GMR Power & Urban Infra Ltd — Feb 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Headline) / Inline (Core) **One-line:** The successful implementation of the Warora Resolution Plan and favorable arbitration rulings in the Highway segment provide a clear path to solvency, though core profitability remains masked by high interest costs and exceptional accounting gains.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Consolidated PAT of □339.3 Cr vs loss of □573.7 Cr YoY; driven by exceptional items.	□
Earnings Quality	Low (One-off driven)	PAT includes □524.4 Cr exceptional income; PBT before exceptions was a loss of □131.1 Cr.	□
Guidance Confidence	Neutral	Shift toward "Clean Energy" remains aspirational without quantified capex or timelines.	□
Management Credibility	Improving	Implementation of Warora Resolution Plan (Jan 2023) meets a long-standing commitment.	□
Business Quality Signal	Stable	Thermal assets (Warora/Kamalanga) are hitting healthy PLFs (89%/75%) vs national average (51.7%).	□
Key Q&A Exchange	N/A — PPT_ONLY	No concall conducted or provided.	□
The Street's Primary Anxiety	Leverage and Litigation	Focus remains on the realization of □1,672 Cr and □510 Cr arbitration claims to deleverage.	□
Capital Cycle Stage	Harvesting / Consolidation	Monetizing non-core land (Krishnagiri) and extracting value from highway claims.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA Margin fell to 9% from 17% YoY (Consolidated).	□
Pricing Power	Stable	Regulated returns in thermal; traffic growth in highways (Ambala-Chandigarh +5.2x YoY).	□
FCF Conversion & Quality	Distorted	Heavy reliance on arbitration wins and land sales; core operations do not yet cover finance charges.	□
Competitive Moat Signals	Stable	Entrenched utility assets with long-term PPAs and strategic connectivity in highways.	□
Balance Sheet Strength	Stressed	Consolidated Net Debt at □4,730 Cr; GEL Net Debt at □8,050 Cr.	□
Working Capital Efficiency	Stable	DSO remains high due to DISCOM exposure, but Warora resolution improves liquidity.	□
Mgmt Guidance Track Record	Improving	Historically slow, but recent progress on debt resolution and land sales shows execution.	□
Key Vulnerability / Red Flag	Interest Burden	Finance charges (□276 Cr) still exceed operating EBITDA (□124.8 Cr).	□
Management Tone	Optimistic	Focused on strategic transition to "Asset Light" and "Clean Energy" models.	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The Warora Power Plant resolution is now fully implemented (Jan 11, 2023), with unsustainable debt carrying a nominal 0.01% interest; Highways segment received a massive ₹510 Cr deposit directive for Chennai ORR and a favorable quantification of ₹1,672 Cr for Hyderabad-Vijayawada; Thermal assets are outperforming the national average PLF significantly. * **Negatives:** Core earnings quality is poor as PAT is entirely reliant on a ₹524.4 Cr exceptional gain; interest coverage remains below 1.0x at the consolidated level; Corporate-level debt accounts for 55% of the total net debt (₹2,770 Cr), creating a structural drag. * **Forward Watchpoint:** The next major catalyst is the realization of the ₹1,672 Cr claim for Hyderabad-Vijayawada currently before the Delhi High Court and the closing of the 165-acre land sale in Krishnagiri.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q3FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	1,447.4	↑ 50.1%	↓ 8.4%	↑	Growth driven by higher PLFs at Warora and traffic recovery.
EBITDA (₹Cr)	124.8	↓ 22.5%	↑ 121.3%	↓	YoY compression due to fuel costs; QoQ improvement from Bajoli Holi.
EBITDA Margin %	8.6%	↓ 840 bps	↑ 500 bps	↓	Margin pressure in Energy segment (Energy EBITDA at 1%).
PAT (₹Cr)	339.3	↑ 159.1%	↓ 68.3%	↑	Driven by ₹524.4 Cr exceptional gain (Resolution related).
Net Debt (₹Cr)	4,730.0	Not stated	↓ 2.6%	→	Net debt reduced by ₹12.6 Cr in the quarter.
Interest Coverage (x)	0.45	↓ Deteriorating	↑ Improving	↓	EBITDA (₹124.8 Cr) vs Finance Charges (₹276.0 Cr).
Warora PLF (%)	89.0%	↑ 1300 bps	↑ 3400 bps	↑	Massive recovery post-overhauling in Q2.
Kamalanga PLF (%)	75.0%	↓ 800 bps	↑ 1100 bps	→	Stable operational performance.
Highways Traffic (PCU)	11.7 Mn	↑ 3.7%	↑ 4.4%	↑	Hyderabad-Vijayawada growth remains resilient.
DFC Physical Progress	88-94%	↑ Improving	↑ Improving	↑	Nearing completion; track linking finished in Package 202.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Energy (Consol)	1,033.1	↑ 97.8%	1.0%	↑	Below	Consolidation of Bajoli Holi + Warora resolution.
Highways (Net)	112.8	↑ 3.1%	79.0%	→	Above	Ambala-Chandigarh traffic up 5.2x YoY post-agitation.
Others / EPC	301.5	↓ 2.1%	Not stated	↓	N/A	DFC projects (Kanpur-Mughalsarai) 88-94% complete.
Warora (100%)	431.3	↑ 12.8%	27.4%	↑	Above	Resolution plan implemented; PLF at 89%.
Kamalanga (100%)	809.0	↑ 22.1%	27.1%	→	Above	Revenue growth driven by fuel cost pass-through.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Strategy	Asset Monetization	Monetize 165 acres in Krishnagiri SIR to TN Govt agency in FY23.	Needs to close in Q4FY23; currently "under discussion."	Delayed vs prior expectations.	Medium
Strategy	Clean Energy	Become top-tier tech-enabled Clean Energy business (Smart Metering, EV, H2).	No revenue contribution currently; requires significant pivot.	First entry for this specific plan.	High
Strategy	Debt Reduction	Elongate repayment of Warora debt by ~7 years via Resolution Plan.	**Delivered:** Repayment now spread over 15 years.	Successful implementation Jan 2023.	Low
Strategy	Arbitration	Expedite receipt of arbitration claims (□1,672 Cr + □510 Cr).	Dependent on Delhi/ Madras High Court timelines.	Favorable SC ruling on Chennai ORR.	High (Judicial)
Strategy	EPC Growth	Participation in railway station development bids through PPP.	Needs new order wins as DFC project nears 100% completion.	DFC execution is on track (>90%).	Medium

