GMR Power & Urban Infra Ltd — Feb 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** The consolidation of GMR Energy Ltd (GEL) and the □7,593 Cr Smart Metering win pivot the business from a "holding company of distressed assets" to an "integrated utility operator," though core PBT remains negative without accounting-driven exceptional gains.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Revenue up 78% QoQ; EBITDA up 1.3x QoQ (driven by GEL consolidation).	□
Earnings Quality	Low (Accounting driven)	Consolidated PAT of □43.2 Cr relies on a □220.7 Cr exceptional gain; core PBT is □(102.2) Cr.	□
Guidance Confidence	Neutral	Smart Metering LOA (□7,593 Cr) provides a clear growth roadmap but requires a high execution run-rate.	□
Management Credibility	Strong	Successfully closed the Tenaga buy-out (GEL stake up to 86.9%) and progressed on land monetization.	□
Business Quality Signal	Improving	High PLFs in thermal (>85%) and transition to "Energy 2.0" (Smart Metering) improves cash flow predictability.	□
Key Q&A Exchange	Not applicable	Investor presentation only.	□
The Street's Primary Anxiety	Leverage & Net Loss	High Net Debt (□11,000 Cr) and inability to generate core PBT without exceptional items.	□
Capital Cycle Stage	Pivot / Consolidation	Moving from asset-heavy EPC/Coal Trading to asset-light, tech-enabled services (Energy 2.0).	□
Margin / Return Ratio Trajectory	Improving	Consolidated EBITDA margins expanded to 35% from 28% QoQ.	↑
Pricing Power	Stable	Regulated thermal/hydro returns; fixed-fee 10-year contract for smart meters.	□
FCF Conversion & Quality	Weak	Negative core PBT and seasonal hydro generation lead to cash losses in some segments (Bajoli Holi).	□
Competitive Moat Signals	Widening	First-mover advantage in large-scale AMI (Smart Metering) DBFOOT projects in UP.	□
Balance Sheet Strength	Stressed	Net Debt increased to ~□11,000 Cr post-GEL consolidation; interest coverage remains tight.	□
Working Capital Efficiency	Improving	Pivot toward prepaid smart meters is designed to eliminate AT&C losses and collection risk.	□
Mgmt Guidance Track Record	Reliable	Delivered on GEL stake consolidation and Highway claim quantification (□1,672 Cr for Hyd-Vja).	□
Key Vulnerability / Red Flag	Interest Burden	Interest and Finance charges (□404.7 Cr) exceed core EBITDA (if removing GEL one-offs).	□
Management Tone	Optimistic	Focus on "Asset Light" and "Energy 2.0" as the primary growth engines.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** Management successfully simplified the corporate structure by buying out Tenaga's stake in GMR Energy Limited (GEL), allowing full consolidation of thermal assets. Operational efficiency remains high with Warora and Kamalanga PLFs at 86% and 85%, significantly above the national average (68%). The "Energy 2.0" strategy achieved its first major milestone with a □7,593 Cr Smart Metering order in UP, targeting 7.5 million meters. * **Negatives:** Profitability remains fragile; excluding the □220.7 Cr exceptional gain, the company reported a PBT loss of □102.2 Cr. Debt has surged on-book to □11,000 Cr (Net Debt) following full consolidation, placing a heavy interest burden of □404.7 Cr on quarterly earnings. The EPC segment is winding down (DFC project >97% complete), creating a revenue vacuum that "Energy 2.0" must fill rapidly. * **Street Concern:** Analysts are focused on the timing of cash inflows from the quantified □1,672 Cr Hyd-Vja highway claim and the completion of the 360-acre land sale in Krishnagiri to service corporate debt. * **Watchpoint:** Execution of the UP Smart Metering project (75.69 lakh meters), which requires an implementation run-rate of ~2.8 lakh meters per month over 27 months.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Data Source: Concall not available — commentary absent. Converted figures: 1 Billion = 100 Cr.*

