# Adani Power Ltd — FY 2024 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 | **Adani Power is scaling as a thermal baseload giant with a clear roadmap to 24.3 GW by FY29, leveraging high-grade ultra-supercritical technology and strategic NCLT acquisitions.** | □Positive |
| 2 | **Revenue surged 29.86% to □50,351 Cr, primarily driven by the full-year contribution of the Godda plant and significant regulatory claim realizations.** | □Positive |
| 3 | **Operating margins expanded to 36%, benefiting from optimized fuel costs and high asset utilization, though partially supported by one-time regulatory income.** | □Positive |
| 4 | ***Reported PAT doubled to  20,829 Cr, yet earnings quality is diluted by a  376.34 Cr non-cash deferred tax asset and a  232.90 Cr gain from subsidiary sales to JVs.*** | □Neutral |
| 5 | **The balance sheet underwent massive deleveraging with a □7,488 Cr debt reduction, successfully lowering the Debt/Equity ratio from 1.42x to a healthy 0.81x.** | □Positive |
| 6 | Robust Free Cash Flow of □11,568 Cr comfortably covered the year's capital requirements, though a CFO/PAT ratio of 0.68 indicates a lag in cash conversion. | □Neutral |
| 7 | **Capital expenditure of □2,602 Cr was entirely self-funded, reflecting a shift toward disciplined, internal-accrual-based growth for upcoming brownfield projects.** | □Positive |
| 8 | ***A significant 41.6% of PBT ( 8,668 Cr) comprises non-cash Late Payment Surcharges, signaling high reliance on regulatory accruals over core operational cash.*** | □Negative |
| 9 | ***Governance remains a primary overhang as auditors maintained a qualified opinion due to ongoing SEBI investigations into related-party transactions and regulatory compliance.*** | □Negative |
| 10 | ***Counterparty risk has intensified with Bangladesh Power Development Board now accounting for 42.17% of total receivables, introducing significant geopolitical and sovereign payment risk.*** | □Negative |
| 11 | **The growth trajectory is anchored by the integration of 4.2 GW from Lanco and Coastal Energen assets, aiming for immediate PPA tie-ups to secure long-term visibility.** | □Positive |
| 12 | Maintain a WATCH stance; while the fundamental deleveraging story is compelling, the "trust gap" from the SEBI probe and high receivable concentration warrants caution. | □Neutral |

### 1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments & Revenue Drivers:** Adani Power Ltd (APL) is India's largest private sector thermal power producer. Revenue is primarily driven by power supply (99.18% of total), with 85% of capacity tied up in long-term/medium-term Power Purchase Agreements (PPAs).
- **Cost Drivers:** Fuel costs (coal) are the primary expense, accounting for 55-60% of revenue. 79% of domestic coal requirements are secured under long-term contracts, with a focus on in-house logistics (railway wagons and captive trucks) to protect margins.

- **Industry Position & Technology Moat:** APL is high-grading its portfolio, with 74% now using supercritical or ultra-supercritical technology. Management is committed to using only ultra-supercritical tech for new additions to hedge against future carbon taxes.
- **Expansion Plans (The 24 GW Roadmap):** Management aims to reach 24,270 MW by FY29 from the current 15,250 MW. This includes 4,800 MW of organic brownfield expansion (Mahan Phase II and Raigarh Phase II) and 4,220 MW through inorganic acquisitions.
- **Acquisitions:** APL is leveraging its balance sheet to acquire distressed assets through the NCLT process, specifically Lanco Amarkantak and Coastal Energen.
- **Geographical Presence & Transnational Ambition:** Operates across multiple Indian states and has achieved a milestone with the 1,600 MW Godda plant, which exports 100% of its power to Bangladesh, de-risking from Indian Discom cycles but introducing geopolitical risk.
- **Capacity Additions:** Successful capitalization of CWIP (dropping from ₹12,880 Cr to ₹925 Cr) reflects the commissioning of major projects like Godda.

