Adani Power Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat on Continuing EBITDA; Strong Volume Growth. **One-line:** The thesis has evolved from a "distressed turnaround" story to a "self-funded compounding" story, as APL leverages massive internal accruals (□20,499 Cr FFO) to fund a 13 GW expansion pipeline without straining a now-fortified balance sheet (1.44x Net Debt/EBITDA).

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Continuing)	Continuing EBITDA grew 14.8% YoY to □21,575 Cr (FY25), despite lower merchant realizations.	□
Earnings Quality	High (Core focus)	One-time prior period income dropped from □9,322 Cr to □2,433 Cr; core "Continuing" EBITDA is now the primary profit driver.	□
Guidance Confidence	Strong	11.2 GW of BTG equipment (BHEL) already ordered to de-risk the FY30 target of 30.67 GW.	□
Management Credibility	Strong	Completed amalgamation of Jharkhand (Godda) and integrated 2.3 GW of acquisitions (Coastal, Korba, Dahanu) within the fiscal.	□
Business Quality Signal	Improving	Vertical integration into coal (14 MTPA captive mines) starting production this year reduces logistics volatility.	□
Key Q&A Exchange	Q# 11 - Capital Allocation	Management clarified that internal accruals are sufficient for □120,000 Cr capex; leverage is a strategic option, not a necessity.	□
The Street's Primary Anxiety	Bangladesh Receivables	Gross receivables at $900M; management noted payment velocity exceeds monthly billing, allowing liquidation of old dues.	□
Capital Cycle Stage	Growth Investment	Massive brownfield expansion (13.12 GW) focused on asset utilization and PPA tie-ups.	□
Margin / Return Ratio Trajectory	Normalizing	Merchant realizations cooled to □5.03/unit (Q4) from □6.17 YoY, but high PLFs (71%) protect absolute margins.	□
Pricing Power	Resilient (PPA)	80%+ of capacity is under LT PPAs with fuel pass-through, insulating against RM volatility.	□
FCF Conversion & Quality	Strong	CFO-to-PAT ratio is exceptionally high (~1.6x) as regulatory dues convert to cash.	□
Competitive Moat Signals	Widening	Brownfield cost advantage and advance BTG ordering create a multi-year lead over competitors.	□
Balance Sheet Strength	Strong	Net Debt/Continuing EBITDA down to 1.44x (from 9.7x in FY19); AA stable rating across 4 agencies.	□
Working Capital Efficiency	Improving	Active liquidation of Bangladesh dues and timely payments from domestic DISCOMs.	□
Mgmt Guidance Track Record	Reliable	Delivered on capacity growth and Jharkhand amalgamation as promised.	□
Key Vulnerability / Red Flag	Merchant Realization	Sustained cooling of merchant tariffs could slightly lower the ROE "kicker" compared to the FY24 peak.	□
Management Tone	Confident & Systematic	Focused on "Self-funded growth" and "Project execution speed."	□

Key Takeaways: * **Positives:** The definitive pivot to **self-funded growth** is the most material development; APL generates sufficient cash (□20,499 Cr FFO) to fund its entire □13,000 Cr+ annual capex and □2,251 Cr debt maturities without new project-specific debt. The amalgamation of the Jharkhand (Godda) plant into the AA-rated APL standalone entity structurally lowers the cost of capital for that asset. Advance ordering of 11.2 GW of main plant equipment (BTG) protects the FY30 capacity target from global supply chain bottlenecks. * **Negatives:** Merchant power prices have normalized faster than anticipated, dropping from □6.92/unit to □5.93/unit on a full-year basis, which tempers the "merchant upside" narrative. While payment velocity has improved, the concentration risk in Bangladesh receivables ($900M gross) remains an overhang that requires monitoring. * **Street Concern:** Analysts questioned the use of internal accruals for capex versus returning cash/leveraging. Management's response highlighted that the ROE on new thermal assets is sufficiently attractive and the "strategic flexibility" of a debt-free expansion model is a competitive moat in a volatile environment. * **Forward Watchpoint:** Monitoring the commissioning of the Dhirauli coal mine (Singrauli) this year, which will be the first major test of APL's internal fuel logistics advantage for its "open" capacities.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4 FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Continuing) (□Cr)	□14,522	↑ 5.3%	↑ 14.4%	□	Growth driven by 19% volume increase (26.4 BU) following 2.3 GW of acquisitions.
Revenue (Reported) (□Cr)	□58,906 (FY)	↓ 2.3%	N/A	□	Full year dip due to lower one-time regulatory income vs FY24.
EBITDA (Continuing) (□Cr)	□5,098	↓ 3.3%	↑ 6.5%	□	YoY dip due to merchant realization falling from □6.17 to □5.03/unit.
EBITDA Margin % (Cont.)	35.1%	↓ 310 bps	↓ 260 bps	□	Compression due to normalization of merchant tariffs and integration of new assets.
PAT (Reported) (□Cr)	□2,599	↓ 5.0%	↓ 11.6%	□	Impacted by higher deferred tax expenses (□3,610 Cr for FY25).
FFO (Cash Flow) (□Cr)	□20,499 (FY)	↓ 17.3%	N/A	□	FY24 FFO was □24,782 Cr; dip due to lower one-time regulatory cash inflows.
Net Debt (□Cr)	□31,023	↓ 1.4%	↑ 7.0%	□	Debt increased vs Q3 (□28,991 Cr) to fund acquisitions but remains low vs EBITDA.
Installed Capacity (MW)	17,550	↑ 15.1%	→	□	Increase from 15,250 MW YoY via Coastal, Korba, and Dahanu acquisitions.
Plant Availability (%)	91% (FY)	↓ 100 bps	N/A	→	Consistently maintained above 90% benchmark for full capacity charge recovery.
PLF (%)	71% (FY)	↑ 600 bps	N/A	□	Improved dispatch due to robust domestic demand and higher operating capacity.
Sales Volume (BU)	26.4	↑ 19.0%	↑ 13.3%	□	Strong growth across LT PPA and merchant segments.
Net Debt / EBITDA (x)	1.44	↑ 53.2%	↑ 8.3%	□	Up from 0.94x (Mar'24) due to acquisition debt, but far below historical levels (9.7x).

