Adani Power Ltd — Oct 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** A high-quality "clean" quarter where core operating performance surged despite a headline PAT decline, proving the business has successfully transitioned from a regulatory-recovery play to a compounding growth utility.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Continuing EBITDA of □5,402 Cr (Q2) beat the core performance of Q2 FY24 (□4,336 Cr) by 24.6% despite seasonal rain impact.	□
Earnings Quality	High (Core driven)	90% of Q2 Reported Revenue (□13,465 Cr of □14,063 Cr) is now recurring; one-time income impact is diminishing.	□
Guidance Confidence	Strong	Reiteration of 30.67 GW target by 2030 supported by 11.2 GW identified organic pipeline.	□
Management Credibility	Strong	Rapid integration of 2,300 MW (Coastal, Lanco, Dahanu) within a single quarter demonstrates superior inorganic execution.	□
Business Quality Signal	Improving	Net Debt/EBITDA maintained at 1.40x despite aggressive acquisitions; Senior Debt/Equity improved to 0.51x.	□
Key Q&A Exchange	N/A — no concall	PPT highlights MSEDCL LoI for 1,600 MW as a key PPA win.	□
The Street's Primary Anxiety	Leverage for Growth	Management showcased a deleveraged balance sheet with □8,929 Cr capital reserve from acquisitions.	□
Capital Cycle Stage	Investment	Aggressive brownfield and inorganic expansion phase (added 2.3 GW in Q2).	□
Margin / Return Ratio Trajectory	Stable	Continuing EBITDA margins remain robust due to lower fuel costs and high PPA tie-ups (83%).	□
Pricing Power	Stable	92% of PPAs have assured fuel cost recovery, insulating the core from commodity volatility.	□
FCF Conversion & Quality	Strong	H1 CFO of □10,488 Cr vs PAT of □7,210 Cr (1.45x conversion ratio).	□
Competitive Moat Signals	Widening	Only private player with 17.5 GW operational capacity and a clear path to 30 GW via brownfield land and logistics.	□
Balance Sheet Strength	Strong	Senior Term Debt/Equity improved to 0.51x from 0.61x in Q1; Net Worth bolstered by profit retention.	□
Working Capital Efficiency	Stable	Inventory decreased from □4,142 Cr to □3,739 Cr; Trade Receivables rose slightly due to capacity additions.	□
Mgmt Guidance Track Record	Reliable	Delivered on three inorganic acquisitions (CEPL, LAPL, Dahanu) in one quarter.	□
Key Vulnerability / Red Flag	Fuel Pass-through	Continued reliance on "Change-in-Law" and regulatory orders for alternate fuel cost recovery.	□
Management Tone	Confident & Growth-Oriented	PPT emphasizes "unique positioning to catapult" on India's 80 GW thermal deficit.	□

Key Takeaways: * **Positives:** The core business is highly resilient; continuing EBITDA grew 38.3% in H1 FY25. The company successfully executed a massive inorganic spree (2,300 MW) without stressing the balance sheet, thanks to a □8,929 Cr capital reserve recognition. Cash conversion is elite (CFO/PAT at 1.45x), providing the "dry powder" for the 11.2 GW organic pipeline. * **Negatives:** Headline PAT for H1 fell 53% YoY, which could trigger a "false negative" reaction; this is entirely due to the absence of last year's □9,278 Cr one-time regulatory windfall. Q2 PLF dropped to 67% (from 78% in Q1) due to extended rains tempering demand. * **Street Concern:** Investors are monitoring the "Bangladesh risk" (Godda plant). While the PPT confirms it as a core asset, any geopolitical friction remains a concentration risk, though regular payments (with standard lags) are implied. * **Forward Watchpoint:** Execution of the 9.6 GW "new orders placed" organic pipeline and the integration of the 1,320 MW Supercritical expansion at Korba (LAPL).

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column will be sparse or absent.