## 2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has pivoted from a strategy of "deleveraging and consolidation" to "aggressive capacity growth," positioning APL as the primary vehicle for India’s thermal baseload requirements.
- The 24 GW roadmap by FY29 focuses on lower-risk, higher-IRR brownfield expansions and "bottom-fishing" distressed assets in the NCLT process.
- Management emphasizes "resilience" and a "stronger than ever" narrative, framing recent years as the "biggest comeback in corporate India history" to rebuild institutional investor credibility.
- A key driver of stability has been the resolution of regulatory issues and Supreme Court rulings on "Change in Law" claims, moving contingent assets into realized cash to fund the next capex cycle.
- Operational digitalization is being institutionalized through "Project Beacon" (Analytics Center of Excellence) and "Project Drishti" (AI/ML for predictive maintenance) to move toward a data-driven utility model.
- Management is attempting to reconcile coal-heavy production with ESG expectations through pilot projects like 20% green ammonia co-firing at Mundra and mandatory FGD implementation across the fleet by FY29.
- The demand environment is viewed as robust, with APL aligning itself with "National Energy Security" to ensure long-term relevance in a decarbonizing grid.
- Management Tone: Triumphant, aggressive, and strategically focused. Management has moved from a defensive crouch to an offensive sprint, betting that superior project execution and aggressive capacity expansion will eventually outrun regulatory scrutiny and the "trust gap" created by the lack of a clean audit opinion.

## 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 2024 | Mar 2023 |
|---|---|---|
| Sales - | 50,351.00 | 38,773.00 |
| Sales Growth % | 29.86 | 39.92 |
| Expenses - | 32,124.00 | 28,677.00 |
| Manufacturing Cost % | 60.00 | 70.00 |
| Employee Cost % | 1.00 | 1.00 |
| Other Cost % | 2.00 | 2.00 |
| Operating Profit | 18,228.00 | 10,096.00 |
| OPM % | 36.00 | 26.00 |
| Other Income - | 9,883.00 | 4,216.00 |
| Exceptional items | -4.00 | -39.00 |
| Other income normal | 9,887.00 | 4,254.00 |
| Interest | 3,388.00 | 3,334.00 |
| Depreciation | 3,931.00 | 3,304.00 |
| **Profit before tax** | 20,792.00 | 7,675.00 |
| Tax % | 0.00 | -40.00 |
| **Net Profit -** | 20,829.00 | 10,727.00 |
| Profit from Associates | 0.00 | 0.00 |
| Minority share | 0.00 | 0.00 |
| Exceptional items AT | -4.00 | -39.00 |
| Profit excl Excep | 20,833.00 | 10,765.00 |
| Profit for PE | 20,833.00 | 10,765.00 |
| Profit for EPS | 20,829.00 | 10,727.00 |
| Profit Growth % | 94.00 | 117.00 |
| EPS in Rs | 10.80 | 5.56 |
| Dividend Payout % | 0.00 | 0.00 |

## Balance Sheet (₹Crores)

| Line Item | Mar 2024 | Mar 2023 |
|---|---|---|
| Equity Capital | 3,857.00 | 3,857.00 |
| Reserves | 39,042.00 | 26,019.00 |
| Borrowings - | 34,862.00 | 42,350.00 |
| Long term Borrowings | 26,595.00 | 33,703.00 |
| Short term Borrowings | 7,862.00 | 8,549.00 |
| Lease Liabilities | 159.00 | 97.00 |
| Preference Capital | 431.00 | 169.00 |
| Other Borrowings | -184.00 | -169.00 |
| Other Liabilities - | 14,248.00 | 13,596.00 |
| Non controlling int | 0.00 | 0.00 |
| Trade Payables | 3,609.00 | 3,079.00 |
| Advance from Customers | 5.00 | 33.00 |
| Other liability items | 10,635.00 | 10,484.00 |
| **Total Liabilities** | 92,009.00 | 85,821.00 |
| Fixed Assets - | 63,016.00 | 51,451.00 |
| Land | 2,076.00 | 1,990.00 |
| Building | 2,158.00 | 1,901.00 |
| Plant Machinery | 85,315.00 | 69,793.00 |
| Equipments | 104.00 | 86.00 |
| Computers | 79.00 | 67.00 |
| Furniture n fittings | 40.00 | 35.00 |
| Railway sidings | 675.00 | 480.00 |
| Vehicles | 34.00 | 32.00 |
| Intangible Assets | 191.00 | 191.00 |
| Other fixed assets | 38.00 | 754.00 |
| Gross Block | 90,709.00 | 75,329.00 |
| Accumulated Depreciation | 27,693.00 | 23,878.00 |
| CWIP | 925.00 | 12,880.00 |
| Investments | 374.00 | 654.00 |
| Other Assets - | 27,694.00 | 20,836.00 |
| Inventories | 4,142.00 | 3,075.00 |
| Trade receivables - | 11,677.00 | 11,529.00 |
| Receivables over 6m | 5,644.00 | 0.00 |
| Receivables under 6m | 6,033.00 | 11,529.00 |
| Prov for Doubtful | 0.00 | 0.00 |
| Cash Equivalents | 7,212.00 | 1,874.00 |

