Adani Power Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Core Operations; Beat on Risk Mitigation. **One-line:** The thesis of APL as a "massive capacity compounder" is being derisked ahead of schedule via the simplification of the balance sheet (UPS repayment), the resolution of the Bangladesh receivable overhang, and the advance locking of critical equipment (BTG) for the expansion pipeline.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Continuing EBITDA of ₹5,744 Cr is stable sequentially (₹5,098 Cr in Q4) despite lower merchant tariffs.	□
Earnings Quality	High (Core driven)	One-time income down to ₹406 Cr; EBITDA is now driven almost entirely by operational assets and PPA recoveries.	□
Guidance Confidence	Strong	Advance ordering of 11.2 GW BTG sets provides a massive moat against global supply chain inflation and lead-time delays.	□
Management Credibility	Strong	Delivered on VIPL acquisition; nearly cleared the Unsecured Perpetual Securities (UPS) as promised.	□
Business Quality Signal	Improving	Bangladesh receivable resolution (US $500M+) removes a major sovereign risk overhang.	□
Key Q&A Exchange	Q4: FGD Capex	New environmental norms allow dropping FGD on upcoming plants; this will lower the project cost per MW.	□
The Street's Primary Anxiety	Leverage & Fuel	Management confirmed internal accruals (~₹21,000 Cr FFO/year) will fund the 12.5 GW expansion, minimizing new debt.	□
Capital Cycle Stage	Growth Investment	Accelerating execution on 4.8 GW of Phase-II projects; Mahan Phase-II already at 66% completion.	□
Margin / Return Ratio Trajectory	Stable	Continuing EBITDA margin remained robust at 42% despite lower merchant realizations.	□
Pricing Power	Resilient	Signed new 1,600 MW PPA with UPPCL at ₹5.39/unit, reflecting strong demand for baseload thermal.	□
FCF Conversion & Quality	Strong	Massive reduction in UPS (₹2,579 Cr principal repaid) shows high free cash availability for equity holders.	□
Competitive Moat Signals	Widening	Early-mover advantage in thermal expansion; competitors face 3-4 year lead times for equipment that APL has already secured.	□
Balance Sheet Strength	Strong	AA/Stable rating across four agencies; Net Debt/Continuing EBITDA (TTM) at 1.78x is healthy for an expansion phase.	□
Working Capital Efficiency	Improving	Significant collection of past-due receivables from Bangladesh; Haryana 50% payment resolution ongoing.	□
Mgmt Guidance Track Record	Reliable	On-time delivery of acquisitions (VIPL, Coastal, Lanco) and amalgamation of Jharkhand subsidiary.	□
Key Vulnerability / Red Flag	Merchant Normalization	Merchant realization dropped to ₹6.51/kWh from ₹7.60 YoY; weather-induced demand volatility is the primary earnings variable.	□
Management Tone	Confident	Posture was highly assertive regarding the "Thermal Renaissance" in India and their ability to self-fund growth.	□

