Management Discussion & Analysis

Global Economic Overview

The global economy displayed a resilient performance in 2023 after a turbulent year. Despite tumultuous geopolitical events, increased volatility in energy and commodity markets, and aggressive monetary tightening to combat stubborn inflation, global economic growth has decelerated but not halted. According to the International Monetary Fund (IMF), economic growth is estimated to be slower at 3.2% in 2024, same as in 2023.

Economic growth in several emerging markets and developing economies has surpassed expectations in 2023. Another silver lining is the strongest recovery of the US economy among major economies, marked by a stronger performance in private consumption. The GDP of the US increased from 1.9% in 2022 to 2.5% in 2023. The European Union has so far weathered shocks that are unprecedented in recent history, triggered by the prolonged Russia-Ukraine war, and the lingering effects of tight monetary policy as well as higher interest rates and energy costs. Its GDP growth slowed from 3.6% in 2022 to 0.6% in 2023. On the other hand, China's economy expanded by 5.2% in 2023 from 3.0% in 2022.

Global inflation continues to recede at a faster pace from 8.7% in 2022 to 6.8% in 2023, fostering optimism for further easing of financial conditions and improvement of monetary policy frameworks, although uncertainty about the timing of interest rate reduction persists.

Moreover, the average price of Brent crude oil decreased to USD 83 per barrel in 2023, down from USD 101 per barrel in 2022, and crude oil price volatility has remained low for most of the first quarter of 2024. The average annual price for Australian coal saw a decrease from USD 344.9/tonne in 2022 to USD 172.8/tonne in 2023. While coal demand continues to thrive in emerging and developing economies, the International Energy Agency (IEA) predicts global coal demand to decline by 2026 due to expansion of global renewable capacity and a shift towards alternative energy sources, away from fossil fuels in response to increasing environmental concerns.

(Source: IMF Economic Outlook, April 2024; EIA; World Bank; IEA; RBI MPC Meeting 2024)

Outlook

The Reserve Bank of India projects global growth to remain steady in 2024. The IMF forecasts a global growth of 3.2% for both 2024 and 2025.

Region-wise growth (%)

Region	2023	2024 (E)	2025 (P)
Global Economy	3.2	3.2	3.2
Advanced Economies (AEs)	1.6	1.7	1.8
Emerging Markets and Developing Economies (EMDEs)	4.3	4.2	4.2

(E - Estimates, P - Projections)

(Source: International Monetary Fund)

The global economic outlook for 2024 faces the risk of persistence of elevated interest rates and core inflation, withdrawal of fiscal support amid high debt weighing on economic activity, and economic uncertainties. Furthermore, heightened geopolitical tensions could pose downside risks to the global economy through tightening of energy and commodity prices. However, with faster disinflation and steady growth, the possibility of a severe economic downturn has diminished, and risks to global economic expansion are broadly balanced. Other positive factors, such as stronger-than-expected economic performance of the US and several large emerging market and developing economies, economic stimulus in China, the resilience of Europe amid the ongoing war and the easing of supply chain bottlenecks will bolster the outlook of the global economy. After rapid expansion in 2023, the Asia-Pacific (APAC) region is expected to be the fastest-growing region of the world economy in 2024, supported by robust domestic demand in East Asia and India.

(Source: IMF Economic Outlook, April 2024; RBI MPC Meeting 2024; S&P Global)

Indian Economic Overview

Amid a challenging global economic landscape and deteriorating geopolitical conditions, India has been a bright spot. It is the fifth-largest economy in the world and is poised to retain its position as the world's fastest-growing major economy. Its GDP growth remained buoyant at 7.6% in FY 2023-24 as against 7% in FY 2022-23, supported by robust domestic demand, moderate inflation, a stable interest rate environment, and strong investment activity. Furthermore, an accelerated pace of economic reforms and increased capital expenditure facilitated construction activities and created extensive employment opportunities across the country.

