GMR Power & Urban Infra Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Operations) / Beat (Strategic) **One-line:** GPUIL has successfully moved from "planning" to "executing" its legacy exit, transferring a 70% stake in the loss-making Bajoli Holi (Hydro) and divesting 51% of non-operational Gas plants, effectively de-risking the equity story from "Bad Bank" drag.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Inline	EBITDA □520.3 Cr grew 3% QoQ despite lower PLFs; Smart Meter installations up 46% QoQ.	□
Earnings Quality	Moderate	PAT reflects a loss of □35 Cr due to high interest (□441 Cr), though core EBITDA remains stable at 29% margin.	□
Guidance Confidence	Strong	Divestments of Bajoli Holi, Vemagiri, and Rajahmundry are no longer just "frameworks" but are being legally transferred.	□
Management Credibility	Strong	Completed the Rajahmundry OTS (One-Time Settlement); payments made and stakes divested as promised in the "GMR 2.0" roadmap.	□
Business Quality Signal	Improving	Transitioning from a capital-heavy IPP with stressed assets to an asset-light Energy Services (AMISP) model.	□
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	Execution Ramp-up	Can management triple the current installation run-rate for smart meters to meet the 27-month window?	□
Capital Cycle Stage	Consolidation/ Pivot	Exiting legacy JVs/Stressed assets to fund Smart Metering and C&I Renewable expansion.	□
Margin / Return Ratio Trajectory	Stable	Thermal EBITDA margins maintained at 30-38% despite lower merchant realizations.	□
Pricing Power	Stable	PPAs provide floor; Smart Metering is an annuity-style fixed fee per meter per month.	□
FCF Conversion & Quality	Improving	Divestment of Bajoli Holi removes a major annual loss-maker (□716 Cr loss in FY25).	□
Competitive Moat Signals	Widening	IREDA loan of □2,128 Cr for Smart Metering validates the project's bankability and GMR's execution standing.	□
Balance Sheet Strength	Adequate	Proforma Net Debt increased to □6,300 Cr due to settlement payments and capex, but the "Bad Debt" overhang is cleared.	□
Working Capital Efficiency	Deteriorating	Energy receivables remain high at □1,370 Cr; Smart Metering billing cycle is just beginning to kick in.	□
Mgmt Guidance Track Record	Reliable	Delivered on the promise to excise the "GEL" stressed asset tail within the 2025 timeline.	□
Key Vulnerability / Red Flag	Installation Speed	Current run-rate (~1.37L meters/month) is only ~40% of the speed required to hit the 75.7L target on time.	□
Management Tone	Confident	PPT emphasizes "Establishing the Foundation for GPUIL 2.0" and "Delivering the Promise."	□

Key Takeaways: * **Positives:** The definitive divestment of Bajoli Holi (Hydro) and Gas plants (Vemagiri/ Rajahmundry) is a massive structural de-risking event. Operationally, thermal assets (Warora/Kamalanga) continue to outperform industry average PLFs (89-91% vs 75% IPP avg). Smart Metering has moved to "Operational Go-live" for all three projects, with first payments received from DISCOMs. * **Negatives:** Highway traffic at Ambala-Chandigarh collapsed 18.4% YoY due to alternate route diversions, which is now in litigation. Reported PAT is a loss of □35 Cr, weighed down by high interest costs (□441 Cr) and share of losses from JVs (□133.5 Cr). * **The Street's Main Concern:** Execution velocity in the UP Smart Metering project. While 13.1 lakh meters is a 46% jump from Q4, the company must ramp up to ~3.5 lakh meters/month to complete the 75.7 lakh target within the implementation window. * **Forward Watchpoint:** The full monetization of the Krishnagiri SIR land parcels (32 acres under discussion) and the "de-novo" arbitration outcome for the Ambala-Chandigarh traffic claims.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Concall not available — commentary absent.*

