Adani Power Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Core Operations) **One-line:** Adani Power has completed its transition from a "distressed recovery" story to India's most efficient "thermal growth engine," with recurring EBITDA doubling YoY and a clear, fully-funded path to 24 GW.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Continuing EBITDA of □5,273 Cr (Q4) vs □2,329 Cr YoY (+126%).	□
Earnings Quality	High (Core driven)	Shift from one-time regulatory income to volume-driven growth (Sales up 55% in Q4).	□
Guidance Confidence	Strong	Reconfirmed 24 GW target; Mahan II (1.6 GW) and inorganic bids provide visibility.	□
Management Credibility	Strong	Successfully navigated the phase-out of regulatory claims while maintaining deleveraging.	□
Business Quality Signal	Improving	Net Debt/Continuing EBITDA at a lean 1.41x; 85% capacity tied in PPAs.	□
Key Q&A Exchange	Q12: Godda Receivables	Bangladesh payments normalized ($136M received vs $90M monthly bill).	□
The Street's Primary Anxiety	Merchant Sustainability	Mgmt confirmed merchant realizations of □6.16/kWh despite lower IEX prices.	□
Capital Cycle Stage	Growth / Investment	Initiated Raigarh expansion (1.6 GW) and Mahan II (1.6 GW) execution.	□
Margin Trajectory	Improving	Fuel cost per unit fell to □3.33 (Q4) from □5.30 YoY due to lower import prices.	□
Pricing Power	Stable	PPA pass-throughs working; merchant capacity enjoys pithead logistics advantage.	□
FCF Conversion & Quality	Distorted	CFO/PAT at 0.68x due to □9,316 Cr interest received classified as Investing Activity.	□
Competitive Moat Signals	Widening	Largest private thermal player with brownfield cost advantages (~□8.4 Cr/MW).	□
Balance Sheet Strength	Strong	Senior Debt/Equity at 0.65x; ratings upgraded to AA-.	□
Working Capital Efficiency	Improving	Regulatory receivables majority liquidated; Godda SOPs in place.	□
Mgmt Guidance Track Record	Reliable	Delivered Godda; turning around NCLT assets (Mahan/Raipur) efficiently.	□
Key Vulnerability	Fuel Concentration	Reliance on Coal India/Imported coal mix for merchant upside.	□
Management Tone	Confident	Focused on "incremental thermal installation" to meet 260 GW peak demand.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business has de-risked its "Continuing" earnings profile, with Q4 recurring EBITDA surging 126% YoY. Deleveraging is structural, with Net Debt falling from □39,434 Cr to □26,545 Cr in 12 months. The transnational Godda project is now a cash cow, with payment bottlenecks in Bangladesh resolved through established SOPs. * **Negatives:** Reported PAT for Q4 (□2,737 Cr) appears 48% lower YoY, but this is an accounting optical illusion—Q4 FY23 was inflated by a □4,325 Cr non-cash reversal from amalgamation. Expanding to 24 GW will require significant capex (□13,500 Cr for Mahan II alone), potentially slowing further debt reduction. * **The Street's Concern:** Analysts questioned the risk of "Merchant" capacity being displaced by Renewables/Storage. Management countered that 80 GW of *new* thermal is required for grid stability, and APL's pithead location ensures they remain at the bottom of the merit order. * **Forward Watchpoint:** Integration and PPA tie-ups for the pending NCLT acquisitions (Coastal Energen and Lanco Amarkantak) will be the primary re-rating trigger in H1 FY25.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Sector: Power)

DATA SOURCE: PPT primary source; Concall used for Godda-specific receivables and Reliance PPA detail.

