GMR Power & Urban Infra Ltd — Nov 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** Operational stability in stabilized thermal and hydro assets is being utilized to pivot toward a massive □7,593 Cr asset-light Smart Metering opportunity, though consolidated bottom-line profitability remains elusive due to high finance costs.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	Revenue down QoQ due to maintenance shutdowns; PLFs in line with seasonal norms.	□
Earnings Quality	Low (JV/Accounting driven)	Consolidated PAT is heavily influenced by JV share and high depreciation/interest loads.	□
Guidance Confidence	Strong	Clear visibility on "Energy 2.0" with LOAs for 75.69 lakh smart meters in Uttar Pradesh.	□
Management Credibility	Improving	Consistent debt reduction and success in quantifying arbitral claims (□1,672 Cr for Hyd-Vja).	□
Business Quality Signal	Improving	Transition from high-capex thermal to high-annuity/service smart metering improves quality.	□
Key Q&A Exchange	N/A — PPT ONLY	N/A	□
The Street's Primary Anxiety	Leverage & Liquidity	Focus on timing of land monetization and receipt of arbitral awards to clear Corporate debt.	□
Capital Cycle Stage	Consolidation / Pivot	Monetizing legacy assets to fund tech-enabled, asset-light utility services.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins expanded to 28% (vs 7% YoY) due to better operational efficiencies.	□
Pricing Power	Stable	Regulated returns in core assets; competitive bidding for Smart Metering.	□
FCF Conversion & Quality	Weak	Core operations are still burdened by □272 Cr quarterly interest costs.	□
Competitive Moat Signals	Widening	Early-mover advantage in large-scale AMI (Smart Metering) implementation.	□
Balance Sheet Strength	Adequate (Improving)	Gross debt reduced by □430 Cr YoY; significant focus on corporate deleveraging.	□
Working Capital Efficiency	Stable	Smart metering shift aims to improve systemic collection efficiency for Discoms.	□
Mgmt Guidance Track Record	Reliable	Delivered on Hydro stabilization (Bajoli Holi) and Highway claim quantification.	□
Key Vulnerability / Red Flag	Interest Burden	Finance charges (□272 Cr) exceed EBITDA (□173.5 Cr) at the consolidated level.	□
Management Tone	Optimistic	High focus on the "Energy 2.0" strategy and asset-light growth.	□

Sentiment: □Neutral **Key Takeaways (Positives & Negatives):** * **Positives:** The business is successfully stabilizing its legacy portfolio; Bajoli Holi Hydro achieved a robust 84% PLF, swinging to a □62.5 Cr PAT. The

"Energy 2.0" pivot is now tangible with a □7,593 Cr TCV contract for 75.69 lakh smart meters, providing a 10-year annuity-style revenue stream. Management has also been aggressive in legal recoveries, with the Hyderabad-Vijayawada claim now quantified at □1,672 Cr. * **Negatives:** Despite operational improvements, the consolidated entity remains loss-making (□123.3 Cr loss) as the interest burden (□272 Cr) continues to outstrip operating profits. The significant drop in Total Income (58% YoY) reflects the high base of the prior year which included massive Indonesian coal JV profits that have now normalized. * **Forward Watchpoint:** Execution of the UP Smart Metering project (27-month implementation phase) and the closure of the □360-acre land sale in Krishnagiri to the TN Government.

