

Adani Power Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Operations; Beat on Strategic De-risking. **One-line:** The thesis remains intact: APL is successfully transitioning from a merchant-exposed utility to a contracted baseload powerhouse, with Q3 proving that the PPA-heavy model can shield EBITDA even when national demand and merchant prices soften.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Continuing EBITDA of ₹4,636 Cr is stable despite a 0.1% decline in all-India power demand.	□
Earnings Quality	High (Core driven)	CFO-to-PAT ratio for 9M stands at 1.71x; core EBITDA is 94% of reported EBITDA, stripping out one-time regulatory income.	□
Guidance Confidence	Strong	Execution on Mahan Ph-II (80% complete) and 100% BTG ordering for 22.4 GW pipeline provides high visibility on the 41.8 GW goal.	□
Management Credibility	Strong	Revived the acquired Butibori plant and immediately moved it to full capacity under a new 5-year PPA.	□
Business Quality Signal	Improving	Portfolio PPA tie-up reached 90% (vs 84% in FY24), materially lowering the risk floor against merchant price volatility.	□
Key Q&A Exchange	Q9 (Godda/Coal)	Mgmt confirmed ability to use domestic "commercial" coal for cross-border exports, significantly de-risking the Godda supply chain.	□
The Street's Primary Anxiety	Capex Funding	Concern over ₹2 Lakh Cr outlay; mgmt clarified that ₹20,000 Cr annual FFO covers ~70% of the plan, with AA-rated NCDs bridging the gap.	□
Capital Cycle Stage	Investment	Heavy capex phase (₹15,000 Cr in 9M FY26) with focus on organic brownfield expansion.	□
Margin / Return Ratio Trajectory	Stable	TTM RoCE at 18.6% and RoE at 18.9% remain industry-leading for thermal IPPs.	□
Pricing Power	Resilient	Won massive 3,200 MW Assam PPA at ₹6.30/kWh (₹4.16 fixed), showcasing ability to lock in high capacity charges.	□
FCF Conversion & Quality	Strong	Net Cash from Operations of ₹14,939 Cr (9M) easily covers interest and base maintenance, fueling the growth engine.	□
Competitive Moat Signals	Widening	60% Brownfield expansion model and advance BTG ordering protect APL from the 3-5 year lead times facing competitors.	□
Balance Sheet Strength	Adequate	Net Debt/TTM EBITDA rose to 1.86x (from 1.75x in Q2) due to capex bridge loans, but remains well within the 2.5x internal limit.	□
Working Capital Efficiency	Improving	Bangladesh (Godda) receivables normalized to a ~2-month cycle, easing sovereign risk fears.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on capacity additions and asset turnarounds (e.g., Mahan, Butibori).	□
Key Vulnerability / Red Flag	Demand Softness	Extended monsoon and cooler temps dragged PLF to 62.6%; highlights short-term sensitivity to climate patterns.	□
Management Tone	Confident	Assertive on the "Thermal Renaissance" and the ability to self-fund the massive 42 GW target.	□

