GMR Power & Urban Infra Ltd — Aug 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** Operational stability in thermal assets and a material reduction in consolidated debt are overshadowed by a return to bottom-line losses as the massive JV profit share seen in the prior year (Indonesian coal) normalized.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Revenue up 5% YoY; EBITDA up 11% YoY; PAT down significantly due to lower JV share.	□
Earnings Quality	Low (Asset-heavy/ Accounting)	Consolidated PAT remains reliant on JV accounting and non-cash depreciation/interest.	□
Guidance Confidence	Neutral	Transition to "Energy 2.0" (Smart Metering) is gaining traction with a major LOI win in UP.	□
Management Credibility	Improving	Material YoY debt reduction (□2,180 Cr gross debt) proves monetization/deleveraging focus.	□
Business Quality Signal	Stable	Thermal PLFs remain high (>80%); Bajoli Holi Hydro has stabilized with 66% PLF.	□
Key Q&A Exchange	Not applicable	Investor presentation only.	□
The Street's Primary Anxiety	Leverage & Cash Flow	High Corporate-level debt (54% of net debt) and dependency on arbitral awards.	□
Capital Cycle Stage	Consolidation / Pivot	Monetizing legacy infrastructure to fund a shift into asset-light "Smart Energy" services.	□
Margin / Return Ratio Trajectory	Stable	Consolidated EBITDA margins held at ~14-15%.	→
Pricing Power	Stable	Regulated returns in thermal/hydro; tariff-based bidding for Smart Metering.	□
FCF Conversion & Quality	Weak	Negative PBT before exceptional items indicates core operations aren't yet self-funding.	□
Competitive Moat Signals	Stable	Entrenched Highway assets and long-term PPAs for thermal/hydro plants.	□
Balance Sheet Strength	Adequate (Improving)	Net Debt reduced by □2,720 Cr YoY; GEL Net Debt down to □7,500 Cr.	□
Working Capital Efficiency	Stable	Smart Metering LOI (75.69 lakh meters) suggests a shift toward better collection efficiency.	□
Mgmt Guidance Track Record	Reliable	Consistent progress on Highway claim settlements and land monetization in Krishnagiri.	□
Key Vulnerability / Red Flag	JV Dependency	Bottom-line swing (□207.3 Cr profit to □201.5 Cr loss) shows extreme sensitivity to JV performance.	□
Management Tone	Optimistic	High focus on "Energy 2.0" and "Asset Light" growth opportunities.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** Management has successfully executed a massive deleveraging program, reducing Net Debt by ₹2,720 Cr YoY. Operational performance is robust, with Warora (90% PLF) and Kamalanga (82% PLF) demonstrating high availability, while the Bajoli Holi Hydro project has stabilized with 66% PLF and a 20x QoQ revenue jump. The pivot to "Energy 2.0" is real, evidenced by the LOI for 75.69 lakh prepaid smart meters in Uttar Pradesh, marking a significant entry into a tech-enabled, asset-light utility business. * **Negatives:** Despite revenue growth, EBITDA at Kamalanga and Warora fell YoY (31% and 38% respectively) due to high alternate coal prices and lower merchant realizations compared to the spike in Q1FY23. The consolidated PAT of ₹(201.5) Cr highlights that the standalone business remains loss-making at a PBT level (₹90.1 Cr loss before exceptionals), and the company no longer has the massive Indonesian coal dividend cushion to flip the bottom line into the green this quarter. * **The Street's Concern:** Investors remain focused on the timing of liquidity from the Hyderabad-Vijayawada arbitral claim (₹1,672 Cr) and the monetization of the remaining land bank in Krishnagiri (1,145 acres). * **Forward Watchpoint:** Progress on the installation and commissioning of the 75.69 lakh smart meters in UP, which represents the first large-scale execution of the "Energy 2.0" strategy.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q1FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	1,124.2	↑ 5.2%	↓ 21.0%	↑	YoY growth driven by Bajoli Holi stabilization.
EBITDA (₹Cr)	161.5	↑ 10.9%	→ 0%	↑	Margins stable despite fuel cost headwinds.
EBITDA Margin %	14.4%	↑ 75 bps	↑ 310 bps	↑	Efficiency gains at Bajoli Holi offset fuel costs.
PAT (₹Cr)	(201.5)	↓ 197.2%	↑ 56.7%	↓	YoY drop due to lower share of profit from JVs.
ROCE (%)	Not in doc	-	-	-	Not reported in quarterly PPT.
Cash Flow (OCF)	Not in doc	-	-	-	Full CFS not provided in Q1 PPT.
Net Debt (₹Cr)	5,000.0 (est)	↓ 35.2%	↓ 35.9%	↑	Sector-wise: Energy 300, Hwy 1700, Corp 2700, Other 300.
Interest Coverage (x)	0.58	↑ 30%	↑ 18%	↑	Improved from 0.45x YoY but remains < 1x.
Warora PLF (%)	90%	↓ 425 bps	↓ 110 bps	↓	Lower revenue due to merchant price reduction.
Kamalanga PLF (%)	82%	↑ 123 bps	↓ 786 bps	→	Minor shutdown for maintenance impacted QoQ.
Bajoli Holi PLF (%)	66%	↑ 1600 bps	↑ 6100 bps	↑	Stabilization post-commissioning.
Hwy Avg Daily Traffic	26,500	↑ 3.5%	↑ 3.5%	↑	Hyderabad-Vijayawada remains the key driver.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Energy	727.4	↑ 32.9%	2.0%	→	Below	Bajoli Holi stabilization; fuel costs hitting margins.
Highways	172.3	↑ 5.6%	75.0%	↑	Above	₹1,672 Cr claim quantified for Hyd-Vja project.
EPC/Others	224.5	↓ 37.3%	Not stated	↓	N/A	DFC project (Eastern Corridor) 95-97% complete.
Kamalanga*	707.0	↓ 3.5%	29.5%	↓	Above	EBITDA down 31% YoY on high alternate coal prices.
Warora*	414.8	↓ 9.1%	25.0%	↓	Above	Merchant prices softened compared to Q1FY23.

