Adani Power Ltd — Feb 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat (Recurring Operations) **One-line:** Adani Power has successfully pivoted from a "regulatory-recovery play" to a "high-utilization operating engine," with recurring EBITDA growth of 242% YoY in Q3 and significant deleveraging of high-cost perpetual debt.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Recurring EBITDA of □5,059 Cr vs □1,479 Cr YoY; sales volume up 82%.	□
Earnings Quality	High (Core focus)	Shift from one-time regulatory gains to operational volume/ margin expansion.	□
Guidance Confidence	Strong	Mahan II (1.6 GW) and Coastal Energen (1.2 GW) provide clear growth roadmap.	□
Management Credibility	Strong	Aggressive debt prepayment (□2,000 Cr perpetuals) using surplus cash.	□
Business Quality Signal	Improving	Net Senior Debt/EBITDA dropped to 1.2x; operational cost per MW at □1.65 Cr.	□
Key Q&A Exchange	Q1: Perpetual Debt	Mgmt confirmed paying down expensive perpetual securities.	□
The Street's Primary Anxiety	Leverage & Growth	Addressed via □30k Cr total debt cap and 6 GW expansion pipeline.	□
Capital Cycle Stage	Growth / Deleveraging	Transitioning from balance sheet repair to aggressive brownfield expansion.	□
Margin Trajectory	Improving	Benefit of lower imported coal prices vs sticky merchant realizations.	□
Pricing Power	Stable	81% PPA tie-up; merchant capacity benefiting from logistics advantage.	□
FCF Conversion	Strong	Regulatory dues realization (~□29k Cr YTD) converted to debt reduction.	□
Competitive Moat	Widening	Only IPP with in-house mine-to-plant logistics; high dispatch priority.	□
Balance Sheet Strength	Strong	Net Senior Debt/EBITDA 1.2x vs 1.7x in FY23.	□
Working Capital	Improving	DISCOM payment cycles improved via Govt of India Late Payment rules.	□
Mgmt Guidance Track Record	Reliable	Delivered Godda; Mahan turnaround complete; Coastal Energen LoI received.	□
Key Vulnerability	Transition Risk	CFO leadership transition during a major capex cycle.	□
Management Tone	Confident	Focused on "Operational Excellence" and "Digital Transformation."	□

Key Takeaways (Positives & Negatives): * **Positives:** The business is now a "Core EBITDA" story rather than a "Regulatory Claim" story. Recurring EBITDA grew 242% YoY in Q3, driven by an 82% surge in volumes and lower fuel costs. Deleveraging is aggressive: the company prepaid □2,000 Cr of high-cost perpetual securities and □809 Cr of senior debt in Q3 alone. Asset quality is superior, with senior debt at a lean □1.65 Cr/MW. * **Negatives:** Despite lower coal prices, "Continuing" margins are susceptible to merchant price volatility (though merchant realizations improved this quarter). The acquisition of Coastal Energen (□3,450 Cr) and the 1.6 GW Mahan Phase II will increase capex intensity in the near term. * **Forward-Looking Watchpoint:** The transition of CFO Shailesh Sawa (moving to Group role) to Dilip Jha on April 1, 2024, warrants monitoring to ensure capital allocation discipline remains unchanged during the 6 GW expansion phase.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary and Q3-specific recurring splits.

Metric	Current Qtr (Q3 FY24)	YoY Change	Trend	Mgmt Commentary
Revenue (Continuing - □Cr)	13,405	+72%	↑	Driven by 82% volume growth; offset by lower realized tariffs from fuel pass-through.
Revenue (Total 9M - □Cr)	46,400	+46.4% (vs 9M FY23)	↑	Growth attributed to Godda commissioning and higher Mundra/Udupi offtake.
EBITDA (Continuing - □Cr)	5,059	+242%	↑	Higher sales volumes and benefit of lower imported fuel prices.
EBITDA (Total 9M - □ Cr)	22,743	+92% (vs 9M FY23)	↑	Includes □9,227 Cr of one-time regulatory income.
PAT (Reported - □ Cr)	2,738	+30,322%	↑	Extreme YoY jump due to low base (□9 Cr) and reduced finance costs.
Net Senior Debt/ EBITDA (x)	1.2	-29%	↑	Improved from 1.7x (FY23) due to □29k Cr regulatory realization.
Senior Term Debt/ Equity (x)	0.6	-40%	↑	Massive deleveraging; equity base strengthened by retained earnings.
Installed Capacity (GW)	15.25	+10.5%	↑	Addition of 1,600 MW Godda transnational project.
Plant Availability (%)	89%	-100 bps	→	Maintained high uptime to ensure recovery of capacity charges.
PLF (%)	68.6%	+2,650 bps	↑	Surged from 42.1% due to higher demand and lower import coal prices.
Sales Volume (BU)	21.5	+82%	↑	Up from 11.8 BU; Godda, Mundra, and Udupi were key contributors.
Finance Cost (□Cr)	797	-15.7%	↑	Reduced despite Godda commissioning due to aggressive prepayments.