| Line Item | Mar 2024 | Mar 2023 |
| --- | --- | --- |
| Loans n Advances | 1,242.00 | 1,394.00 |
| Other asset items | 3,421.00 | 2,964.00 |
| **Total Assets** | 92,009.00 | 85,821.00 |

### Cash Flow Statement (□Crores)

| Line Item | Mar 2024 | Mar 2023 |
| --- | --- | --- |
| Cash from Operating Activity - | 14,170.00 | 8,431.00 |
| Profit from operations | 18,678.00 | 9,860.00 |
| Receivables | -1,738.00 | -2,995.00 |
| Inventory | -1,066.00 | -829.00 |
| Payables | 616.00 | -423.00 |
| Loans Advances | 0.00 | 0.00 |
| Other WC items | -2,261.00 | 2,897.00 |
| Working capital changes | -4,450.00 | -1,351.00 |
| Direct taxes | -57.00 | -79.00 |
| Cash from Investing Activity - | 3,481.00 | 1,545.00 |
| Fixed assets purchased | -2,602.00 | -3,244.00 |
| Fixed assets sold | 1.00 | 1.00 |
| Investments purchased | 0.00 | -458.00 |
| Investments sold | 406.00 | 0.00 |
| Interest received | 9,316.00 | 4,827.00 |
| Issue of shares on acq | 0.00 | 0.00 |
| Redemp n Canc of Shares | 534.00 | 989.00 |
| Acquisition of companies | 0.00 | -727.00 |
| Other investing items | -4,173.00 | 156.00 |
| Cash from Financing Activity - | -16,864.00 | -10,408.00 |
| Proceeds from shares | 129.00 | 566.00 |
| Proceeds from debentures | 0.00 | 0.00 |
| Proceeds from borrowings | 24,568.00 | 21,205.00 |
| Repayment of borrowings | -30,598.00 | -28,148.00 |
| Interest paid fin | -3,431.00 | -3,365.00 |
| Dividends paid | -1,632.00 | -661.00 |
| Financial liabilities | 0.00 | -6.00 |
| Other financing items | -5,900.00 | 0.00 |
| **Net Cash Flow** | 787.00 | -433.00 |
| Free Cash Flow | 11,568.00 | 5,188.00 |
| CFO/OP | 78.00 | 84.00 |

### Key Ratios (□Crores)

| Line Item | Mar 2024 | Mar 2023 |
|---|---|---|
| Debtor Days | 85.00 | 109.00 |
| Inventory Days | 0.00 | 0.00 |
| Days Payable | 0.00 | 0.00 |
| Cash Conversion Cycle | 85.00 | 109.00 |
| Working Capital Days | 16.00 | -6.00 |
| ROCE % | 32.00 | 16.00 |

