Adani Power Ltd — FY 2026 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 with 18.15 GW base and 99.5% PPA coverage, providing a stable, bond-like revenue floor with minimal merchant exposure.**	□Positive
2	Revenue declined 3.49% YoY to □54,241 Cr, reflecting a transition phase as the company pivots toward a massive 42 GW hyper-expansion roadmap.	□Neutral
3	**Industry-leading operational efficiency with 37% OPM and successful turnaround of the 600 MW Butibori plant, utilizing ultra-supercritical technology.**	□Positive
4	***Net profit of 12,971 Cr was supported by 1,137.91 Cr in capitalized interest and lower taxes, masking a deterioration in core return ratios (ROCE fell to 17% from 23%).***	□Negative
5	***Total debt surged to 54,670 Cr, including a new 7,500 Cr NCD issuance, as the company shifts from a self-funding model to a debt-reliant growth phase.***	□Negative
6	**Operating cash flow remains robust at □20,514 Cr (CFO/PAT of 1.58), enabling the full redemption of □3,056.92 Cr in high-cost perpetual securities.**	□Positive
7	***Free Cash Flow turned negative at - 2,817 Cr due to a massive 23,350 Cr capex outlay, ending the company's recent cycle of deleveraging.***	□Negative
8	***Capital Work-in-Progress (CWIP) exploded 190% to 35,053 Cr, with 4,565 Cr aged over three years, posing significant impairment risks if commissioning stalls.***	□Negative
9	***Governance profile is mixed; while the Adani family draws zero remuneration, related-party receivables spiked from 4.54% to 12.05% of the total.***	□Negative
10	***High concentration risk persists with 85.44% of receivables tied to State Discoms and Bangladesh, the latter representing a geopolitical threat to 42% of cash flow.***	□Negative
11	Outlook depends on the timely execution of the 12.5 GW pipeline and a strategic pivot toward nuclear energy to hedge against long-term carbon risks.	□Neutral
12	Investment Stance: WATCH; monitor for CWIP/Gross Block falling below 20% and Bangladesh receivable aging exceeding 180 days.	□Neutral

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments & Capacity:** Adani Power Ltd (APL) is India’s largest private thermal power producer with a current operational base of **18.15 GW**. The company has officially raised its long-term capacity target to **~42 GW by FY 2031-32**, representing a 2.3x planned expansion.
- **Revenue Drivers:** Transitioning toward a stable utility model by reducing merchant power exposure from **~10% to ~0.5%**, locking almost all capacity into long-term Power Purchase Agreements (PPAs). Revenue is also driven by regulatory "Change in Law" and "Force Majeure" claims.

- **Cost Drivers:** Major costs include fuel (coal), manufacturing expenses (54% of sales), and finance costs. The company is aggressively targeting a reduction in the **Man/MW ratio from 0.23 to 0.13** through automation and a cluster-based O&M model.
- **Industry Position & Technology:** Positioning as a "baseload" provider for India's growth. All new builds utilize **Ultra-supercritical technology** (efficiency >45% vs. ~32% for older plants) to hedge against future carbon taxes.
- **Expansion & Acquisitions:** Growth is driven by both greenfield projects and inorganic acquisitions. The successful revival of the **600 MW Butibori (VIPL)** plant via NCLT serves as a proof-of-concept for its "turnaround alpha" strategy.
- **Geographical Presence:** Operates major clusters across India (Mundra, Tiroda, Kawai, Korba) and an international plant at Godda supplying power to Bangladesh.
- **Digital Moat:** Implementation of **Project Drishti** (real-time monitoring) and **Project Darpan** (fuel management) to eliminate forced outages and performance gaps.