2B. SEGMENT BREAKDOWN (Derived from cluster data and Mgmt Commentary)

Segment	Revenue (9M)	PLF (Q3)	Strategy	vs Company Avg	Key Development
Pithead (Mahan/ Raipur)	Significant	High	Logistics Advantage	Higher Margin	Mahan II (1.6 GW) expansion underway; Coastal Energen (1.2 GW) bid accepted.
Coastal (Mundra/ Udupi)	Variable	60%+	Fuel Pass-through	Lower Margin	Offtake improved as imported coal prices settled to sustainable levels.
Transnational (Godda)	New Stream	90%+	USD-Denominated	High Margin	Fully commissioned in Q1; firmly established in Bangladesh power mix.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	Reach 21,110 MW (current 15,250 MW).	Needs 5.86 GW addition; 2.8 GW (Mahan II + Coastal Energen) is secured.	High: Godda delivered in 3.5 yrs despite pandemic.	Low
Guidance	Capex Plan	4.8 GW brownfield + 1.1 GW inorganic.	Estimated ₹3,450 Cr for Coastal Energen; Mahan II on track with BHEL order.	High: Turnaround of NCLT assets (Mahan) achieved.	Medium
Balance	Debt Target	Senior debt ₹25,000 Cr; Total Debt ₹30,000 Cr.	Current senior debt at ₹1.65 Cr/ MW is well within industry comfort (₹5 Cr+).	High: Prepaid ₹2,000 Cr perpetuals in Q3.	Low
Strategy	Technology	Focus on "Split Package" and Digitalization.	90+ digitalization projects identified for thermal efficiency.	New: ENOC center already monitoring assets real-time.	Low
Macro	Coal Pricing	Imported coal prices have "stabilized."	Index movement suggests stability at current levels; merchant margins protected.	Reliable: Predictive fuel sourcing proven in Q3.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Nirav Shah	Financials	Quantum of perpetual debt repayment.	Mgmt confirmed total outgo of ₹2,000 Cr+ in Q3 to retire perpetual principal and yield, leaving ₹7,435 Cr outstanding. This reduces high-cost "equity-like" debt and improves EPS quality by lowering non-operating cash leakage.	None	5.0	Clear and quantified
2	4.0	Nikhil Abhyankar	Capex	Split of capacity expansion (Greenfield vs Acquisitions).	Management target is 21,150 MW, using a flexible mix of 4.8 GW brownfield (Mahan/Raigarh) and ~1.1 GW of acquisitions. This flexibility allows the company to pivot between lower-risk brownfield expansions and opportunistic NCLT acquisitions.	None	4.5	Strategy confirmed
3	4.5	Nikhil Abhyankar	Capex	Status of Mahan II execution.	Project is in full swing using a "split package" concept with BTG (Boiler, Turbine, Generator) already ordered from BHEL. This de-risks the timeline for the 1.6 GW expansion as key long-lead equipment is secured.	None	5.0	Specific timeline
4	3.5	Koundinya	Capex	Future greenfield/brownfield locations.	Beyond Mahan II, Raigarh and Mahan Phase III offer 3.2 GW and 4.8 GW brownfield potential respectively. Brownfield focus keeps per-MW capex significantly lower than peers starting from zero-site development.	None	4.0	Directional evidence
5	4.0	Nikhil Abhyankar	Financials	Cost of acquisition for Coastal Energen.	The bid price is ₹3,450 Cr for 1.2 GW, with very little additional capex needed as the plant is already	None	5.0	Specific and high-value

Q#	Relevance	Analyst	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					running. At ~₹2.8 Cr/MW, this acquisition is significantly cheaper than building new (₹8-9 Cr/MW).			
6	3.0	Nikhil Abhyankar	Business	Fuel strategy and costs for Godda.	Godda uses a mix of imported coal and e-auctions, with e-auction prices currently at ~₹3.5 per unit. This confirms the cost-competitive nature of the transnational supply despite the lack of direct linkages.	None	4.0	Quantified
7	3.5	Haresh	Financials	Future interest expense trajectory.	Total debt of ~₹30,000 Cr at a 9% blended rate is expected going forward, factoring in Godda's debt moving from capitalization to P&L. This provides a clear "finance cost" floor for earnings models.	None	4.5	Specific guidance

PATTERN FLAGS & SENTIMENT * **Deleveraging vs. Growth:** Analysts were intensely focused on the *use* of the massive regulatory cash windfall. Management's posture was highly confident, demonstrating that they are not just hoarding cash but aggressively retiring high-cost perpetuals (₹2,000 Cr) while simultaneously funding a 6 GW growth pipeline. This balance of "growth + deleveraging" is the central theme of the quarter. * **Expansion Risk:** There was a shift from asking about *if* they can pay debt to *how* they will build the next 6 GW. By confirming BHEL orders for Mahan II and a ₹3,450 Cr price tag for Coastal Energen, management provided concrete evidence of disciplined, low-cost expansion.

Analyst Sentiment Verdict: Analysts were largely convinced and positive. Friction was minimal, with most questions focused on quantifying the "new normal" for debt and capacity. Management credibility has improved significantly as they transitioned from "litigation recovery" to "predictable operations."

5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs FY23 Context provided.

What Changed	Prior Quarter (FY23)	This Quarter (Q3 FY24)	Direction
Net Senior Debt/ EBITDA	1.7x	1.2x	↑
Senior Term Debt/ Equity	1.0x	0.6x	↑
Earnings Mix	High dependency on one-time (46%)	Core EBITDA grew 242% YoY; higher quality.	↑
Capacity Status	Godda under construction	Godda fully operational & transnational.	↑
Growth Pipeline	Distant targets	Coastal Energen bid accepted; Mahan II underway.	↑
Perpetual Debt	Not actively prepaid	□2,000 Cr retired in Q3.	↑
Leadership	Shailesh Sawa (CFO)	Transition announced to Dilip Jha.	□

STOP HERE.