Region	FY 2021-22	FY 2022-23	FY 2023-24 (E)
Real GDP growth (%)	9.1	7.0	7.6

(E - Estimates)

(Source: Ministry of Statistics & Programme Implementation)

The Government's thrust on infrastructure investments and emphasis on expanding the share of manufacturing in the GDP were seen to have supported GDP growth in FY 2023-24 through a growth of 10.7% in the Construction sector and 8.5% growth in the Manufacturing sector. The Index of Industrial Production (IIP) growth rate for FY 2023-24 indicates a 5.8% increase compared to the previous year. Furthermore, India's per capita income is estimated to have reached ₹ 2.14 lakhs in FY 2023-24, achieving remarkable growth of 8.0%. Rising levels of disposable income have led to an upswing in household consumption, thereby stimulating demand across various sectors.

Despite repetitive food price shocks, India's CPI inflation is on a downward trajectory and eased to 4.83% in April 2024. The RBI has thus far maintained the policy repo rate at 6.50% with an aim to achieve the target of 4% inflation while supporting economic growth.

It is expected that structural interventions implemented by the government will continue to strengthen the infrastructural and manufacturing base, create economies of scale, increase exports and make India an integral part of the global value chain. 'Make in India' has made significant achievements and is now focussing on 27 sectors under 'Make in India 2.0' to make India a manufacturing hub. The government has also implemented an investor-friendly Foreign Direct Investment (FDI) policy, allowing 100% FDI in most sectors through the automatic route, except for specific strategically important sectors. In the power sector, 100% FDI is allowed under the automatic route for generation from all sources (except atomic energy), transmission and distribution of electric energy, and Power Trading.

(Source: Ministry of Statistics & Programme Implementation; Ministry of Finance; RBI; Ministry of Commerce & Industry)

Outlook

India's economic outlook remains positive as it reaps the benefits of demographic dividend, a skilled and productive workforce, physical and digital infrastructure enhancements, increased capital expenditure, and the government's proactive policy measures. According to the IMF, the Indian economy is expected to advance steadily at 6.8% in 2024 and 6.5% in 2025. On the other hand, the RBI's forecast is more optimistic, projecting a higher GDP growth of 7.0% for FY 2024-25, while CPI inflation is expected to decline to 4.5% in FY 2024-25.

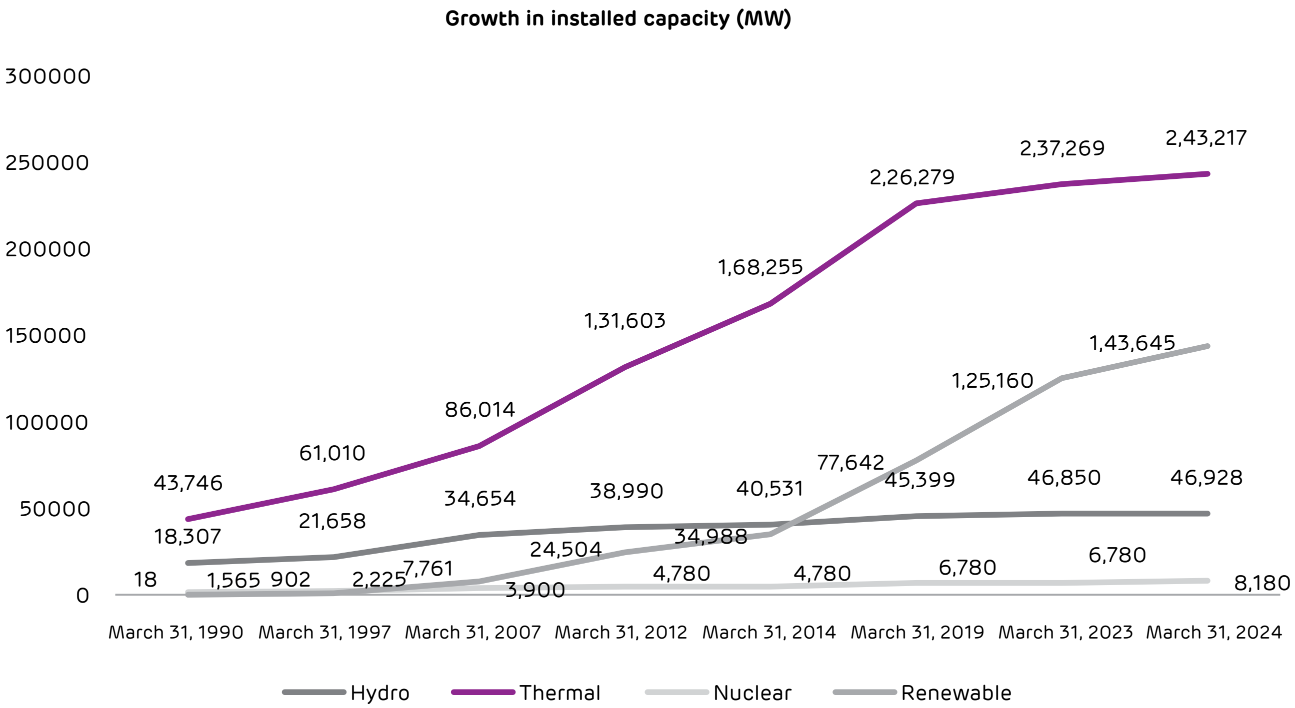
Potential risks to India's economic outlook arise from headwinds from geopolitical tensions, volatility in international financial markets and geoeconomic fragmentation. However, India's advantageous geopolitical position will help it capitalise on supply chain diversification and reshoring, increase its global competitiveness and boost exports. Amid a volatile global macro environment, the Indian economy is poised to ascend as a global economic powerhouse and become the third-largest economy in the world by 2030. The Interim Budget 2024-25 outlines a multi-pronged economic management strategy, including infrastructure development, digital public infrastructure, taxation reforms and proactive inflation management. It sets the foundation for the vision of a 'Viksit Bharat' (Developed India) by 2047.