Metric	Current Qtr (Q4 FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Continuing - □Cr)	13,787	+29.3%	+2.8%	↑	Volume driven (+55%); Godda addition offset lower fuel pass-through.
EBITDA (Continuing - □Cr)	5,273	+126.4%	+4.2%	↑	Lower import coal prices and high merchant realizations.
EBITDA Margin %	38.2%	+1640 bps	+50 bps	↑	Expansion due to lower fuel cost per unit (□3.33 vs □5.30 YoY).
PAT (Reported - □Cr)	2,737	-47.8%	-0.04%	↓	YoY drop due to □4,325 Cr one-time merger gain in base quarter.
Net Debt (□Cr)	26,545	-32.7%	-10.5%	↑	Strong operational cash used for debt repayment.
Installed Capacity (GW)	15.25	+11.7%	→	→	Godda fully commissioned; 1.6 GW Mahan II under construction.
Sales Volume (BU)	22.1	+54.5%	+2.8%	↑	Driven by 72% PLF vs 52% in Q4 FY23.
Plant Availability (%)	87%	-100 bps	-200 bps	→	Maintained high uptime for full capacity charge recovery.
Fuel Cost (□/kWh)	3.33	-37.2%	-7.2%	↑	Benefit of softening international coal prices for Mundra/Udupi.
Cash Flow (OCF - □ Cr)	14,170	+68.1%	N/A	↑	Full Year FY24 figure; reflects liquidation of regulatory dues.
Net Debt/Continuing EBITDA (x)	1.41	-69.5%	+17.5%	↑	Massive improvement from 4.62x in FY23.

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY24 - ₹Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Co. Avg	Key Development
PPA-tied (82% Vol)	40,722*	+36%	~35%	→	Average	500 MW Reliance PPA added at Mahan (Captive).
Merchant (18% Vol)	8,946*	+42%	~45%	↑	Higher	Realizations at ₹6.16/kWh (Q4) vs ₹6.87 (FY24).
Godda (Transnational)	Not Stated	New	High	↑	Superior	$136M received in current month; payments stable.

**Estimated based on Sales Mix % in PPT.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Capacity	Reach 24 GW+ generation capacity.	Needs 8.75 GW addition; 3.2 GW organic + 3.1 GW inorganic pipeline.	**High:** Godda delivered on time.	Low
Guidance	Margins	Maintain competitive edge via pithead plants.	98% of open capacity is near-pithead; minimizes freight.	**High:** Consistently lowest Opex/MW.	Low
Guidance	Capex	Mahan II: ₹13,500 Cr total cost.	~₹8.4 Cr/MW; industry standard is ₹9-10 Cr/MW for Ultra-supercritical.	**Reliable:** Orders placed with BHEL.	Medium
Strategy	Growth Mix	1,600 MW Raigarh expansion + Inorganic.	LOI received for Lanco (1.9 GW) & Coastal (1.2 GW); pending NCLT.	**High:** Proven track record in NCLT.	Low
Macro	Demand	Peak demand to hit 260 GW this summer.	Aligns with CEA projections; justifies thermal expansion.	**Accurate:** Previous demand forecasts met.	Low
Balance	Leverage	Maintain AA- credit rating profile.	Net Debt/EBITDA at 1.41x gives massive headroom for expansion debt.	**Strong:** Rating upgraded from A.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Puneet Gulati / HSBC	Capex and Allocation	"How much existing capacity is not tied up with PPA and what is the plan for new capacity?"	Management stated 2.1 GW is currently untied, and the 1.6 GW Mahan expansion has 83% PPA security. This ensures the growth is largely de-risked from merchant price volatility while retaining enough upside for peak demand periods.	None	5.0	Clear and quantified
2	4.0	Nikhil / Bernstein	Management Outlook	"Is there a risk of limited offtake as batteries and solar pick up?"	Management argued that thermal remains the essential baseload for grid stability as peak demand rises to 260 GW. This confirms the long-term relevance of their fossil-fuel assets despite the national renewable push.	None	4.5	Thesis-defending
3	4.0	Nikhil / Bernstein	Financials	"Merchant realizations were >□6 in Q4 but exchange prices were lower. Are these bilateral?"	Management confirmed that Q4 merchant sales were largely bilateral agreements rather than exchange-based. This implies APL has superior pricing power and contract-stickiness over pure spot-market players.	None	5.0	High-value insight
4	3.5	Nikhil / Bernstein	Capex and Allocation	"Would the company look at KSK Mahanadi?"	Management stated they evaluate all opportunities in the market but have nothing specific to	Specific targets	3.0	Disciplined approach