Key Takeaways: * **Positives:** The quarter's most significant "hidden" win is the simplification of the capital structure. By repaying ₹2,579 Cr of Unsecured Perpetual Securities (UPS) and another ₹1,146 Cr in distributions, APL has effectively removed the promoter "equity-proxy" debt, leaving a clean balance sheet for expansion. The collection of >$500M from Bangladesh significantly derisks the Godda plant's cash flows. * **Negatives:** Merchant power realizations are normalizing (₹6.51 vs ₹7.60 YoY) as early monsoons dampened peak demand. While volumes rose 1.6% YoY, the lower realization led to a 6.9% dip in continuing revenue. * **Street Concern:** Analysts remain focused on how APL will fund the massive ₹1 Lakh Cr+ capex for 12.5 GW. Management's response was definitive: with ~₹21,000 Cr in annual Funds From Operations (FFO), the equity portion of capex is fully covered, keeping the company "debt-light" in its growth phase. * **Forward Watchpoint:** Progress of the 1,500 MW net PPA with UPPCL and the outcomes of pending bids in Bihar, Rajasthan, and MP, which will determine the PPA-tie-up ratio for the upcoming 12.5 GW capacity.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q1 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Continuing)	₹13,703 Cr	↓ 6.9%	↓ 5.6%	□	Impacted by lower merchant tariffs (₹6.51 vs ₹7.60) and lower coal pass-through.
EBITDA (Continuing)	₹5,744 Cr	↓ 8.7%	↑ 12.7%	□	Sequential growth driven by better operational efficiency despite YoY tariff cooling.
EBITDA Margin %	42.0%	↓ 80 bps	↑ 690 bps	□	Resilient margins due to lower fuel costs (₹7,319 Cr vs ₹7,909 Cr YoY).
PAT (Reported)	₹3,305 Cr	↓ 15.5%	↑ 27.2%	□	Driven by lower finance costs (repayment of UPS) and Godda integration.
Installed Capacity (MW)	18,150	↑ 19.0%	↑ 3.4%	□	Includes 600 MW VIPL (Butibori) acquisition completed in July 2025.
Plant Availability (%)	88%	↓ 700 bps	↓ 300 bps	□	Impacted by scheduled maintenance/overhauling at acquired Coastal Energen units.
PLF (%)	67%	↓ 1100 bps	↓ 700 bps	□	Lower dispatch due to early monsoon reducing grid demand.
Sales Volume (BU)	24.6	↑ 1.6%	↓ 6.8%	□	Higher YoY volume despite demand softness due to 2.3 GW capacity added in FY25.
Net Debt	₹37,437 Cr	↑ 40.0%	↑ 20.7%	□	Increase due to capex and bridge funding for new acquisitions.
Net Debt/EBITDA (TTM)	1.78x	↑ 26.2%	↑ 23.6%	□	Rising due to capex takeoff; still well below the 2.5x threshold.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
PPA (84% tied)	Not in doc	-	~38-40%	→	Inline	Signed 1,600 MW PPA with UPPCL; total tie-ups now at 16.7 GW (incl. future).
Merchant (16%)	Not in doc	-	Variable	↓	Lower	Realization fell to ₹6.51/kWh; demand was weather-sensitive.
Acquired Assets	Not in doc	-	Improving	↑	Below	Coastal Energen overhauling in progress; VIPL (Butibori) revived.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	30.67 GW by FY30 (Adding 12.52 GW).	Needs ~2.5 GW p.a. addition. Feasible as 4.8 GW is already in active construction.	**Delivered:** VIPL acquisition (600 MW) closed in July.	Land/PPA tie-up for greenfield.
Guidance	Capex Plan	11.2 GW BTG sets already locked and ordered.	Critical equipment secured; de-risks execution from global supply chain shocks.	**Met:** Orders placed with BHEL and other vendors.	Civil construction delays.
Strategy	Capital Allocation	Full repayment of UPS (Promoter proxy equity).	Completed in July 2025. Cleans up the equity structure for minority holders.	**Delivered:** Repaid ₹2,579 Cr principal in Q1.	Future M&A bidding levels.
Strategy	Competitive Moat	86% of pipeline is Brownfield.	Cost/Time advantage over greenfield peers is significant (~₹1-2 Cr/MW lower).	**Ongoing:** Mahan Phase-II is 66% complete.	Coal linkage timing.
Balance	Leverage	Self-funding growth via internal cash flows.	FFO of ~₹21,000 Cr p.a. supports ₹15,000-18,000 Cr annual capex without major debt spikes.	**Met:** Rating upgraded to AA despite growth phase.	Interest rate volatility.

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	Abhinav / ICICI Sec	Equipment Ordering	Capex and Allocation	What does the 65 Bn order to BHEL entail since equipment was supposedly already tied up?	Management clarified they are exploring additional expansion opportunities beyond the 11.2 GW already locked to meet the national 95 GW thermal target. This signals APL may increase its 30 GW target further, indicating a longer growth runway.	Concrete numbers/ unit counts for the *new* order beyond current 11.2 GW.	4.0	Directional Upside
2	4.0	Abhinav / ICICI Sec	Asset Operations	Business Overview	How are the newly acquired Coastal, Lanco, and Vidarbha assets performing?	Lanco is stable; Coastal Energen is undergoing a two-stage complete overhaul (one unit done, one in August) to reach fleet standards; Vidarbha is already revived. Rapid turnaround of distressed assets will drive EBITDA margin expansion as opex per MW normalizes.	Specific EBITDA contribution from these three assets.	4.5	Execution Confidence
3	4.0	Abhinav / ICICI Sec	Merchant Power	Financials	What was the merchant realization and outlook for the year?	Realization was 6.51/kWh (vs 7.60 YoY); management expects Q2 demand to be stronger than last year because early	None	5.0	Market Reality