## 3.2 Financial Analysis Summary

- **Revenue** grew by **29.86%** to **□50,351.00 Cr**, primarily driven by **Revenue from Power Supply**; however, this includes significant one-time regulatory recognitions such as **□4,282.15 Cr** in coal cost claims for Tiroda TPP and **□683.43 Cr** pertaining to prior years, indicating that top-line growth is heavily influenced by retrospective legal settlements.
- **Operating Profit** margins (**OPM %**) expanded significantly from **26.00%** to **36.00%**, aided by a reduction in fuel costs from **70.00%** to **60.00%** of sales and the capitalization of **□214.33 Cr** in expenses into qualifying assets, which deferred P&L impact and supported the **EBITDA** trajectory.
- **Other Income** surged to **□9,883.00 Cr**, dominated by **□8,668.29 Cr** in Late Payment Surcharges (LPS) and carrying costs, which accounted for **41.6%** of **Profit before tax**; while this boosted **Net Profit** to **□20,829.00 Cr**, it represents a non-recurring "quality of earnings" risk.
- **Finance Cost** remained stable at **□3,388.00 Cr** despite a massive debt restructuring where the company consolidated loans into a **□19,700 Cr** SBI-led facility, while **Interest paid** in the **Cash Flow Statement** of **□3,431.00 Cr** was largely offset by a massive **□9,316.00 Cr** in **Interest received** from regulatory dues.
- **Total Debt** (**Borrowings**) decreased from **□42,350.00 Cr** to **□34,862.00 Cr**, leading to a much-improved **Debt / Equity** ratio of **0.81**; this deleveraging was supported by the redemption of **□5,900.00 Cr** in Unsecured Perpetual Securities and the repayment of **□30,598.00 Cr** in borrowings.
- **Trade Receivables** remained flat at **□11,677.00 Cr** despite revenue growth, but a major structural shift occurred as **Receivables over 6m** spiked; the Bangladesh Power Development Board (BPDB) now accounts for **42.17%** of total dues, introducing significant geopolitical and sovereign counterparty risk.
- **Fixed Assets** increased to **□63,016.00 Cr** as **CWIP** was successfully capitalized (dropping from **□12,880.00 Cr** to **□925.00 Cr**), although **□62.25 Cr** of **CWIP** remains stalled for over 3 years due to land acquisition delays in the Raigarh Railway Siding project.
- **Cash from Operating Activity (CFO)** of **□14,170.00 Cr** was significantly lower than **Net Profit** of **□20,829.00 Cr** (**CFO / PAT** of **0.68**), primarily because **Working capital changes** absorbed **□4,450.00 Cr**, driven by a **34.69%** increase in **Inventories** (fuel-in-transit doubling to **□1,360.21 Cr**).
- **Free Cash Flow (FCF)** reached **□11,568.00 Cr**, allowing the company to fund its **Capex** of **□2,602.00 Cr** entirely through internal accruals; however, the **Cash Conversion Cycle** of **85 days** highlights reliance on the collection of old regulatory arrears.
- **ROCE %** doubled to **32.00%** and **ROE %** reached **48.55%**, driven by the expansion in **PAT** margin (**41.37%**) and improved **Asset Turnover**, though these returns are "inflated" by one-time LPS income and a negative effective tax rate due to the recognition of **□376.34 Cr** in **Deferred Tax** assets.
- **Other Assets** were impacted by **Capital Advances** rising to **□946.57 Cr**, while **Other Liabilities** saw a reduction in coal procurement provisions from **□3,046.98 Cr** to **□1,515.88 Cr**, directly benefiting the bottom

line. **Other Expenses** were inflated by ₹**164.53 Cr** in supplier advances provided for and ₹**89.40 Cr** in contract relinquishment charges.

- Adani Power’s FY 2024 performance reflects a transition toward a stronger **Balance Sheet** through massive deleveraging and regulatory debt recovery, yet the high reliance on non-operational **Other Income** (LPS) and the emerging sovereign risk concentration in Bangladesh pose sustainability challenges to its current high-margin profile.

### 3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** ₹1,844.60 Cr, primarily linked to the overdue Railway Siding project for Raigarh TPP.
- **Regulatory Uncertainty:** A major "off-balance sheet" risk involves a ₹1,172.69 Cr energy charge refund sought by GUVNL; while a provisional adjustment was made, the final settlement is pending.
- **Tax & Duty Risks:** Potential retrospective liability regarding "Mega Power Status." If conditions are not met within 156 months, the company may be required to pay previously exempted customs and excise duties.
- **Litigation:** Revenue recognition for regulatory claims is based on "best management estimates," introducing subjectivity and potential for future truing-up adjustments.

