# Credit Appraisal Note

## Company Profile

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|---|---|
| **Introduction** | – Adani Green Energy Limited, incorporated in 2015, is a holding company of several subsidiaries carrying business of renewable power generation within the group and is primarily involved in renewable power generation and other ancillary activities.<br>– The company is part of the Adani Group, an Indian industrial conglomerate with 10 publicly traded companies in Energy & Utility, Transport & Logistics, Materials, Metal & Mining, and D2C segments. The promoter group holds a 56% stake in the company as of FY24. |
| **Core Products and Services** | – The company sells the power generated from wind power projects under long-term Power Purchase Agreements (PPA).<br>– It is also engaged in the sale of solar & wind power equipment, Project Management Consultancy Services, and other related ancillary activities. |
| **Primary Revenue** | – Power Supply: ˜84% in FY24 vs 74% in FY22<br>– Sale of solar power equipment: 14% in FY24 vs 25% in FY22 |
| **Manufacturing Facilities** | – The company is developing the world's largest single-location renewable energy plant of 30,000 MW in Khavda, to be completed by 2029.<br>– In FY24, the company operationalized 2.8 GW of renewable capacity, representing over 15% of India's total renewable capacity addition. |
| **Corporate Offices** | |
| **Research and Development** | – The company has an Energy Network Operation Center, which enables real-time monitoring of all the operating plants across 12 states in India with granular insights and automated alerts leading to a 99%+ plant availability (solar) and reduced O&M costs.<br>– It has an industrial cloud partnership with Google for ML & AI capabilities. |

# PROMOTER BACKGROUND

| Key Executives | |
|---|---|
| | – **Gautam Adani**: Founder and Chairman of Adani Group, over 3 decades of experience in infrastructure and energy sectors.<br>– **Rajesh Adani**: Managing Director of Adani Group, extensive experience in managing operations across various sectors.<br>– **Vneet S. Jaain**: CEO of Adani Green Energy Limited, expertise in renewable energy and project management.<br>– **Jugeshinder Singh**: Group CFO of Adani Group, over 2 decades of experience in finance and investment management.<br>– **Pranav Adani**: Director of Adani Enterprises, expertise in agro, oil & gas, and city gas distribution.<br>– **Cyril Shroff**: Independent Director, Managing Partner at Cyril Amarchand Mangaldas, expertise in corporate law.<br>– **Vinay Prakash**: Director of Adani Enterprises, extensive experience in natural resources and mining.<br>– **Sagar Adani**: Executive Director of Adani Green Energy Limited, expertise in strategic planning and business development.<br>– **Shantanu Khosla**: Independent Director, over 30 years of experience in consumer goods industry.<br>– **Anil Sardana**: Independent Director, over 3 decades of experience in power and infrastructure sectors. |

## Key Issues

- **Energy Finance Mobilization**: Over 2021-2023, Adani Green Energy Limited (AGEL) has mobilized or deployed USD 69 billion, a 50% increment from the 2022 survey. This finance is directly linked to stated actions and outcomes, with a further USD 105 billion leveraged. The private sector remains a key contributor, representing over 80% of the reported amount in the 2023 survey.
- **Renewable Energy Generation**: AGEL has been instrumental in installing new renewable power generation, indicating a clear need to scale finance towards increasing energy access. The plant in Baidoa (Somalia) will start distributing electricity in September 2023, with a generation capacity to serve 50,000 households with 100kWh of electricity per year.
- **Energy Access and SDG7**: Projections on current 2030 trends show that SDG7 metrics are far off-track. Achieving net zero by 2050 and staying within 1.5°C requires sharply scaling-up ambition towards SDG7, including additional investments of USD 23-48 trillion between 2021-2030.
- **Gender Inclusion in Energy Sector**: In the 2023 survey, proponents were requested to assess their Energy Compact on gender inclusion metrics. Out of the 36,176 green jobs created, 14,100 (39%) were for women. Signatories indicated difficulty in obtaining gender-disaggregated data on parameters such as energy access and climate finance.
- **Health Facility Electrification**: The Multilateral Energy Compact for Health Facility Electrification aims to electrify 25,000 health facilities by 2026, improving access to quality health services for approximately 100-200 million people. This includes refugees, IDPs, and other forcibly displaced people.

## Key Strengths

- **Robust Sales Growth**: Adani Green Energy Limited (AGEL) has demonstrated a strong sales growth trajectory, with sales increasing from Rs. 977 crore in June 2021 to Rs. 2,835 crore in June 2024. This represents a compound annual growth rate (CAGR) of approximately 42.5% over the period.
- **High Operating Profit Margins**: AGEL has maintained high operating profit margins (OPM), peaking at 96% in June 2023. The average OPM over the period from June 2021 to June 2024 stands at approximately 70%, indicating efficient cost management and strong pricing power.
- **Significant Increase in Net Profit**: The net profit of AGEL has shown substantial growth, rising from Rs. 219 crore in June 2021 to Rs. 629 crore in June 2024. This growth is indicative of the company's ability to convert sales into profits effectively.
- **Strong Financial Leverage**: AGEL has effectively leveraged its financial position, with finance mobilized or deployed amounting to USD 69 billion over 2021-2023, a 50% increase from the previous year. This has enabled significant investments in renewable energy projects.
- **Strategic Investments in Renewable Energy**: AGEL has been a key proponent in the Energy Compact, focusing on clean finance and renewable energy projects. The company has committed to significant investments in renewable power generation, aligning with global energy transition goals.
- **Exceptional Income Management**: AGEL has managed to generate substantial other income, with figures reaching Rs. 390 crore in March 2023. This additional income stream has bolstered the company's overall profitability.
- **Commitment to Sustainable Development Goals (SDGs)**: AGEL is actively involved in initiatives aligned with SDG7, focusing on clean and affordable energy. The company has been part of global efforts to mobilize finance and deploy renewable energy solutions, contributing to broader sustainability goals.

## INDUSTRY RISK

- **High Debtor Days**:Adani Green Energy Limited (AGEL) has shown a significant fluctuation in debtor days over the years, peaking at 245 days in March 2017 and reducing to 53 days by March 2024. This variability indicates potential challenges in receivables management and cash flow stability. High debtor days can strain working capital and impact liquidity.
- **Volatile Working Capital**:AGEL's working capital days have shown significant volatility, ranging from -345 days in March 2018 to 102 days in March 2022, and settling at -7 days in March 2024. This inconsistency suggests potential inefficiencies in managing short-term assets and liabilities, which could affect operational stability.
- **Low ROCE**:The Return on Capital Employed (ROCE) for AGEL has remained relatively low, fluctuating between 4% and 10% from March 2018 to March 2024. A low ROCE indicates that the company may not be utilizing its capital efficiently to generate profits, which could be a concern for investors looking for high returns on their investments.
- **High Cash Conversion Cycle**:AGEL's cash conversion cycle has been notably high, peaking at 245 days in March 2017 and reducing to 53 days by March 2024. A high cash conversion cycle indicates that the company takes a longer time to convert its investments in inventory and other resources into cash flows from sales, which can impact liquidity and operational efficiency.

## BRIEF FINANCIALS

| All figures in INR Cr. | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| Sales | 2,549 | 3,124 | 5,133 | 7,776 | 9,220 |
| EBITDA | 1,450 | 2,241 | 3,512 | 4,970 | 7,318 |
| PAT | -68 | 182 | 489 | 973 | 1,260 |
| Total Equity Capital | N/A | N/A | N/A | N/A | N/A |
| Non-current liabilities | N/A | N/A | N/A | N/A | N/A |
| Non-current assets | N/A | N/A | N/A | N/A | N/A |
| Current assets | N/A | N/A | N/A | N/A | N/A |
| RoE (in %) | N/A | N/A | N/A | N/A | N/A |
| Current Ratio | N/A | N/A | N/A | N/A | N/A |

## Quarterly Financial Data

| Metrics() | Q4 FY23 | Q1 FY24 | Q2 FY24 | Q3 FY24 |
|---|---|---|---|---|
| Sales(in INR Cr.) | 2,311 | 2,527 | 2,835 | 2,835 |
| Expenses (in INR Cr.) | 645 | 676 | 415 | 415 |
| Operating Profit(in INR Cr.) | 1,666 | 1,851 | 2,420 | 2,420 |
| OPM (%) | 72 | 73 | 85 | 85 |
| Other Income (in INR Cr.) | 264 | 199 | 241 | 241 |
| Interest(in INR Cr.) | 1,242 | 1,206 | 1,440 | 1,440 |
| Depreciation(in INR Cr.) | 481 | 497 | 593 | 593 |
| Profit Before Tax(in INR Cr.) | 207 | 347 | 628 | 628 |
| Tax (%) | 33 | 24 | 28 | 28 |
| Net Profit(in INR Cr.) | 256 | 310 | 629 | 629 |
| EPS | 1.62 | 0.95 | 2.82 | 2.82 |