2. MANAGEMENT COMMENTARY & OUTLOOK

- **Strategic Shift:** Management has pivoted from a "deleveraging" phase to an "aggressive dominance" phase, targeting 42 GW capacity to support India's $30 trillion GDP ambition.
- **Operational Reorganization:** The fleet is now managed via **five O&M clusters (G1–G5)** to standardize maintenance and institutionalize "Adani-style" execution across dispersed geographies.
- **Nuclear Diversification:** For the first time, management has explicitly mentioned advancing the adoption of **nuclear energy** and diversifying into nuclear projects to remain relevant in a Net Zero 2070 framework.
- **Supply Chain & ESG:** Shifting toward **100% ESG screening for suppliers** and achieving **113% ash utilization** to mitigate regulatory risks and lower the cost of capital through improved ESG ratings (S&P Global CSA score of 69).
- **Growth Guidance:** Focus remains on Ultra-supercritical thermal expansion as the essential baseload, with a heavy reliance on "Execution-led growth" to decouple capacity additions from headcount growth.
- **M&A Strategy:** APL continues to scout for stressed assets via the NCLT route, leveraging its ability to synchronize acquired units within months of acquisition.
- **Regulatory Stance:** Management prioritizes "regulatory enforcement" through litigation to realize disputed claims, viewing the "rule of law" as the primary mechanism for economic restitution.
- **Management Tone: Aggressively Confident & Institutionalized.** The narrative has matured from a family-run conglomerate to a digitally-driven infrastructure giant, emphasizing systems, AI, and clusters. While a gap exists between "Net Zero" rhetoric and "42 GW Thermal" reality, management frames thermal as the indispensable bridge to India's future energy needs.

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 2026	Mar 2025
Sales -	54,241.00	56,203.00
Sales Growth %	-3.49	11.62
Expenses -	34,434.00	34,785.00
Material Cost % -	0.00	0.00
Raw material cost	210.00	0.00
Manufacturing Cost %	54.00	58.00
Employee Cost %	2.00	1.00
Other Cost %	8.00	3.00
Operating Profit	19,806.00	21,418.00
OPM %	37.00	38.00
Other Income -	3,625.00	2,590.00
Exceptional items	0.00	-16.00
Other income normal	3,625.00	2,606.00
Interest	3,367.00	3,340.00
Depreciation	4,565.00	4,309.00
Profit before tax	15,500.00	16,360.00
Tax %	16.00	22.00
Net Profit -	12,971.00	12,750.00
Profit from Associates	0.00	0.00
Minority share	-137.00	189.00
Exceptional items AT	0.00	-12.00
Profit excl Excep	12,971.00	12,762.00
Profit for PE	12,834.00	12,951.00
Profit for EPS	12,834.00	12,939.00
Profit Growth %	-1.00	-38.00
EPS in Rs	6.66	6.71
Dividend Payout %	0.00	0.00

Balance Sheet (₹Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	3,857.00	3,857.00
Reserves	61,080.00	52,490.00
Borrowings -	54,670.00	39,495.00
Long term Borrowings	42,830.00	27,647.00
Short term Borrowings	10,726.00	10,688.00
Lease Liabilities	1,115.00	1,160.00
Preference Capital	0.00	139.00
Other Borrowings	0.00	-139.00
Other Liabilities -	22,673.00	17,076.00
Non controlling int	1,465.00	1,326.00
Trade Payables	2,841.00	2,978.00
Advance from Customers	0.00	21.00
Other liability items	18,367.00	12,750.00
Total Liabilities	142,280.00	112,918.00
Fixed Assets -	69,401.00	69,297.00
Land	0.00	4,103.00
Building	0.00	2,978.00
Plant Machinery	0.00	92,737.00
Equipments	0.00	124.00
Computers	0.00	97.00
Furniture n fittings	0.00	45.00
Railway sidings	0.00	682.00
Vehicles	0.00	43.00
Intangible Assets	233.00	205.00
Other fixed assets	0.00	98.00
Gross Block	0.00	101,110.00
Accumulated Depreciation	0.00	31,813.00
CWIP	35,053.00	12,104.00
Investments	1,516.00	1,097.00
Other Assets -	36,309.00	30,418.00
Inventories	3,623.00	3,317.00
Trade receivables -	11,791.00	13,022.00
Receivables over 6m	0.00	6,551.00
Receivables under 6m	0.00	6,471.00
Prov for Doubtful	0.00	0.00
Cash Equivalents	6,926.00	6,120.00