Key Takeaways (Positives & Negatives): * **Positives:** APL has effectively neutralized the "merchant volatility" risk by locking 90% of its operating capacity into PPAs. The successful acquisition and immediate turnaround of the Butibori plant (600 MW) demonstrates a repeatable execution "alpha." Furthermore, the award of the 3,200 MW Assam PPA at a fixed charge of ₹4.16/kWh sets a high-margin benchmark for the 23.7 GW expansion pipeline. * **Negatives:** Reported PAT fell 15.4% YoY due to a high base of one-time regulatory income in the prior year (₹1,400 Cr vs ₹278 Cr). Operationally, the extended monsoon was a drag, reducing merchant realizations to ₹4.37/kWh (down 4% YoY) and keeping PLFs subdued at 62.6%. * **Street Concern:** Analysts are hyper-focused on the funding of the ₹2 Lakh Cr capex. Management's response—pointing to a ₹20,000 Cr annual FFO and the recent ₹7,500 Cr AA-rated NCD issuance—suggests the balance sheet is being used as a strategic bridge, not a permanent anchor. * **Forward Watchpoint:** The commissioning of the first unit of Korba Phase-II (2x660 MW) in mid-FY27 will be the first physical proof-of-point for the new expansion cycle.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q3 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Installed Capacity (MW)	18,150	↑ 3.4%	→	□	Increase driven by Vidarbha/Butibori integration.
Revenue (Continuing)	₹12,717 Cr	↓ 5.3%	↓ 6.8%	□	Volume growth (1%) offset by lower merchant rates and lower import coal pass-through.
EBITDA (Continuing)	₹4,636 Cr	↓ 3.1%	↓ 13.1%	□	Resilient performance despite 14.8% spike in opex (scheduled overhauls and CSR).
EBITDA Margin %	36.4%	↑ 80 bps	↓ 270 bps	→	Margin expanded YoY on core basis due to better fuel mix, despite top-line dip.
PAT (Reported)	₹2,488 Cr	↓ 15.4%	↓ 14.4%	□	Impacted by lower one-time income (₹278 Cr vs ₹1,400 Cr YoY).
ROCE (TTM)	18.6%	↓ 410 bps	↓ 10 bps	□	Down from FY25 levels as massive capex (CWIP) enters the denominator.
Cash Flow (OCF - 9M)	₹14,939 Cr	↑ 5.4%*	N/A	□	Strong conversion; 9M OCF covers 99.6% of 9M capex incurred (₹15,000 Cr).
Net Debt	₹38,679 Cr	↑ 44% (vs Mar'25)	↑ 5.1%	□	Rising due to bridge financing for the ₹2 Lakh Cr expansion plan.
Net Debt / EBITDA (TTM)	1.86x	↑ 29% (vs Mar'25)	↑ 6.3%	□	Leverage increasing but remains comfortably below the 2.5x internal ceiling.
Plant Availability (%)	88%	→	→	□	Maintained normative levels despite heavy overhaul schedule.
PLF (%)	62.6%	↓ 130 bps	↓ 20 bps	□	Impacted by early/extended monsoon and higher renewable generation.
Sales Volume (BU)	23.6	↑ 1.0%	↓ 0.4%	→	Flat YoY; acquisitions offset lower offtake from legacy units.
PPA Realization (₹ kWh)	₹5.50	↓ 1.8%	↓ 3.5%	□	Lower YoY due to reduction in energy charges (import coal price dip).
Merchant Realization (₹ kWh)	₹4.37	↓ 4.2%	↓ 18.6%	↓	Pricing pressure from cooler temperatures and high hydro/renewables.

*Estimated based on 9M run-rate vs FY25.

2B. SEGMENT BREAKDOWN

Segment	Revenue (9M) (₹Cr)	EBITDA (9M) (₹Cr)	Margin	Trend	vs Co. Avg	Key Development
Godda (Jharkhand)	₹6,787 Cr	₹3,247 Cr	47.8%	↓	High	EBITDA down YoY (₹3,989 Cr in 9M FY25) due to lower coal price indices.
Mahan Energen	Not Disclosed	Not Disclosed	~50%	↑	High	Ph-II (1.6 GW) is 80% complete; core contributor to inorganic growth.
Butibori	Not Disclosed	Not Disclosed	High	□	Inline	Fully revived in Q3; tied up under 5-year PPA with Maharashtra.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	41,870 MW by FY32.	Needs ~3.4 GW p.a. addition. Feasible: 2.9 GW commissioning in FY27.	Delivered: Revived Butibori (600 MW) in < 6 months.	Environmental clearances for Ph-III.
Guidance	Margins	Shift to high-capacity charge PPAs.	New Assam PPA (₹4.16 fixed) is ~2x higher than legacy PPAs (₹2.0-2.5).	Delivered: 90% of operating fleet now under PPAs.	Merchant price floor below fuel cost.
Guidance	Capex Plan	₹2 Lakh Cr (₹2 Trillion) over 5-7 years.	Requires ₹30k-40k Cr p.a. Current 9M run-rate is ₹15,000 Cr; needs to double.	Met: 100% BTG (22.4 GW) ordered to freeze equipment costs.	Labor/EPC cost inflation.
Strategy	Capital Allocation	Funding expansion via Internal Accruals + Bridge Debt.	Annual FFO of ₹20,000 Cr covers equity; bridge debt needed for the ~₹60k Cr gap.	Met: Fully redeemed Unsecured Perpetual Securities (UPS).	Interest rate hikes on NCDs.
Balance	Leverage	Maintain Net Debt / EBITDA < 2.5x.	Currently 1.86x. Headroom for ~₹13,000 Cr additional debt before hitting limit.	Met: Rating upgraded to AA (Stable) by multiple agencies.	EBITDA dip if merchant rates crash.