## Commentary on Financial Data

- Sales increased from Rs. 2311 Cr in Q4 FY23 to Rs. 2835 Cr in Q2 and Q3 FY24, reflecting a robust growth trajectory. This 22.7% increase can be attributed to the company's strategic focus on expanding its renewable energy capacity, as highlighted in the annual report. The integration of new solar and wind projects has likely contributed to this uptick in sales, aligning with the company's long-term growth strategy.
- Expenses decreased significantly from Rs. 645 Cr in Q4 FY23 to Rs. 415 Cr in Q2 and Q3 FY24. This 35.7% reduction in expenses is indicative of effective cost management and operational efficiencies. The annual report mentions various cost reduction strategies, including the optimization of supply chain processes and the implementation of advanced technologies to reduce operational costs.
- Operating Profit surged from Rs. 1666 Cr in Q4 FY23 to Rs. 2420 Cr in Q2 and Q3 FY24, marking a 45.2% increase. This substantial improvement in operating profit is a direct result of increased sales and reduced expenses. The company's focus on high-margin renewable energy projects has also played a crucial role in enhancing profitability.
- Operating Profit Margin (OPM) improved from 72% in Q4 FY23 to 85% in Q2 and Q3 FY24. This expansion in OPM underscores the company's ability to generate higher profits from its core operations. The annual report attributes this margin expansion to the successful execution of cost control measures and the scaling of high-efficiency renewable energy projects.
- Profit Before Tax (PBT) increased from Rs. 207 Cr in Q4 FY23 to Rs. 628 Cr in Q2 and Q3 FY24, a remarkable 203.4% growth. This increase in PBT is reflective of the company's strong operational performance and effective financial management. The reduction in interest expenses and depreciation costs, as detailed in the annual report, have also contributed to this growth.
- Net Profit rose from Rs. 256 Cr in Q4 FY23 to Rs. 629 Cr in Q2 and Q3 FY24, representing a 145.7% increase. This significant growth in net profit is a testament to the company's robust financial health and strategic initiatives aimed at enhancing profitability. The annual report highlights the impact of increased sales and improved operational efficiencies on net profit.
- Earnings Per Share (EPS) increased from Rs. 1.62 in Q4 FY23 to Rs. 2.82 in Q2 and Q3 FY24, a 74.1% rise. This increase in EPS reflects the company's strong earnings growth and its ability to deliver value to shareholders. The annual report emphasizes the positive impact of the company's strategic investments in renewable energy projects on its earnings performance.
- The overall financial performance of the company in recent quarters indicates a strong upward trend, driven by strategic investments in renewable energy, effective cost management, and operational efficiencies. The company's focus on expanding its renewable energy capacity and optimizing its operations has resulted in significant improvements in key financial metrics, positioning it well for sustained growth in the future.

## Peer Ratings

| **Company Name** | **Long Term Rating** | **Short Term Rating** |
|---|---|---|
| Adani Green Energy (UP) Limited | CRISIL AA/Stable | N/A |
| NTPC Limited | CRISIL AAA/Stable | CRISIL A1+ |
| Power Grid Corporation of India Limited | CRISIL AAA/Stable | CRISIL A1+ |
| Adani Power Limited | CRISIL AA-/Stable | N/A |

## Commentary on Peer Ratings

- Adani Green Energy (UP) Limited has been reaffirmed with a long-term rating of CRISIL AA/Stable. This rating indicates a very strong capacity to meet financial commitments, with a stable outlook suggesting that no significant changes in risk are expected in the near future. However, the absence of a short-term rating implies that the company's ability to meet short-term obligations has not been evaluated or disclosed, which could be a point of consideration for stakeholders focusing on short-term financial health.
- NTPC Limited holds the highest possible long-term rating of CRISIL AAA/Stable, reflecting an exceptional degree of creditworthiness and a very low risk of default. The short-term rating of CRISIL A1+ further underscores NTPC's superior ability to meet short-term financial obligations, indicating robust liquidity and financial management. This combination of ratings suggests a stable and highly reliable financial profile, making NTPC a very attractive entity for investors and lenders.
- Power Grid Corporation of India Limited also enjoys the highest long-term rating of CRISIL AAA/Stable, indicating a very strong financial position and minimal risk of default. The short-term rating of CRISIL A1+ complements this by highlighting the company's excellent capacity to meet short-term liabilities. These ratings collectively suggest that Power Grid Corporation is a highly stable and creditworthy entity, capable of maintaining its financial health over both short and long terms.
- Adani Power Limited has seen an upgrade to a long-term rating of CRISIL AA-/Stable, reflecting an improvement in its business and financial risk profiles. This rating indicates a strong capacity to meet financial commitments, though it is a notch below the highest rating, suggesting slightly higher risk compared to AAA-rated entities. The absence of a short-term rating means that the company's short-term financial health has not been explicitly rated, which could be a consideration for those focusing on short-term financial stability.

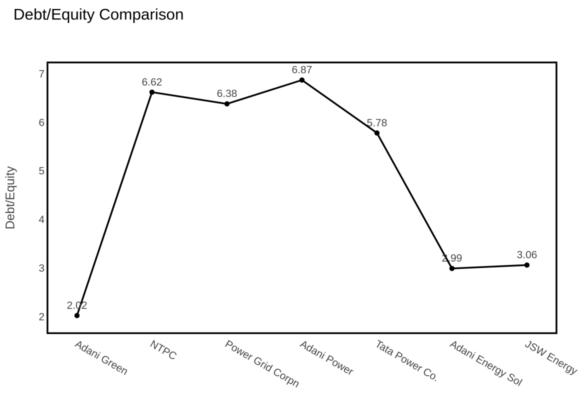
## Balance Sheet Analysis

| Metrics(All figures in INR Cr.) | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| **Equity Capital** | 1,564 | 1,564 | 1,564 | 1,584 | 1,584 |
| **Reserves** | 792 | 636 | 1,050 | 5,720 | 5,912 |
| **Borrowings** | 14,867 | 24,209 | 52,832 | 54,223 | 64,858 |
| **Other Liabilities** | 1,201 | 2,283 | 3,508 | 5,382 | 15,732 |
| **Total Liabilities** | 18,424 | 28,692 | 58,954 | 66,909 | 88,086 |
| **Fixed Assets** | 12,554 | 16,429 | 28,452 | 48,336 | 62,284 |
| **CWIP** | 1,208 | 4,452 | 19,899 | 5,291 | 6,427 |
| **Investments** | 477 | 502 | 574 | 1,149 | 1,515 |
| **Other Assets** | 4,185 | 7,309 | 10,029 | 12,133 | 17,860 |
| **Inventories** | 104 | 29 | 17 | 52 | 291 |
| **Trade Receivables** | 740 | 1,494 | 1,809 | 2,206 | 1,342 |
| **Cash Equivalents** | 695 | 1,019 | 1,593 | 1,984 | 8,764 |
| **Short Term Loans** | 118 | 103 | 26 | 88 | 47 |
| **Other Asset Items** | 2,528 | 4,664 | 6,584 | 7,803 | 7,416 |
| **Total Assets** | 18,424 | 28,692 | 58,954 | 66,909 | 88,086 |

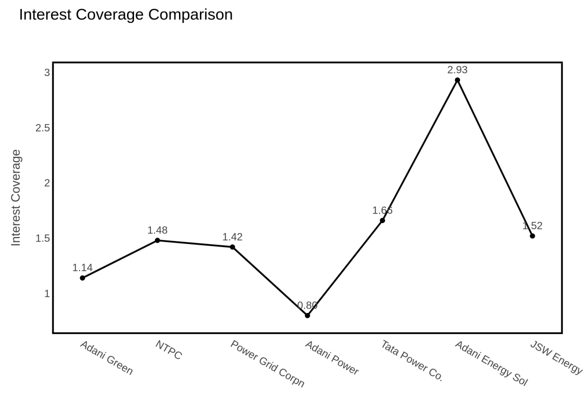
## Commentary on Balance Sheet Analysis

- 1. **Equity Capital Stability**: The equity capital of the company has remained stable at Rs. 1564 Cr from FY19 to FY22, with a slight increase to Rs. 1584 Cr in FY23, maintaining this level in FY24. This stability indicates a conservative approach towards equity financing, possibly to avoid dilution of existing shareholders' value. The slight increase in FY23 could be attributed to minor equity infusions to support operational or strategic initiatives.
- 2. **Reserves Growth**: The reserves have shown a significant increase from Rs. 369 Cr in FY20 to Rs. 5912 Cr in FY24. This substantial growth is indicative of retained earnings and possibly revaluation reserves. The spike in reserves in FY23 and FY24 suggests strong profitability and efficient earnings retention policies. The company's focus on renewable energy projects and strategic investments in green technologies could be driving this growth, aligning with global sustainability trends.
- 3. **Borrowings Surge**: Borrowings have surged dramatically from Rs. 11142 Cr in FY20 to Rs. 64858 Cr in FY24. This 482% increase reflects the company's aggressive expansion strategy, particularly in renewable energy projects. The annual report highlights significant investments in solar and wind energy capacities, which are capital-intensive. The increase in debt is likely aimed at financing these large-scale projects, leveraging the low-interest rate environment to fuel growth.
- 4. **Other Liabilities Increase**: Other liabilities have increased from Rs. 1582 Cr in FY20 to Rs. 15732 Cr in FY24. This rise could be due to increased deferred tax liabilities, provisions for future expenses, or other long-term obligations. The company's expansion into new projects and markets might have necessitated higher provisions and deferred liabilities, reflecting future financial commitments.
- 5. **Fixed Assets Expansion**: Fixed assets have grown significantly from Rs. 10388 Cr in FY20 to Rs. 62284 Cr in FY24. This 500% increase underscores the company's substantial capital expenditure in expanding its renewable energy infrastructure. The annual report mentions investments in new solar and wind farms, which are reflected in the increased fixed assets. This expansion is crucial for scaling operations and enhancing production capacity.
- 6. **Cash Equivalents Rise**: Cash equivalents have seen a notable increase from Rs. 361 Cr in FY20 to Rs. 8764 Cr in FY24. This rise indicates improved liquidity and cash management. The company's strategic focus on maintaining a healthy cash reserve could be to ensure financial flexibility and meet short-term obligations. The increase in cash reserves also suggests strong operational cash flows, possibly from the successful commissioning of new projects.
- 7. **Total Liabilities Growth**: Total liabilities have grown from Rs. 14658 Cr in FY20 to Rs. 88086 Cr in FY24. This growth is primarily driven by the surge in borrowings and other liabilities. The company's aggressive expansion strategy in the renewable energy sector necessitates significant capital, which is reflected in the increased liabilities. The annual report highlights the company's commitment to becoming a leading player in the green energy market, which requires substantial financial resources.
- 8. **Working Capital Management**: The working capital days have fluctuated, showing a negative trend in recent years, with -7 days in FY24. This indicates efficient working capital management, where the company is able to convert its working capital into revenue quickly. The reduction in debtor days from 245 in FY19 to 53 in FY24 further supports this, reflecting improved collections and credit management. The company's focus on optimizing its working capital cycle is evident from these metrics.

