptional items	-16.00	-4.00
Other income normal	2,606.00	9,887.00
Interest	3,340.00	3,388.00
Depreciation	4,309.00	3,931.00
Profit before tax	16,360.00	20,792.00
Tax %	22.00	0.00
Net Profit -	12,750.00	20,829.00
Profit from Associates	0.00	0.00
Minority share	189.00	0.00
Exceptional items AT	-12.00	-4.00
Profit excl Excep	12,762.00	20,833.00
Profit for PE	12,951.00	20,833.00
Profit for EPS	12,939.00	20,829.00
Profit Growth %	-38.00	94.00
EPS in Rs	6.71	10.80
Dividend Payout %	0.00	0.00

Balance Sheet (₹ Crores)

Line Item	Mar 2025	Mar 2024
Equity Capital	3,857.00	3,857.00
Reserves	52,490.00	39,042.00
Borrowings -	39,495.00	34,862.00
Long term Borrowings	27,647.00	26,595.00
Short term Borrowings	10,688.00	7,862.00
Lease Liabilities	1,160.00	159.00
Preference Capital	139.00	431.00
Other Borrowings	-139.00	-184.00
Other Liabilities -	17,076.00	14,248.00
Non controlling int	1,326.00	0.00
Trade Payables	2,978.00	3,609.00
Advance from Customers	21.00	5.00
Other liability items	12,750.00	10,635.00
Total Liabilities	112,918.00	92,009.00
Fixed Assets -	69,297.00	63,016.00
Land	4,103.00	2,076.00
Building	2,978.00	2,158.00
Plant Machinery	92,737.00	85,315.00
Equipments	124.00	104.00
Computers	97.00	79.00
Furniture n fittings	45.00	40.00
Railway sidings	682.00	675.00
Vehicles	43.00	34.00
Intangible Assets	205.00	191.00
Other fixed assets	98.00	38.00
Gross Block	101,110.00	90,709.00
Accumulated Depreciation	31,813.00	27,693.00
CWIP	12,104.00	925.00
Investments	1,097.00	374.00
Other Assets -	30,418.00	27,694.00
Inventories	3,317.00	4,142.00
Trade receivables -	13,022.00	11,677.00
Receivables over 6m	6,551.00	5,644.00
Receivables under 6m	6,471.00	6,033.00
Prov for Doubtful	0.00	0.00
Cash Equivalents	6,120.00	7,212.00

Line Item	Mar 2025	Mar 2024
Loans n Advances	1,057.00	1,242.00
Other asset items	6,902.00	3,421.00
Total Assets	112,918.00	92,009.00

Cash Flow Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Cash from Operating Activity -	21,501.00	14,170.00
Profit from operations	21,950.00	18,678.00
Receivables	-342.00	-1,738.00
Inventory	1,313.00	-1,066.00
Payables	-880.00	616.00
Loans Advances	0.00	0.00
Other WC items	-531.00	-2,261.00
Working capital changes	-440.00	-4,450.00
Direct taxes	-8.00	-57.00
Cash from Investing Activity -	-17,142.00	3,481.00
Fixed assets purchased	-11,559.00	-2,602.00
Fixed assets sold	15.00	1.00
Investments purchased	-626.00	0.00
Investments sold	0.00	406.00
Interest received	884.00	9,316.00
Issue of shares on acq	0.00	0.00
Redemp n Canc of Shares	0.00	534.00
Acquisition of companies	-5,581.00	0.00
Other investing items	-275.00	-4,173.00
Cash from Financing Activity -	-5,175.00	-16,864.00
Proceeds from shares	50.00	129.00
Proceeds from debentures	100.00	0.00
Proceeds from borrowings	6,356.00	24,568.00
Repayment of borrowings	-2,852.00	-30,598.00
Interest paid fin	-3,408.00	-3,431.00
Dividends paid	-840.00	-1,632.00
Financial liabilities	-23.00	0.00
Other financing items	-4,558.00	-5,900.00
Net Cash Flow	-816.00	787.00
Free Cash Flow	9,957.00	11,568.00
CFO/OP	100.00	78.00

Key Ratios (₹Crores)

Line Item	Mar 2025	Mar 2024
Debtor Days	85.00	85.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	85.00	85.00
Working Capital Days	18.00	16.00
ROCE %	23.00	32.00