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY25 □Cr)	YoY Growth	Margin (Est)	Trend	vs Co. Avg	Key Development
Long-Term PPA (80%+)	~□45,178	↑ 11%	~40%	→	Inline	Secured 1,496 MW PPA with Maharashtra; focus on SHAKTI coal linkages.
Merchant / Open	~□11,295	↓ (Price)	~25-30%	↓	Lower	Realization fell to □5.93/unit for FY25; strategy shifting to short-term bilateral.
Transnational (Godda)	□8,352	New	~58%	→	Higher	FY25 EBITDA of □4,820 Cr; USD-denominated tariff provides hedge.
Acquired Assets	N/A	New	Low-Mid	↑	Lower	Mahan, Raipur, and Raigarh in turnaround phase; cumulative EBITDA >□13,700 Cr.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capacity	30.67 GW by 2030.	Needs ~2.2 GW/year. Feasible; 11.2 GW BTG already ordered.	**Met:** Added 2.3 GW in FY25.	Supply chain delays.
Guidance	Capex	□13,307 Cr for FY26.	Monthly run-rate □1,100 Cr. Feasible via internal accruals (□1,700 Cr FFO/month).	**Met:** □8,000 Cr spent in FY25.	Cost overruns.
Guidance	PPA Tie-up	Participate in 14 GW active state bids.	APL has 13 GW upcoming; needs ~70% win rate. Feasible given cost edge.	**Met:** Signed 1.5 GW Maharashtra PPA.	Aggressive PSU bidding.
Strategy	Fuel Security	14 MTPA captive coal capacity.	Peak capacity to cater to 3,000 MW. On track; Dhirauli mine starts this year.	**New Target**	Mining regulatory hurdles.
Strategy	Funding	Self-funded growth (no project debt).	FFO of □20.5k Cr covers capex (□13k Cr) and debt (□2.3k Cr). Highly Feasible.	**Consistent**	ROE dilution vs leverage.
Macro	Industry	100 GW thermal addition needed by 2032.	National target up from 80 GW. Highly supportive for APL pipeline.	**N/A**	Transition to Renewables.
Balance	Rating	Maintain AA/Stable.	Requires Net Debt/EBITDA < 2.0x. Highly Feasible at current 1.44x.	**Met:** 8-notch upgrade in 6 yrs.	None.

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	Expansion Timelines	Capex	"Update on progress of under-construction plants and capex guidance for FY26?"	Management confirmed physical progress at Mahan (54%), Raipur (21%), and Raigarh (16%) with a □13,307 Cr capex plan for FY26. This provides high visibility on the 2030 capacity target and near-term cash deployment.	None	5.0	Specific timeline given
2	4.5	Abhinav / ICICI Sec	Bangladesh	Financials	"Update on receivables from Bangladesh and performance of Godda plant?"	Gross outstanding is \$900M including LPS, but payment velocity has improved with \$1,207M received against \$2,000M billed. This de-risks the most significant receivable overhang on the balance sheet.	None	4.5	Directional with evidence
3	4.0	Yash Agarwal / JM Fin	Merchant	Financials	"Merchant realization in Q4 and outlook for the year?"	Q4 realization fell to □5.03/ unit from □6.17 YoY, but management expects demand-led recovery in FY26. Investors should model normalized merchant gains rather	None	4.0	Clear and quantified