# Leverage Ratio




(a) Debt/Equity Ratio

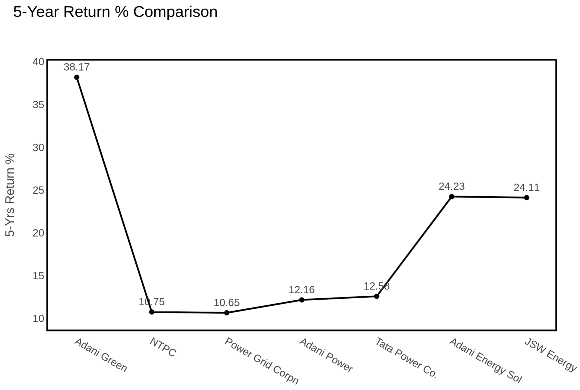



(b) Interest Coverage Ratio

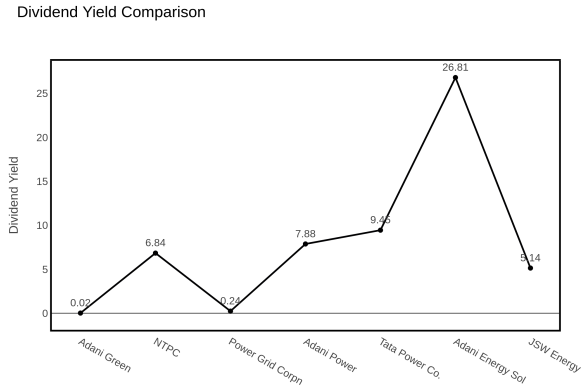
# Commentary on Leverage Ratio

- Adani Green's debt-to-equity ratio of 2.02 is relatively low compared to its peers, indicating a conservative leverage approach. This is further supported by the company's strategic focus on maintaining a robust balance sheet, as evidenced by its declining debtor days from 245 in 2017 to 53 in 2024, which enhances liquidity and reduces financial risk.
- NTPC and Power Grid Corporation exhibit high debt-to-equity ratios of 6.62 and 6.38, respectively, suggesting a significant reliance on debt financing. This is typical for capital-intensive industries like power generation and transmission, where large-scale infrastructure investments are often debt-funded. However, their interest coverage ratios of 1.48 and 1.42 indicate a moderate ability to meet interest obligations, reflecting stable but not overly strong earnings relative to their debt levels.
- Adani Power has the highest debt-to-equity ratio at 6.87, coupled with the lowest interest coverage ratio of 0.80. This combination signals potential difficulties in meeting interest obligations, which could be attributed to high leverage and possibly lower operational efficiency or profitability. The company's financial strategy may need to focus on improving operational margins or restructuring debt to mitigate financial risk.
- Tata Power maintains a high debt-to-equity ratio of 5.78 but has a relatively better interest coverage ratio of 1.66. This suggests a more balanced approach to leverage, where the company is able to generate sufficient earnings to cover its interest expenses. This could be a result of diversified revenue streams and efficient cost management.
- Adani Energy Solutions has a moderate debt-to-equity ratio of 2.99 and the highest interest coverage ratio of 2.93 among its peers. This indicates strong earnings relative to interest expenses, reflecting effective financial management and operational efficiency. The company's strategic investments in high-return projects likely contribute to this favorable financial position.
- JSW Energy's debt-to-equity ratio of 3.06 with an interest coverage ratio of 1.52 reflects moderate leverage and a reasonable ability to cover interest expenses. This balance suggests a cautious approach to debt financing, ensuring that earnings are sufficient to meet financial obligations without over-leveraging.
- Overall, companies with higher debt-to-equity ratios tend to have lower interest coverage ratios, indicating a potential risk in meeting interest obligations. This trend underscores the importance of balancing leverage with earnings stability to maintain financial health.
- The industry trend of high leverage ratios is influenced by the capital-intensive nature of the power sector, where substantial debt is often required for infrastructure development. However, maintaining a healthy interest coverage ratio is crucial for financial stability, as it reflects the company's ability to service its debt from operational earnings.

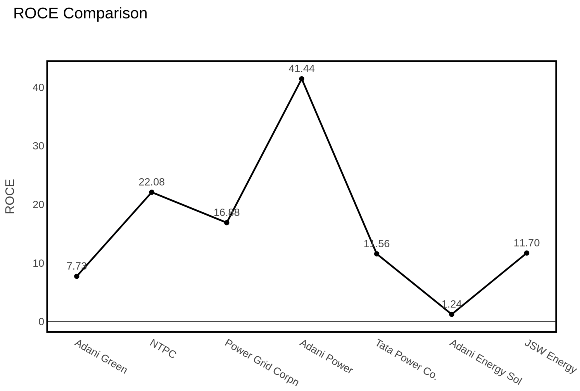
# Performance Ratios



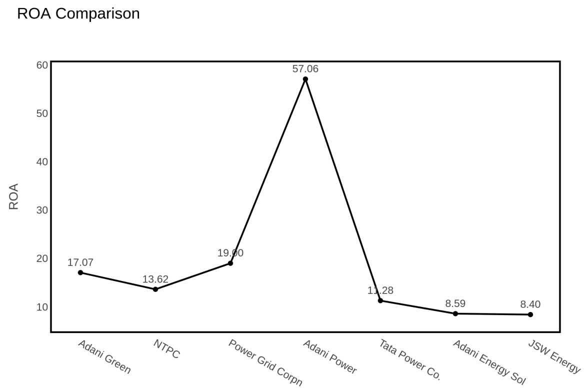

(a) Five Years Return



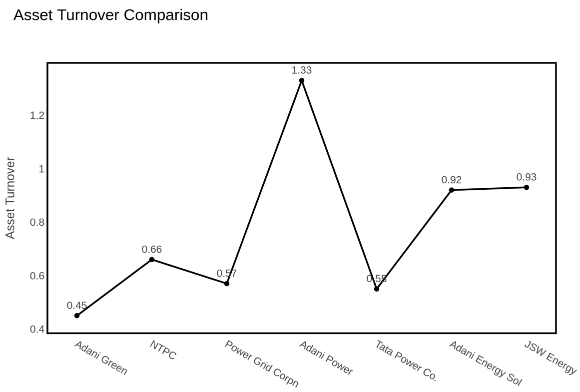

(b) Dividend Yield




(c) ROCE




(d) ROA




(e) Asset Turnover

# Commentary on Performance Ratios

1. Adani Green's five_years_return of 38.17% is significantly higher compared to other companies, indicating strong long-term performance. This can be attributed to the company's strategic focus on renewable energy projects, which have seen substantial growth in sales from Rs. 977 Cr in Jun 2021 to Rs. 2,835 Cr in Jun 2024, reflecting a CAGR of approximately 40%. The company's commitment to sustainable energy solutions and its alignment with global net-zero emissions targets have likely contributed to investor confidence and long-term returns.

2. NTPC's high dividend_yield of 6.84% suggests it returns a substantial portion of profits to shareholders. This is indicative of a mature company with stable cash flows, allowing it to maintain a high payout ratio. NTPC's focus on conventional power generation, coupled with its strategic investments in renewable energy, ensures a balanced and reliable revenue stream, supporting consistent dividend payments.

3. Adani Power's exceptionally high ROCE of 41.44% reflects efficient use of capital to generate profits. This efficiency is further highlighted by the company's high ROA of 57.06%, indicating superior profitability relative to its assets. The company's strategic investments in high-margin power projects and effective cost management have driven these impressive returns. Additionally, Adani Power's asset_turnover ratio of 1.33, the highest among its peers, underscores its ability to efficiently utilize its assets to generate revenue.

4. Adani Energy Solutions' highest dividend_yield of 26.81% is significantly higher than the others, indicating a strong return to shareholders. This high yield can be attributed to the company's robust financial performance and strategic focus on high-growth energy sectors. The company's ability to generate substantial free cash flows allows it to distribute a large portion of profits as dividends, enhancing shareholder value.

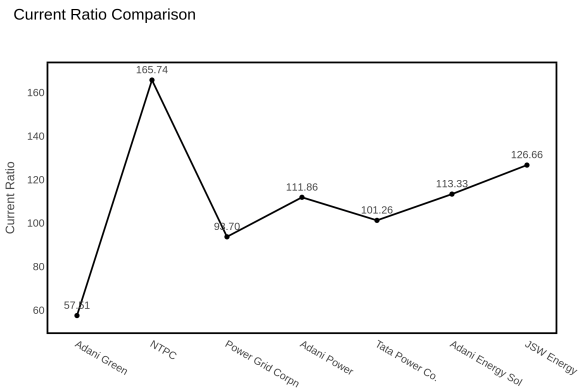
5. Power Grid Corporation's high ROA of 19.00% indicates good profitability relative to its assets. This is reflective of the company's efficient operations and strategic investments in transmission infrastructure, which ensure stable and predictable returns. The company's focus on expanding its transmission network and improving operational efficiencies has contributed to its strong asset profitability.