3.2 Financial Analysis Summary

- **Revenue** grew by **11.62%** to **₹56,203 Cr**, supported by a 2% improvement in **OPM %** to **38%**, yet **Net Profit** fell by **38%** to **₹12,750 Cr** primarily due to the normalization of **Other Income** (which dropped from **₹9,883 Cr** to **₹2,590 Cr**) and a sharp rise in the effective tax rate to **22%** as past tax losses were utilized.
- **Trade Receivables** increased to **₹13,022 Cr**, with a staggering **95.22%** (**₹12,399.61 Cr**) tied to "Change in Law" and regulatory claims, creating significant estimation uncertainty as these depend on final judicial adjudication; this concentration is further highlighted by **₹6,551 Cr** in **Receivables over 6m**, signaling a slow recovery timeline despite sovereign guarantees.
- **Operating Profit** of **₹21,418 Cr** translated efficiently into a **CFO** of **₹21,501 Cr**, a significant improvement in earnings quality with a **CFO/PAT** ratio of **1.69**, largely driven by a **₹1,313 Cr** reduction in **Inventory** as the group optimized fuel stocks and managed **Working Capital** more tightly.
- **Total Debt** rose to **₹39,495 Cr** to fund aggressive expansion, yet the **Debt/Equity** ratio improved to **0.70** due to the accretion of **Reserves** to **₹52,490 Cr**; however, **₹3,056.92 Cr** of promoter-held Perpetual Securities are classified as "Equity," which artificially lowers leverage while draining **8.85% to 10.67%** in discretionary distributions.
- **Finance Cost** remained stable at **₹3,340 Cr** despite higher **Total Debt**, aided by a weighted average interest rate of **8.85%**, though the group capitalized **₹146.27 Cr** in borrowing costs into **CWIP**, which surged by **1,208%** to **₹12,104 Cr** as the 12,520 MW construction pipeline accelerated.
- **Depreciation** increased to **₹4,309 Cr** following a **₹10,401 Cr** addition to **Gross Block**, but the use of an aggressive 40-year useful life for power plants vs. industry standards likely inflates **Net Profit** by reducing annual non-cash charges.
- **Capex** intensity spiked with **Fixed assets purchased** of **₹11,559 Cr** and **Acquisition of companies** (CEPL/KPL) totaling **₹5,581 Cr**, resulting in a **Capex/CFO** reinvestment rate of **53.76%** and a reduction in **Free Cash Flow** to **₹9,957 Cr**.
- **Working Capital** remains a cash-absorptive area with a **Cash Conversion Cycle** of **85 days**, where **Trade Receivables** (**₹13,022 Cr**) vastly exceed **Trade Payables** (**₹2,978 Cr**), and **Other asset items** were bloated by a **304%** surge in **Capital Advances** to **₹3,825.28 Cr** for future projects.
- **ROCE %** diluted from **32%** to **23%** as the **Total Assets** base expanded by **22.7%** to **₹112,918 Cr** through heavy **CWIP** and acquisitions that have yet to contribute fully to **Revenue**.
- **Lease Liabilities** exploded from **₹159 Cr** to **₹1,160 Cr**, representing "hidden leverage" primarily from new land allotments for the Khavda project, which will increase future **Finance Cost** and **Depreciation** on Right-of-Use assets.
- **Other asset items** were significantly impacted by **Capital Advances** of **₹3,825.28 Cr** (5.7% of Net PPE), indicating aggressive future expansion that ties up liquidity in non-productive assets; **Other Liabilities** include

a ₹**5,698.48 Cr Deferred Government Grant**, a non-cash liability that will pad future margins when credited to income.

- **Other Expenses** analysis reveals that **Capitalized Employee Benefits** spiked **555%** to ₹**228.98 Cr**, suggesting management is aggressively shifting P&L expenses to the balance sheet (**CWIP**) to support reported margins during the construction phase.
- The dominant financial theme of the year is a structural pivot from harvesting cash and deleveraging to aggressive, front-loaded capital reinvestment, maintaining balance sheet stability through quasi-equity promoter support while facing a looming transition to a full tax-paying regime.