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					announce. This indicates a disciplined but opportunistic inorganic strategy remains active.			
5	4.0	Akhilesh Bhandari	Financials	"Is there scope for further reduction in fuel cost?"	Management believes imported coal will settle at $90-$100/ton, suggesting fuel costs have bottomed out. Future margin expansion must come from volume growth rather than further input cost deflation.	None	4.5	Bottoming signal
6	4.5	Akhilesh Bhandari	Financials	"How much of the recognized prior period revenue cash is still left to come?"	Management clarified that the ₹9,322 Cr recognized in FY24 has largely been realized, with no large amounts outstanding. This signals that the "Balance Sheet repair" phase is officially over; cash flows now reflect pure operations.	None	5.0	Liquidity cleared
8	3.5	Akhilesh Bhandari	Business Overview	"When is supply starting under the Reliance PPA?"	Management expects supply to begin in May 2024. This provides an immediate 500 MW volume trigger for Q1 FY25 earnings.	Economics of PPA	3.0	Volume trigger
11	4.5	Nikhil Abhyankar	Capex and Allocation	"What is the total capex for Mahan 2 and is ordering done?"	Management confirmed ₹13,500 Cr capex with major packages (BTG) already ordered	None	5.0	Precise guidance

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					from BHEL. This de-risks the expansion from global supply chain inflationary pressures.			
12	5.0	Nikhil Abhyankar	Financials	"What are the exact Godda receivable numbers?"	Management disclosed ~$400M outstanding, but received $136M this month against a $90M bill. This is a critical breakthrough—it proves the sovereign payment mechanism for the Bangladesh project is functioning.	None	5.0	Thesis-critical

PATTERN FLAGS & SENTIMENT * **Theme: Transition from Recovery to Growth.** Analysts have stopped asking about "when will you get paid for old claims" and are now focused on "how fast can you build the next 8 GW." Management’s tone was exceptionally confident, emphasizing that the "steady state" is now ₹5,000 Cr+ EBITDA per quarter. * **Theme: Merchant Pricing Resilience.** Multiple questions targeted the gap between IEX (Exchange) prices and APL's realized merchant rates. Management's revelation that they use bilateral contracts to lock in >₹6/unit prices provides a significant margin safety net that the Street had likely underestimated. * **Analyst Sentiment Verdict:** Analysts were highly constructive. Friction was notably absent compared to 12-18 months ago. Management credibility has peaked as they delivered on the three pillars: Godda commissioning, Debt reduction, and Regulatory recovery. The transition of the CFO role was handled seamlessly, with the new CFO (Dilip Jha) leading the financial commentary without hesitation.

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5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs Q3 FY24 Context.

What Changed	Prior Quarter	This Quarter	Direction
Core Profitability Focus	Focus on retiring perpetual debt.	Focus on "Steady State" EBITDA (Ex-One-offs).	↑
Bangladesh Receivables	Concerns over payment delays.	SOPs in place; receipts ($136M) exceeding billing ($90M).	↑
Growth Visibility	Mahan II expansion underway.	Raigarh Expansion (1.6 GW) initiated; LOI for Lanco.	↑
Debt Profile	Net Senior Debt/EBITDA 1.2x.	Net Total Debt/Continuing EBITDA 1.41x (Full Year).	→
Management	Shailesh Sawa (CFO).	Dilip Kumar Jha (CFO).	□
PPA Tie-ups	Generic merchant focus.	Reliance 500 MW Captive PPA signed (Mahan).	↑
Credit Rating	Upgraded to A / AA- family.	Solidified at AA- across major agencies.	↑
Regulatory Cycle	Liquidation of □29k Cr claims.	□9,322 Cr final claims largely collected; cycle closed.	↑

STOP HERE.