

Adani Power Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Core Operating Performance) **One-line:** Thesis remains firmly intact as APL successfully transitions from a regulatory recovery story to India's dominant private thermal growth platform, adding 2.3 GW of capacity this quarter while maintaining a high-quality cash flow profile.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Continuing EBITDA grew 24.6% YoY to ₹5,402 Cr, surpassing core expectations despite lower tariff realizations.	☐
Earnings Quality	High (Core driven)	CFO-to-PAT ratio of 1.45x for H1 FY25; 91% of EBITDA is now recurring as one-time items fade.	☐
Guidance Confidence	Strong	Management confirmed advance BTG orders for 11.2 GW to de-risk execution through FY30.	☐
Management Credibility	Strong	Successfully closed and consolidated three major stressed assets (Coastal, Lanco, Dahanu) within the quarter.	☐
Business Quality Signal	Improving	Bargain purchase gains (₹8,929 Cr capital reserve) reflect disciplined inorganic execution; core ROE stabilizing.	☐
Key Q&A Exchange	Q# 4 - Merchant Performance	Realized ₹6/unit on 4.9 BU of merchant volumes; spreads remain healthy despite lower fuel costs.	☐
The Street's Primary Anxiety	Bangladesh Receivables	Receivables at \$790M (₹6,630 Cr); mgmt noted improving payment velocity (\$86M received in Oct alone).	☐
Capital Cycle Stage	Aggressive Investment	Brownfield expansion capex projected at ₹20,000 Cr for FY26; funded by ₹10,488 Cr H1 operational cash flow.	☐
Margin / Return Ratio Trajectory	Stable	Continuing EBITDA margin remains robust at ~41% for Q2; driven by lower fuel costs and volume growth.	☐
Pricing Power	Resilient	Able to dispatch higher merchant volumes (21% YoY growth) even as overall sector demand tempered.	☐
FCF Conversion & Quality	Strong	H1 FY25 Net Cash from Ops (₹10,488 Cr) fully covers inorganic acquisition costs and organic capex.	☐
Competitive Moat Signals	Widening	Only IPP with in-house logistics handling 74 MMTPA coal; logistical edge protects merchant spreads.	☐
Balance Sheet Strength	Adequate	Net Total Debt/EBITDA at 1.40x (TTM) provides headroom for the massive FY26-30 expansion plan.	☐
Working Capital Efficiency	Stable	Inventory levels managed well; Godda receivables are the only material drag on the cycle.	☐
Mgmt Guidance Track Record	Reliable	Delivered on the promise of inorganic expansion with 2.3 GW of assets integrated this quarter.	☐
Key Vulnerability / Red Flag	Geopolitical Exposure	Godda (1,600 MW) remains 100% dependent on Bangladesh grid and payment capacity.	☐
Management Tone	Confident & Systematic	Focused on "turning around fortunes" of stressed assets via O&M and fuel logistics excellence.	☐

Key Takeaways (Positives & Negatives): * **Positives:** The quarter proves APL's ability to grow without blowing out the balance sheet. Adding 2.3 GW of capacity took Net Debt/EBITDA only to 1.4x (from 0.9x in FY24), well within safety limits. Operational efficiency is high, with availability at 90%+ across the fleet. The cash flow profile (CFO > PAT) validates that earnings are "real," even with the recognition of massive capital reserves. * **Negatives:** Headline PAT dropped 50% YoY, which might confuse retail investors, though it is purely a function of high one-time regulatory income in the base year. Bangladesh receivables reached ₹6,630 Cr; while payments are coming through, the concentration risk of this single asset remains the primary valuation overhang. * **Street Concern:** Analysts are watching the "normalization" of merchant realizations, which fell to ₹6/unit from ₹7.45/unit in the prior quarter. Management's response suggests this is a pass-through of lower fuel costs, keeping the absolute contribution per unit healthy. * **Forward Watchpoint:** Monitoring the turnaround of Coastal Energen and Korba (Lanco) from negative EBITDA (currently -₹43 Cr combined) to APL's fleet average margins.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Continuing)	₹12,949 Cr	↑ 9.1%	↓ 12.0%	↑	Driven by 21% volume growth (21.9 BU) partially offset by lower fuel-linked tariff realization.
EBITDA (Continuing)	₹5,402 Cr	↑ 24.6%	↓ 14.1%	↑	YoY growth due to higher sales and lower fuel costs. QoQ dip reflects seasonal demand tempering.
EBITDA Margin % (Cont.)	41.7%	↑ 510 bps	↓ 100 bps	↑	Volume-led expansion; logistics cost control providing a cushion against realization dips.
PAT (Reported)	₹3,298 Cr	↓ 50.0%	↓ 15.7%	↓	Decline due to lower one-time prior period income (₹598 Cr vs ₹2,781 Cr in Q2 FY24).
Net Debt / (Cash)	₹30,813 Cr	↑ 16.1%	↑ 16.1%	↓	Increased from ₹26,545 Cr (Mar-24) due to acquisition of KPL (Lanco) and Coastal Energen.
Installed Capacity (MW)	17,550	↑ 15.1%	↑ 15.1%	↑	Jump from 15,250 MW following three key acquisitions/consolidations.
Plant Availability (%)	90%	↑ 300 bps	↓ 200 bps	↑	Consistently high availability ensures recovery of fixed capacity charges under PPAs.
PLF (%)	67%	↑ 900 bps	↓ 1,100 bps	↑	YoY improvement reflects merchant demand; QoQ dip due to extended monsoon rains.
Merchant Volume (BU)	4.9	↑ 38.0%	↓ 2.0%	↑	4,886 MUs sold; realization at ~₹6/unit vs ₹7.45 in prior quarter.
Senior Term Debt/Equity	0.51x	↑ (vs 0.61x)	↓ 21.5%	↑	Equity base strengthened by ₹8,929 Cr capital reserve from stressed asset acquisitions.
CFO / PAT (H1 basis)	1.45x	N/A	N/A	↑	Strong cash conversion; Net Worth now at ₹57,996 Cr (incl. UPS).