**Note: Kamalanga and Warora are JVs and not consolidated in the 1,124 Cr revenue, but reported standalone in Annexures.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Energy 2.0	Implement AMI Project: 75.69 lakh smart meters in UP.	10-year duration; requires massive rollout logistics.	New entry	Execution of DBFOOT model.
Guidance	Asset Monetization	Monetize existing Highway and Land assets.	Needs ~₹1,000 Cr+ realizations to clear Corp debt.	Consistent (Kakinada done)	Litigation timing.
Strategy	Krishnagiri SIR	Sale of 161 acres to TN Govt Agency in FY24.	On track for FY24 closure.	On track	Government approval.
Strategy	EPC Exit	Moving towards asset-light, participation via PPP for stations.	Order book finishing (95-97% on DFC).	High	Order book depletion.
Strategy	Thermal Assets	Tie up open capacities through RTC/Innovative PPAs.	Warora/Kamalanga at high PLF but EBITDA sensitivity to fuel.	Reliable	Fuel price volatility.
Balance	Deleveraging	Further reduction in Corporate and Sector debt.	Net Debt reduced by ₹2,720 Cr YoY.	Strong	Interest rate hikes.

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4. ANALYST Q&A

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

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5. WHAT CHANGED vs PRIOR QUARTER

Compared to Prior Context (Q1FY23 data):

What Changed	Prior Quarter (Q1FY23)	This Quarter (Q1FY24)	Direction
Bottom Line	PAT ₹201.7 Cr Profit	PAT ₹(201.5) Cr Loss	↓
Net Debt	₹7,800 Cr	~₹5,000 Cr	↑
Energy Strategy	Focus on Thermal/Coal	"Energy 2.0" Smart Metering LOI	↑
GEL Net Debt	₹8,700 Cr	₹7,500 Cr	↑
Hydro Status	Bajoli Holi Stabilizing	Bajoli Holi EBITDA ₹98.3 Cr	↑
Highway Claims	Award Pending	₹1,672 Cr quantified for Hyd-Vja	↑
EPC Progress	84-93% Complete	95-97% Complete	↑

- **Financial Divergence:** The core reason for the thesis pivot from "Profit" to "Loss" is the Share of Profit from JVs, which collapsed from ₹344.3 Cr in Q1FY23 to ₹(145.5) Cr in Q1FY24. This reflects the cooling of Indonesian coal prices (PT GEMS) and higher fuel costs at thermal JVs.
- **Deleveraging Speed:** Management has outperformed on debt reduction, stripping out over ₹2,700 Cr in net debt over 12 months, significantly de-risking the balance sheet.
- **New Growth Engine:** The Smart Metering LOI for 7.5 million meters is the first tangible proof that the company can win large-scale "Asset Light" contracts.

STOP HERE.