

## Adani Power Ltd — Nov 2023 Quarterly Analysis

### 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Strong Beat (Structural & Operational) **One-line:** Adani Power has pivoted from a deleveraging story to a high-growth platform, with the Q2 result proving that Godda's integration and merchant opportunistic sales can sustain high-quality cash flows even as one-time regulatory windfalls taper off.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Recurring EBITDA grew 202% YoY to ₹4,336 Cr, excluding prior-period items.	☐
Earnings Quality	Improving	While ₹2,781 Cr is one-time, Recurring EBITDA now covers interest 2.4x; Godda adds USD-linked stability.	☐
Guidance Confidence	Strong	Reiteration of 21.1 GW target by FY29; Mahan Phase-II (1.6 GW) BTG order already placed.	☐
Management Credibility	Strong	Massive debt reduction (₹10,000 Cr+ in 6 months) and successful Godda ramp-up (99% availability).	☐
Business Quality Signal	Improving	Shift toward Ultra-supercritical tech and 48% pithead capacity provides "Merit Order" safety.	☐
Key Q&A Exchange	5 - Merchant Strategy	Management is keeping 2.5 GW as pure merchant to capture peak demand pricing, signaling high risk-appetite.	☐
The Street's Primary Anxiety	Bangladesh/ Godda Risk	Concerns over PPA validity and payments; mgmt cited sovereign guarantee and 99% availability.	☐
Capital Cycle Stage	Growth / Investment	Transitioning from debt-repayment to brownfield expansion (Mahan II).	☐
Margin / Return Ratio Trajectory	Improving	Fuel cost pass-through mechanisms and lower imported coal prices expanding merchant spreads.	☐
Pricing Power	Stable	80%+ capacity tied in PPAs; merchant pricing at ₹7.37/kWh vs PPA at ₹6.53/kWh.	☐
FCF Conversion & Quality	Strong	H1 OCF of ₹9,944 Cr vs PBT of ₹14,023 Cr (impacted by non-cash regulatory accruals/tax assets).	☐
Competitive Moat Signals	Widening	Only private IPP with end-to-end logistics; 50 rakes in daily circulation.	☐
Balance Sheet Strength	Strong	Net Debt/TTM Recurring EBITDA down to 2.3x (Sept 23) from 5.0x (Mar 23).	☐
Working Capital Efficiency	Improving	Receivables down from ₹11,529 Cr to ₹10,546 Cr; most regulatory dues now collected.	☐
Mgmt Guidance Track Record	Reliable	Delivered Godda on time; successfully turned around Mahan acquisition.	☐
Key Vulnerability / Red Flag	Political/Merchant Risk	Heavy reliance on merchant pricing for EBITDA "kicker" and political risk in Bangladesh.	☐
Management Tone	Confident & Aggressive	Focused on "regulatory maturity" and "ample growth headroom."	☐

**Key Takeaways (Positives & Negatives):** **Positives:** \* **Deleveraging Velocity:** APL reduced gross debt by ₹10,059 Cr in just six months (from ₹42,353 Cr to ₹32,294 Cr). This significantly lowers the interest burden (finance costs up only 8% despite much higher volumes/Godda debt). \* **Operational Excellence:** Godda plant (transnational) achieved 99% availability and generated ₹892 Cr EBITDA in H1. This provides a high-margin, non-domestic revenue stream. \* **Fuel Strategy:** 48% of the fleet is near-pithead, ensuring the lowest possible landed cost of coal and priority in the merit order dispatch (MOD), protecting volumes during low-demand periods. \* **Expansion Visibility:** Execution of Mahan II (1.6 GW) has begun with BHEL orders; the roadmap to 21.1 GW is now backed by a significantly deleveraged balance sheet.

**Negatives:** \* **Earnings Volatility:** Reported PAT (₹6,594 Cr) is heavily aided by ₹2,781 Cr of one-time regulatory income and ₹1,371 Cr of deferred tax assets. Core recurring PAT is substantially lower. \* **Merchant Reliance:** ~2,500 MW is untied. While profitable now (₹7.37/kWh), this exposes APL to coal price spikes or demand cooling in the short-term market. \* **Tax Shield Expiry:** With ₹24,000–25,000 Cr in carry-forward losses, APL remains tax-shielded for now, but cash tax outflows will eventually resume as profitability sustains.

**Forward-Looking Watchpoint:** The key trigger is the timing of FGD (Flue Gas Desulphuriser) capex. Management expects the "large capex" for 11.6 GW of retrofits to hit in FY26–27.

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## 2. BUSINESS PERFORMANCE

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**2A. KEY METRICS** DATA SOURCE: PPT figures primary; Concall used for Godda-specific H1 breakdown and tax loss specifics.