### 3.9 Earnings Quality & Forensic Checks

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| 1 | PAT vs CFO trend | Profit ↓ — earnings overstate cash | □ | PAT □20,829 Cr vs CFO □14,170 Cr. | Note 34(i): LPS/Carrying Cost accounts for 41.6% of PBT, representing regulatory catch-up rather than cash generation. |
| 2 | Receivables & channel-stuffing signal | Revenue ↑ — aggressive collection | □ | Receivables □11,677 Cr (FY24) vs □11,529 Cr (FY23). | Note 11(ii): Significant collection of old dues from Discoms, though BPDB concentration risk surged to 42.17%. |
| 3 | Revenue timing | Revenue ↑ — retrospective recognition | □ | Revenue includes □683.43 Cr from prior years. | Note 33(v): Reliance on "best management estimates" for regulatory claims introduces future truing-up risk. |
| 4 | Revenue from related parties % | Revenue ↑ — inorganic boost | □ | Gain on sale of investment: □232.90 Cr. | Note 33(vii): Sale of subsidiaries to AdaniConnex (JV) used to support P&L performance. |
| 5 | Inventory vs revenue growth | Profit ↓ — inventory build | □ | Inventory □4,142 Cr (FY24) vs □3,075 Cr (FY23). | Note 9: Fuel-in-transit doubled to □1,360 Cr, indicating supply chain bottlenecks or strategic coal stockpiling. |
| 6 | Inventory valuation method change | Neutral — consistent policy | □ | No change reported in FY24. | Accounting Policy 2.3.j: Weighted average cost method used consistently for fuel and stores. |
| 7 | Exceptional items in operating profit | Profit ↑ — minimal impact | □ | Exceptional items: -□4 Cr (FY24) vs -□39 Cr (FY23). | P&L Statement: Exceptional items are negligible relative to the □18,228 Cr operating profit. |
| 8 | Depreciation rate vs useful life policy | Profit ↑ — life extension | □ | Depreciation □3,931 Cr on Gross Block of □90,709 Cr. | Note 2.3.a: Useful lives based on technical evaluation; changes in "life extension plans" could volatilely impact future charges. |
| 9 | Provision reversals boosting PAT | Profit ↑ — liability reduction | □ | Other current liabilities (coal) fell from □3,046 Cr to □1,515 Cr. | Note 30(i): Reduction in provisions for additional coal costs directly benefits the bottom line. |
| 10 | Tax rate consistency + cash tax vs P&L tax | Profit ↑ — non-cash tax credit | □ | Tax rate 0% (FY24) vs -40% (FY23); Cash tax only □57 Cr. | Note 39: Recognition of □376.34 Cr Deferred Tax Assets based on future profit projections inflates current PAT. |
| 11 | CWIP age and stalling projects | Neutral — execution risk | □ | CWIP □925 Cr; □62.25 Cr older than 3 years. | Note 4.1(xi): Raigarh Railway Siding project delayed due to land acquisition; poses risk of future cost overruns. |
| 12 | Deferred tax asset recognition adequacy | Profit ↑ — aggressive accounting | □ | Deferred Tax Assets: □376.34 Cr. | Auditor's KAM: High subjectivity in probability of future taxable profits to utilize recognized DTAs. |
| 13 | RPT quantum and trend | Profit ↑ — balance sheet support | □ | Sale of investments to RPs: □536.22 Cr. | Note 19(vii): Previous □1,073 Cr ECB waiver by RPs treated as "Deemed Equity" to strengthen solvency. |
| 14 | Dividend paid vs FCF adequacy | Neutral — cash conservation | □ | FCF □11,568 Cr; Dividend Payout 0%. | Cash Flow: □30,598 Cr used for debt repayment, indicating a focus on deleveraging over shareholder payouts. |
| 15 | Auditor Qualification on SEBI Probe | Neutral — legal uncertainty | □ | Qualified Opinion maintained in FY24. | Note 73: Auditors unable to comment on effects of ongoing SEBI investigations regarding RPT compliance. |

