INVasset Corporate Insights

adani Power

22nd June, 2024

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Adani Power: India's Thermal Power Giant

Business Overview: Adani Power Limited (APL), part of the diversified Adani Group, is India's largest private thermal power producer. With an impressive capacity of 15,210 MW spread across eight power plants, APL plays a pivotal role in the country's energy sector. These plants are strategically located in Gujarat, Maharashtra, Karnataka, Rajasthan, Madhya Pradesh, Jharkhand, and Chhattisgarh, ensuring a widespread and robust power supply network.

Market Position: Adani Power commands a significant share of India's thermal power generation market. As of FY23, the company accounted for 6% of the nation's total power generation from thermal power plants. Notably, it contributed 16% of all power generated by private sector thermal power plants, highlighting its dominant position and influence within the industry.

Revenue Mix Fy23: In FY23, Adani Power's revenue mainly came from power generation, which was 98% of its total income. The remaining 2% came from trading, investments, and other activities, underscoring its focus on producing and distributing thermal power.

Power Capacity: Adani Power has a total installed thermal power capacity of 15,210 MW. The company's plants are distributed across states, with significant capacities in Gujarat (4,620 MW), Maharashtra (3,300 MW), and Chhattisgarh (1,370 MW + 600 MW). APL also operates a 40 MW solar power plant in Gujarat.

Expansion Plans: APL is actively expanding its power generation capacity. The company is constructing a 1,600 MW ultra-supercritical thermal power project in Madhya Pradesh, with a capital expenditure of Rs 12,100 crore over FY24-28. This project will supply power under a 25-year Power Supply Agreement. APL plans to add 5,500 MW through acquisitions and brownfield expansions, aiming for a total capacity of 22,000 MW.

Legal Resolutions: In recent years, APL has successfully navigated legal challenges. In April 2023, the Supreme Court dismissed a case related to the Lohara Coal Block, awarding a claim of approximately Rs 4,240 crore to Adani Power Maharashtra Limited (APML), a subsidiary. Additionally, a settlement in October 2022 resolved issues between Udupi TPP and PCKL, resulting in Rs 1,348 crore in late payment surcharges from Karnataka's DISCOMs.

Long-term Agreements: Adani Power has secured 81% of its gross capacity through long-term and medium-term power purchase agreements. These agreements provide stability and predictability in revenue, ensuring a significant portion of the company's power output is pre-sold to reliable buyers.

Strategic Acquisitions and Sales: Adani Power continues refining its portfolio through strategic acquisitions and divestments. In January 2024, the company entered into a MoU to sell its equity stakes in Aviceda Infra Park and Innovant Buildwell to AdaniConnex for Rs 190 crore and Rs 350 crore, respectively. The resolution plan for acquiring Lanco Amarkantak Power Limited's assets has been approved.

Stock Data	
CMP	734
52 Week High/Low	897/231
Face Value	10.0
Market Cap (In Crs)	2,82,964
Enterprise Value (In Crs)	3,10,184
NSE	ADANIPOWER
BSE	533096
Bloomberg	ADANI:IN
Sector	POWER GENERATION & DISTRIBUTION

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	71.75	71.75
FII	15.91	15.86
DII	1.41	1.18
Public	10.93	11.20

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	5.86	11.82	25.02
ADANIPOWER	19.89	42.36	183.88

Key Ratios	
P/E	14.0
P/S	5.78
P/B	6.70
Debt To Equity	0.80
ROE	57.1%
ROCE	32.2%
Dividend Yield	0.00%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	13,364	12,991	10,242	2.87%	30.48%
Expenses	8,514	8,346	8,335	2.01%	2.15%
EBITDA	5,368	5,009	2,461	7.17%	118.21%
Other Income	518	364	553	42.31%	-6.33%
Net Profit	2,737	2,738	5,242	-0.04%	-47.79%
EPS	7.10	7.10	13.59	0.00%	-47.76%

Result Highlights

Adani Power's Q4 FY24 Financial Surge

Sales Growth: Adani Power experienced a remarkable growth in sales for Q4 FY24, reaching Rs 13,364 crore. This represents a 19.42% increase quarter-on-quarter (QoQ) and a 19.94% year-on-year (YoY) rise. The significant boost in sales reflects the company's strong market position and efficient operations in the thermal power sector, capitalizing on increased demand and favorable market conditions. This upward trend underscores Adani Power's capability to scale its business effectively, ensuring sustainable growth.

Expense Management: The company's expenses for Q4 FY24 were Rs 8,514 crore, slightly higher than the Rs 8,346 crore recorded in Q3 FY24, marking a 19.77% QoQ increase. However, the YoY growth in expenses was moderate at 13.46%, indicating effective cost management and operational efficiencies. Adani Power's ability to control expenses while expanding its operations is a positive indicator of its financial health. This careful balancing act between growth and cost control is crucial for sustained profitability, reflecting prudent financial management.

