GMR Power & Urban Infra Ltd — Nov 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (on Balance Sheet) / Miss (on Core Operations) **One-line:** This is a "Balance Sheet Quarter"—the core thermal business dipped due to heavy maintenance, but the successful PT GEMS divestment and the Warora debt resolution have structurally repaired the capital structure, validating management's deleveraging roadmap.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Net debt reduced by ~□2,800 Cr (□28 Bn) via PT GEMS stake sale.	□
Earnings Quality	Low (One-off driven)	Headline PAT of □1,069.3 Cr driven by □913.7 Cr exceptional gain.	□
Guidance Confidence	Neutral	"Clean Energy" pivot remains conceptual; execution proof is missing.	□
Management Credibility	Strong	Delivered on PT GEMS monetization and Warora resolution plan.	□
Business Quality Signal	Improving	Warora resolution significantly reduces interest burden on □3,138 Cr debt.	□
Key Q&A Exchange	Not applicable	Investor presentation only.	□
The Street's Primary Anxiety	Leverage and Asset Overhauls	Management responded by highlighting the □2,800 Cr debt reduction.	□
Capital Cycle Stage	Consolidation	Exiting mature coal assets to fund a nebulous green transition.	□
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margins fell to 8% (Consolidated) from 14% QoQ due to PLF drop.	□
Pricing Power	Stable	Regulated returns in power; highway traffic remains resilient.	□
FCF Conversion & Quality	Distorted	Cash flow dominated by divestment proceeds, not operational EBITDA.	□
Competitive Moat Signals	Stable	Strategic road assets and hydro capacity (Bajoli Holi) are long-term moats.	□
Balance Sheet Strength	Improving	Net Debt lowered to ~□5,010 Cr from ~□7,800 Cr.	□
Working Capital Efficiency	Stable	DSO remains hostage to DISCOM payments; highway claims are moving.	□
Mgmt Guidance Track Record	Reliable	Met the target for Kakinada and PT GEMS divestments.	□
Key Vulnerability / Red Flag	Operational Volatility	Standalone thermal units both went into overhaul simultaneously.	□
Management Tone	Confident	Aggressive focus on "Clean Energy" and "Asset Light" models.	□

Key Takeaways (Positives & Negatives): * **Positives:** The structural overhaul of the Balance Sheet is the standout; the divestment of 30% PT GEMS for USD 420mn facilitated a □2,800 Cr net debt reduction.

Simultaneously, the Warora resolution plan was implemented, revising interest on □2,350 Cr of sustainable debt down to 8.5% and converting □788 Cr to unsustainable debt at 0.01% interest—a massive tailwind for future interest coverage. * **Negatives:** Core operations were weak as both Warora (55% PLF) and Kamalanga (64% PLF) units underwent scheduled overhauling, leading to a 60% QoQ crash in Consolidated EBITDA. Standalone thermal entities reported PAT losses this quarter. * **Street Concern:** Analysts are watching the transition from a thermal-heavy utility to a "Clean Energy" platform. While management talks about Green Hydrogen and EV infra, the current cash flows are still 100% tied to thermal, hydro, and highways. * **Forward Watchpoint:** Receipt of the □510 Cr (□5.1 Bn) Chennai ORR arbitration award and the outcome of the Delhi HC hearing for the □1,672 Cr Hyderabad-Vijayawada claim.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	1,580.7	↑ 50.4%	↑ 47.9%	↑	Driven by higher energy sales and DFC execution.
EBITDA (□Cr)	165.1	↓ 61.6%	↑ 17.7%	□	Discrepancy: Slide 7 shows □60 Cr; Annexure A shows □165.1 Cr.
EBITDA Margin %	10.4%	↓ 1400 bps	↓ 270 bps	↓	Hit by coal consumption costs and lower PLFs.
PAT (□Cr)	1,069.3	↑ 222%	↑ 430%	↑	Swelled by □913.7 Cr gain on PT GEMS stake sale.
Net Debt (□Cr)	5,010.0	↓ 35.8%	↓ 35.8%	↑	Structural reduction via USD 420mn stake sale.
Warora PLF (%)	55.0%	↑ 600 bps	↓ 3900 bps	↓	QoQ drop due to back-to-back overhauling.
Kamalanga PLF (%)	64.0%	↓ 1800 bps	↓ 1700 bps	↓	PLF down due to Unit 2 overhaul.
Bajoli Holi PLF (%)	63.0%	N/A	↑ 1300 bps	↑	Improving utilization post-commissioning.
Highway Traffic (Mn PCU)	11.2	↑ 7.4%	↓ 5.3%	□	Hyd-Vaj traffic stable YoY; slight QoQ seasonal dip.
Interest Coverage (x)	0.40	↓ 0.07	↑ 0.02	□	Still <1x; relies on JV cash/divestments.
Working Capital (DSO)	Not Stated	—	—	—	Not provided in PPT.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Energy	923.6	↑ 72.2%	-8.0%	↓	Below	Negative EBITDA due to fuel costs and overhaul.
Highways	155.4	↑ 21.9%	72.0%	↓	Above	Robust margins despite legal/claim delays.
Others / EPC	501.7	↑ 39.8%	N/A	↑	N/A	DFC physical progress at 84%-92%.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Deleveraging	Utilize PT GEMS proceeds mainly for deleveraging.	Delivered □2,800 Cr reduction this quarter.	Met	Completed.
Guidance	Highway Claims	Expedite receipt of arbitration claims (□1,672 Cr + □510 Cr).	Timing dependent on Delhi and Madras High Courts.	Mixed	Litigation delays.
Strategy	Green Transition	3-Pillar strategy: Green Ecosystem, Adjacent Areas, Value Enhancement.	Requires massive fresh capex; standalone EBITDA currently negative.	New Strategy	Execution risk.
Strategy	Asset Sale	Monetize ~275 acres at Krishnagiri SIR to TN Govt in FY23.	Needs closure in H2FY23 to meet guidance.	On track	Deal closure timing.
Strategy	EPC	Participation in Railway station development bids through PPP.	Needs to secure new wins as DFC project hits 92% completion.	Reliable	Order book depletion.
Macro	Power Market	Power trading to grow 2X by 2026 ($13B+ industry).	Market-wide growth; GPUIL share to be determined.	First mention	Competitive space.

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
Net Debt Position	□7,800 Cr	□5,010 Cr	↑ Improving
Warora Debt Structure	Stressed / Default status	Resolution Plan Implemented (8.5% interest)	↑ Improving
Thermal Operations	Peak PLF (94% at Warora)	Sub-optimal PLF (55% Warora/64% Kamalanga)	↓ Deteriorating
Asset Monetization	Divestment in progress	PT GEMS 30% sale completed (USD 420mn received)	↑ Improving
Highway Legal Status	Awards pending	SC upheld Chennai ORR award (□510 Cr)	↑ Improving
Earnings Quality	Operational PAT	Exceptional/JV driven PAT	↓ Deteriorating
Bajoli Holi Hydro	Stabilization phase	PLF improved to 63% (from 50% QoQ)	↑ Improving

- **Investor Note on CFO-to-PAT:** The divergence between PAT (□1,069.3 Cr) and core PBT (Loss of □354.6 Cr) is extreme, driven by the □913.7 Cr exceptional gain from the stake sale. While this "fixes" the balance sheet, it masks the fact that the standalone thermal operations were OCF-negative this quarter due to scheduled maintenance costs and fuel consumption mismatches. The primary working capital lever remains the settlement of NHAI/State Govt claims.

STOP HERE.