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Warora Resolution	Approvals in progress.	**Fully Implemented** (Jan 11, 2023); unsustainable debt interest at 0.01%.	□
Highways Litigation	Claim quantification pending.	**□1,672 Cr Awarded** for Hyd-Vja; **□510 Cr Deposit** ordered for Chennai ORR.	□
Debt Mix	Corporate Debt 46% of total.	Corporate Debt **55%** of total (□2,770 Cr).	□
Operational PLF	Warora at 94% (High base).	Warora at **89%**; Kamalanga at **75%**.	□
Cash Flows	Distorted by Kakinada sale.	Distorted by **□524.4 Cr** Resolution-related exceptional income.	□
Bajoli Holi Hydro	Stabilization phase.	PLF at **18%** (Seasonal low); Cash loss of □79.2 Cr.	□

- **Thesis Reinforcement:** The investment thesis for GMR Power remains a "solvency play" rather than an "earnings play." This quarter materially improves the solvency outlook due to the formal implementation of the Warora resolution and major legal wins in the Highways segment.
- **Working Capital/Liquidity:** While headline PAT is high, the interest coverage ratio (0.45x) remains the primary red flag. The company is effectively using litigation wins and land sales to bridge the gap between operating EBITDA and its □1,100 Cr+ annual interest bill.
- **Clean Energy Pivot:** Management's shift toward an "asset-light, platform-based" clean energy model is a structural change in narrative, but remains unbacked by financial data this quarter.

STOP HERE.