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| 16 | Sovereign Concentration Risk | Revenue ↑↓ — counterparty risk | □ | BPDB dues at 42.17% of receivables. | Note 11(ii): Extreme shift from 1.27% to 42.17% concentration in Bangladesh introduces geopolitical volatility. |

# 4. MANAGEMENT & GOVERNANCE

## A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** ***Qualified Opinion***
- **Basis for Qualification:** ***Pending SEBI Investigations***. The auditors (S R B C & Co LLP) remain unable to comment on the potential effects of ongoing SEBI investigations and Supreme Court proceedings regarding the group's compliance with related party transaction (RPT) regulations and the Companies Act.
- **KAM 1: Revenue Recognition (Regulatory Matters):** High degree of subjectivity in estimating claims under litigation or "Change in Law." Management relies on legal opinions and Supreme Court precedents to recognize income before final cash realization.
- **KAM 2: Impairment of PPE:** Carrying value of power assets is sensitive to assumptions regarding long-term tariffs and coal prices. Management uses DCF models based on technical life assessments of 25 years.
- **KAM 3: Deferred Tax Assets (DTA):** Assessment of the probability of future taxable profits required to utilize □376.34 Cr of DTA. Management provided projections based on long-term PPAs.

## B. Related Party Transactions

| Party | Relationship | Nature | Amount (□Cr) | Concern |
|---|---|---|---|---|
| ***AdaniConnex Pvt Ltd*** | Joint Venture | ***Sale of Investment (Subsidiaries)*** | 536.22 Cr | ***P&L Augmentation via Asset Churning*** |
| Adani Global DMCC | Group Entity | Receivables from Related Parties | 376.01 Cr | Counterparty Exposure |
| ***S.B. Adani Family Trust*** | Promoter Group | ***Redemption of Perpetual Securities*** | 5,900.00 Cr | ***Liquidity Outflow to Promoters*** |
| Emerging Market Investment DMCC | Group Entity | Waiver of Interest-free ECBs | 0.00 Cr (PY: 1,073) | Prior year balance sheet support |

- **Note 33(vii):** The sale of Innovant Buildwell and Aviceda Infra Park to AdaniConnex provided a □232.90 Cr boost to operating revenue.
- **Note 18(ii):** The redemption of □5,900.00 Cr in Unsecured Perpetual Securities represents a massive cash transfer to the promoter group, though it eliminates future high-cost distribution obligations of 9% to 10.67%.

## C. Shareholding

| Category | Mar 2024 (%) | Mar 2023 (%) |
|---|---|---|
| **Promoter** | 71.75 | 74.97 |
| FII | 15.86 | 11.70 |
| DII | 0.14 | 0.01 |
| Public | 12.25 | 13.32 |

## D. Board Composition + KMP Compensation

- **Total Directors:** 6 | **Independent %:** 50.0% | **Women Directors:** 2 (Mrs. Chandra Iyengar and Mrs. Sangeeta Singh).
- **KMP Compensation:**
  - S. B. Khyalia (CEO): □11.21 Cr (0% YoY)
  - Shailesh Sawa (CFO): □10.70 Cr (7.97% YoY)
  - **Gautam S. Adani** (Chairman) & **Rajesh S. Adani** (Director): □0.00 Cr (Same family, zero remuneration).
- **Analysis:** Total KMP compensation grew significantly slower than Operating Profit (80.55% growth). The CEO pay ratio to median employee pay is 48.94:1.

## F. Capital Allocation & Capex

| Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal |
|---|---|---|---|---|
| **Capex** | 2,602.00 Cr | 3,244.00 Cr | 18.36% | □ |
| ***Redemption of Perpetual Securities*** | 5,900.00 Cr | 0.00 Cr | 41.64% | □ |
| **Net Debt Change** | -7,488.00 Cr | -6,795.00 Cr | -52.84% | **Positive** |
| ***Interest Payments*** | 3,431.00 Cr | 3,365.00 Cr | 24.21% | □ |

- **CFO Coverage of Capex:** Strong coverage at **5.44x**; generating massive surplus cash to fund growth.
- **Nature of Capex:** Transitioning toward brownfield expansion using Ultra-supercritical technology.
- **Deployment Efficiency:** Revenue grew 29.86% while Gross Block grew 20.42%, indicating efficient integration of new capacity (Godda).
- **Key Takeaways:** Primary allocation of □14,170 Cr CFO was toward **debt reduction** and the **redemption of □5,900 Cr in perpetual securities**, signaling a shift toward a cleaner balance sheet.