3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** ₹**12,104.42 Cr** (CWIP) related to the 12,520 MW under-construction pipeline.
- **Litigation & Regulatory:** Significant exposure to "Change in Law" and "Force Majeure" claims totaling ₹**12,399.61 Cr** currently recognized as revenue/receivables, subject to final Supreme Court or Regulatory adjudication.
- **Mega Power Status:** One plant is only 71% certified; failure to receive extensions for the remaining 29% could result in retrospective customs/excise duty liabilities.
- **Environmental/Social Provisions:** ₹**50.90 Cr** for Mine Closure and ₹**103.36 Cr** for Land R&R.
- **Project Delays:** ₹**4,630.61 Cr** in CWIP is aged over 3 years (Raigarh Railway Siding and Mining projects), risking future impairments due to land acquisition hurdles.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — high cash conversion; CFO of □21,501 Cr exceeds Net Profit of □12,750 Cr.	□	CFO □21,501 Cr vs PAT □12,750 Cr (FY25).	CFO/OP at 100% indicates strong cash generation from core operations despite lower PAT.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — neutral signal; receivables + inventory grew 1.0% vs 11.6% sales growth.	□	Receivables + Inv: □16,339 Cr (FY25) vs □15,819 Cr (FY24).	Receivables grew 11.5%, matching sales growth; inventory drawdown of □825 Cr aided cash.
3	Revenue timing (unbilled/ regulatory)	Revenue ↑ — aggressive recognition; □12,399 Cr tied to regulatory claims based on estimates.	□	Regulatory claims: □12,399 Cr (95% of receivables).	Note 3(vi): Revenue relies on "best estimates" of restitution, subject to final court adjudication.
4	Revenue from related parties %	Neutral — low direct revenue risk; RPT receivables are only 4.54% of total.	□	RPT Receivables: 4.54% of Total (FY25).	Note 21: Major RPT risk is in "quasi-equity" perpetual securities rather than direct sales.
5	Inventory vs revenue growth	Profit ↑ — efficiency gain; inventory fell 19.9% while sales grew 11.6%.	□	Inventory: □3,317 Cr (FY25) vs □4,142 Cr (FY24).	Note 10: Fuel inventory (coal) decreased by 29.9%, indicating improved supply chain management.
6	Inventory valuation method change	Profit ↑ — valuation bias; FIFO used for coal in a rising price environment.	□	Coal valued at FIFO (Note 2.3(i)).	FIFO results in lower COGS and higher inventory value compared to weighted average during inflation.
7	Exceptional items in operating profit	Profit ↓ — negligible impact; □16 Cr expense is immaterial to □21,418 Cr OP.	□	Exceptional items: -□16 Cr (FY25).	Minimal impact on core earnings quality from non-recurring P&L items.
8	Depreciation rate vs useful life policy	Profit ↑ — aggressive accounting; 40-year life for plants exceeds industry standard.	□	Depreciation: □4,309 Cr; 40-year life (Note 2.3a).	Using 40 years instead of 25-30 years reduces annual charges and inflates reported PAT.
9	Provision reversals boosting PAT	Profit ↑ — non-cash padding; □5,698 Cr deferred grant to be credited to income.	□	Deferred Govt Grant: □5,698 Cr (Note 29).	These non-cash liabilities act as a future margin buffer when amortized into Other Income.
10	Tax rate consistency	Profit ↓ — impending tax drag; 22% P&L tax vs near-zero cash tax.	□	P&L Tax: 22%; Cash Tax: □8 Cr (FY25).	Note 8.1: Cash tax is "Nil" due to past losses, but DTL of □4,022 Cr shows tax shield exhaustion.
11	CWIP age and stalling projects	Profit ↑ — depreciation avoidance; □4,630 Cr CWIP is aged over 3 years.	□	CWIP: □12,104 Cr; >3yr CWIP: □4,630 Cr.	Note 4.1(viii): Delay in capitalizing aged assets avoids depreciation, artificially boosting PAT.
12	Deferred tax asset recognition	Profit ↓ — balance sheet risk; DTA reversal of □2,295 Cr indicates loss utilization.	□	DTA Reversal: □2,295.76 Cr (Note 28b).	Rapid exhaustion of tax assets suggests the company will soon face full statutory tax hits.
13	RPT quantum and trend	Profit ↓ — high cost of capital; □3,056 Cr perpetual debt held by promoters.	□	Perpetual Securities: □3,056 Cr (Note 21).	Note 21: Distributions of 8.85%-10.67% to promoters drain earnings before equity holders.