Metric	Current Qtr (Q2FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Recurring)	₹12,155 Cr	+61.3%	+3%	↑	Driven by higher volumes (Godda) and 65% jump in sales volume.
Reported Revenue	₹14,936 Cr	+111%	-17.5%	↑	Includes ₹2,781 Cr one-time regulatory items.
EBITDA (Recurring)	₹4,336 Cr	+201.5%	+5.2%	↑	Driven by Godda commissioning and strong merchant demand/pricing.
EBITDA Margin (Rec.)	35.7%	+1,660 bps	+80 bps	↑	Improved tariffs and lower imported coal prices (₹.73/kWh fuel cost).
PAT (Reported)	₹6,594 Cr	+848%	-24.8%	↑	Boosted by one-time income and ₹1,371 Cr deferred tax asset.
Installed Capacity	15.25 GW	+1.6 GW	0	↑	Godda (1.6 GW) fully operationalized in Q1.
Plant Availability	82%	-500 bps	-700 bps	↓	Lower YoY due to maintenance, but maintained high contractual availability.
Power Sales Volume	18.1 BU	+65%	+3%	↑	Higher demand from key PPA states (Gujarat, Maharashtra).
Net Debt	₹28,180 Cr	-31.7%	-21.3%	↑	Massive deleveraging from internal accruals and regulatory recoveries.
Avg. Merchant Tariff	₹7.37/kWh	-5.9%	-1%	↓	Merchant prices softening YoY but still significantly above PPA rates.
Finance Cost	₹897 Cr	+9.1%	+2.5%	→	Controlled despite Godda debt due to ₹2,100 Cr prepayment in Q2.
Net Debt / TTM EBITDA	2.30x	-53.6%	-12.2%	↑	Significant improvement in solvency; was 4.96x in Mar-23.

## 2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)*	YoY Growth	EBITDA (₹Cr)*	Trend	vs Company Avg	Key Development
Transnational (Godda)	₹3,500 (H1)	New	₹892 (H1)	↑	High Margin	99% availability; provides FX-linked stable cash flows from Bangladesh.
Merchant/Open (2.5 GW)	Not stated	High	Not stated	↑	Higher Yield	Realizing ₹7.37/kWh; 500 MW of "open" capacity tied in medium-term.
PPA-Linked (12.3 GW)	Not stated	Stable	Not stated	→	Baseline	Average PPA tariff at ₹6.53/kWh; full fixed-cost recovery achieved.

\*Segmental revenue/EBITDA approximate based on H1 data provided in concall.

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	Reach 21.11 GW by FY 2028-29.	Needs 5.86 GW addition; 1.6 GW (Mahan II) started; 4.26 GW to go.	High; Godda (1.6 GW) delivered.	Low
Guidance	Capex Plan	Mahan Phase-II (1.6 GW) at ₹12,500 Cr cost.	Approx. ₹7.8 Cr per MW; standard for supercritical units.	Consistent with group execution.	Low
Strategy	Capital Allocation	Prepayment of ₹2,100 Cr term loans in Q2; total debt down ₹10k Cr in H1.	On track to reach "debt-light" status before major FGD/Expansion capex.	Excellent in H1FY24.	Low
Strategy	Competitive Position	Use 2,500 MW "open" capacity for merchant/short-term gains.	Requires sustained power deficit in India (Peak demand hit 240 GW).	Successfully captured peak rates.	Medium
Strategy	Technology	100% FGD installation target by FY27.	Requires retrofitting 11.6 GW; large capex delayed to FY26-27.	31% currently installed.	Medium
Balance	Debt / Leverage	Approaching rating agencies for upgrade from 'A'.	TTM Net Debt/EBITDA of 2.3x justifies 'AA' category discussion.	Rating moved from BBB- to A.	Low
Macro	Industry Trends	Thermal to remain base load cornerstone despite RE push.	7% power demand growth supports this view.	PLFs rising across the fleet.	Low

## 4. ANALYST Q&A

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Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Nikhil Abhyankar / ICICI Sec	Godda Performance	Business Overview	Request for specific H1 performance metrics of the Bangladesh (Godda) plant.	Management disclosed Godda H1 revenue of ₹3,500 Cr and EBITDA of ₹92 Cr with 99% availability. This confirms Godda is a massive margin-accretive asset for the portfolio.	None	5.0	Specific and Quantified
2	3.5	Nikhil Abhyankar / ICICI Sec	Receivables	Financials	Are there any large disputed regulatory claims remaining in the ₹10,546 Cr trade receivables?	Management stated all major issues are resolved and current receivables mostly reflect September billing realized post-quarter. This signals a transition to a "clean" balance sheet without litigation overhangs.	None	4.0	Directional with evidence
3	4.0	Nikhil Abhyankar / ICICI Sec	Capital Structure	Financials	Quantum of unsecured perpetual debt paid off and current outstanding.	Management confirmed perpetual debt reduced from ₹13,000 Cr in April to ₹9,000 Cr in September. This is a deliberate move to reduce high-cost "equity-like" debt and clean up the capital structure.	None	5.0	Specific timeline given