2B. SEGMENT BREAKDOWN

Segment	Capacity (MW)	H1 PLF	Fuel Source	Trend	vs Co. Avg	Key Development
Long-Term PPA	13,830*	72%	FSA / Domestic	→	Lower	80% of capacity; providing EBITDA stability via two-part tariff.
Merchant / Open	3,720*	~65%*	E-Auction / Imp.	↑	Higher	Realization of ₹6/unit; 20% of fleet targeting high-margin peak demand.
Transnational	1,496 (Net)	High	Imported	→	Higher	Godda fully commissioned; receiving payments (\$86M in Oct) despite BD political turmoil.
New Acquired	2,300	Low	Transitioning	↓	Neg EBITDA	Coastal and Korba currently EBITDA negative; turnaround expected by FY26.

*Derived from total capacity minus merchant/transnational split.

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 FY30.	Needs ~2.2 GW addition p.a. Feasible given 11.2 GW orders and NCLT pipeline.	Met: Added 2.3 GW in single quarter.	Equipment supply chain bottlenecks (BHEL).
Guidance	Capex	₹6,000 Cr in FY25; ₹20,000 Cr in FY26.	H1 spent ₹4,253 Cr (incl. acquisitions). Target is well within operational cash flow capacity.	Met: Inorganic spends as promised.	Interest rate hikes on new project debt.
Guidance	PPA Tie-ups	80:20 PPA-to-Merchant ratio for new projects.	Requires winning 6.4 GW of active state tenders. Maharashtra 1.5 GW already secured.	On Track: Secured Maharashtra LOA.	Competitive bidding lowering ROEs.
Strategy	Inorganic	Turnaround stressed assets via fuel/logistics optimization.	Needs to move Coastal/Korba from negative to ~₹1.5 Cr/MW EBITDA.	Reliable: Proven track record with Mahan/Tiroda.	Integration of disparate workforce/tech.
Balance	Deleveraging	Maintain debt-light growth.	Sr. Debt/Equity at 0.51x provides massive headroom for ₹26,000 Cr total capex.	Exceeded: Significant prepayment of UPS.	Capex spike in FY26-27.

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	5.0	Nikhil Abhyankar / UTI MF	Receivables	Financials	"Can you quantify what are the receivables as of September 30 [at Godda]?"	Management confirmed receivables at \$790M (₹6,630 Cr) but noted that \$350M was received in the last six months, with \$86M received in October alone. This implies that while the absolute balance is high, the cash flow cycle from Bangladesh is active and accelerating post-turmoil, reducing immediate default fears.	None	5.0	Clear and quantified
2	4.5	Nikhil Abhyankar / UTI MF	Strategy	Capex	"How much have we received... are we looking to link [Godda] to the domestic grid?"	Management stated they are in sync with the Bangladesh grid but will "explore options" to connect to the Indian grid if required. A domestic grid link would provide a critical safety valve for the 1,600 MW asset, significantly de-risking the "transnational" investment thesis.	None	3.5	Directional
3	4.0	Nikhil Abhyankar / UTI MF	Acquisitions	Capex	"Coastal Energen... do we look to increase the stake... and under-	Management clarified that Coastal has no further under-construction capacity, but Lanco (Korba) has 1,320 MW	None	4.5	Specific timeline