EBITDA Performance: Adani Power's Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for Q4 FY24 stood at Rs 5,368 crore. This impressive figure represents a 39.32% QoQ increase and a 53.82% YoY rise. The substantial growth in EBITDA highlights the company's operational efficiency and its ability to generate higher earnings from its core business activities. These strong EBITDA figures reflect robust business fundamentals and effective management strategies, indicating the company's capacity to maintain profitability.

Other Income: In Q4 FY24, Adani Power reported other income of Rs 518 crore, which showed a significant QoQ increase from Rs 364 crore but a 200.00% decline compared to the previous year. The YoY growth of 109.09% in other income reflects the company's strategic initiatives and diversified income sources, contributing positively to its overall financial performance. This diversification in revenue streams is vital for mitigating risks and enhancing financial stability, ensuring consistent performance despite market fluctuations.

Net Profit: The net profit for Adani Power in Q4 FY24 was Rs 2,737 crore, almost unchanged from Rs 2,738 crore in Q3 FY24, but it represents a substantial 55.17% QoQ increase and an 86.08% YoY growth. The significant rise in net profit underscores the company's strong revenue growth and effective cost control measures, boosting profitability. This impressive profit growth is a testament to Adani Power's strategic execution and market adaptability, showcasing the company's resilience and capability to thrive in a competitive market.

Earnings Per Share (EPS): Adani Power's Earnings Per Share (EPS) for Q4 FY24 was Rs 7.10, reflecting a stable performance compared to Q3 FY24. However, on a YoY basis, the EPS showed a 55.32% increase, highlighting the company's consistent earnings growth and shareholder value enhancement. The robust EPS growth is indicative of the company's solid financial performance and future growth potential. This consistent increase in EPS underscores the company's commitment to delivering value to its shareholders, reinforcing investor confidence in Adani Power's long-term prospects.

Concall Highlights

Adani Portfolio: Industry-Leading Growth and National Footprint: The Adani Group has demonstrated a robust track record of growth across its diverse portfolio, achieving secular growth with world-leading efficiency. Adani Ports and Logistics reported a threefold increase in growth and a 70% EBITDA margin, while Adani Renewables experienced a fourfold growth and a 92% EBITDA margin. Adani Energy Solutions and Adani Gas also showed impressive growth, with the former tripling its growth and achieving a 91% EBITDA margin, and the latter growing by 1.4 times with a 19% EBITDA margin. The group's national footprint is extensive, with deep coverage across India, catering to a user base of 320 million. This expansive reach and efficient growth underscore Adani's industry leadership and its commitment to sustainable and scalable operations across various sectors.

Adani Power: Strong Revenue Visibility and Fuel Security: Adani Power Limited (APL) showcases excellent revenue visibility and fuel security through its strategic capacity tie-ups and robust fuel cost recovery mechanisms. With 81% of its capacity secured under long-term and medium-term contracts, the company ensures off-take risk protection. Additionally, APL has 74% of its fuel cost assured through fuel cost pass-through and escalable energy charge mechanisms. The company's domestic fuel tie-up stands at 79%, providing strong fuel availability assurance. Furthermore, 98% of APL's open capacity benefits from a locational advantage, being near pithead coal sources, which enhances operational efficiency. These strategic measures underline APL's commitment to maintaining a stable and secure energy supply, reinforcing its position as a leading player in India's power sector.

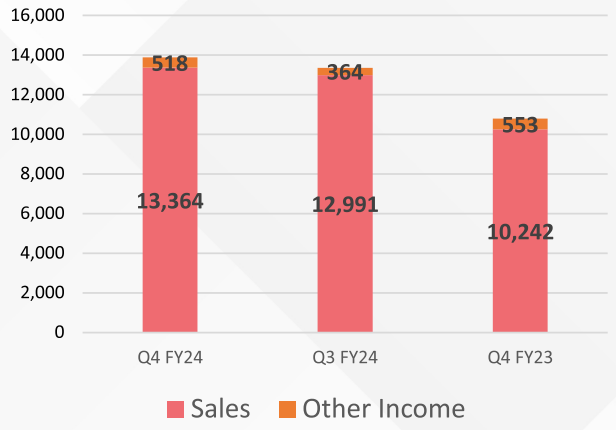
Adani Power: Strategic Fuel Management and Logistics: Adani Power Limited (APL) leverages its unique in-house mine-to-plant logistics capability to maintain revenue stability and enhance operational efficiency. As the only Independent Power Producer (IPP) in India with this capability, APL handles approximately 60 MMT of coal and 13 MMT of fly ash annually. The company ensures seamless coordination with multiple agencies, managing over 14,500 rake equivalents of fuel each year. APL oversees the daily loading of around 25 domestic coal rakes, maintaining about 50 rakes in circulation. This extensive logistics network is bolstered by significant investments in material handling infrastructure, ensuring quick turnaround times. The strategic positioning of plants and mines across India, including key locations in Gujarat, Maharashtra, and Karnataka, underscores APL's robust logistical framework and competitive advantage in the power sector.