Line Item	Mar 2026	Mar 2025
Loans n Advances	709.00	1,057.00
Other asset items	13,259.00	6,902.00
Total Assets	142,280.00	112,918.00

Cash Flow Statement (Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	20,514.00	21,501.00
Profit from operations	20,858.00	21,950.00
Receivables	1,370.00	-342.00
Inventory	-234.00	1,313.00
Payables	-182.00	-880.00
Loans Advances	0.00	0.00
Other WC items	-1,401.00	-531.00
Working capital changes	-447.00	-440.00
Direct taxes	102.00	-8.00
Cash from Investing Activity -	-26,461.00	-17,142.00
Fixed assets purchased	-23,350.00	-11,559.00
Fixed assets sold	19.00	15.00
Investments purchased	-460.00	-626.00
Investments sold	137.00	0.00
Interest received	1,340.00	884.00
Investment in group cos	-24.00	0.00
Issue of shares on acq	0.00	0.00
Redemp n Canc of Shares	0.00	0.00
Acquisition of companies	-3,965.00	-5,581.00
Other investing items	-158.00	-275.00
Cash from Financing Activity -	6,555.00	-5,175.00
Proceeds from shares	0.00	50.00
Proceeds from debentures	0.00	100.00
Redemption of debentures	-269.00	0.00
Proceeds from borrowings	20,500.00	6,356.00
Repayment of borrowings	-6,516.00	-2,852.00
Interest paid fin	-4,092.00	-3,408.00
Dividends paid	0.00	-840.00
Financial liabilities	-7.00	-23.00
Other financing items	-3,061.00	-4,558.00
Net Cash Flow	608.00	-816.00
Free Cash Flow	-2,817.00	9,957.00
CFO/OP	103.00	100.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	79.00	85.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	79.00	85.00
Working Capital Days	10.00	18.00
ROCE %	17.00	23.00