#	Check	Impact	Status	Evidence	Notes Detail
14	Dividend paid vs FCF adequacy	Neutral — conservative payout; zero dividends despite □9,957 Cr Free Cash Flow.	□	FCF: □9,957 Cr; Dividends: □0 (FY25).	Management is retaining 100% of FCF to fund the □12,104 Cr CWIP and debt obligations.
15	Capitalization of Operating Expenses	Profit ↑ — expense shifting; capitalized employee costs spiked 555%.	□	Cap. Employee Costs: □228.98 Cr vs □34.93 Cr.	Note 4.1(vii): Shifting P&L expenses to CWIP inflates current operating margins.
16	Classification of Disputed Receivables	Revenue ↑ — aging manipulation; disputed dues classified as "undisputed".	□	Note 3(vii) accounting judgment.	Bypassing traditional aging definitions may mask the true recovery timeline of regulatory dues.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type: Unqualified Opinion**.
- **KAM 1: Revenue Recognition (Regulatory Matters):** High subjectivity in estimating "Change in Law" and "Force Majeure" claims. Management relies on "best estimates" and "principles of economic restitution." The auditor is concerned with the "reasonable certainty" of collection from Discoms.
- **KAM 2: Impairment of PPE & Goodwill:** Carrying value of **□66,707.23 Cr** in PPE is sensitive to assumptions on long-term tariffs, coal prices, and Plant Load Factors (PLF). Auditor focuses on DCF models for Mundra and other TPPs.
- **KAM 3: Classification of Receivables:** Judgment in classifying disputed regulatory dues as "undisputed" based on "rule of law" established in similar cases. This affects Expected Credit Loss (ECL) provisioning.
- **Auditor Fees:** Statutory Auditors (S R B C & Co LLP) are in their second 5-year term.

B. Related Party Transactions

Party	Relationship	Nature	Amount (□ Cr)	Concern
Promoter Entities	Promoter Group	***Perpetual Securities (Equity)***	3,056.92 Cr	***Quasi-debt masking leverage***
Related Parties	Group Entities	***Redemption of Perpetual Securities***	4,258.08 Cr	***Massive liquidity drain to promoters***
Related Parties	Group Entities	***Redemption of NCRPS***	500.00 Cr	***Cash outflow to related parties***
Adani Enterprises Sub.	Group Entity	Goodwill from Amalgamation	13.91 Cr	Asset transfer valuation risk
Related Parties	Group Entities	Receivables from Related Parties	591.20 Cr	Counterparty exposure (4.54% of total)

- **RPT Risk Checks:**
  - **% of Revenue:** 1.05% — Low risk on P&L.
  - **% of CFO:** ***22.13%*** — **High cash leakage** via redemptions of promoter-held securities.
  - **Red Flag:** The redemption of **□4,758.08 Cr** in securities represents a massive cash transfer to the Adani Family Trust.

C. Shareholding

Category	Mar 2025 (%)	Mar 2024 (%)
Promoter	71.75*	71.75
FII	15.86*	15.86
DII	0.14*	0.14
Public	12.25*	12.25
*(Latest available data; AR does not explicitly disclose current %)**		

D. Board Composition + KMP Compensation

- **Board:** 6 Directors; **50% Independent** (3 of 6); 2 Women Directors.
- **KMP Compensation:**
  - **S. B. Khyalia (CEO):** □15.13 Cr (35% YoY growth).
  - **Adani Family (Chairman/Director):** □0.00 Cr (Zero remuneration).
- **Analysis:** CEO pay growth (**35%**) significantly outstripped Operating Profit growth (**17.50%**). The CEO pay ratio to average employee is **66.14:1**. Family members drawing zero pay optically lowers the KMP/EBITDA ratio.