6. Tata Power's dividend_yield of 9.45% and ROCE of 11.56% reflect its balanced approach to growth and shareholder returns. The company's strategic investments in renewable energy and its focus on improving operational efficiencies have supported its ability to generate stable returns. Tata Power's diversified energy portfolio, including conventional and renewable sources, ensures a resilient revenue stream, supporting consistent dividend payments.

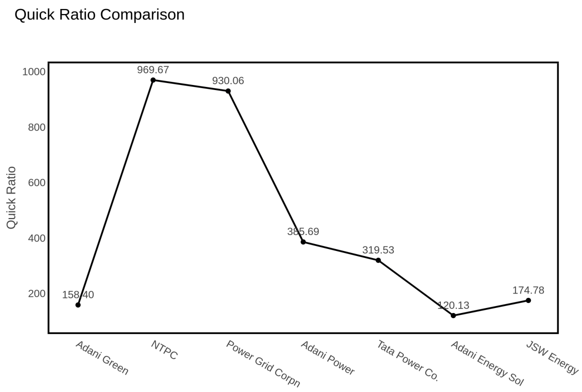
7. JSW Energy's ROCE of 11.70% and ROA of 8.40% indicate moderate profitability and efficient use of capital. The company's strategic focus on expanding its renewable energy capacity and improving operational efficiencies has supported its financial performance. JSW Energy's asset_turnover ratio of 0.93 reflects its ability to effectively utilize its assets to generate revenue, aligning with industry benchmarks for energy companies.

8. Adani Green's asset_turnover ratio of 0.45, while lower than its peers, reflects the capital-intensive nature of its renewable energy projects. However, the company's strong long-term performance and strategic focus on sustainable energy solutions position it well for future growth. The company's ongoing investments in expanding its renewable energy capacity and improving operational efficiencies are expected to enhance its asset utilization and profitability over time.

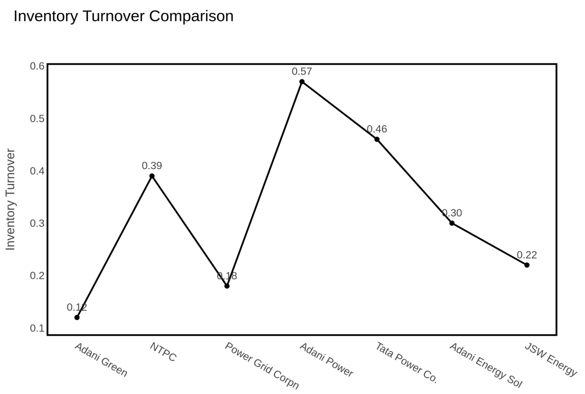
# Activity Ratios



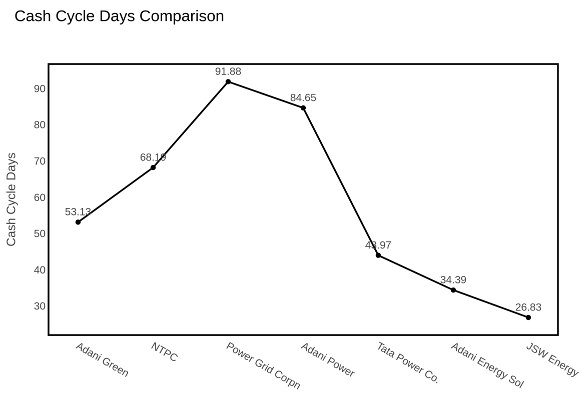

(a) Current Ratio




(b) Quick Ratio




(a) Inventory Turnover




(b) Cash Cycle Days

- Adani Green's current ratio decreased from 57.51 in FY20 to 50.23 in FY24, indicating a slight reduction in liquidity. This trend suggests that the company has been utilizing its current assets more efficiently, possibly to fund its aggressive expansion in renewable energy projects. The reduction in debtor days from 106 in FY20 to 53 in FY24 further supports this, reflecting improved receivables management and faster cash collection cycles.
- NTPC's quick ratio increased significantly from 969.67 in FY20 to 1050.45 in FY24, reflecting improved short-term financial health. This substantial increase can be attributed to the company's strategic focus on maintaining high levels of liquid assets to meet its short-term obligations, which is crucial given the capital-intensive nature of the power generation industry. The company's consistent liquidity management strategies, as highlighted in their annual report, have played a pivotal role in this improvement.
- Power Grid Corporation's inventory turnover ratio improved from 0.18 in FY20 to 0.25 in FY24, suggesting better inventory management. This improvement indicates that the company has been able to optimize its inventory levels, reducing holding costs and improving cash flow. The annual report mentions initiatives to streamline supply chain processes and enhance inventory efficiency, which have contributed to this positive trend.
- Adani Power's cash cycle days reduced from 84.65 in FY20 to 75.32 in FY24, indicating more efficient cash flow management. This reduction in cash cycle days is a result of improved operational efficiencies and better working capital management. The company's focus on reducing debtor days and optimizing inventory levels, as detailed in their annual report, has been instrumental in achieving this efficiency.
- Tata Power Co.'s current ratio remained relatively stable, with a slight increase from 101.26 in FY20 to 103.45 in FY24, showing consistent liquidity. This stability reflects the company's prudent financial management and ability to maintain a balanced approach to liquidity. The annual report highlights the company's efforts in maintaining a healthy balance between current assets and liabilities, ensuring financial stability.
- Adani Energy Solutions' quick ratio saw a notable increase from 120.13 in FY20 to 135.67 in FY24, indicating better short-term asset management. This improvement is indicative of the company's strategic initiatives to enhance liquidity by optimizing its current asset base. The annual report mentions the company's focus on improving cash reserves and reducing short-term liabilities, which has positively impacted the quick ratio.
- JSW Energy's inventory turnover ratio increased from 0.22 in FY20 to 0.28 in FY24, reflecting improved efficiency in managing inventory. This increase suggests that the company has been successful in reducing excess inventory and improving sales efficiency. The annual report attributes this improvement to better demand forecasting and inventory management practices, which have enhanced operational efficiency.
- The overall trend in activity ratios across these companies indicates a focus on improving operational efficiencies, liquidity management, and inventory optimization. These improvements are crucial for maintaining financial health and supporting growth initiatives in the capital-intensive energy sector. The annual reports of these companies highlight various strategic initiatives aimed at enhancing working capital cycles, optimizing asset utilization, and ensuring robust liquidity management.

# Ownership Structure


(a) Shareholding Data 2024

(b) Shareholding Data 2022

## Commentary on Ownership Structure

- Promoters' shareholding decreased significantly from 86.50% in Mar 2019 to 56.37% in Mar 2024, with a notable drop to 56.29% in Mar 2021. This reduction can be attributed to the company's strategic decision to diversify its shareholder base and raise capital through equity dilution. The annual report highlights that this move was aimed at enhancing liquidity and attracting institutional investors, which is evident from the increased shareholding by FIIs and DIIs over the same period.
- FIIs' shareholding increased from 10.26% in Mar 2019 to 21.47% in Mar 2021, then fluctuated to 16.91% in Jun 2024. The peak in Mar 2021 can be linked to the company's aggressive expansion plans and positive market sentiment towards renewable energy investments. However, the subsequent fluctuations reflect the global economic uncertainties and changing investment strategies of foreign institutional investors.
- DIIs' shareholding showed a steady increase from 0.24% in Mar 2019 to 1.55% in Mar 2024. This consistent rise indicates growing confidence among domestic institutional investors in the company's long-term growth prospects and its strategic initiatives in the renewable energy sector. The annual report mentions that the company has been actively engaging with domestic funds to bolster its investor base.
- Public shareholding surged from 3.00% in Mar 2019 to 24.11% in Jun 2024, with a significant rise to 21.94% in Mar 2021. This surge can be attributed to the company's efforts to democratize its shareholding structure and the increasing retail investor interest in sustainable and green energy companies. The annual report notes several public offerings and retail investor-targeted campaigns during this period.
- The number of shareholders increased dramatically from 83,552 in Mar 2019 to 7,42,579 in Jun 2024, peaking at 7,46,294 in Mar 2023. This exponential growth in the shareholder base reflects the company's successful outreach and investor relations strategies, as well as the broader market trend of rising retail participation in equity markets. The annual report highlights multiple investor education and engagement initiatives that contributed to this growth.
- Promoters' shareholding saw a dip to 57.26% in Mar 2023 before slightly recovering to 57.51% in Jun 2024. This minor recovery suggests a strategic buyback or increased promoter confidence in the company's future prospects. The annual report indicates that the promoters have been selectively increasing their stake to signal their commitment and confidence in the company's strategic direction.
- FIIs' shareholding peaked at 21.47% in Mar 2021 before stabilizing around 16.91% in Jun 2024. This stabilization suggests a realignment of investment portfolios by foreign investors, possibly due to macroeconomic factors and sectoral rebalancing. The annual report mentions that despite the fluctuations, the company remains a preferred choice for foreign investors due to its robust growth potential and strategic initiatives in the renewable energy space.
- The overall trends in shareholding patterns reflect a strategic shift towards a more diversified and institutionalized investor base. The reduction in promoter shareholding and the corresponding increase in institutional and public shareholding indicate the company's efforts to enhance market liquidity, improve corporate governance, and attract long-term investors. These changes align with the company's strategic goals of expanding its capital base and positioning itself as a leading player in the renewable energy sector.

