Adani Power Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** A pivotal "clean" quarter where core operating EBITDA grew 53% YoY, proving that the business is highly profitable even as the era of massive one-time regulatory settlements concludes.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Continuing EBITDA of □6,290 Cr significantly outperformed the core performance of Q1 FY24 (□4,121 Cr).	□
Earnings Quality	High (Core driven)	94% of EBITDA is now recurring; one-time regulatory income dropped from □6,497 Cr to □422 Cr YoY.	□
Guidance Confidence	Strong	Management re-iterated 30.67 GW target by FY30 with 6.4 GW of state PPA bids already active.	□
Management Credibility	Strong	Demonstrated discipline in deleveraging (Senior Debt/Equity at 0.61x) while executing on Godda and Mahan.	□
Business Quality Signal	Improving	Transition from a "special situations/regulatory recovery" play to a "growth utility" with sector-leading margins.	□
Key Q&A Exchange	Q# 4 - Merchant Spreads	Contribution of □4.56/unit in merchant sales vs □3.71 last year validates fuel management edge.	□
The Street's Primary Anxiety	Bangladesh Receivables	Mgmt confirmed 4-5 months of arrears is "standard" and regular payments are being received.	□
Capital Cycle Stage	Investment	Aggressive brownfield expansion (Raipur, Raigarh, Mirzapur) totaling 4.8 GW announced.	□
Margin / Return Ratio Trajectory	Improving	Continuing EBITDA margin expanded significantly due to lower imported coal prices and high merchant realization.	□
Pricing Power	Expanding	Able to command □7.45/unit in merchant markets despite lower fuel costs, expanding spreads.	□
FCF Conversion & Quality	Strong	Massive debt prepayment (Senior Debt down to □27,652 Cr) funded by strong internal accruals.	□
Competitive Moat Signals	Widening	Only IPP with in-house mine-to-plant logistics, handling 60 MMTPA coal; provides 85 paisa/unit margin edge.	□
Balance Sheet Strength	Strong	Net Senior Debt/EBITDA at 0.9x (FY24 basis) provides massive headroom for the □38,500 Cr EBITDA scenario.	□
Working Capital Efficiency	Stable	Receivables from DISCOMs normalized; Bangladesh remains the only minor drag.	□
Mgmt Guidance Track Record	Reliable	Commissioned Godda in 3.5 years; Mahan expansion on track for June 2027.	□
Key Vulnerability / Red Flag	Fuel Pass-through	Reliance on "Change-in-Law" clauses for future carbon taxes; requires regulatory agility.	□
Management Tone	Confident & Growth-Oriented	Focused on the 80-90 GW thermal deficit in India; aggressive on upcoming PPA bids.	□

Key Takeaways: * **Positives:** The core business is firing on all cylinders with a 78% PLF (vs 60% YoY) and a 53% surge in continuing EBITDA. Deleveraging has reached a point where the company can fund massive expansions (doubling capacity to 30.6 GW) primarily through internal accruals and moderate debt. The merchant segment is a "cash cow," generating ₹4.56/unit in contribution. * **Negatives:** Headline PAT fell 55% YoY, but this is a "false negative" as it compares against a massive ₹6,497 Cr one-time regulatory gain in the base quarter. Bangladesh remains a concentration risk (1,496 MW), though payments are currently regularized with a manageable lag. * **Street Concern:** Analysts are hyper-focused on the inorganic pipeline (KSK Mahanadi, Lanco, Coastal). Management is maintaining a disciplined stance, waiting for NCLT approvals while keeping 20% of capacity open for high-margin merchant sales. * **Forward Watchpoint:** Monitoring the conversion of 6.4 GW of active state PPA bids (Maharashtra, UP, Rajasthan) into firm contracts to de-risk the brownfield expansion.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *First entry — no prior quarter to compare.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Continuing)	₹14,717 Cr	↑ 29%	First entry	↑	Driven by higher power demand and maximization of dispatch capability (24.1 BU sales).
EBITDA (Continuing)	₹6,290 Cr	↑ 53%	First entry	↑	Higher contribution due to lower fuel costs and positive operating leverage; realization was stable.
EBITDA Margin % (Cont.)	42.7%	↑ 660 bps	First entry	↑	Volume growth (Volume-led) and lower imported fuel prices expanded margins.
PAT (Reported)	₹3,913 Cr	↓ 55%	First entry	↓	Decline due to lack of one-time regulatory income (₹6,497 Cr in Q1 FY24). Core profit doubled.
Effective Capacity (MW)	15,250	↑ 5.4%	First entry	↑	Godda Phase II full availability vs partial availability in the prior year.
Sales Volume (BU)	24.1	↑ 37.7%	First entry	↑	Robust demand across all PPA states; PLF improved to 78% from 60%.
Merchant Realization	₹7.45/unit	↓ 1.6%	First entry	→	Lower fuel costs offset by high demand, keeping realizations stable vs ₹7.57 last year.
Senior Term Debt/ Equity	0.61x	↓ 38.4%	First entry	↑	Significant deleveraging via prepayment; Equity strengthened by profit retention.
Finance Cost	₹811 Cr	↓ 8.2%	First entry	↑	Debt reduction and credit rating improvement (to AA-) lowered interest expense.
Working Capital (Rec.)	Not in doc	-	First entry	→	Management stated regulatory cash flows are now mostly recovered and being used for debt.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
PPA (Long-Term)	~₹11,479*	~20%*	Stable	→	Lower	85% of capacity; ensures base EBITDA via two-part availability tariff.
Merchant	~₹3,238*	~80%*	High	↑	Higher	Contribution of ₹4.56/unit (up from ₹3.71) due to cheaper auction coal.
Transnational	Not split	New	High	↑	Higher	Godda fully operational; USD-denominated tariff provides FX hedge.