3.2 Financial Analysis Summary

- **Revenue** declined by **3.49%** to **₹54,241 Cr**, primarily impacted by high customer concentration risk where **85.44%** of **Trade Receivables** are tied to State Discoms and the Bangladesh Power Development Board.
- **EBITDA** margin remained resilient at **43.20%**, supported by the capitalization of **₹1,137.91 Cr** in **Finance Cost** and **₹34.21 Cr** in **Depreciation** related to active construction projects, which kept these expenses off the **Income Statement**.
- **Net Profit** grew slightly to **₹12,971 Cr**, yielding a **PAT** margin of **23.91%**, aided by a non-cash **Other Income** credit of **₹400.31 Cr** from the amortization of Government Grants and a reduction in the effective tax rate to **16%**.
- **Trade Receivables** decreased to **₹11,791 Cr**, improving **Debtor Days** to **79**; however, interest accrued on these receivables spiked **128%** to **₹1,039.65 Cr**, signaling significant collection delays from Discoms.
- **Total Debt** surged to **₹54,670 Cr** from **₹39,495 Cr**, driven by a **₹20,500 Cr** inflow in **Proceeds from borrowings** to fund a massive expansion phase, resulting in a **Debt/Equity** ratio of **0.84**.
- **CWIP** exploded by **190%** to **₹35,053 Cr**, with **₹4,565.45 Cr** classified as "aged" (>3 years), primarily related to the Korba acquisition, posing a potential impairment risk to **Total Assets**.
- **CFO** remained strong at **₹20,514 Cr**, representing a high **CFO/PAT** ratio of **1.58**, but was entirely consumed by a massive **Capex** of **₹23,350 Cr**, leading to a negative **FCF** of **-₹2,817 Cr**.
- **Capital Allocation** shifted as the company fully redeemed **₹3,056.92 Cr** of high-cost Unsecured Perpetual Securities and replaced them with **₹7,500 Cr** of secured NCDs, moving away from promoter-group funding.
- **ROCE** deteriorated from **23%** to **17%** as the **Balance Sheet** expanded rapidly through **CWIP** and **Total Debt** without immediate **Revenue** contribution from new projects, leading to a drop in **Asset Turnover** to **0.38**.
- **Working Capital** efficiency improved with **Working Capital Days** dropping to **10**, although **Other Assets** jumped to **₹36,309 Cr**, including **₹7,211.45 Cr** in capital advances for land and projects that are currently non-earning.
- **Related Party Transactions** show a rising trend with **Trade Receivables** from related parties increasing from **4.54%** to **12.05%** of the total, indicating potential group-level liquidity support.
- **Other Expenses** and **Finance Costs** totaling **₹3,895.40 Cr** were diverted to the **Balance Sheet** via capitalization in **CWIP**, which protects current **PAT** but creates a high-stakes dependency on timely commissioning.
- **Other Liabilities** increased to **₹22,673 Cr**, driven by **Other liability items** of **₹18,367 Cr**, reflecting the scale of the ongoing expansion and project-related obligations.
- The dominant financial theme of the year is a **high-stakes transition from a self-funding utility to a debt-reliant hyper-expansion engine**, where current profitability is protected by aggressive expense capitalization while the balance sheet is being re-leveraged to fund a 42 GW roadmap.

3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** Capital advances nearly doubled to **₹7,211.45 Cr**, primarily for land acquisition and new projects, representing "locked" cash not yet generating returns.
- **Litigation:** The acquisition of Coastal Energen (CEPL) is currently under litigation at the NCLAT/Supreme Court; an adverse ruling could force the de-consolidation of the 1,200 MW plant.
- **Regulatory Disputes: 95.22%** of receivables (₹12,399 Cr) were historically tied to estimated claims; while the current balance is lower, the reliance on "Change in Law" and "Force Majeure" estimates remains a persistent risk.
- **Liquidity Restrictions:** A massive **₹5,981.48 Cr** is held as margin money/DSRA, providing a buffer for lenders but restricting free cash usage for operations.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — high earnings quality; CFO of □20,514 Cr exceeds PAT of □12,971 Cr by 58%.	□	PAT □12,971 Cr; CFO □20,514 Cr	CFO/OP ratio at 103% indicates strong cash conversion of operating profits.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — collection risk; receivables fell 9.4% while sales fell only 3.5%, improving efficiency.	□	Receivables □11,791 Cr vs □13,022 Cr; Sales -3.49%	Debtor days improved from 85 to 79; however, interest accrued on dues spiked 128%.
3	Revenue timing (unbilled/ advances)	Revenue ↑ — aggressive recognition; "Change in Law" claims recognized on management estimates before final orders.	□	Note 3(p)(i) & 3(vi)	Revenue includes accruals for disputed claims based on "best management estimates" (p.308).
4	Revenue from related parties %	Revenue ↑↓ — concentration risk; related party receivables jumped from 4.54% to 12.05% of total.	□	RP Receivables □1,420.86 Cr (FY26)	Sharp increase in group-entity dues suggests potential liquidity support to related parties (p.319).
5	Inventory vs revenue growth	Profit ↓ — minor drag; inventory rose 9.2% (□306 Cr) despite a 3.5% decline in sales.	□	Inventory □3,623 Cr vs □3,317 Cr	Fuel inventory and stores/ spares increased; inventory days remain low for the sector.
6	Inventory valuation method change	Neutral — consistency maintained; FIFO used for coal and Weighted Average for other stores/spares.	□	Note 2.3(i)	No change in policy; standard industry practice for mixed inventory types (p.306).
7	Exceptional items in operating profit	Neutral — clean operating profit; no exceptional items reported in FY26 compared to □16 Cr in FY25.	□	Exceptional items: □0 (FY26)	Operating profit of □19,806 Cr is purely from core operations and other normal income.
8	Depreciation rate vs useful life policy	Profit ↑ — aggressive accounting; useful lives of 25–40 years exceed standard Schedule II rates.	□	Note 2.3(a)	Slower depreciation schedule supports higher reported PAT compared to conservative peers (p.304).
9	Provision reversals boosting PAT	Profit ↑ — non-cash boost; □400.31 Cr credit from Govt. Grant amortization offsets gross depreciation.	□	Note 4.1(iii)	Amortization of deferred income (grants) acts as a recurring non-cash credit to P&L (p.314).
10	Tax rate consistency	Profit ↑ — tax shield; effective tax rate dropped to 16% from 22% in previous year.	□	Tax %: 16% (FY26) vs 22% (FY25)	Cash tax paid (□102 Cr) is significantly lower than P&L tax provision, indicating high deferrals.
11	CWIP age and stalling projects	Profit ↑ — cost deferral; □4,565 Cr in CWIP is aged >3 years, risking future impairment.	□	CWIP □35,053 Cr; Note 4.1(viii)	190% YoY CWIP explosion; □1,137 Cr interest capitalized, keeping costs off the P&L (p.314).
12	Deferred tax asset recognition	Neutral — standard treatment; tax rate volatility driven by timing differences and project-linked deductions.	□	P&L Tax: □2,529 Cr (calc.)	Management continues to recognize DTA based on virtual certainty of future taxable profits.
13	RPT quantum and trend	Revenue ↑↓ — structural shift; redeemed □3,056 Cr perpetual	□	Note 21(ii)	Shift from promoter-group "quasi-equity" to external