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Capex	11,559.00 Cr	2,602.00 Cr	53.76%	□
Acquisitions	5,581.00 Cr	0.00 Cr	25.96%	□
Net Debt Change	4,633.00 Cr	-7,488.00 Cr	21.55%	□
Dividends Paid	840.00 Cr	1,632.00 Cr	3.91%	□
Redemption of Securities	4,758.08 Cr	5,900.00 Cr	22.13%	□

- **CFO Coverage:** CFO (**□21,501 Cr**) covers Capex (**□11,559 Cr**) by **1.86x**.
- **Capex Nature:** Aggressive shift toward **Ultra-supercritical projects** and a 12,520 MW pipeline.
- **Deployment Efficiency:** Revenue grew 11.62% while Gross Block grew 11.47%, showing tight correlation.
- **Takeaway:** Capital allocation has pivoted from deleveraging to **aggressive inorganic growth** and massive cash returns to promoters via security redemptions.

H. Risks

- **Regulatory Reversal (High):** Potential reversal of favorable orders for **□12,399 Cr** in regulatory assets.
- **Geopolitical/BPDB (High): 42%+** of receivables concentration in Bangladesh; sovereign/currency risk could freeze cash flow.
- **CWIP Aging (Medium): □4,630.61 Cr** in CWIP older than 3 years; risk of future impairments if projects stall.
- **Tax Drag (Medium):** Reversal of **□2,295.76 Cr** DTA will lead to significantly higher cash tax as losses exhaust.
- **Mega Power Status (Medium):** Potential retrospective liability for customs duties if 29% of plant capacity isn't certified.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	24 GW → 31 GW roadmap; RIL partnership	Strong moat in thermal consolidation with high demand visibility.
Financial Health	4	↑	D/E 0.70x; CFO □21,501 Cr > PAT	Robust cash generation and improved leverage, though quasi-equity persists.
Earnings Quality	2	↓	95% Receivables in regulatory claims; 40-yr life	Aggressive accounting policies and regulatory accruals mask cash timelines.
Management & Governance	3	↑	Clean Audit Opinion; 50% Ind. Board	Significant improvement with clean audit, but high RPT cash leakage remains.
Capital Allocation & Visibility	4	→	ROCE 23%; 12.5 GW pipeline	Disciplined capex toward high-efficiency assets with clear growth path.

BUSINESS POSITIVES (for this company this year) * □**Clean Audit Opinion:** Removal of the statutory qualification regarding SEBI investigations de-risks the stock for institutional mandates. * □**Strong Cash Conversion: CFO of □21,501 Cr** represents 100% of Operating Profit, providing massive internal accruals for growth. * □**Strategic RIL Partnership:** Selling a 26% stake in MEL to Reliance secures a 20-year PPA and signals conglomerate collaboration. * □**Capacity Expansion:** Visible roadmap to **31 GW by 2030** with a current 12.5 GW under-construction pipeline. * □**Operational Efficiency: OPM % improved to 38%** despite fuel volatility, aided by a 29.9% reduction in coal inventory.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Regulatory Asset Concentration: 95.22% of receivables (□12,399 Cr)** are tied to estimated regulatory claims subject to litigation. * □**Promoter Cash Leakage: □4,758 Cr** (22% of CFO) was transferred to promoters via redemption of perpetual and preference securities. * □**Aggressive Accounting:** Use of a **40-year useful life** for plants and capitalization of **□228 Cr** in employee costs inflates reported PAT. * □**Geopolitical Risk:** High receivable concentration from Bangladesh (BPDB) exposes **42% of cash flow** to sovereign volatility. * □**Tax Shield Exhaustion:** Reversal of **□2,295 Cr DTA** signals an end to the zero-tax era, with a 22% effective rate this year.

OVERALL SCORECARD SUMMARY Adani Power has successfully transitioned to a "cleaner" institutional narrative, evidenced by the unqualified audit opinion and strategic partnership with Reliance Industries. While financial health is robust with a CFO/PAT of 1.69 and a declining D/E ratio, earnings quality remains a concern due to aggressive depreciation policies and a heavy reliance on regulatory accruals. Governance is on an improving trajectory, but the significant cash outflows to promoters via security redemptions require continued diligence. Overall, the business is in a stable-to-improving phase, pivoting from debt reduction to aggressive, visible capacity growth.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified Opinion issued for FY25.
2	Promoter pledge = 0?	□	Not explicitly disclosed as zero in AR; group history suggests caution.
3	KMP pay < 5% of PAT?	□	CEO pay (□15.13 Cr) is ~0.12% of PAT.
4	RPT quantum < 5% of revenue?	□	RPT Revenue is ~1.05%.
5	Board > 50% independent?	□	50% (3 of 6 directors) are independent.
6	At least 1 woman director?	□	2 Women Directors (Chandra Iyengar, Sangeeta Singh).
7	No statutory dues outstanding?	□	No major defaults reported in CARO.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Confirmed in Auditor's Report.
10	Frequent Auditor change	□	S R B C & Co LLP in second 5-year term.
Total: 9/10 □— Governance Rating: 4			