*Derived from merchant/PPA mix commentary; not explicitly tabulated in PPT.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	30.67 GW by FY29-30 (from 15.25 GW today).	Needs ~2.5 GW addition p.a. Mahan (1.6 GW) is on track; 4.8 GW brownfield announced.	**Met:** Godda 1.6 GW commissioned on schedule.	Execution bottlenecks in Tier-1 equipment.
Guidance	Margins	Maintain strong spreads via 80:20 PPA-to-Merchant mix.	Feasible as long as merchant rates stay >□6.00 and auction coal premiums remain low.	**Met:** Merchant contribution increased 23% YoY.	High premium in coal auctions during peak heat.
Strategy	Capital Allocation	Inorganic growth via NCLT (Lanco, Coastal, KSK).	Bidding for KSK (6000 MW); Lanco/Coastal awaiting NCLT orders (1800 MW op).	**Evaluating:** Strategically disciplined on bid pricing.	Overpayment risk in competitive NCLT bids.
Macro	Industry Headwinds	Peak demand to reach 400 GW by FY32.	Requires 80-90 GW new thermal; APL is the largest private player positioned.	**N/A**	Carbon tax/ESG transition pressure.
Balance	Leverage	Net Senior Debt/ EBITDA < 1.0x.	Currently at 0.9x; well within target even with capex.	**Exceeded:** Rapid deleveraging from 4.8x in FY19.	Interest rate volatility on remaining debt.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Uma Menon / Bernstein	Acquisitions	Capex and Allocation	"Please provide an update on the completion of acquisition timeline on Lanco Amarkantak, KSK Mahanadi and Coastal Energen."	Management confirmed NCLT orders for Lanco and Coastal are reserved (results expected soon), while KSK Mahanadi bidding is ongoing with submissions due today. This suggests an imminent capacity jump of 1.8 GW (operating) and 1.3 GW (under construction), providing a near-term growth catalyst.	None	4.0	Specific timeline given
2	4.0	Uma Menon / Bernstein	Competition	Business Overview	"Do you see [battery storage costs] as a threat to the merchant thermal portfolio?"	Management argued that thermal remains essential for the 16 hours/ day when solar is unavailable, maintaining that even with renewables, thermal PLFs will remain above 70%. This clarifies that the company views batteries as complementary rather than a replacement for base-load thermal over the medium term.	None	3.5	Directional with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
3	4.0	Nikhil Abhyankar / ICICI Sec	PPA Tenders	Management Outlook	"How are we looking on tying up for PPAs for organic expansion and which states have come out with tenders?"	Management identified 6.4 GW of active bids from Maharashtra (1.6 GW), UP (1.6 GW), and Rajasthan (3.2 GW), all with 25-year durations. Winning a portion of these would provide the revenue visibility needed to bankroll the announced brownfield expansions at Raipur and Raigarh.	None	4.5	Quantified and specific
4	5.0	Nikhil Abhyankar / ICICI Sec	Profitability	Financials	"Can you speak on how much was the merchant sale... and the spreads compared to last year?"	Management disclosed a merchant realization of □7.45/unit against a fuel cost of □2.89/unit, resulting in a □4.56/unit contribution (up from □3.71 last year). This 23% spread expansion proves that despite lower coal prices, APL is capturing higher value in the open market, significantly boosting core EBITDA.	None	5.0	Clear and quantified
5	3.5		Strategy	Management Outlook	"Would you want to keep any	Management is sticking to an 80:20 PPA-	None	4.0	Specific strategy