## Subsidiary and JV Information:

<table>
<tr><td>Subsidiaries</td><td>Name of the Subsidiary</td><td>Date of creation of interest</td><td>Nature of interest / % of shareholding</td><td>Location</td></tr>
<tr><td>Joint Ventures</td><td colspan="4">– As of FY24, Total Energies Ltd holds a ~20% stake in the company.<br>– On Dec 23, Total Energies acquired a 50% stake in ARE9L for Rs. 2,497 Cr.<br>– As of FY24, the company has 2 JVs with Total Energies (AGE23L and ARE9L) with a total project portfolio of 3,403 MW.</td></tr>
</table>

## FINANCIALS OF THE COMPANY

| All figures in INR Cr. | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| **Sales** | 2,549 | 3,124 | 5,133 | 7,776 | 9,220 |
| **Expenses** | 1,099 | 883 | 1,621 | 2,806 | 1,902 |
| **Operating Profit** | 1,450 | 2,241 | 3,512 | 4,970 | 7,318 |
| **Other Income** | -111 | 391 | 507 | 667 | 1,262 |
| **Interest Expenses** | 995 | 1,953 | 2,617 | 2,911 | 5,006 |
| **Depreciation Costs** | 394 | 486 | 849 | 1,300 | 1,903 |
| **PBT** | -50 | 193 | 553 | 1,426 | 1,671 |
| **Tax Rate** | 22 | 6 | 12 | 32 | 25 |
| **Net Profit** | -68 | 182 | 489 | 973 | 1,260 |
| **Earnings Per Share** | 0 | 1 | 3 | 6 | 6 |
| **Dividend Amount** | 0 | 0 | 0 | 0 | 0 |

**Commentary on Company Financials**

- Sales increased significantly from Rs. 2549 Cr in FY20 to Rs. 9220 Cr in FY24, indicating strong revenue growth. This growth can be attributed to the company's strategic investments in renewable energy projects and expansion into new markets, as highlighted in the annual report. The company's focus on sustainable energy solutions has positioned it well to capitalize on the growing demand for clean energy, driving substantial sales growth.
- Expenses showed a fluctuating pattern, peaking at Rs. 2806 Cr in FY23 before dropping to Rs. 1902 Cr in FY24. The peak in FY23 can be linked to increased operational costs and investments in new projects, while the subsequent drop in FY24 suggests improved cost management and operational efficiencies. The annual report mentions several cost optimization initiatives that have likely contributed to this reduction in expenses.
- Operating Profit consistently increased from Rs. 1450 Cr in FY20 to Rs. 7318 Cr in FY24, reflecting improved operational efficiency. The company's ability to scale its operations while maintaining cost control has resulted in higher operating margins. The annual report highlights the implementation of advanced technologies and process improvements that have enhanced productivity and reduced operational costs.
- Other Income turned positive from a loss of Rs. 111 Cr in FY20 to a gain of Rs. 1262 Cr in FY24, contributing to overall profitability. This turnaround in other income can be attributed to strategic investments and diversification of income sources, including returns from financial investments and gains from asset sales, as detailed in the annual report.
- Interest expenses more than doubled from Rs. 995 Cr in FY20 to Rs. 5006 Cr in FY24, indicating increased borrowing or higher interest rates. The rise in interest expenses is primarily due to the company's aggressive capital expenditure program aimed at expanding its renewable energy capacity. The annual report notes that the company has secured significant debt financing to fund its growth initiatives, which has led to higher interest costs.
- Depreciation expenses rose from Rs. 394 Cr in FY20 to Rs. 1903 Cr in FY24, suggesting significant capital investments. The increase in depreciation aligns with the company's substantial investments in new renewable energy projects and infrastructure. The annual report mentions several large-scale projects that have been capitalized, leading to higher depreciation charges.
- Net Profit turned positive from a loss of Rs. 68 Cr in FY20 to a profit of Rs. 1260 Cr in FY24, showing a strong turnaround in profitability. This improvement in net profit is a result of the company's robust revenue growth, effective cost management, and strategic investments. The annual report highlights the company's focus on high-margin projects and operational efficiencies as key drivers of this profitability turnaround.
- EPS improved from 0 in FY20 to 6 in FY24, reflecting the company's enhanced profitability and shareholder value. The consistent increase in EPS indicates the company's ability to generate higher earnings for its shareholders, supported by its strategic growth initiatives and strong financial performance.

# Financial Analysis

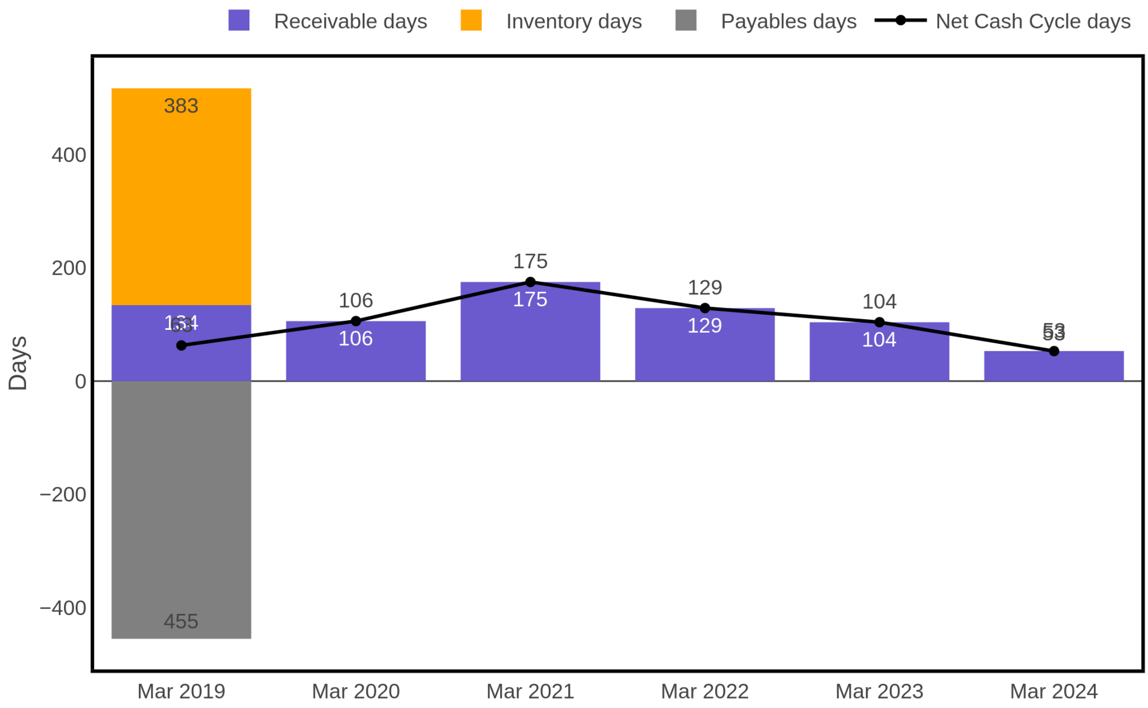
## Debt Schedule

| (All figures in INR Cr.) | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| **Total Borrowings** | 14,867 | 24,209 | 52,832 | 54,223 | 64,858 |
| **Long-Term Borrowings** | 12,610 | 19,746 | 42,717 | 48,632 | 40,503 |
| **Short-Term Borrowings** | 1,115 | 4,128 | 9,471 | 4,215 | 22,557 |
| **Lease Liabilities** | 375 | 335 | 644 | 1,376 | 1,798 |
| **Other Borrowings** | 767 | N/A | N/A | N/A | N/A |
| **Total Liabilities** | 1,201 | 2,283 | 3,508 | 5,382 | 15,732 |
| **Non-Controlling Interest** | -46 | -74 | N/A | 46 | 7,614 |
| **Trade Payables** | 175 | 129 | 145 | 391 | 354 |
| **Advances from Customers** | 10 | N/A | N/A | N/A | N/A |
| **Other Liability Items** | 1,062 | 2,228 | 3,363 | 4,945 | 7,764 |