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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)	627.5	↓ 60.3%	↓ 44.2%	↓	YoY drop due to high base/JV accounting changes.
EBITDA (□Cr)	173.5	↑ 53.4%	↓ 32.4%	□	Margin expansion to 28% despite revenue drop.
EBITDA Margin %	28%	↑ 2100 bps	↑ 500 bps	↑	Driven by operational efficiency and Hydro mix.
PAT (□Cr)	(123.3)	↓ 111.4%	↑ 38.8%	□	Loss narrowing QoQ; YoY hit by lower JV share.
ROCE (%)	Not in doc	-	-	-	Not reported in quarterly PPT.
Cash Flow (OCF)	Not in doc	-	-	-	Full CFS not provided in Q2 PPT.
Net Debt (□Cr)	5,000 (est)	↓ 7.9%	→ 0%	↑	Corporate debt remains the largest portion (54%).
Interest Coverage (x)	0.64	↑ 128%	↓ 30%	□	Improved YoY but still below 1.0x.
Warora PLF (%)	75%	↑ 2000 bps	↓ 1500 bps	□	QoQ decline due to maintenance activities.
Kamalanga PLF (%)	76%	↑ 1200 bps	↓ 600 bps	□	Solid YoY improvement; seasonal maintenance.
Bajoli Holi PLF (%)	84%	↑ 2100 bps	↑ 1800 bps	↑	Strong stabilization post-commissioning.
Machine Availability	Not in doc	-	-	-	PPT focuses on PLF.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Energy (Consol)	278.7	↓ 69.8%	1.0%	↓	Below	Excludes JVs; hit by lower one-off receipts.
Highways	171.6	↑ 10.4%	71.0%	↑	Above	Hyd-Vja claim quantified at ₹1,672 Cr.
EPC / Others	275.9	↓ 45.0%	Not stated	↓	N/A	DFC project (UP) nearing 97-98% completion.
Warora (JV)*	404.9	↑ 49.0%	22.0%	↑	Above	Revenue growth driven by higher PLF YoY.
Kamalanga (JV)*	687.1	↓ 11.6%	36.0%	↑	Above	Lower realization offset by higher PLF.
Bajoli Holi*	192.9	↑ 48.0%	84.0%	↑	Above	Reported PAT of ₹62.5 Cr in Q2.
**Note: Warora, Kamalanga, and Bajoli Holi are JVs/Subsidiaries reported at 100% level in Annexures.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Energy 2.0	Install 75.69 lakh smart meters in UP Discoms.	~2.8 lakh meters/month rollout for 27 months.	New Project	Logistics/Discom tie-ups.
Guidance	TCV	Total Contract Value of ~₹7,593 Cr for UP AMI.	10-year revenue visibility.	New entry	Implementation delays.
Guidance	Asset Monetization	Monetize 360 acres in Krishnagiri SIR in FY24.	Needs closure by Q4.	On track	Govt approval timing.
Strategy	Capital Allocation	Move toward asset-light, platform-based models.	Smart Metering is the primary vehicle.	Improving	Execution risk in new tech.
Strategy	Deleveraging	Continued focus on reducing Corporate Debt.	Needs arbitral/land cash flows.	Consistent	High interest rates.
Strategy	Thermal Assets	Tie up open capacities via innovative PPA models.	High PLFs (75-76%) suggest good utilization.	Stable	Fuel cost volatility.
Macro	Arbitrations	Quantify and recover pending claims.	₹1,672 Cr (Hyd-Vja) and ₹510 Cr (Chennai).	Strong	Legal/High Court timing.

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 (Q1FY24)	This Quarter (Q2FY24)	Direction
Smart Metering LOA	Not finalized (announced Sept)	LOA received; TCV □7,593 Cr	↑
Hydro Performance	66% PLF (Bajoli Holi)	84% PLF (Bajoli Holi)	↑
Consolidated PAT	□(201.5) Cr Loss	□(123.3) Cr Loss	↑
Highway Claims	Pending quantification	□1,672 Cr quantified by Arbitrator	↑
EBITDA Margins	23%	28%	↑
Warora PLF	90%	75%	↓
Kamalanga PLF	82%	76%	↓
EPC Progress	95-97% Complete	97-98% Complete	↑

Investor Notes: * **Thesis Pivot:** The core thesis is shifting from "Surviving Debt" to "Growing Smart Services." The LOA for 7.5 million smart meters is a game-changer for the company's valuation multiple, potentially re-rating it from a legacy utility to a tech-enabled utility service provider. * **Operational Cash:** Bajoli Holi turning PAT positive (□62.5 Cr) is a significant milestone, providing a clean cash flow stream that was previously a drag. * **Debt/Interest Gap:** The "elephant in the room" remains the □272 Cr quarterly interest expense. Until land sales or arbitral awards (totaling >□2,000 Cr) hit the bank, the P&L will likely remain in the red despite operational excellence. * **Working Capital:** The implementation of 75.69 lakh meters in UP is on a DBFOOT basis. Investors must watch for the initial capex surge for meter installation and the subsequent O&M recovery.

STOP HERE.