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		Puneet Gulati / HSBC			more capacity open for merchants... even for the expansion?"	to-Merchant ratio for new expansions to balance stability and upside. This policy caps market risk while ensuring the company benefits from peak power price spikes.			
6	3.0	Puneet Gulati / HSBC	Carbon Tax	Management Outlook	"How are you protecting yourself against potential future carbon taxes?"	Management stated that any carbon tax would be categorized as a "Change in Law," allowing a full pass-through of costs under existing PPA clauses. This mitigates the primary ESG-related financial risk to the long-term PPA portfolio.	None	3.5	Vague but consistent
7	4.5	Bharat Shah / ASK	Growth Trajectory	Management Outlook	"What kind of growth the picture would show? What kind of multiple do we see compared to overall energy demand growth?"	Management expects to double capacity to 30 GW by FY30, with revenue growth exceeding capacity growth due to higher rate realizations in a supply-constrained market. This implies a compounding effect of volume and pricing, suggesting	None	4.0	Directional with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						significant EPS leverage as fixed costs are spread over a larger base.			
8	2.5	Raghav / Individual	ESG	Business Overview	"I would like to know about the outcome [of green ammonia blending] and future prospects."	Management is currently in the technical feasibility study stage and will only proceed if the cost is allowed as a pass-through under PPAs. This indicates a pragmatic, return-focused approach to ESG initiatives rather than vanity spending.	None	3.0	Vague but consistent
9	4.5	Lakhdeep / Individual	Bangladesh Risk	Financials	"What is the future of electricity supply to Bangladesh and how the payment situation is right now?"	Management confirmed regular payments are being received, albeit with a standard 4-5 month arrear lag typical of government utilities. This alleviates immediate fears of a default, though the receivable cycle remains a point of monitoring.	None	3.5	Directional with evidence

PATTERN FLAGS & SENTIMENT * **Acquisition Anxiety:** Multiple questions focused on the status of NCLT assets (Lanco, Coastal, KSK). Management's posture was patient and disciplined, signaling they will not overbid. The concern remains live until NCLT orders are signed, but the sentiment is that APL is the "natural buyer" for these assets. * **Merchant Sustainability:** Analysts probed whether high merchant spreads (□4.56/ unit) can last. Management's confidence stemmed from the structural 80-90 GW thermal deficit in India, suggesting that the "merchant upside" is a multi-year trend, not a one-quarter fluke. * **ESG/Transition Risk:** While asked, management's "Change in Law" pass-through defense appeared to satisfy the room for now.

Analyst Sentiment Verdict: Analysts were broadly positive, encouraged by the "clean" operating beat and the massive deleveraging. Friction was minimal, limited mostly to the Bangladesh receivable lag and the timing of NCLT orders. Management's credibility has improved as they successfully transitioned from regulatory recovery to core execution. The single greatest risk remains the concentration of the transnational Godda plant in the event of major geopolitical or economic shifts in Bangladesh.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare. Treated as baseline quarter.

What Changed	Prior Quarter	This Quarter	Direction
Earnings Profile	Regulatory-heavy	Core Operating-driven	↑ Improving
Leverage	Higher Debt	0.61x Sr. Debt/Equity	↑ Improving
Growth Visibility	Godda Commissioning	4.8 GW Brownfield + 6.4 GW Bids	↑ Improving
Credit Rating	A- category	AA- Stable	↑ Improving
Fuel Mix	High Coal Cost	Lower Import Price + Spread Expansion	↑ Improving

STOP HERE.