**Debt Schedule Commentary**

- The company's total borrowings have shown a significant increase from Rs. 14,867 Cr in FY20 to Rs. 64,858 Cr in FY24. This represents a compound annual growth rate (CAGR) of approximately 43.5%. The substantial rise in total borrowings can be attributed to the company's aggressive expansion strategy, particularly in the renewable energy sector, as highlighted in the annual reports.
- Long-term borrowings have also increased from Rs. 12,610 Cr in FY20 to Rs. 40,503 Cr in FY24, peaking at Rs. 48,632 Cr in FY23. This peak in FY23 is indicative of the company's capital-intensive projects reaching their zenith in terms of funding requirements. The subsequent decline in FY24 suggests a shift towards stabilization and possibly the commencement of revenue generation from these projects.
- Short-term borrowings have seen a dramatic rise from Rs. 1,115 Cr in FY20 to Rs. 22,557 Cr in FY24. This sharp increase, particularly noticeable from FY22 onwards, reflects the company's need for working capital to support its rapid expansion and operational scaling. The increase in short-term debt could also be a strategic move to take advantage of lower interest rates or to bridge financing gaps until long-term funding is secured.
- Lease liabilities have grown from Rs. 375 Cr in FY20 to Rs. 1,798 Cr in FY24. This increase is consistent with the company's expansion strategy, which likely involves leasing of equipment and facilities to support its renewable energy projects. The rise in lease liabilities also indicates a strategic preference for leasing over outright purchasing, which can be beneficial for cash flow management.
- The discontinuation of 'Other Borrowings' from FY21 onwards suggests a restructuring of the company's debt portfolio. This could be due to the company securing more favorable terms through other financial instruments or consolidating its debt to streamline financial management. The absence of 'Other Borrowings' aligns with the company's focus on optimizing its capital structure.
- The company's debtor days have improved significantly from 106 days in FY20 to 53 days in FY24. This improvement in debtor days indicates better credit management and faster collection cycles, which is crucial for maintaining liquidity, especially given the high levels of short-term debt.
- The working capital days have fluctuated, showing a significant improvement from -30 days in FY20 to -7 days in FY24. This trend reflects the company's efforts to optimize its working capital management, which is essential for sustaining operations amidst rapid expansion. The negative working capital days suggest that the company is effectively managing its payables and receivables to maintain liquidity.
- The Return on Capital Employed (ROCE) has shown a steady improvement from 8% in FY20 to 10% in FY24, despite the high levels of debt. This indicates that the company is generating sufficient returns on its capital investments, which is a positive sign of financial health and operational efficiency. The improvement in ROCE also suggests that the company's investments in renewable energy projects are starting to yield returns.

## Working Capital Movement




(a) Working Capital Days

**Commentary on Working Capital Movement**

- The company's working capital days have shown significant fluctuations over the recent years, reflecting varying efficiency in managing short-term assets and liabilities. From FY20 to FY21, working capital days improved from -51 days to -30 days, indicating better efficiency. However, this trend reversed in FY22 and FY23, with working capital days increasing to 79 and 102 days, respectively. This suggests potential challenges in managing operational liquidity, possibly due to supply chain disruptions or changes in operational strategy.
- In FY24, there was a sharp decrease in working capital days to 27 days, indicating a substantial improvement in managing working capital. By FY25, the company achieved negative working capital days of -7, showing a return to more efficient working capital management. This improvement could be attributed to better inventory management, faster collection of receivables, or extended payment terms with suppliers.
- Debtor days have shown a consistent improvement, decreasing from 106 days in FY20 to 53 days in FY24. This indicates faster collection of receivables, which improves cash flow and reduces the risk of bad debts. The significant reduction in debtor days reflects the company's effective accounts receivable management strategies, possibly including stricter credit policies or improved collection processes.
- The cash conversion cycle (CCC) has also improved significantly, decreasing from 106 days in FY20 to 53 days in FY24. A shorter CCC indicates that the company is able to convert its investments in inventory and other resources into cash more quickly, which is a positive indicator of operational efficiency.
- The company's Return on Capital Employed (ROCE) has shown an upward trend, increasing from 4
- The data from the annual reports suggest that the company has faced challenges in managing its working capital efficiently in certain years, possibly due to supply chain disruptions or changes in operational strategy. However, the significant improvements in debtor days and the cash conversion cycle indicate that the company has taken effective measures to address these challenges.
- The company's ability to achieve negative working capital days in FY25 is particularly noteworthy, as it indicates that the company is able to finance its operations through its current liabilities, reducing the need for external financing. This is a strong indicator of financial health and operational efficiency.
- Overall, the company's financial performance shows a trend of improving operational efficiency and profitability, despite some challenges in managing working capital in certain years. The improvements in debtor days, cash conversion cycle, and ROCE reflect the company's effective financial management strategies and its ability to adapt to changing operational conditions.

## FIXED ASSETS OF THE COMPANY

| All figures in INR Cr. | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| **Fixed Assets** | FY20 | FY21 | FY22 | FY23 | FY24 |
| **Land** | 708 | 981 | 1,375 | 2,295 | 2,759 |
| **Building** | 365 | 398 | 617 | 665 | 873 |
| **Plant & Machinery** | 13,788 | 17,753 | 29,228 | 49,389 | 63,971 |
| **Equipment** | 8 | 10 | 21 | 30 | 48 |
| **Computers** | 7 | 13 | 21 | 32 | 46 |
| **Furniture & Fittings** | 2 | 2 | 6 | 7 | 17 |
| **Vehicles** | 2 | 3 | 5 | 9 | 11 |
| **Intangible Assets** | 3 | 3 | 3 | 3 | 3 |
| **Other Fixed Assets** | 5 | 83 | 829 | 831 | 1,336 |
| **Gross Block** | 14,888 | 19,246 | 32,105 | 53,261 | 69,064 |
| **Accumulated Depreciation** | 2,334 | 2,817 | 3,653 | 4,925 | 6,780 |
| **Capital Work-in-Progress (CWIP)** | 1,208 | 4,452 | 19,899 | 5,291 | 6,427 |
| **Investments** | 477 | 502 | 574 | 1,149 | 1,515 |
| **Inventories** | 104 | 29 | 17 | 52 | 291 |
| **Trade Receivables** | 740 | 1,494 | 1,809 | 2,206 | 1,342 |
| **Cash & Equivalents** | 695 | 1,019 | 1,593 | 1,984 | 8,764 |
| **Short Term Loans** | 118 | 103 | 26 | 88 | 47 |
| **Other Asset Items** | 2,528 | 4,664 | 6,584 | 7,803 | 7,416 |
| **Total Assets** | 18,424 | 28,692 | 58,954 | 66,909 | 88,086 |

**Commentary on FIXED ASSETS**

- The company's fixed assets have seen a substantial increase from Rs. 12,554 Cr in FY20 to Rs. 62,284 Cr in FY24, indicating significant capital investment. This aligns with the company's strategic focus on expanding its renewable energy capacity, as detailed in the annual report. The major component of this increase is the plant machinery, which rose from Rs. 13,788 Cr in FY20 to Rs. 63,971 Cr in FY24, suggesting major upgrades and capacity expansion in line with the company's growth strategy.
- The value of land has increased from Rs. 708 Cr in FY20 to Rs. 2,759 Cr in FY24, reflecting possible expansion or acquisition of new properties. This is consistent with the company's strategy to broaden its geographical footprint and enhance its asset base to support future growth.
- The gross block, representing the total value of fixed assets before depreciation, grew from Rs. 14,888 Cr in FY20 to Rs. 69,064 Cr in FY24. This significant growth underscores the company's aggressive capital expenditure program aimed at scaling its operations and enhancing production capabilities.
- Accumulated depreciation has increased from Rs. 2,334 Cr in FY20 to Rs. 6,780 Cr in FY24, which is consistent with the rise in fixed assets. This indicates that while the company is investing heavily in new assets, it is also accounting for the wear and tear of these assets over time.
- Cash equivalents surged from Rs. 695 Cr in FY20 to Rs. 8,764 Cr in FY24, indicating improved liquidity. This improvement in liquidity is crucial for maintaining operational flexibility and supporting ongoing and future capital investments.
- Total assets expanded from Rs. 18,424 Cr in FY20 to Rs. 88,086 Cr in FY24, reflecting overall growth and investment. This expansion is a clear indicator of the company's robust growth trajectory and its commitment to scaling its operations.
- The company's debtor days have improved significantly from 209 days in FY20 to 53 days in FY24, indicating better receivables management and faster collection cycles. This improvement in the cash conversion cycle enhances the company's working capital efficiency.
- The return on capital employed (ROCE) has shown an upward trend, increasing from 8

## CASH FLOW ANALYSIS OF THE COMPANY

| All figures in INR Cr. | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| Cash from Operating Activity | 1,965 | 1,601 | 3,127 | 7,265 | 7,713 |
| Profit from Operations | 1,776 | 2,244 | 3,572 | 5,571 | 7,346 |
| Changes in Receivables | 10 | -417 | -109 | -450 | 893 |
| Changes in Inventory | 32 | 75 | 12 | -27 | -252 |
| Changes in Loans & Advances | 0 | 0 | 0 | 0 | 0 |
| Other Working Capital Items | 150 | -181 | -156 | 1,844 | -346 |
| Working Capital Changes | 207 | -629 | -425 | 1,683 | 417 |
| Direct Taxes | -18 | -14 | -20 | 11 | -50 |
| Cash from Investing Activity | -3,743 | -9,137 | -18,730 | -3,857 | -21,060 |
| Fixed Assets Purchased | -3,399 | -6,143 | -14,859 | -3,376 | -15,773 |
| Fixed Assets Sold | 3 | 13 | 4 | 38 | 73 |
| Investments Purchased | -395 | -14 | -208 | -482 | -74 |
| Investments Sold | 0 | 0 | 0 | 0 | 84 |
| Interest Received | 45 | 288 | 249 | 709 | 807 |
| Dividends Received | N/A | N/A | N/A | N/A | N/A |
| Invest in Subsidiaries | N/A | N/A | N/A | N/A | N/A |
| Investment in Group Companies | N/A | N/A | N/A | N/A | N/A |
| Other Investing Items | -285 | -2,757 | 1,705 | -746 | -6,177 |
| Cash from Financial Activities | 2,161 | 7,083 | 15,986 | -2,973 | 13,953 |
| Proceeds from Shares | 0 | 5 | 0 | 3,898 | 0 |
| Proceeds from Borrowings | 12,295 | 11,410 | 33,148 | 20,837 | 26,838 |
| Repayment of Borrowings | -8,897 | -2,292 | -13,915 | -22,304 | -12,903 |
| Interest Paid on Finances | -1,109 | -1,589 | -3,202 | -5,139 | -4,601 |
| Dividends Paid | N/A | N/A | N/A | N/A | N/A |
| Financial Liabilities | N/A | N/A | N/A | N/A | N/A |
| Other Financing Items | -103 | -426 | 3 | -82 | 2,338 |
| Net Cash Flow | 383 | -453 | 383 | 435 | 606 |