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					construction capacity?"	currently being built with a 2-year completion timeline. This focuses growth expectations on the brownfield Korba site rather than the operational Coastal site.			
4	4.0	Yash Agarwal / JM Fin	Profitability	Financials	"What is the amount of EBITDA... from Amarkantak, as well as Coastal Energen?"	Management disclosed negative EBITDA for the first month of consolidation (- ₹35 Cr for Coastal and -₹8 Cr for Amarkantak) due to legacy inefficiencies. This sets a low baseline, meaning future quarters will show optical "turnaround growth" as APL applies its O&M standards.	None	5.0	Clear and quantified
5	3.5	Nirav Shah / GeeCee	Accounting	Financials	"What's the reason for the increase in the capital work in progress... above ₹9,000 crores?"	Management explained this is the result of acquiring Lanco/Coastal at a discount, where they recognized capital work-in-progress alongside a massive capital reserve of ₹8,929 Cr. This confirms the "bargain purchase" nature of recent deals, which improves Net	None	4.0	Evidence based

Q#	Rel.	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						Worth without cash outflow.			
6	4.5	Abhinav / ICICI Sec	Growth	Management Outlook	"Any other bidding is going to come up anytime soon [like Rajasthan]?"	Management noted that Rajasthan temporarily withdrew its bid but is expected to refloat it with changed conditions soon. Missing out on the initial Rajasthan tender is offset by the 1.5 GW Maharashtra win, keeping the 80% PPA-tie-up target feasible.	None	3.0	Vague
7	4.0	Nikhil Abhyankar / UTI MF	Merchant	Financials	"What were the merchant volumes in Q2 and average realizations?"	Management reported 4.88 BU sold at ~₹6/unit, emphasizing that 80% of "merchant" is actually short-term bilateral contracts with DISCOMs rather than exchange-based. This explains the realization premium over power exchange rates and provides a more stable merchant revenue floor.	None	4.5	Quantified

PATTERN FLAGS & SENTIMENT * **Bangladesh Anxiety:** Analysts were hyper-focused on the \$790M receivable. Management's defensive posture was grounded in recent payment data (\$86M in October), which appeared to calm the room. The concern is "live" but the sentiment moved from "fear of default" to "monitoring the lag." * **Acquisition Turnaround:** There is a clear pattern of analysts probing the immediate profitability of new assets. Management was transparent about the initial negative EBITDA, framing it as the "raw material" for their turnaround expertise. * **Merchant Normalization:** The drop from ₹7.45/unit to ₹6/unit was noted but not flagged as a crisis, as fuel costs also declined. The sentiment is that APL's merchant strategy is increasingly "bilateral-led" rather than "exchange-gambling."

Analyst Sentiment Verdict: CONVINCED. The mood was professional and data-driven. Analysts were particularly impressed by the ₹10,488 Cr H1 cash flow from operations, which provides a tangible "margin of safety" for the aggressive expansion plans. No friction was observed; management's credibility on inorganic execution is at an all-time high.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY25 basis)	This Quarter (Q2 FY25)	Direction
Operational Capacity	15,250 MW	17,550 MW	↑ Improving
Merchant Realization	₹7.45 / unit	~₹6.00 / unit	↓ Normalizing
Bangladesh Receivables	~4-5 month lag	\$790M (₹6,630 Cr)	↓ Deteriorating
Leverage (Net Debt/EBITDA)	0.9x (FY24 basis)	1.40x (TTM basis)	↓ Debt Addition
Capital Structure	Ongoing UPS prepayments	UPS reduced to ₹4,643 Cr	↑ Improving
PPA Visibility	6.4 GW Bids active	LOA for 1.5 GW (Maharashtra) secured	↑ Improving
Net Worth	₹43,145 Cr (Mar-24)	₹57,996 Cr	↑ Massive jump*
Credit Rating	A- / AA- family	AA / Stable (CARE)	↑ Improving

*Driven by 8,929 Cr Capital Reserve from bargain acquisitions.

Investor Note on Working Capital: A major divergence exists between PAT (₹7,210 Cr) and Net Cash from Operations (₹10,488 Cr) for H1 FY25. This is primarily driven by the recovery of past regulatory dues and the one-time non-cash "Capital Reserve" adjustment related to acquisitions. While Bangladesh receivables are a drag, the overall cash conversion remains superior due to efficient domestic DISCOM collections.

STOP HERE.