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
4	4.0	Nikhil Abhyankar / ICICI Sec	Growth	Capex and Allocation	Status of Mahan Phase-II orders and expansion contracting philosophy.	Management indicated a "Split Package" philosophy with the main BTG order (biggest component) already placed with BHEL. This confirms expansion is no longer theoretical but in active execution.	None	4.5	Specific timeline given
5	4.0	Nirav Shah / GeeCee Inv	Merchant Strategy	Management Outlook	Strategy for the 3,000 MW open capacity given the strong balance sheet.	Management will keep a mix of merchant and short-term contracts, comfortable with "open" status given current market buoyancy. This maintains high EBITDA sensitivity to power shortages but increases volatility.	None	3.5	Vague but consistent
6	3.0	Nirav Shah / GeeCee Inv	Taxation	Financials	When will the company exit the tax-shield and enter the normal tax bracket?	Management cited carry-forward losses of ₹24,000–25,000 Cr, providing a shield for "some time." This implies 2–3 years of zero/minimal cash tax,	Exact timeline of expiry	3.5	Directional with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						significantly aiding FCF.			
7	4.5	Dhruv Muchhal / HDFC AMC	Gujarat PPA	Financials	Impact of the CERC indexation adjustment on Gujarat PPA revenue.	Management confirmed a ₹1,200 Cr one-time adjustment was taken last quarter and current revenue recognition is fully aligned with the CERC order. This removes a significant revenue recognition uncertainty for Mundra.	None	4.0	Clear and quantified
8	4.0	Dhruv Muchhal / HDFC AMC	Fuel Security	Business Overview	Impact of low national coal inventory on merchant volumes.	Management noted their own inventory is "quite good" and recent Shakti auction wins secure the next three months. This de-risks the merchant portfolio from the immediate national fuel crisis.	None	4.0	Directional with evidence
9	3.5	Dhruv Muchhal / HDFC AMC	FGD Capex	Capex and Allocation	Timing and quantum of FGD (Flue Gas Desulphuriser) capex.	Management expects large capex to hit in FY26-FY27 as installation takes only 18-24 months. This pushes out the heavy cash outflow,	None	4.0	Specific timeline given

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
10	3.0	Sumit Khimani	Political Risk	Governance	Impact of political risk in Bangladesh and negative media sentiment.	Management stood by the legally binding PPA and sovereign guarantee from Bangladesh. They successfully deflected political sentiment questions to focus on contract law.	None	2.5	Deflected — key signal

**PATTERN FLAGS & SENTIMENT \* Deleveraging vs. Growth:** Analysts were intensely focused on how APL is using its massive cash flow. Management's posture was highly confident, shifting the narrative from "surviving debt" to "executing growth" (Mahan II). The concern over leverage has been effectively resolved, with the street now pivoting to "how fast can you grow?". \* **Earnings Normalization:** Multiple questions (Gujarat PPA, Merchant Strategy, One-offs) aimed to strip the "noise" from the P&L. Management was transparent about the ₹2,781 Cr one-time item and provided enough data (Godda H1 stats) to help analysts model the "new normal" recurring EBITDA. \* **The Bangladesh Overhang:** This remains a "live" sentiment risk. While management pointed to sovereign guarantees, the market remains wary of geopolitical shifts. However, the operational delivery (99% availability) is a strong factual counter-argument.

**Analyst Sentiment Verdict:** Analysts were generally impressed by the pace of deleveraging and the operational ramp-up of Godda, shifting from a skeptical tone in prior years to one of "growth monitoring." The most friction came from trying to pin down the exact "steady state" merchant EBITDA, which management kept directional. Overall credibility has improved significantly as management followed through on debt prepayment promises. The single largest unresolved risk is the potential for merchant price cooling just as the company enters its next ₹12,500 Cr capex cycle.

**GUIDANCE GAPS REVEALED IN Q&A** | Topic | What Mgmt Claimed (FY23 Summary) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | FGD Capex | Continuous installation | Large capex pushed to FY26-27 | Delayed outflow; beneficial for near-term FCF. | Low (Regulatory deadline is 2026/27). | | Receivables | "Improving" | "No large outstanding regulatory claims" | Faster-than-expected resolution of legacy disputes. | None (Positive). |

## 5. WHAT CHANGED vs PRIOR QUARTER

(Compared to FY23 Year-End Summary)

What Changed	Prior Quarter (FY23)	This Quarter (Q2FY24)	Direction
<b>Leverage Profile</b>	Net Debt/EBITDA 1.7x (Reported)	TTM Net Debt/EBITDA 2.3x (Recurring)	↑ (Improving Quality)
<b>Capacity Status</b>	Godda Under-construction	Godda fully operational (99% availability)	↑
<b>Expansion Status</b>	21.1 GW was a "target"	Mahan II (1.6 GW) orders placed with BHEL	↑
<b>Credit Strength</b>	Rated BBB- to A-	Approaching agencies for further upgrade; Senior D/E at 0.79x	↑
<b>One-time Reliance</b>	46% of EBITDA was one-time	One-time impact reducing; Core EBITDA up 200%	↑
<b>Capital Structure</b>	₹13,000 Cr Perpetual Debt	₹9,000 Cr Perpetual Debt	↑
<b>Tax Outlook</b>	Uncertain	₹25,000 Cr tax shield confirmed	↑

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