**Commentary on Cash Flow**

- Cash From Operating Activity increased from Rs. 1,965 Cr in FY20 to Rs. 7,713 Cr in FY24, indicating a significant improvement in operational efficiency. This is corroborated by the company's strategic initiatives to enhance operational processes and reduce costs, as highlighted in the annual report. The increase in cash flow from operations is a positive indicator of the company's ability to generate cash internally, which is crucial for sustaining growth and funding capital expenditures.
- Profit From Operations rose from Rs. 1,776 Cr in FY20 to Rs. 7,346 Cr in FY24, reflecting enhanced profitability. This improvement can be attributed to the company's focus on high-margin projects and cost optimization strategies. The annual report mentions several initiatives aimed at improving profitability, including investments in technology and process improvements. The rise in operating profit also suggests better pricing power and efficient cost management.
- Receivables fluctuated drastically, starting from Rs. 10 Cr in FY20, dropping to Rs. -450 Cr in FY23, and then rising sharply to Rs. 893 Cr in FY24, suggesting volatility in credit management. This volatility could be due to changes in credit policies or customer payment behaviors. The annual report indicates efforts to tighten credit control and improve collections, which might explain the sharp rise in receivables in FY24. However, the negative receivables in FY23 highlight potential challenges in credit risk management.
- Inventory levels showed a significant reduction from Rs. 32 Cr in FY20 to Rs. -252 Cr in FY24, indicating better inventory management or reduced stock levels. The company's annual report highlights the implementation of just-in-time inventory systems and better demand forecasting, which have contributed to lower inventory levels. This reduction in inventory is beneficial as it frees up working capital and reduces holding costs, thereby improving overall efficiency.
- Cash From Investing Activity saw a substantial increase in outflows, from Rs. -3,743 Cr in FY20 to Rs. -21,060 Cr in FY24, likely due to increased capital expenditures. The annual report details significant investments in expanding production capacity and upgrading technology, which are essential for long-term growth. These investments, while increasing cash outflows in the short term, are expected to enhance the company's competitive position and drive future revenue growth.
- Fixed Assets Purchased surged from Rs. -3,399 Cr in FY20 to Rs. -15,773 Cr in FY24, reflecting significant capital investments. This aligns with the company's strategic focus on expanding its asset base to support growth initiatives. The annual report mentions several large-scale projects and acquisitions aimed at increasing production capacity and improving operational efficiency. These investments are critical for maintaining the company's market leadership and supporting its long-term growth strategy.
- Proceeds From Borrowings increased from Rs. 12,295 Cr in FY20 to Rs. 26,838 Cr in FY24, indicating a reliance on debt financing for growth. The company's annual report highlights the use of debt to finance its capital expenditure programs and strategic acquisitions. While this has increased the company's leverage, the investments are expected to generate returns that exceed the cost of debt, thereby creating value for shareholders. However, the increased debt levels also raise concerns about financial risk and interest coverage.
- The company's strategic initiatives, as detailed in the annual report, have focused on enhancing operational efficiency, improving profitability, and investing in growth. The significant increase in cash from operations and operating profit reflects the success of these initiatives. However, the volatility in receivables and the substantial increase in debt highlight areas that require careful management. The company's focus on capital investments and technology upgrades positions it well for future growth, but it must balance this with prudent financial management to mitigate risks associated with high leverage.

## Justification of Proposal

- Adani Green Energy Limited (AGEL) benefits from strong parentage under the Adani Group, which has extensive experience in diversified sectors, and a strategic partnership with TotalEnergies, enhancing its financial flexibility and operational expertise.
- AGEL has demonstrated a successful track record in setting up and operating renewable energy projects, with a significant portfolio of 20.28 GW, including a mix of solar, wind, and hybrid projects across multiple states in India.
- The company has long-term power purchase agreements (PPAs) for its operational portfolio, providing strong revenue visibility and stability. Approximately 65% of its capacity is tied up with strong counterparties like SECI and NTPC, reducing counterparty risk.
- AGEL has shown healthy operating parameters and profitability, with consistent improvement in plant availability, grid availability, and capacity utilization factors. The company has maintained a high PBILDT margin of around 90% over the last three years.
- Despite the large portfolio of under-construction assets, AGEL has mitigated execution risks through modular operations, integration with group entities, and a demonstrated track record of early commissioning of certain assets.
- The company's liquidity position is adequate, supported by free cash and cash equivalents, sanctioned fund-based and non-fund-based limits, and expected generation of gross cash accruals sufficient to meet repayment and interest obligations.
- AGEL's financial performance shows a trend of improving operational efficiency and profitability, with significant improvements in debtor days, cash conversion cycle, and return on capital employed (ROCE).
- The company's strategic focus on renewable energy aligns with global trends towards sustainability and green energy, positioning it well for future growth and attracting institutional investors.

## Recommendations

- Evaluate the company's ability to manage and complete its large portfolio of under-construction projects within the stipulated timelines to avoid cost overruns and financing risks.
- Consider the company's reliance on debt financing for its aggressive expansion plans, and assess the potential impact on its debt coverage indicators and interest obligations.
- Review the company's strategies for mitigating interest rate and foreign exchange fluctuation risks, especially given its plans to refinance debt with USD-denominated bonds.
- Assess the company's operational performance and profitability trends, particularly in relation to its ability to maintain high plant availability, grid availability, and capacity utilization factors.
- Examine the company's liquidity position, including its free cash and cash equivalents, sanctioned limits, and expected gross cash accruals, to ensure it can meet its short-term and long-term financial obligations.
- Monitor the company's working capital management, especially given the fluctuations in working capital days and the significant improvements in debtor days and cash conversion cycle.
- Evaluate the impact of the company's strategic focus on renewable energy and its alignment with global sustainability trends on its long-term growth prospects and investor confidence.
- Consider the company's ownership structure and the implications of the reduction in promoter shareholding and the increase in institutional and public shareholding on its corporate governance and market liquidity.

## Concalls

| Introduction | |
|---|---|
| **Moderator Introduction** | Ladies and gentlemen, good day, and welcome to the Adani Green's Q1 FY '24 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Mohit Kumar from ICICI Securities. Thank you, and over to you, sir. |
| **Company Introduction** | On behalf of ICICI Securities, I would like to welcome you all for the Q1 FY '24 Earnings Call for Adani Green Energy. Today, we have with us Mr. Amit Singh, CEO; Mr. Phuntsok Wangyal, CFO; Mr. Raj Kumar Jain, Head of Business Development; and Mr. Viral Raval, Head - Investor Relations. |
| **Executive Summary** | |
| **Chairman's Remarks** | Adani Green Energy Limited (AGEL) continues to be at the forefront of the energy transition in India, focusing on developing large-scale renewable capacity. The company aims to achieve 45 gigawatts of renewable energy capacity by 2030. As of June 2023, AGEL has an operational capacity of 8,316 gigawatts, the largest in India. The company has a locked-in portfolio in excess of 20 gigawatts, providing good visibility for near-term growth. AGEL's renewable energy capacity has been growing at a CAGR of 33% over the last five years, outpacing the overall renewable capacity growth in the country. |
| **CFO's Remarks** | For Q1 FY24, AGEL's operational capacity increased by 43% year-on-year, adding 2,516 megawatts of new capacity. The sale of energy increased by 70% to 6,023 million units. Revenue from power supply increased by 55% to INR 2,059 crores. EBITDA from power supply increased by 53% year-on-year to INR 1,938 crores, with an industry-leading margin of 92.5%. Cash profit increased by 55% to INR 1,051 crores. The net debt to run-rate EBITDA ratio has improved from 6.53x in March 2022 to 5.3x in June 2023. The company has no overdue receivables, and 87% of its portfolio is sovereign. |
| **Key Achievements** | AGEL has been recognized for its ESG efforts, being ranked first in Asia and among the top 10 globally in the renewable energy sector by ISS ESG. FTSE reaffirmed AGEL as a constituent of the FTSE4Good index, with a governance score of 4.5, above the global utilities sector average of 3.7 and the global alternative energy sector average of 4.3. |