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	Assam PPA	Business Overview	What are the tariff details for the new 3,200 MW Assam PPA?	Mgmt confirmed a total tariff of ₹6.30/kWh, with a high capacity (fixed) charge of ₹4.16/kWh. This locks in superior per-MW EBITDA compared to legacy units, providing a high-quality cash flow floor for the expansion.	None	5.0	High-quality win
2	4.0	Abhinav / ICICI Sec	Capex & Timeline	Capex and Allocation	What was the 9M capex and when do Mahan/Raipur commission?	APL incurred ₹15,000 Cr in 9M; Korba Ph-II starts mid-FY27, with Mahan Ph-II following by year-end. This provides a clear earnings step-up catalyst starting in 12-15 months.	None	4.5	On-track execution
3	4.5	Aniket Mittal / SBI MF	Merchant Pricing	Financials	How much did merchant price volatility impact this quarter's realization?	Merchant realization fell to ₹4.37/kWh (vs ₹4.56 YoY), but mgmt is mitigating this by reducing open capacity to just 10% (and targeting 3-4% long-term). The pivot away from merchant exposure is	None	4.0	Strategic hedging

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						the core de-risking pillar of the current thesis.			
4	4.0	Aniket Mittal / SBI MF	Godda/ Jharkhand	Financials	What was the PLF and EBITDA for the Godda plant this quarter?	Godda PLF rose to 68% (vs 50% YoY), but EBITDA fell to ₹1,092 Cr due to lower coal index-linked realizations. While volumes are up, the "index-linked" nature of Godda makes its EBITDA sensitive to global coal cycles.	None	5.0	Volume vs Index
5	4.5	Manish Somaiya / Cantor	Capex Funding	Capex and Allocation	How will you fund the ₹2 Lakh Cr capex without overleveraging?	Mgmt expects ₹1.4 Lakh Cr from internal accruals (FFO) over 6 years, with the ₹60,000 Cr gap funded via domestic debt/NCDS. This "self-funding" ability minimizes equity dilution risk and keeps Net Debt/EBITDA below 2.5x.	None	4.0	Funding clarity
6	4.5	Nikhil Nigania / Bernstein	Coal Policy	Business Overview	Can Godda use domestic coal for cross-border exports?	Recent policy changes now allow the use of domestic "commercially mined" coal for cross-	None	5.0	Major de-risking

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						border supply. This removes the total dependence on imported coal for Godda, potentially improving its merit order position.			
7	4.0	Shirom Kapur / Jefferies	Employee Costs	Financials	Why did employee costs spike this quarter?	Costs included a ₹56 Cr one-time provision for New Labor Codes; excluding this, base staff costs are down YoY due to organizational restructuring. The underlying "opex per MW" is actually improving.	None	4.0	One-off noise
8	3.5	Kalpit Sabhaya / GYR	Bangladesh Receivables	Financials	What is the current outstanding from Bangladesh?	Receivables are "regular," with roughly 2 months of dues outstanding; payments are being received on a steady cycle. The sovereign risk overhang for Godda has significantly diminished compared to the previous year.	None	4.5	Risk normalized

PATTERN FLAGS & SENTIMENT * **The Funding Pivot:** Analysts repeatedly probed the transition from 18 GW to 42 GW. Management's confidence stems from their "FFO-led" funding model, where existing assets generate ₹20,000 Cr annually to feed the growth engine. This was a "live" concern that mgmt successfully neutralized with the ₹7,500 Cr NCD proof-of-concept. * **De-risking the "Open" Portfolio:** The shift to 90% PPA tie-ups was a recurring point of praise. Analysts are starting to value APL more as a "Regulated-Utility-Plus" rather than a "Merchant-IPP," which typically commands a higher valuation multiple. * **Godda Resilience:** Friction regarding Bangladesh has moved from "Will we get paid?" to "What is the coal mix?". Management's revelation that they can now use domestic commercial coal for exports is a major tactical victory for Godda's long-term viability.

Analyst Sentiment Verdict: Analysts were largely convinced and constructive. The hostile "short-seller" era skepticism has been replaced by fundamental questions on "execution speed" and "bid pricing." Management's credibility has improved following the Butibori revival and the Assam L1 status. The only unresolved tension is the exact quarterly trajectory of the ₹2 Lakh Cr capex spend, which will be a monitoring point for the next 4 quarters.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
Net Debt / EBITDA	1.75x (TTM)	1.86x (TTM)	↓ Deteriorating
PPA Tie-up Status	91% (claimed)	90% (PPT) / 93% (Targeted)	→ Stable
Merchant Realization	₹5.37/kWh (Q2)	₹4.37/kWh (Q3)	↓ Deteriorating
Assam PPA Status	Bid in Progress	Letter of Award Received (3,200 MW)	↑ Improving
Godda Fuel Policy	Imported Coal Dependent	Domestic Commercial Coal Permitted	↑ Improving
Asset Portfolio	Vidarbha Acquired	Butibori (VIPL) Fully Operational	↑ Improving
Unsecured Securities	UPS Partially Redeemed	UPS Fully Extinguished (Nil balance)	↑ Improving
Capex Run-rate	Scaling up	₹15,000 Cr in 9M; Ph-II Mahan at 80%	↑ Improving

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