Metric	Current Qtr (Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Continuing)	□12,949 Cr	↑ 9.1%	↓ 12.0%	□	YoY growth driven by 21% volume growth; QoQ dip due to seasonal rains impacting demand.
EBITDA (Continuing)	□5,402 Cr	↑ 24.6%	↓ 14.1%	□	Margin expansion YoY due to lower fuel cost per unit and better control on operating expenses.
EBITDA Margin % (Cont.)	41.7%	↑ 510 bps	↓ 100 bps	□	Robust core profitability despite lower PLFs in Q2.
PAT (Reported)	□3,298 Cr	↓ 50.0%	↓ 15.7%	↓	Decline due to lower one-time income vs high base; Core PBT grew 44.8% YoY.
Net Debt / (Cash)	□30,813 Cr	↑ 16.1%*	↑ 16.1%	↓	Increased due to capacity expansion; (*vs Mar-24 base of □26,545 Cr).
Installed Capacity (MW)	17,550	↑ 15.1%	↑ 15.1%	□	Massive jump following CEPL (1200MW), LAPL (600MW), and Dahanu (500MW) acquisitions.
Effective Capacity (MW)	15,837	↑ 3.8%	↑ 3.8%	□	Capacity available for generation during the period.
Machine Availability (%)	90%	↑ 300 bps	→	□	Consistent operational excellence across the fleet.
PLF (%)	67%	↑ 900 bps	↓ 1100 bps	□	YoY increase shows structural demand; QoQ drop is seasonal (monsoon).
Sales Volume (BU)	21.9	↑ 21.0%	↓ 9.1%	□	Driven by higher operating capacity and structural demand in merchant markets.
Finance Cost	□818 Cr	↓ 9.2%	↑ 0.9%	□	deleveraging and credit rating improvement (AA) lowering average cost of debt.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Contracted (PPA)	Not split*	N/A	Stable	→	Lower	83% of capacity is contracted; 92% has fuel cost pass-through.
Merchant (Open)	Not split*	N/A	High	↑	Higher	17% capacity open; merchant demand remains high despite seasonal dips.
Ultra-supercritical	N/A	N/A	Highest	↑	Higher	42% of target 2030 capacity will be Ultra-supercritical to meet ESG goals.
**PPT provides capacity mix (83% PPA / 17% Open) but not the explicit revenue split for Q2.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume / Capacity	30.67 GW Target Capacity by 2030.	Needs ~2,200 MW addition per year. Current pipeline (11.2 GW) covers this requirement.	**Met:** Added 2.3 GW in Q2 FY25 via acquisitions.	Integration of stressed assets.
Guidance	Margins	Maintain "Excellence in operations" via AIMSL/ENOC.	Feasible; water intensity (2.07) and emission intensity (0.85) already below limits.	**Met:** Continuing EBITDA margin expanded YoY.	Rising alternate fuel costs.
Guidance	Capex Plan	11.2 GW organic pipeline (9.6 GW new orders).	Significant; requires ~□5-6 Cr per MW (estimated). CFO of □10k Cr/H1 suggests internal funding capacity.	**Met:** Mahan expansion (1.6 GW) is ongoing.	Equipment delivery delays.
Strategy	Capital Allocation	Inorganic growth via stressed asset acquisition.	Opportunistic; recognized □8,929 Cr capital reserve from recent buys.	**Exceeded:** Completed 3 acquisitions in Q2.	Over-reliance on inorganic NCLT timing.
Macro	Industry Headwinds	80 GW additional coal base load required by 2032.	APL identifies 49 GW "untapped potential" for their pipeline.	**N/A**	Transition to Renewables/ Battery.
Balance	Debt / Leverage	Maintain strong credit profile (Rating AA).	Senior Debt/Equity at 0.51x provides massive headroom for capex debt.	**Met:** Rating improved 10-notches since 2018.	Interest rate volatility.

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

Based on Comparison with Q1 FY25 Prior Context.

What Changed	Prior Quarter (Q1 FY25)	This Quarter (Q2 FY25)	Direction
Effective Capacity	15,250 MW	15,837 MW	↑ Improving
Operational Footprint	15,250 MW (Godda focus)	17,550 MW (CEPL/LAPL/Dahanu added)	↑ Improving
Leverage Ratio	0.61x Senior Debt/Equity	0.51x Senior Debt/Equity	↑ Improving
Net Debt / EBITDA	0.9x (FY24 Basis)	1.40x (TTM Basis)	↓ Deteriorating*
Continuing Revenue	□14,717 Cr	□12,949 Cr	↓ Deteriorating
Continuing EBITDA	□6,290 Cr	□5,402 Cr	↓ Deteriorating
One-time Income	□422 Cr	□598 Cr	↑ Increasing
Growth Pipeline	4.8 GW announced	11.2 GW (Orders placed for 9.6 GW)	↑ Improving

**Note: The Net Debt/EBITDA "deterioration" is a technicality of moving from a FY24 static base to a TTM base that includes full acquisition debt but only partial-period EBITDA for new assets. The Senior Debt/Equity ratio (0.51x) is the more accurate reflection of current balance sheet strength.*

Investor Notes: * **Earnings Quality:** CFO-to-PAT ratio of 1.45x for H1 FY25 is a major positive. The divergence is driven by high non-cash items (depreciation/deferred tax) and the recovery of regulatory dues in cash. * **Thesis Change?** No. The quarter confirms that APL is the primary consolidator in the Indian thermal power space. The ability to acquire and integrate 2.3 GW in 90 days while *reducing* the Senior Debt/Equity ratio validates the "Infrastructure Platform" model. * **Watchpoint:** Monitoring the construction progress of the 9.6 GW new orders; any delay here would push back the 2030 target.

STOP HERE.