(Source: IMF Economic Outlook, April 2024; Economic Times; RBI; Ministry of Finance)

Power Industry Scenario

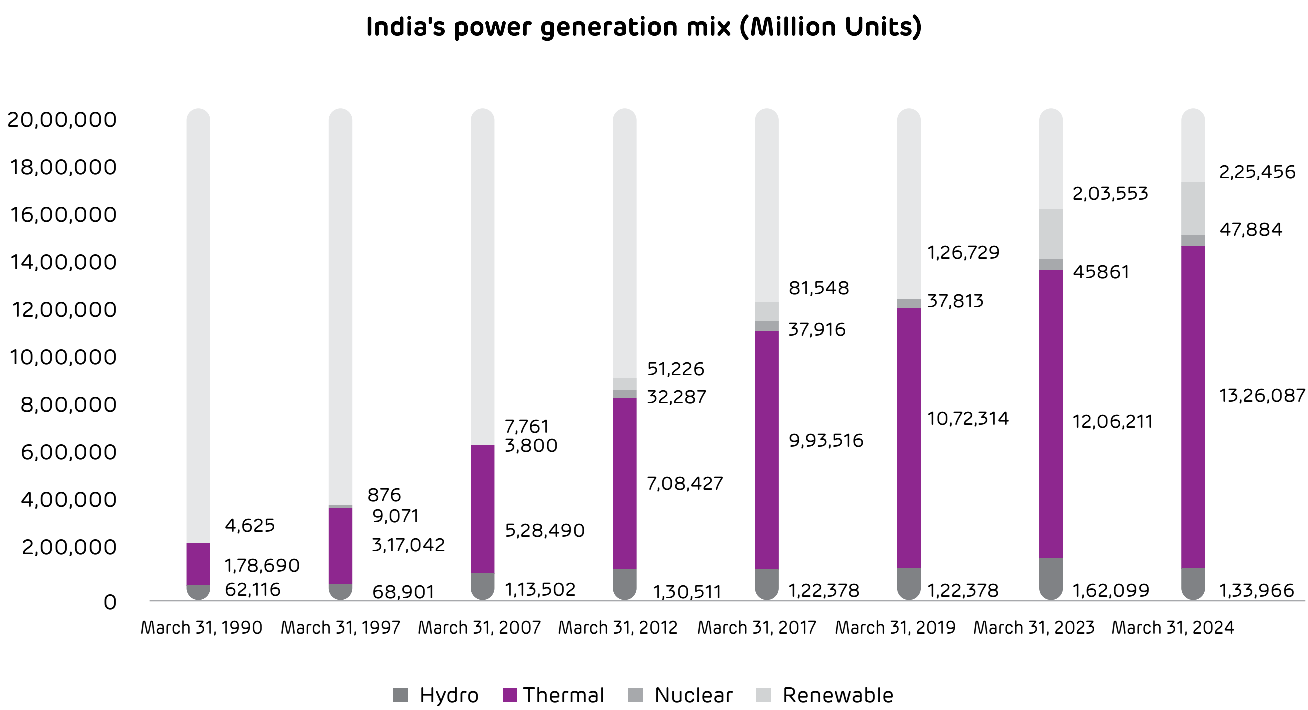
India, the world's most populous nation, is also the third largest producer of electricity globally, with installed generation capacity (utilities) of nearly 442 GW as on March 31, 2024.