## H. Risks

- ***Regulatory/Litigation (High):*** Threats from overturning favorable regulatory orders (e.g., □1,172.69 Cr GUVNL matter).
- ***Geopolitical/Counterparty (High):*** **42.17% of receivables** now due from Bangladesh Power Development Board; high sovereign/currency risk.
- ***Audit Qualification (High):*** Ongoing SEBI investigation into RPTs; risk of restatement or penalties.
- ***Commodity Price (Medium):*** 26% of capacity lacks fuel cost recovery assurance, exposing margins to coal spikes.
- ***Project Execution (Low):*** Raigarh Railway Siding project delayed >3 years (□62.25 Cr CWIP).

## 5. SCORECARD & VERDICT

### Part A: Scorecard

| Dimension | Rating (1–5) | Delta | Key Evidence | One-line Rationale |
|---|---|---|---|---|
| Business Quality | 4 | → | 85% PPA coverage; 24GW roadmap | Strong moat in thermal baseload with high-grade technology. |
| Financial Health | 4 | ↑ | D/E 0.81x; Interest Coverage 6.14x | Massive deleveraging and successful debt restructuring. |
| Earnings Quality | 2 | ↓ | LPS = 41.6% of PBT; CFO/ PAT 0.68 | High reliance on non-cash regulatory accruals and DTA. |
| Management & Governance | 2 | → | Qualified Audit Opinion; SEBI Probe | Persistent transparency risks and high RPT complexity. |
| Capital Allocation & Earnings Visibility | 4 | ↑ | FCF □11,568 Cr; Godda commissioned | Disciplined debt reduction and visible growth pipeline. |

**BUSINESS POSITIVES (for this company this year)** * □**Deleveraging:** Total Borrowings reduced by **□7,488 Cr**, bringing D/E down to **0.81x**. * □**Operational Scale:** Revenue grew **29.86%** to **□50,351 Cr** following the commissioning of the Godda plant. * □**Cash Flow Strength:** Generated **□11,568 Cr** in Free Cash Flow, covering all capex internally. * □**Margin Expansion:** OPM improved to **36%** due to lower fuel costs and efficient asset utilization. * □**Strategic Growth:** Clear roadmap to **24.3 GW** by FY29 through brownfield and NCLT acquisitions.

**BUSINESS NEGATIVES / CONCERNS (for this company this year)** * □**Audit Qualification:** Statutory auditors maintained a **qualified opinion** due to ongoing SEBI investigations. * □**Earnings Quality: 41.6% of PBT** (□8,668 Cr) is derived from non-cash Late Payment Surcharges. * □**Counterparty Risk: 42.17% of receivables** are now concentrated with the Bangladesh Power Development Board. * □**RPT Complexity:** Strategic sale of subsidiaries to JVs provided a **□232.90 Cr** P&L boost. * □**Tax Distortion:** PAT was boosted by a **□376.34 Cr** non-cash Deferred Tax Asset recognition.

**OVERALL SCORECARD SUMMARY** Adani Power has significantly strengthened its financial profile through aggressive deleveraging and the successful commissioning of major assets like the Godda plant. While the balance sheet is at its healthiest in years and operational cash flows are robust, the quality of reported earnings remains heavily reliant on one-time regulatory catch-ups and non-cash accruals. Governance remains the primary overhang, characterized by a persistent audit qualification and complex related-party transactions. The business is on a stable-to-improving financial trajectory, but the "trust gap" regarding regulatory compliance remains unresolved.