#	Check	Impact	Status	Evidence	Notes Detail
		securities held by promoters, shifting to NCDs.			market-based debt (NCDs) (p.323).
14	Dividend paid vs FCF adequacy	Neutral — cash conservation; zero dividends paid as FCF turned negative due to massive capex.	□	FCF: -□2,817 Cr; Dividend: 0%	Negative FCF driven by □23,350 Cr capex; cash conserved for hyper-expansion phase.
15	Auditor KAM: Regulatory Estimates	Revenue ↑ — significant judgment; auditor highlighted reliance on "best estimates" for Change in Law claims.	□	Note 3(p)(i)	Accrual of income before final judicial finality introduces risk of future reversals.
16	Interest Capitalization Impact	Profit ↑ — expense deferral; □1,137.91 Cr of finance costs capitalized in FY26 vs □146.27 Cr in FY25.	□	Note 4.1(vii)	Massive increase in capitalized interest temporarily boosts P&L margins during construction.
17	Related Party Receivable Spike	Neutral — liquidity shift; receivables from group entities increased by 140% YoY.	□	Note 12(ii)	Potential group-level liquidity support through APL's balance sheet.
18	Collateral Encumbrance	Neutral — financial risk; new □7,500 Cr NCDs secured by almost all major power plants.	□	Note 24(1)(a)(iii)	Leaves the company with zero unencumbered collateral for future emergencies.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters - **Audit Opinion Type: Unqualified Opinion**. - **KAM 1: Revenue Recognition (Regulatory Matters):** Auditor noted significant judgment in estimating "Change in Law" and "Force Majeure" claims. Management relies on "best estimates" and "principles of economic restitution." The auditor focused on the "reasonable certainty" of collection from Discoms and the validity of accruals pending final judicial orders. - **KAM 2: Impairment of PPE & CWIP:** Carrying value of 69,401.00 Cr in Fixed Assets and 35,053.46 Cr in CWIP is sensitive to assumptions on long-term tariffs, coal prices, and PLF. Auditor focused on DCF models for Mundra and the recoverability of aged CWIP at Korba. - **KAM 3: Classification of Receivables:** Management exercises judgment in classifying disputed regulatory dues as "undisputed" based on the "rule of law" established in similar cases. This affects Expected Credit Loss (ECL) provisioning and aging optics. - **Emphasis of Matter:** Note 3(xiv) highlights the acquisition of Coastal Energen (CEPL) which is currently under litigation at the NCLAT/Supreme Court; adverse rulings could impact consolidation. - **Auditor Status:** 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 Group*** | Promoter | ***Redemption of Perpetual Securities*** | 3,056.92 Cr | ***Massive cash drain to promoters (p.323)*** | | ***Promoter Group*** | Promoter | ***Distributions on Perpetual Securities*** | 1,385.12 Cr | ***Cash leakage via interest-like payments (p.323)*** | | ***Related Parties*** | Group Entities | ***Receivables from Related Parties*** | 1,420.86 Cr | ***140.33% YoY increase; potential group support (p.319)*** | | Adani Infra (India) | Group Entity | Capital Advances | Not disclosed | Potential tunneling via project management fees |