India has invested heavily in augmentation of its power generation capacity after opening the sector up with wide-ranging reforms. India's conventional power generation capacity grew in multiples after the passage of the the Electricity Act, 2003. Over the last decade, the emphasis of investments has shifted to renewable energy in view of national as well as international goals for combating climate change.

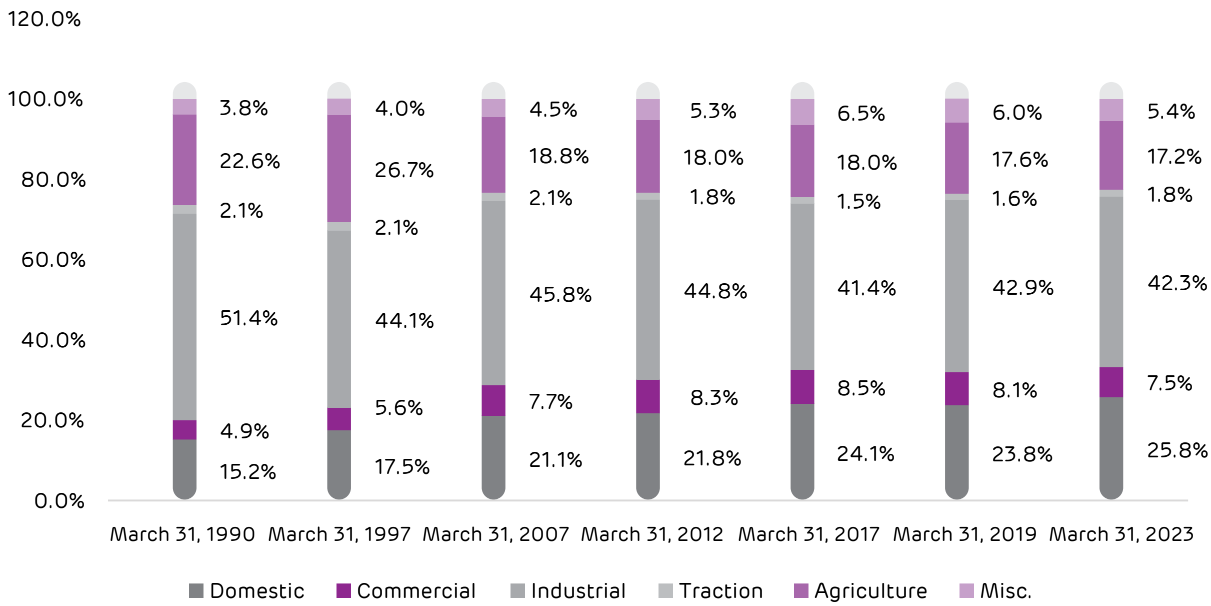


India's thermal power generation capacity, which supplies base load power requirements, is primarily based on coal and lignite, while gas-based capacity is constrained by local unavailability and high price of fuel. India has an abundance of coal reserves, which helps improve the nation's energy security and reduce reliance on imports.