## Part B: Governance Check Matrix

| # | Check | Status | Evidence |
|---|---|---|---|
| 1 | Audit opinion clean? | □ | Qualified opinion due to SEBI investigation. |
| 2 | Promoter pledge = 0? | □ | Group history suggests monitoring; not explicitly zero. |
| 3 | KMP pay < 5% of PAT? | □ | Total KMP pay is < 0.2% of PAT. |
| 4 | RPT quantum < 5% of revenue? | □ | Calculated at 1.81% of revenue. |
| 5 | Board > 50% independent? | □ | 50% (3 of 6 directors). |
| 6 | At least 1 woman director? | □ | 2 woman directors present. |
| 7 | No statutory dues outstanding? | □ | No major defaults reported. |
| 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: 8/10 □— Governance Rating: 3** | | | |

## Part C: Investor Verdict

**THESIS:** Adani Power is a deleveraging thermal utility giant transitioning into an aggressive growth phase, backed by strong operational cash flows but shadowed by persistent governance and geopolitical risks. **OVERALL STANCE:** WATCH **RATIONALE:** While financial metrics have improved drastically, the high reliance on non-cash regulatory income and the 42% receivable concentration in Bangladesh require monitoring. **RE-EVALUATE WHEN:** SEBI investigation concludes OR Bangladesh receivable concentration drops below 20%. **BULL CASE:** Successful integration of Lanco/Coastal Energen assets adding 4.2 GW of capacity with immediate PPA tie-ups. **BEAR CASE:** Adverse SEBI findings leading to financial restatements OR sovereign default/payment freeze by Bangladesh. **KEY MONITORABLE:** Receivables from BPDB: 42.17% → Watch threshold > 50%.

# 7. YEAR-OVER-YEAR ANALYSIS

## 7.1 Changes

| Metric / Theme | Summary A Status (FY 2023) | Summary B Status (FY 2024) | Forensic Takeaway |
|---|---|---|---|
| **Capital Allocation Strategy** | Deleveraging and consolidation focus. | Aggressive capacity growth (24.3 GW roadmap). | Management has pivoted from defensive survival to an offensive, high-growth expansion phase. |
| **Margin Trajectory (OPM %)** | 26.00% | 36.00% | Profitability surged due to a 10% drop in fuel costs and massive one-time regulatory recognitions. |
| **Working Capital Risk** | 93.8% receivables from domestic Discoms. | 42.17% receivables from Bangladesh (BPDB). | The company has traded domestic collection delays for high-stakes geopolitical sovereign risk. |
| **Balance Sheet Structure** | ₹12,880 Cr in CWIP; ₹13,215 Cr in Perpetual Debt. | ₹925 Cr in CWIP; ₹5,900 Cr Perpetual Debt redeemed. | The balance sheet was aggressively cleaned by capitalizing projects and removing "hidden" leverage. |
| **Management Tone** | Defensive and transition-oriented. | Triumphant, aggressive, and "stronger than ever." | Leadership is signaling a return to market dominance to rebuild institutional investor credibility. |
| **Earnings Quality Driver** | Inflated by ₹2,499 Cr non-cash deferred tax credits. | Inflated by ₹8,668 Cr non-cash Late Payment Surcharges. | The source of non-cash profit shifted from accounting tax adjustments to retrospective regulatory accruals. |

## 7.2 Persistent Patterns

- **Qualified Audit Opinion:** Auditors remain unable to verify the integrity of related party transactions or legal compliance due to the **ongoing SEBI investigation**.
- **Earnings Quality Gap:** PAT consistently exceeds CFO (CFO/PAT at 0.68 in FY24), indicating that a **significant portion of reported profit is not realized in cash**.
- **Project Execution Bottlenecks:** The Raigarh Railway Siding project remains stalled for **over three years** due to land acquisition issues, posing a persistent impairment risk.
- **Promoter Compensation Behavior:** The Chairman and Directors continue to draw **zero salary**, a recurring trait that optically supports KMP-to-median pay ratios.
- **Regulatory Subjectivity:** Revenue recognition remains heavily dependent on **"best management estimates"** regarding Change in Law claims and court outcomes.
- **High Asset Sweating:** The company consistently maintains high operational efficiency, driving **significant revenue growth** on a relatively static or newly commissioned asset base.
- **Related Party Complexity:** Despite shifts in volume, the ecosystem relies on **complex asset churning** (e.g., selling subsidiaries to JVs) to support P&L performance.

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*v5-Gemini | 159 pages | 175 chunks*