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						than the FY24 outliers.			
4	4.0	Yash Agarwal / JM Fin	Acquisitions	Capex	"Status of NCLT acquisitions and commissioning?"	All acquired plants are operational except Lanco (Korba), where two units will commission by H1 FY27. This confirms inorganic growth is largely integrated and contributing to current volumes.	None	5.0	Specific timeline given
5	4.5	Nikhil Nigania / Bernstein	Expansion	Capex	"Clarification on Mahan and Raipur commissioning timelines?"	Mahan II will commission by March/April 2027, followed by one 800 MW unit every six months thereafter. This staggered commissioning ensures a steady ramp-up in EBITDA rather than a single-year spike.	None	5.0	Specific timeline given
6	4.5	Nikhil Nigania / Bernstein	PPA Bidding	Strategy	"Comfort on signing PPAs for such huge quantum added?"	Over 24 GW of coal has been allocated to states for bidding; APL expects to capture a significant share of these SHAKTI-linked bids. This mitigates the risk of stranded capacity for	None	4.0	Strategic clarity

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						the 13 GW expansion.			
7	4.5	Nikhil Nigania / Bernstein	Bangladesh	Financials	"Are you still supplying power to Bangladesh?"	Management confirmed full supply and noted that Q4 payments exceeded billing by □500 Cr, starting to liquidate old dues. This indicates improving diplomatic and financial ties despite geopolitical noise.	None	4.0	Directional with evidence
8	4.0	Nikhil Nigania / Bernstein	Merchant Strategy	Strategy	"Strategy to tackle low afternoon prices during solar hours?"	APL uses bilateral contracts (1-12 months) to avoid exposure to Day-Ahead solar-driven price crashes. This "structured merchant" approach protects realizations from intraday volatility.	None	4.5	Strategic clarity
9	3.5	Mahesh Patil / ICICI Sec	Merchant Definition	Business Overview	"How do you define merchant sales and short-term contracts?"	Anything under one year is merchant; the focus is on bilateral contracts rather than the spot exchange. This clarifies the volume risk profile for "open" capacity.	None	5.0	Clear definition

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10	4.0	Mahesh Patil / ICICI Sec	Other Income	Financials	"Why did other income and LPS payments drop in Q4?"	Other income dropped due to a one-time customs refund in the prior year; domestic LPS is low as DISCOMs are paying on time. This confirms the underlying "Continuing" earnings are higher quality than the prior year.	None	5.0	Clear and quantified
11	5.0	Nikhil Abhyankar / UTI MF	Capital Allocation	Strategy	"Why fund capex via internal accruals instead of leverage or dividends?"	Returns on new assets are very attractive; the company prefers the "strategic flexibility" of a strong balance sheet while remaining open to leverage if larger opportunities arise. This signal marks APL as a uniquely cash-rich utility in a capital-intensive sector.	None	4.0	Strategic intent
12	4.5	Nikhil Abhyankar / UTI MF	Coal Mining	Business Overview	"Impact of captive coal mining on costs?"	Mining cost is similar to Coal India, but the primary saving is 50-100% of transport costs due to pithead proximity. This vertical integration structurally	None	4.5	Quantified benefit

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						lowers the variable cost of the Mahan plant.			

PATTERN FLAGS & SENTIMENT

- **Self-Funded Growth Pivot:** The most recurring theme was the shift to funding expansion via internal accruals. Analysts initially expressed skepticism about ROE dilution (Nikhil Abhyankar), but management effectively defended the strategy by pointing to the "strategic flexibility" and high asset returns. Posture was extremely confident, signaling that APL is no longer dependent on external financial closures to meet timelines.
- **Receivable Resolution:** Multiple questions focused on Bangladesh (Godda). The sentiment shifted from "anxiety" to "cautious optimism" as management provided evidence of payment velocity exceeding current billing. This remains a live issue but is no longer perceived as a terminal risk.
- **Merchant Normalization:** Analysts accepted the ₹5.03/unit realization as a new base. Management's move toward bilateral contracts over exchange spot sales was viewed as a prudent risk-mitigation strategy.

Analyst Sentiment Verdict: Analysts were generally impressed by the balance sheet transformation (1.44x Net Debt/EBITDA) and the sheer scale of the BTG order (11.2 GW). The main friction point remains the conservative capital allocation (no dividends yet), but management's track record of execution appears to have earned them a "wait and see" grace period. Credibility is at a multi-year high.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY25)	This Quarter (Q4 FY25)	Direction
Merchant Realization	₹4.54/unit (Q3 avg)	₹5.03/unit (Q4 avg)	↑ Improving
Bangladesh Receivables	~$700M	~$900M (Gross with LPS)	↓ Deteriorating
Corporate Structure	Jharkhand pending	Jharkhand Amalgamated (Apr'25)	↑ Improving
Growth Funding Signal	Monitoring CFO	Explicit "Self-funded" Guidance	↑ Improving
PPA Tie-ups	Bidding stage	1,496 MW Maharashtra PPA Signed	↑ Improving
Capex Run-rate	~₹2,600 Cr (FY24)	₹13,307 Cr (FY26 Guidance)	↑ Improving
Net Debt/EBITDA	1.33x (Q3 TTM)	1.44x (FY25 end)	→ Stable

STOP HERE.