RPT Verdict: Monitor □While the removal of perpetual securities "cleans" the balance sheet of quasi-debt, the scale of cash outflow (4,442.04 Cr) and the sharp spike in receivables from group entities (up from 4.54% to 12.05% of total receivables) suggest APL's cash flow is being utilized to support group-level liquidity.

C. Shareholding | Category | Mar 2026 (%) | Mar 2025 (%) | |:---|---:|---:| | **Promoter** | 71.75 | 71.75 | | FII | 15.86 | 15.86 | | DII | 0.14 | 0.14 | | Public | 12.25 | 12.25 |

D. Board Composition + KMP Compensation - **Total Directors:** 6 | **Independent %:** 50% (3 of 6) | **Women Directors:** 2. - **KMP Compensation:** Gautam Adani (Chairman) and Rajesh Adani (Director) draw **0.00 Cr** remuneration. - **YoY Analysis:** Zero family pay improves governance optics and lowers the KMP/EBITDA ratio. CEO S.B. Khyalia's prior rem was 15.13 Cr; current year detail is not explicitly provided in summary chunks.

F. Capital Allocation & Capex | Action | FY Current (Cr) | FY Prior (Cr) | % of CFO | Signal | |:---|---:|---:|---:|:---| | ***Capex*** | 23,350.00 Cr | 11,559.00 Cr | 113.82% | □| | ***Acquisitions*** | 3,965.00 Cr | 5,581.00 Cr | 19.33% | □| | ***Net Debt Change*** | 15,175.00 Cr | -7,488.00 Cr | 73.97% | □| | **Dividends Paid** | 0.00 Cr | 840.00 Cr | 0.00% | □| | ***Redemption of Securities*** | 4,442.04 Cr | 4,758.08 Cr | 21.65% | □|

CAPEX Analytical Notes: - CFO Coverage: CFO/Capex ratio of **0.87** indicates the company has moved from self-funding to debt-reliant growth. - **Nature of Capex:** Primarily growth capex for **Ultra-supercritical projects** and the 12.5 GW pipeline. - **Deployment Efficiency: CWIP exploded by 190% to 35,053.46 Cr**, creating a high-stakes dependency on timely commissioning to service the new **7,500 Cr NCD debt**. - **Key Takeaway:** Revenue declined 3.49% while Gross Block + CWIP increased significantly, signaling a temporary mismatch during the construction cycle.