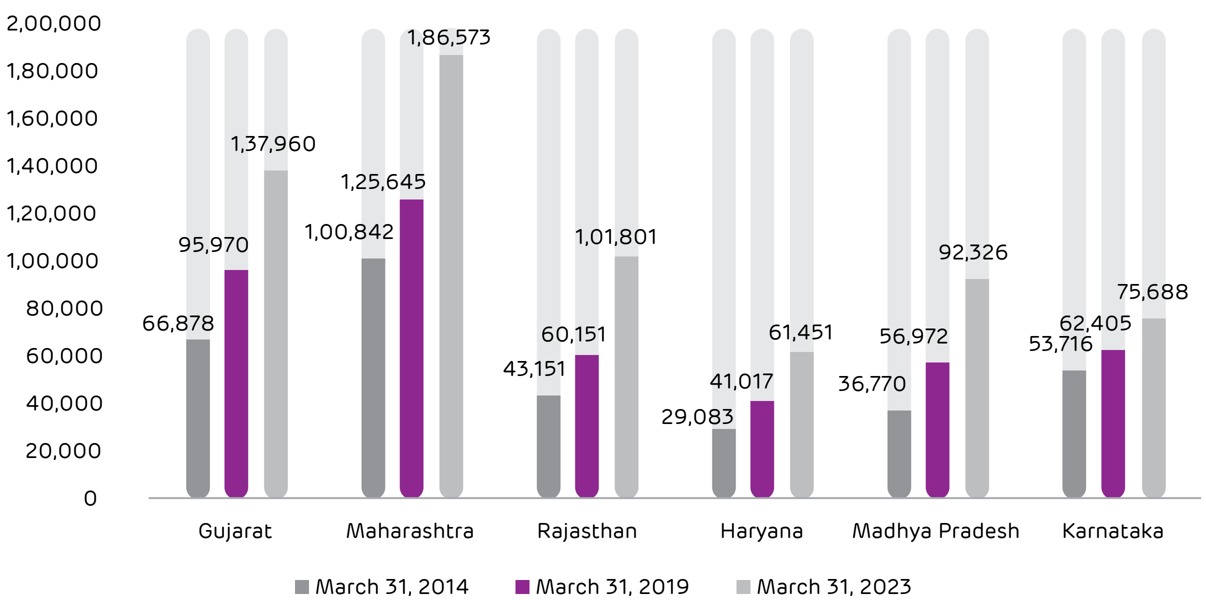
Despite a growing focus on renewable energy, thermal power continues to act as the bedrock for serving India's energy needs. It is crucial for meeting base load requirements and providing the balancing energy output to help mitigate the inherently intermittent nature of renewable energy, which is accentuated further due to its quickly growing penetration.



Strong economic growth with increasing urbanisation has resulted in a substantial increase in consumption of electricity by the domestic sector, expanding its share in the consumption basket. On the other hand, the share of the agricultural sector has dropped. As industrial activity, including both infrastructure and manufacturing grows powered by the government's policy emphasis, the need for base load power will remain strong.