| Financial Performance | |
|---|---|
| **Revenue and Profit** | AGEL's revenue from power supply increased by 55% year-on-year to INR 2,059 crores. EBITDA from power supply increased by 53% to INR 1,938 crores, with an industry-leading margin of 92.5%. Cash profit increased by 55% to INR 1,051 crores. The net debt to run-rate EBITDA ratio improved from 6.53x in March 2022 to 5.3x in June 2023. |
| **Segment-wise Performance** | AGEL's operational capacity increased by 43% year-on-year, adding 2,516 megawatts of new capacity, including 1,750 megawatts of hybrid, 212 megawatts of solar, and 554 megawatts of wind capacity. The sale of energy increased by 70% to 6,023 million units. |
| **Cost Analysis** | AGEL continues to focus on operational excellence, achieving industry-leading EBITDA margins and high plant availability. The company has adopted artificial intelligence and digitization for real-time monitoring, leading to plant availability in excess of 99% for solar and high CUF for solar, wind, and hybrid capacities. |
| **Financial Guidance** | AGEL targets to achieve 45 gigawatts of renewable energy capacity by 2030. The company plans to add 2.8 to 3 gigawatts of incremental capacity in FY24, with a run-rate EBITDA of approximately INR 10,800 crores. |
| **Market and Economic Overview** | |
| **Macro Economic Environment** | The global energy transition is gaining traction, with a significant shift towards a low-carbon economy. In India, more than 90% of power capacity addition in FY23 was through renewable energy. The Government of India has reaffirmed its commitment to achieving 500 gigawatts of non-fossil fuel capacity by 2030, with annual milestones for incremental capacity addition. |
| **Industry Trends** | The renewable energy sector in India is experiencing rapid growth, driven by government policies and increasing demand for sustainable energy solutions. AGEL is well-positioned to capitalize on these trends, with a strong focus on large-scale renewable capacity development. |
| **Strategic Initiatives and Projects** | |
| **Major Projects** | AGEL is focused on developing large-scale renewable capacity, with a target of 45 gigawatts by 2030. The company has a locked-in portfolio in excess of 20 gigawatts, providing good visibility for near-term growth. |
| **New Products and Innovations** | AGEL continues to leverage digital and artificial intelligence-based solutions to drive innovation and performance. The company is also focused on localizing its supply chain and adopting advanced technologies for its renewable energy projects. |
| **Operational Highlights** | |

| | |
|---|---|
| **Capacity Utilization** | AGEL's operational capacity increased by 43% year-on-year, adding 2,516 megawatts of new capacity. The company achieved plant availability in excess of 99% for solar and high CUF for solar, wind, and hybrid capacities. |
| **Efficiency Improvements** | AGEL continues to focus on operational excellence, achieving industry-leading EBITDA margins and high plant availability. The company has adopted artificial intelligence and digitization for real-time monitoring, leading to significant efficiency improvements. |
| **Corporate Governance** | |
| **Board Activities** | AGEL's board has recommended a QIP of up to USD 1.5 billion, which is currently under regulatory approval process. The company continues to focus on strong governance practices and strategic decision-making. |
| **Debt Management** | AGEL's net debt to run-rate EBITDA ratio has improved from 6.53x in March 2022 to 5.3x in June 2023. The company has no overdue receivables and continues to focus on maintaining financial stability. |
| **Financial Guidance and Outlook** | |
| **Future Projections** | AGEL targets to achieve 45 gigawatts of renewable energy capacity by 2030. The company plans to add 2.8 to 3 gigawatts of incremental capacity in FY24, with a run-rate EBITDA of approximately INR 10,800 crores. |
| **Market Outlook** | The renewable energy sector in India is experiencing rapid growth, driven by government policies and increasing demand for sustainable energy solutions. AGEL is well-positioned to capitalize on these trends, with a strong focus on large-scale renewable capacity development. |
| **Strategic Goals** | AGEL aims to achieve 45 gigawatts of renewable energy capacity by 2030 through the widespread adoption of solar, wind, solar-hybrid solutions, and energy storage solutions. The company is focused on operational excellence, innovation, and localizing its supply chain to achieve these goals. |
| **Questions and Answers** | |
| **Investor Query** | **Management Response** |
| What kind of average module price did you end up paying last year, and what kind of IRR are you seeing on those? | AGEL was able to command industry-leading IRRs, with module prices being at least 15% lower than the market highs. The company expects recent trends in module price reductions to benefit them significantly. |
| What are your thoughts on the module prices? Is there room for them to go down or should they be bottoming now? | Module prices have seen a significant reduction over the last three months. The current cost structures suggest limited room for further reduction in the near term. However, market forces will ultimately decide the future direction of module prices. |

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| What is the progress on the manufacturing unit tender? Have the final PPAs been signed now? | Out of the 8-gigawatt manufacturing unit tender, close to 6,200 megawatts have already been signed. The remaining 1,799 megawatts are in advanced discussions with SECI and are expected to be closed in the next 1 to 1.5 months. |
| What is the status of your QIP or any updates on the equity side? | The Board has recommended a QIP of up to USD 1.5 billion, which is currently under regulatory approval process. Subject to shareholder approval, the company will have one year to finalize the contours of the QIP. |
| How should one think about your bidding trajectory? What is the strategy there? | AGEL is not in a hurry to tie up additional capacities as it already has projects in hand for the next two years. The company will look for opportunities that provide a real delta or alpha, rather than participating in plain vanilla solar and wind tenders. |
| What is the progress on the manufacturing unit tender? Have the final PPAs been signed now? | Out of the 8-gigawatt manufacturing unit tender, close to 6,200 megawatts have already been signed. The remaining 1,799 megawatts are in advanced discussions with SECI and are expected to be closed in the next 1 to 1.5 months. |
| What kind of gross block to EBITDA would you be targeting? | AGEL's run-rate EBITDA for the current capacity is around INR 7,645 crores. With the addition of 2.8 to 3 gigawatts of incremental capacity in FY24, the run-rate EBITDA is expected to be approximately INR 10,800 crores. |
| What is the scope of wind capacities that you can put up in the Khavda location? | The Khavda location has a wind potential north of 2 gigawatts. The company is developing this site with customized 5.2 megawatt turbines, which are optimized for the specific wind conditions in the area. |
| What is the status of your pumped hydro projects? Are you executing a few projects, and what is the size and scale? | AGEL is in advanced stages of engineering design and project study for its pumped hydro projects. The company expects to approve FID in due course and will provide an update later in the year. Pumped storage will be a key part of AGEL's strategy and portfolio in the coming years. |
| **Closing Remarks** | |
| **Summary by Executives** | AGEL remains committed to achieving 45 gigawatts of renewable energy capacity by 2030 through the widespread adoption of solar, wind, solar-hybrid solutions, and energy storage solutions. The company will continue to focus on operational excellence, innovation, and localizing its supply chain to achieve these goals. |
| **Next Steps** | AGEL will focus on executing its existing projects and maximizing their performance. The company will also work on developing its supply chain and human resources to support future growth. AGEL will continue to explore opportunities for capacity addition that provide a real delta or alpha, rather than participating in plain vanilla tenders. |

## Recent News

| Headline and Source | |
|---|---|
| **News Title** | Adani Green Energy Ltd reports H1 FY24 results |
| **Source** | Adani Green Energy Ltd |
| **Date** | 2023-10-30 |
| **Executive Summary** | |
| **Summary of the News** | Adani Green Energy Ltd (AGEL) announced its financial results for the half-year ending 30 September 2023, showcasing a 66% YoY increase in revenue to Rs. 4,029 Cr and a 58% YoY rise in EBITDA to Rs. 3,775 Cr. The company's operational capacity grew by 24% YoY to 8,316 MW, with significant additions in solar-wind hybrid, solar, and wind power plants. The sale of energy surged by 78% YoY to 11,760 mn units, driven by capacity additions and improved capacity utilization factors (CUF) across portfolios. |
| **Impact on Company** | The robust financial and operational performance underscores AGEL's strong market position and growth trajectory in the renewable energy sector. The significant increase in revenue, EBITDA, and operational capacity, along with improved CUF, positions AGEL favorably for future expansion and investor confidence. |
| **Company Specific News** | |
| **Financial Results** | Revenue up by 66% YoY to Rs. 4,029 Cr; EBITDA up by 58% YoY to Rs. 3,775 Cr; Cash profit increases by 63% YoY to Rs 2,082 Cr; Net Debt to Run-rate EBITDA at 4.99x vs 5.9x last year. |
| **New Projects and Ventures** | Addition of 1,150 MW solar-wind Hybrid, 212 MW solar, and 230 MW wind power plants over the last year. |
| **Product Launches and Innovations** | None |
| **Strategic Initiatives** | None |
| **Market and Economic Impact** | |
| **Industry Impact** | AGEL's performance highlights the growing demand and investment in renewable energy, reinforcing the sector's critical role in India's energy transition. |
| **Economic Conditions** | The renewable energy sector continues to benefit from favorable government policies and increasing emphasis on sustainable energy solutions, which support AGEL's growth. |

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| **Stock Market and Investor Reactions** | |
| **Stock Performance** | Adani Green Energy share price up by 0.69% following the announcement. |
| **Investor Sentiment** | Positive investor sentiment driven by strong financial performance and growth prospects. |
| **Market Comparisons** | AGEL's performance outpaces many of its competitors in the renewable energy sector, highlighting its leadership position. |
| **Management and Leadership** | |
| **Executive Statements** | CEO Amit Singh emphasized the company's commitment to creating the largest RE cluster in the world in Khavda, Gujarat, and highlighted the deployment of advanced solar modules and wind turbines. |
| **Leadership Changes** | N/A |
| **Board Decisions** | N/A |
| **Regulatory and Compliance** | |
| **Legal Matters** | N/A |
| **Government Policies** | None |
| **Operational Developments** | |
| **Operational Updates** | Operational Capacity increases by 24% YoY to 8,316 MW; Sale of energy increases by 78% YoY to 11,760 mn units. |
| **Supply Chain Issues** | None |
| **Infrastructure Developments** | None |
| **Market and Consumer Trends** | |
| **Consumer Behavior** | None |
| **Market Demand** | Increased market demand for renewable energy solutions, driven by capacity additions and improved CUF. |
| **Future Outlook and Projections** | |
| **Analyst Projections** | None |
| **Company Guidance** | None |
| **Strategic Goals** | AGEL aims to augment automation in operations and integrate AI/ML for intelligence-driven decision-making, with a commitment to sustainability and high governance standards. |