H. Risks 1. ***Regulatory Reversal***: **95.22% of receivables** (historically) tied to estimated claims; reversal of favorable orders would wipe out liquidity. (Severity: □High) 2. ***Geopolitical/BPDB***: **42% of cash flow** potentially tied to Bangladesh; geopolitical instability could freeze receivables and lead to debt default. (Severity: □High) 3. ***CWIP Aging***: **4,565.45 Cr** in CWIP is older than 3 years (Korba); persistent delays risk massive future impairment hits. (Severity: □Medium) 4. ***Litigation***: Coastal Energen acquisition is sub-judice; adverse ruling could force **de-consolidation of 1,200 MW plant**. (Severity: □Medium) 5. ***Interest Capitalization***: **1,137.91 Cr** in interest capitalized in FY26 masks the true interest burden on the P&L. (Severity: □Medium)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	18.15 GW base; 99.5% PPA coverage	Strong moat with long-term revenue visibility, though highly concentrated.
Financial Health	3	↓	D/E 0.84x; FCF -□2,817 Cr	Transitioning to debt-reliant growth with negative FCF due to massive capex.
Earnings Quality	3	→	CFO > PAT; □1.1k Cr interest capitalized	Strong cash conversion but PAT is supported by aggressive expense capitalization.
Management & Governance	3	→	50% Ind. Board; 12% RPT Receivables	Zero family pay is positive, but rising RPT receivables and promoter cash exits warrant caution.
Capital Allocation & Earnings Visibility	3	↓	ROCE 17% vs 23%; CWIP □35k Cr	Massive reinvestment with declining returns and high dependency on future commissioning.

BUSINESS POSITIVES (for this company this year) * □**Strong Cash Conversion: CFO of □20,514 Cr** significantly exceeds **PAT of □12,971 Cr**, indicating high quality of operating earnings. * □**De-risked Revenue Mix:** Merchant power exposure reduced from **~10% to ~0.5%**, ensuring long-term cash flow stability via PPAs. * □**Operational Efficiency:** Successful turnaround of **600 MW Butibori** plant and industry-leading **OPM of 37%**. * □**Capital Structure Cleanup:** Full redemption of **□3,056.92 Cr** in high-cost perpetual securities, moving toward formal market-based debt. * □**Technological Leadership:** Adoption of **Ultra-supercritical technology** for all new builds, improving thermal efficiency to **>45%**.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Negative Free Cash Flow:** Massive capex of □**23,350 Cr** led to a negative **FCF of -□2,817 Cr**, ending the self-funding cycle. * □**CWIP Risk:** □**4,565.45 Cr** of CWIP is aged **>3 years**, posing a significant impairment risk if commissioning is delayed. * □ **Concentration Risk: 85.44% of receivables** are tied to State Discoms and Bangladesh, with geopolitical risks threatening **42% of cash flow**. * □**Rising RPT Exposure:** Related party receivables jumped from **4.54% to 12.05%** of total, suggesting group-level liquidity support. * □**Expense Capitalization:** □**1,137.91 Cr** of interest was capitalized, artificially boosting current P&L margins.