Adani Power: Analysis of Operating Performance Trends: Adani Power Limited's (APL) operational performance trends exhibit robust growth and efficiency. The average operational capacity increased from 10,480 MW in FY19 to 13,650 MW in FY23, with a projected rise to 14,985 MW in 9M FY24. Commercial availability under long-term PPAs remained strong, peaking at 91% in FY20 and stabilizing at around 90% in FY23. The plant load factor (PLF) showed variability, decreasing from 67% in FY20 to 48% in FY23, but an uptick to 62% is anticipated for 9M FY24. Sales volume fluctuated, reaching 64 BU in FY20, dropping to 53 BU in FY23, and projecting 57 BU for 9M FY24. These metrics underline APL's commitment to optimizing availability and maintaining high dispatch capability amidst its expanding capacity.

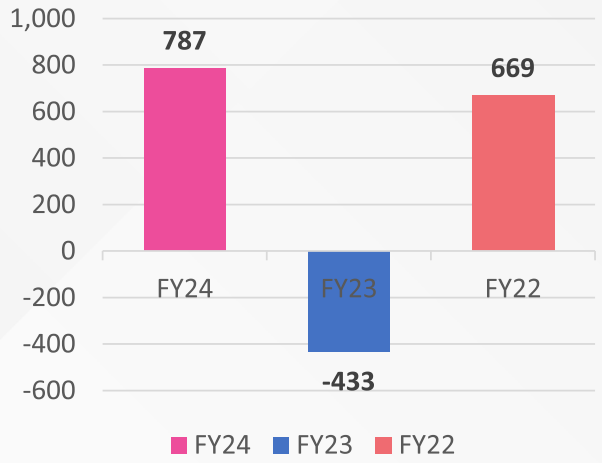
Adani Power: Key Financial Highlights and Credit Profile: Adani Power Limited (APL) has demonstrated substantial financial growth and stability. Total revenues surged from Rs. 26,362 crore in FY19 to a projected Rs. 46,400 crore for 9M FY24, reflecting a 13% CAGR. Reported EBITDA also showed impressive growth, increasing from Rs. 7,431 crore in FY19 to Rs. 22,743 crore in 9M FY24, with an 18% CAGR. The company's credit ratings remain robust, with CRISIL and India Ratings assigning AA-/Stable ratings to APL and its subsidiaries.APL's net senior debt to EBITDA ratio improved significantly from 4.8x in FY19 to 1.2x in 9M FY24, indicating effective debt management. Similarly, the senior term debt to equity ratio decreased from 3.9x to 0.6x over the same period, showcasing substantial deleveraging efforts. The company realized an outstanding regulatory income of approximately Rs. 29,000 crore from FY18 to FY24 YTD, further strengthening its financial position. These highlights underscore APL's strong financial performance and strategic fiscal management.

Adani Power: Commitment to ESG and Social Responsibility: Adani Power Limited (APL) demonstrates a strong commitment to Environmental, Social, and Governance (ESG) principles. The company's water consumption has decreased steadily, maintaining below the statutory limit, with specific GHG emissions at 0.85 tCO2e/MWh. By 2023, APL aims for 68% of its capacity to be supercritical, increasing to 72% by 2024, and 74% by 2029. The company has achieved a 100% ash utilization rate for FY23, with 23% of its capacity equipped with FGD systems.APL's ESG ratings are commendable, scoring a B for climate and water security by the CDP and 54/100 in S&P Global's CSA. The company is also part of the FTSE4Good Index, with a 3.5/5 FTSE ESG rating. Socially, APL has provided over 204,282 treatments through mobile healthcare units, health insurance to 9,502 people, and safe drinking water to over 15,000 beneficiaries. Educational initiatives include the GYANODAYA program benefiting 80,000 students and the SAKSHAM training program for 1,460 people. These efforts reflect APL's dedication to sustainable and inclusive growth.