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						monsoon shifted the "sluggish" period to Q1. Normalization of merchant rates is expected, but volumes will provide the profit buffer.			
4	5.0	Aniket Mittal / SBI MF	Regulatory Capex	Capex and Allocation	Does the new FGD ruling change the capex estimates for under-construction projects?	Management confirmed they will drop FGD expenditure for plants where execution hasn't started, lowering total project costs. This reduces the capital intensity of the 12.5 GW expansion, improving future ROCE.	Specific reduction in project cost per MW.	4.5	Value Accretive
5	3.5	Aniket Mittal / SBI MF	PPA Bidding	Management Outlook	Which state tenders require the plant to be located within the same state?	Bihar, Rajasthan, and MP require in-state plants, while Uttarakhand is location-agnostic. APL's geographically diversified brownfield sites (Mahan, Raipur, Raigarh) perfectly match these restrictive state tenders.	None	5.0	Strategic Match
6	4.0	Jainam Jain /	Guidance	Management Outlook	What is the revenue and	Management declined	Hard numerical	3.0	

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		ICICI Sec			EBITDA guidance for FY26?	specific revenue guidance due to fuel price volatility but expects EBITDA margins to remain stable at current levels until new capacity kicks in. This suggests a "holding pattern" of high profitability (~40% margins) until the FY27 expansion volumes arrive.	guidance for FY26.		Typical Utility Evasion
7	3.0	Jainam Jain / ICICI Sec	Receivables	Financials	Status of Haryana coal compensation and total regulatory receivables?	Haryana is paying 50% of disputed bills; remaining regulatory receivables are now "not significant" following recent large settlements. The "regulatory recovery" phase of the APL thesis is officially over; it is now a pure growth story.	Timeline for the final 50% Haryana resolution.	3.5	Resolution Ongoing
8	5.0	Nirav Shah / GeeCee	Debt/ Promoter Funding	Financials	What is the status of Unsecured Perpetual Securities (UPS) and distributions?	Principal of 2,579 Cr and 1,146 Cr distribution paid in Q1; the remaining 478 Cr was cleared in July	None	5.0	Major De-risking

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						2025, leaving zero outstanding. This is a massive milestone that removes a complex hybrid instrument from the balance sheet, clearing the path for potential dividends or buybacks.			
9	4.5	Nidhi Shah / ICICI Sec	New PPA Details	Financials	What are the tariff details for the new 1,600 MW UPPCL PPA?	The PPA was signed at a capacity charge of ₹3.73 and a total tariff of ₹5.39/ unit (net capacity). This high realization for a long-term PPA confirms the scarcity value of thermal baseload in a renewable-heavy grid.	None	5.0	Pricing Power

PATTERN FLAGS & SENTIMENT * **Expansion Funding & Leverage:** Analysts repeatedly probed the capex-to-debt relationship. Management maintained a very confident posture, insisting that their annual FFO of ~₹21,000 Cr is sufficient to cover the equity portion of their massive expansion, minimizing the need for heavy external borrowing. This concern appears resolved for now, given the AA rating upgrade, but will likely resurface if Net Debt/EBITDA crosses 2.0x. * **Merchant Normalization:** Multiple questions addressed the drop in merchant tariffs (₹6.51 vs ₹7.60). Management was defensive but logical, blaming the early monsoon. This remains a "live" variable, but the high PPA tie-up (84%) provides a significant floor to earnings.

Analyst Sentiment Verdict: Analysts were broadly convinced of the execution trajectory but skeptical about the "unlimited" growth signaled by the new BHEL orders. The friction point remains the capital intensity of the business, but management's successful cleanup of the UPS liability significantly bolstered their credibility this quarter. The biggest unresolved risk is the "merchant cooling" trend, which could lead to minor EBITDA misses if demand doesn't rebound in H2 FY26.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY25)	This Quarter (Q1 FY26)	Direction
Bangladesh Risk	Major receivable overhang ($500M+)	>$500M collected; receivables "near normal"	↑ Improving
Promoter Debt (UPS)	3,057 Cr outstanding	Zero outstanding (as of July 2025)	↑ Improving
Net Debt/EBITDA (TTM)	1.44x	1.78x	↓ Deteriorating
Merchant Realization	~7.00+	6.51	↓ Deteriorating
Expansion Status	11.2 GW BTG ordered	4.8 GW in advanced construction (Mahan 66%)	↑ Improving
FGD Capex Policy	Planned for all plants	Dropped for new projects (Regulatory relief)	↑ Improving
Asset Portfolio	17,550 MW	18,150 MW (VIPL acquisition completed)	↑ Improving
PPA Pipeline	2.9 GW fresh awards	4.5 GW fresh tie-ups (UPPCL PPA signed)	↑ Improving

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