OVERALL SCORECARD SUMMARY Adani Power is in a high-stakes "hyper-expansion" phase, shifting from a deleveraged utility to a debt-funded infrastructure giant. While current financial strength is characterized by robust operating cash flows and strong margins, the aggressive 42 GW roadmap has turned FCF negative and increased reliance on external debt. Governance is a mix of exemplary family pay discipline and concerning spikes in related-party receivables. The trajectory is "Stable but High-Risk," as the company's future depends entirely on the timely execution of its massive CWIP pipeline.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion issued by S R B C & Co LLP.
2	Promoter pledge = 0?	□	Not explicitly disclosed as zero; group history warrants caution.
3	KMP pay < 5% of PAT?	□	Adani family draws zero remuneration.
4	RPT quantum < 5% of revenue?	□	RPT at 2.62% of revenue (though 28% of CFO).
5	Board > 50% independent?	□	50% (3 out 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 provided financials.
8	No fraud reported?	□	No fraud reported in the auditor's summary.
9	Audit trail enabled?	□	Standard compliance for listed entities.
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: APL is a dominant thermal utility transitioning into a massive infrastructure play, trading near-term FCF for long-term capacity dominance. **OVERALL STANCE:** WATCH **RATIONALE:** While operational cash flows are strong, the massive debt-funded capex and geopolitical risks in Bangladesh require a "wait-and-see" approach on commissioning. **RE-EVALUATE WHEN:** CWIP/Gross Block ratio falls below 20% OR Bangladesh receivables aging exceeds 180 days. **BULL CASE:** Timely commissioning of 12.5 GW pipeline leads to EBITDA doubling by FY29. **BEAR CASE:** Geopolitical default in Bangladesh plus impairment of aged Korba CWIP wipes out 50% of annual PAT. **KEY MONITORABLE:** Interest Accrued on Trade Receivables: □1,039.65 Cr → Watch threshold: >□2,000 Cr.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Focused on deleveraging and cleaning the balance sheet of "quasi-debt" (Perpetual Securities).	Pivot to debt-funded hyper-expansion with a 42 GW target and negative Free Cash Flow.	The company has transitioned from a self-funding utility to a debt-reliant expansion engine, sacrificing immediate liquidity for long-term capacity dominance.
Margin Trajectory	OPM at 38% supported by a 555% spike in capitalized employee costs.	OPM at 37% protected by a 678% spike in capitalized interest (₹1,137 Cr).	Operating margins are being optically preserved through the aggressive shifting of finance and labor costs from the P&L to the Balance Sheet.
Working Capital Anomalies	Inventory build-up (₹4,142 Cr) due to supply chain bottlenecks.	Inventory drawdown used to boost CFO, but Related Party Receivables spiked from 4.5% to 12%.	Management is utilizing working capital efficiency to offset massive capex while simultaneously increasing liquidity support to group entities.
Debt Structure	Reliance on promoter-held perpetual securities and high-cost quasi-equity.	Full redemption of perpetuals, replaced by ₹7,500 Cr in external market-based NCDs.	The capital structure is being professionalized to attract institutional lenders, though it leaves core assets more heavily encumbered.
Management Tone	Defensive and transition-oriented, focusing on clearing audit qualifications.	Aggressively confident and institutionalized, introducing nuclear energy and AI-driven O&M clusters.	Leadership has shifted from a "survival and cleanup" narrative to a "national infrastructure champion" posture.
Tax Position	Effective tax rate at 22% with warning of tax shield exhaustion.	Effective tax rate dropped to 16% due to new project-linked deductions and timing differences.	The tax drag has been temporarily deferred through aggressive expansion, but the underlying structural trend toward full statutory rates remains.

7.2 Persistent Patterns

- **Regulatory Receivable Dependency:** Over 95% of receivables remain consistently tied to "Change in Law" and "Force Majeure" claims, indicating that earnings are largely based on judicial estimates rather than cash collections from Discoms.
- **Geopolitical Concentration Risk: The Bangladesh Power Development Board (BPDB) remains a critical and volatile counterparty, consistently representing over 40% of total cash flow and receivables.**
- **Aggressive Depreciation Policy:** The company continues to use an extended 40-year useful life for power plants, which significantly exceeds industry standards and artificially inflates reported PAT across both periods.
- **Promoter Cash Extraction: Significant liquidity continues to be funneled to the promoter group via the redemption of securities, totaling over ₹9,000 Cr across the two-year period.**
- **Stalled CWIP Aging:** Approximately ₹4,600 Cr in CWIP (primarily the Korba/Raigarh projects) remains aged over 3 years in both reports, signaling persistent execution hurdles and latent impairment risks.
- **Zero Promoter Remuneration:** The Adani family members consistently draw no salary, a recurring governance trait that optically lowers the KMP-to-EBITDA ratio.
- **Audit Continuity:** S R B C & Co LLP remains the statutory auditor, maintaining an unqualified opinion while consistently highlighting the same Key Audit Matters regarding regulatory estimates and asset impairment.

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