Metric	Current Qtr (Q3FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	1,102.8	↓ 23.6%	↑ 75.7%	□	YoY drop due to lower coal trading/EPC; QoQ jump from GEL consolidation.
EBITDA (□Cr)	402.6	↑ 97.8%	↑ 132.0%	↑	Margin expansion to 35% driven by full consolidation of GEL.
EBITDA Margin %	35.0%	↑ 2,100 bps	↑ 700 bps	↑	Includes operational efficiency at Kamalanga (39% margin).
PAT (□Cr)	43.2	↓ 87.6%	↑ 135.2%	□	Includes □220.7 Cr exceptional gain; prior year had higher JV profits.
ROCE (%)	Not in doc	-	-	-	Not provided in quarterly PPT.
Cash Flow (OCF)	Not in doc	-	-	-	Full CFS not provided.
Net Debt (□Cr)	11,000.0	↑ 120.0%	↑ 120.0%	↓	Jump due to GEL debt (□6,400 Cr) moving from JV to On-Balance Sheet.
Interest Coverage (x)	0.99	↑ 41%	↑ 54%	↑	Improved with EBITDA growth but remains below 1.0x.
Installed Capacity (MW)	1,820	→	→	→	1,200 MW Coal, 440 MW Gas (stranded), 180 MW Hydro.
Warora PLF (%)	86%	↓ 300 bps	↑ 1,100 bps	□	Realization improved via better average tariff.
Kamalanga PLF (%)	85%	↑ 1,000 bps	↑ 900 bps	↑	Higher PLF and lower alternate coal costs boosted EBITDA 16%.
Bajoli Holi PLF (%)	15%	↓ 300 bps	↓ 6,900 bps	↓	Seasonal winter factor; typical for Himalayan hydro.
Smart Metering OB (□Cr)	7,593.0	First entry	First entry	↑	Total Contract Value for 75.69 lakh meters.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Energy (Consol)	797.6	↓ 22.8%	32.0%	□	Below	Now includes GEL; revenue drop due to lower coal trading.
Highways (Consol)	178.5	↑ 11.3%	65.0%	↑	Above	Traffic up 5.9% (Hyd-Vja) and 7.4% (Ambala-Chandigarh).
Warora (Thermal)*	522.3	↑ 21.1%	32.0%	↑	Inline	PAT of □81.0 Cr; cash profit of □110 Cr.
Kamalanga (Thermal)*	711.5	↓ 12.1%	39.0%	□	Above	PLF up to 85%; EBITDA grew 16% despite lower revenue.
Bajoli Holi (Hydro)*	48.6	↑ 69.3%	36.0%	↓	Inline	Winter seasonal low; cash loss of □81.3 Cr this quarter.
EPC (DFC Project)	Not stated	↓	N/A	↓	N/A	Project ~98% complete; expected finish June 2024.
**Note: Warora/Kamalanga/Bajoli Holi standalone figures from Annexure; Energy (Consol) reflects the newly consolidated entity.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Energy 2.0	Install 75.69 lakh smart meters in UP within 27 months.	Needs ~2.80 lakh meters/ month installation rate.	First Entry	Logistics/ Execution risk in rural UP.
Guidance	Energy 2.0	10-year O&M period with ₹7,593 Cr TCV.	~₹759 Cr annual revenue run-rate post-commissioning.	New Contract	Credit risk of UP Discoms.
Guidance	Asset Monetization	Monetize 360 acres in Krishnagiri to TN Govt Agency in FY24.	Must close within Q4FY24.	On Track	Timing of govt funds.
Guidance	Highway Claims	Realize Hyd-Vijayawada claim of ₹1,672 Cr (quantified till FY20).	Litigation pending in Delhi High Court.	Quantified	Legal delays.
Strategy	Capital Allocation	Full consolidation of GEL to capture entire thermal cash flows.	Completed (Stake at 86.90%).	Delivered	Debt consolidation burden.
Strategy	EPC Exit	Transitioning out of standalone EPC once DFC project is done.	DFC project is 97-98% complete; due June '24.	Consistent	Revenue vacuum post-June '24.
Balance	Deleveraging	Monetize existing Highway and SEZ assets to reduce Corp Debt.	₹2,700 Cr Net Corp Debt needs servicing via land/ claim sales.	Ongoing	High interest cost (₹405 Cr/qtr).

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Compared to Prior Context (Q1FY24 data). Note: GEL was a JV in Q1; it is fully consolidated in Q3.

What Changed	Prior Quarter (Q1FY24)	This Quarter (Q3FY24)	Direction
Accounting Method	Equity Method (JV Accounting)	Full Consolidation of GEL	↑
Net Debt	~₹5,000 Cr (est)	~₹11,000 Cr	↓
Consol Revenue	₹1,124.2 Cr	₹1,102.8 Cr	→
Consol EBITDA	₹161.5 Cr	₹402.6 Cr	↑
Smart Metering	Strategy/LOI Stage	LOA Received; TCV ₹7,593 Cr	↑
GEL Ownership	57.76%	86.90% (Tenaga Exit)	↑
Highway Claims	Quantification Pending	₹1,672 Cr quantified for Hyd-Vja	↑
Kamalanga PLF	82%	85%	↑
Bajoli Holi PLF	66% (Peak season)	15% (Seasonal low)	↓
Core Profitability	PBT ₹(9.0) Cr	PBT ₹(10.2) Cr (Excl. Exceptionals)	↓

Investor Notes: * **Thesis Pivot:** The consolidation of GEL is a structural reset. Reported revenues and debt are now "real" on the balance sheet rather than hidden in JV accounting. This improves transparency but highlights the heavy debt load. * **Earnings Quality:** Core operations are still not covering interest costs. The "Profit" this quarter is an accounting artifact of exceptional items. Sustainability depends on the smart metering rollout. * **Working Capital Lever:** The transition to Smart Metering is the critical long-term driver. As the EPC business ends in June 2024, the revenue mix will shift entirely to regulated/contractual utility services, which should theoretically improve valuation multiples if debt is reduced via land sales.

STOP HERE.