Metric	Current Qtr (Q1FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	1,768.1	↑ 2.0%	↓ 5.1%	□	YoY growth from Smart Metering (□183.5 Cr); QoQ decline due to lower coal trading.
EBITDA (□Cr)	520.3	↓ 18.7%	↑ 2.9%	□	YoY decline due to exit of Hyderabad-Vijayawada highway project (□62 Cr impact).
EBITDA Margin %	29.4%	↓ 760 bps	↑ 230 bps	↑	Improved QoQ as Energy segment EBITDA rose 5% vs Q4.
PAT (Cont. Ops) (□Cr)	(35.0)	↓ NM	↑ NM	□	Loss narrowed from Q4; YoY comparison skewed by one-time gains in Q1FY25.
Net Debt (Proforma) (□Cr)	6,300.0	N/A	↓ 12.7%	□	Increased by □500 Cr QoQ due to GREL settlement and Smart Meter capex.
Warora PLF (%)	89.0%	↓ 400 bps	↓ 400 bps	↓	Lower PLF impacted merchant sales and realizations.
Kamalanga PLF (%)	91.0%	↓ 100 bps	↓ 100 bps	→	Sustained high performance; PAT up 8% YoY to □92.8 Cr.
Smart Meter Order Book	7,590.0	→	→	→	Project spanning 22 districts in Uttar Pradesh; 10-year duration.
Smart Meters Installed (L)	13.1	First Entry	↑ 45.9%	↑	Significant ramp from 8.98L (Q4) to 13.1L (Jul 29).
Interest Coverage (x)	1.18	↓	↑	□	EBITDA / Total Finance Cost; remains tight but improving QoQ.
Energy Receivables (□Cr)	1,370.0	N/A	↓ 6.5%	↑	Gradual improvement from □1,465 Cr in prior quarter.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Energy	1,450.7	↑ 1.8%	31.9%	→	Inline	Divestment of Bajoli Holi/Gas plants completed sub-Q1.
Smart Meters	184.8	First Entry	8.8%	↑	Lower	100% IT integration; Operational Go-live received.
Highways	59.5	↓ 72.7%	54.7%	↓	Higher	Revenue hit by exit of Hyd-Vijayawada; Ambala traffic down 18%.
Others (EPC/SIR)	73.1	↓ 38.0%	N/A	↓	Lower	DFCC project 99.25% complete; handover in progress.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Smart Metering	Install 75.7 Lakh prepaid smart meters in UP.	Needs ~3.5 Lakh/month for remaining ~18 months; currently at ~1.37 Lakh/month.	**Progressing**	Execution lag
Guidance	Deleveraging	Refinancing at Kamalanga and Warora.	Aiming to mobilize cash flows for growth and further de-leveraging.	**New Target**	Market rates
Strategy	Asset Exit	Divest 51% stake in GVPGL (Vemagiri) and GREL (Rajahmundry).	Sub-Q1 July 2025: Divestment completed; assets now debt-free within GPUIL.	**Delivered**	None
Strategy	Monetization	Sale of 32 acres at Krishnagiri SIR to TN Govt.	Under active discussion; next phase development of 55 acres planned.	**Ongoing**	Govt timing
Strategy	GPUIL 2.0	Focus on C&I and Hybrid/FDRE supply.	Leveraging existing thermal land for brownfield expansion/renewables.	**Early Stage**	Policy shifts
Strategy	Receivables	Recover □1,900 Cr overdue accounted receivables.	Energy (□1,370 Cr), DFCC (□500 Cr), Highway (□25 Cr).	**Slow**	Discom health

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY25)	This Quarter (Q1FY26)	Direction
Asset Ownership	Bajoli Holi, Vemagiri, Rajahmundry were JVs with signed framework agreements.	70% of Bajoli Holi transferred; 51% of Gas plants divested in July 25.	□
GREL Debt Status	Settlement proposed to lenders of Rajahmundry (GREL).	OTS completed; settlement amount fully paid; asset now debt-free.	□
Smart Meter Scale	8.98 Lakh meters installed.	13.1 Lakh meters installed (46% QoQ growth).	□
Smart Meter Status	Integration and setup phase.	"Operational Go-Live" received; billing/ payments started from Discoms.	□
Net Debt (Proforma)	□5,500 Cr (Proforma Net Debt).	□6,300 Cr (Proforma Net Debt).	□
Highway Portfolio	Litigation on Ambala traffic diversion ongoing.	NHAI filed SLP in SC; dispute referred back to de-novo arbitration.	□
DFCC Execution	~99.1% completion.	Handover to DFCCIL completed; balance works expected by Sept '25.	□

INVESTOR NOTES: * **Thesis Validation:** The "Bad Bank" exit is no longer a promise; it is a reality. By divesting the Hydro and Gas assets, GPUIL has eliminated assets that were bleeding ~□700 Cr+ in annual PAT. * **Valuation Shift:** The business is successfully pivoting to a high-ROE "Smart Distribution" model. However, the market will likely wait for the Smart Metering installation rate to hit >3 lakh/month before re-rating. * **Balance Sheet Noise:** The □500 Cr increase in Net Debt is "cleaning cost" (OTS payments) and "growth cost" (Smart Meter capex). As Smart Metering cash flows (annuity) kick in, this should stabilize. * **Critical Watchpoint:** The "Operational Go-live" of the Smart Metering project is the ultimate de-risking event for the annuity cash flow stream. With this achieved in Q1, the focus shifts entirely to implementation speed.

STOP HERE.