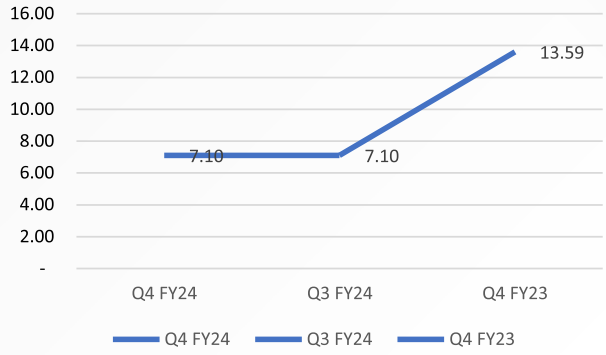
Sales & Other Income (In Cr)



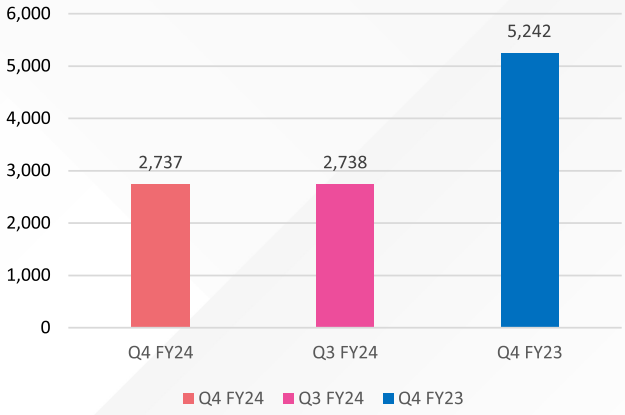
Cashflow (In Cr)



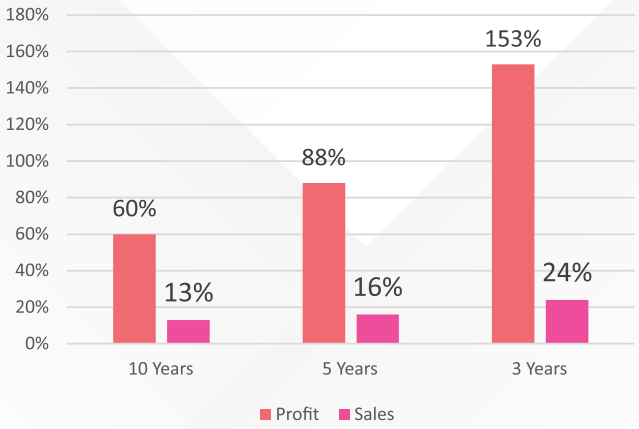
EPS



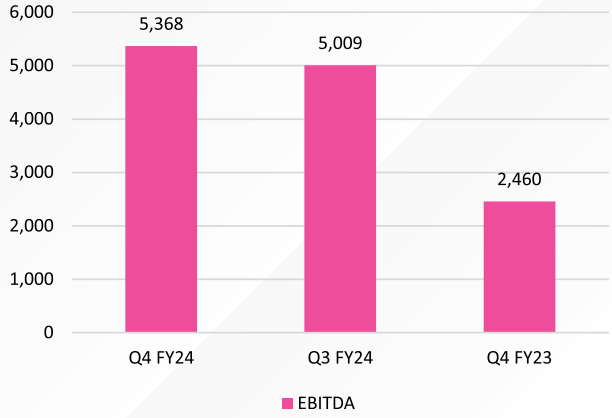
Net Profit (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



Based on the technical analysis of Adani Power Ltd., the stock has shown a strong upward trend over the past few years. The weekly timeframe chart illustrates a consistent rise in the stock price, supported by an ascending trendline. Significant support zones are observed around ₹150 and ₹390, where the price has consolidated before continuing its upward trajectory. The recent high at ₹758.50 suggests strong bullish momentum, although the current price of ₹733.65 indicates a minor pullback. Volume analysis shows increased trading activity during price rises, confirming strong investor interest. Overall, the technical indicators and price patterns suggest that Adani Power Ltd. is in a robust uptrend with potential for further gains, albeit with occasional corrections.
The analysis of Adani Power Ltd shows strong momentum. The 5-day SMA and EMA are both at 742.1, indicating robust short-term performance. The 10-day SMA is 752.6 and EMA is 744.2, confirming ongoing strength. The 20-day SMA and EMA are 741.2 and 730.6, respectively. The long-term growth is evident with the 50-day SMA at 665.3 and EMA at 679.8, and the 200-day SMA at 520.8 and EMA at 538.2, suggesting sustained growth.

The technical analysis of the stock is supported by the 50-day and 200-day moving averages. The daily RSI of 53.55 suggests moderate momentum, while the weekly RSI of 73.73 indicates the stock is nearing overbought conditions.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	742.1	742.1
10	752.6	744.2
20	741.2	730.6
50	665.3	679.8
100	612.0	621.8
200	520.8	538.2

Pivot Levels : FIBONACCI		
R1 741.8	Pivot 735.93	S1 727.8
R2 750		S2 721.9
R3 755.9		S3 713.7

	Daily	Weekly
Relative Strength Index (RSI)	53.55	73.73

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