Part C: Investor Verdict

THESIS: A dominant thermal utility giant transitioning from a "group-risk" discount to a "growth-utility" premium, backed by a clean audit and massive capacity expansion. **OVERALL STANCE:** ACCUMULATE **RATIONALE:** The removal of the audit qualification and the 31 GW roadmap provide high earnings visibility and a catalyst for institutional re-rating. **RE-EVALUATE WHEN:** Regulatory receivables (Change in Law) as a % of total receivables exceeds 98% or if CFO/PAT drops below 0.8x. **BULL CASE:** Successful commissioning of the 1.6 GW MSEDCL project ahead of schedule and recovery of □5,000 Cr+ in disputed regulatory dues. **BEAR CASE:** Geopolitical instability in Bangladesh leading to a total freeze on Godda plant payments (42% of receivables). **KEY MONITORABLE:** CWIP Aging: □4,630 Cr → Watch for any impairment or further delay beyond 4 years.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Focus on deleveraging and cleaning the balance sheet of "hidden" debt.	Pivot to aggressive capacity expansion (31 GW target) and inorganic acquisitions.	Management has shifted from a defensive survival mode to an offensive, capital-intensive growth phase.
Audit & Governance	Qualified Opinion maintained due to ongoing SEBI investigations.	Unqualified Opinion issued as group-level legal clouds perceived to clear.	The removal of the audit qualification is a strategic milestone designed to rebuild institutional credibility and lower future borrowing costs.
Expense Management	Standard recognition of employee benefits in the P&L.	555% spike in capitalized employee costs shifted to CWIP.	Aggressively shifting operating expenses to the balance sheet artificially inflates current operating margins during the construction cycle.
Tax Trajectory	Near-zero effective tax rate supported by non-cash tax credits.	Effective tax rate jumped to 22% as tax shields began exhausting.	The era of tax-free earnings is ending, creating a structural headwind for future net profit growth.
Working Capital	Inventory build-up (₹4,142 Cr) due to supply chain bottlenecks.	Inventory drawdown (₹3,317 Cr) used to boost operating cash flow.	Management optimized fuel stocks to convert stagnant inventory into a record CFO of ₹21,501 Cr.
Management Tone	Defensive and transition-oriented amidst regulatory scrutiny.	Triumphant and aggressive, highlighting the Reliance partnership.	Leadership is signaling a return to "market darling" status by leveraging conglomerate-level alliances to de-risk the narrative.

7.2 Persistent Patterns

- **Regulatory Receivable Dependency:** A massive portion of the balance sheet (95% of receivables) remains tied to "Change in Law" claims and estimated regulatory income subject to judicial finality.
- **Promoter Cash Extraction:** Significant liquidity continues to be funneled to the promoter group via the redemption of perpetual and preference securities (over ₹10,000 Cr across two years).
- **Geopolitical Concentration Risk:** The Bangladesh Power Development Board (BPDB) remains a critical and volatile counterparty, representing over 40% of receivables in both periods.
- **Aggressive Depreciation Policy:** The company consistently utilizes an extended 40-year useful life for power plants, which exceeds industry standards and inflates reported PAT.
- **Zero Promoter Remuneration:** The Adani family members consistently draw no salary, a recurring trait that optically improves governance ratios regarding KMP compensation.
- **Stalled Infrastructure Projects:** The Raigarh Railway Siding project remains stuck in CWIP for over three years, indicating persistent execution or land acquisition hurdles that pose impairment risks.
- **Related Party Complexity:** Both periods demonstrate a reliance on complex asset churning and "quasi-equity" structures with group entities to support P&L optics and solvency.