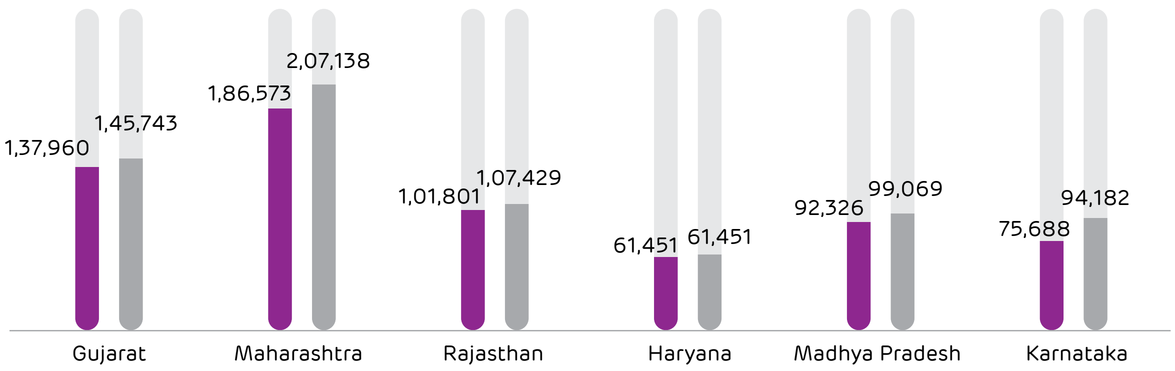


Power demand has grown strongly over the last decade across India. The Company supplies power under long-term Power Purchase Agreements to some of India's economically leading States, which have shown a strong growth in power demand historically.



During FY 2023-24, these States have continued to register a high growth in electricity demand.

Power demand in key states (Million Units)



Sector outlook

Long-term economic development of a nation, which leads to improved prosperity and well-being of its citizens, necessitates abundant availability of reliable and affordable power supply, which is a critical enabling resource for all economic activities. India is focusing on strengthening the power sector through various policies, targets, and reforms to ensure that both generation capacity and the transmission & distribution infrastructure are augmented in a timely manner, to be able to support the nation's growth aspirations while meeting long-term sustainability goals.

The Indian government's estimates project a 6.2% compounded annual growth rate in power demand, which is set to double by FY 2031-32 as compared to the all-India demand in FY 2020-21.

Projected annual electricity demand growth (Billion Units)

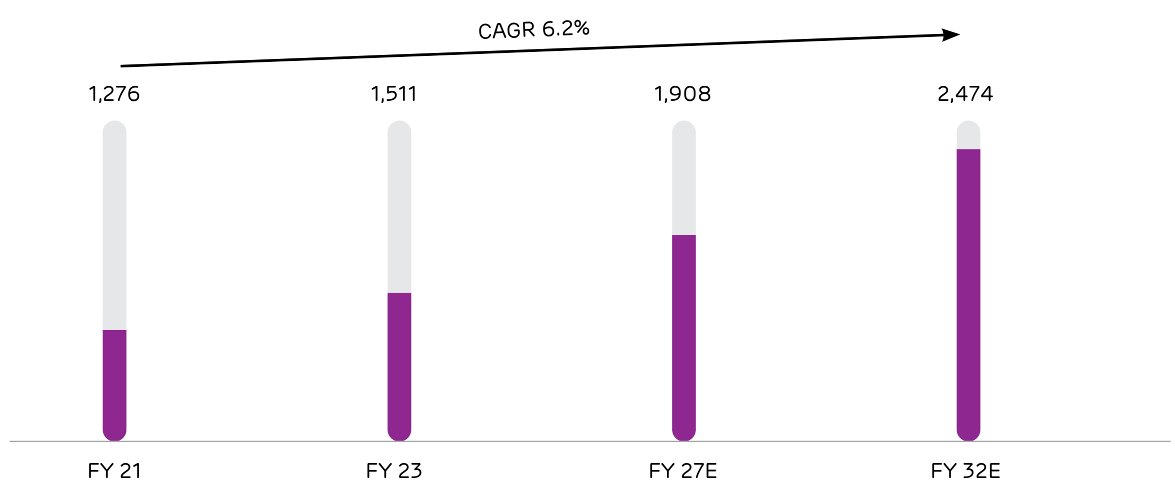


Figure 1 Aggregate power demand set to double by FY32 (Source: 20th Electric Power Survey)

Key drivers of this projected growth are rising urbanisation and consumption of power by domestic and commercial users, growth impetus being given to the manufacturing sector through various production-linked incentives, higher demand for irrigation, railway traction, etc. On the other hand, one of the major policy thrusts of the Government, a reduction in Transmission & Distribution losses, which is projected to improve from 16.5% in FY 2021-22 to 12.6% in FY 2031-32, will partially temper the translation of growth in energy requirements to overall electricity demand.

While India is on track to become the world's third-largest economy, its per capita power consumption remains low at 1,331 kWh in FY 2022-23. As the fruits of economic development spread, per capita power consumption is expected

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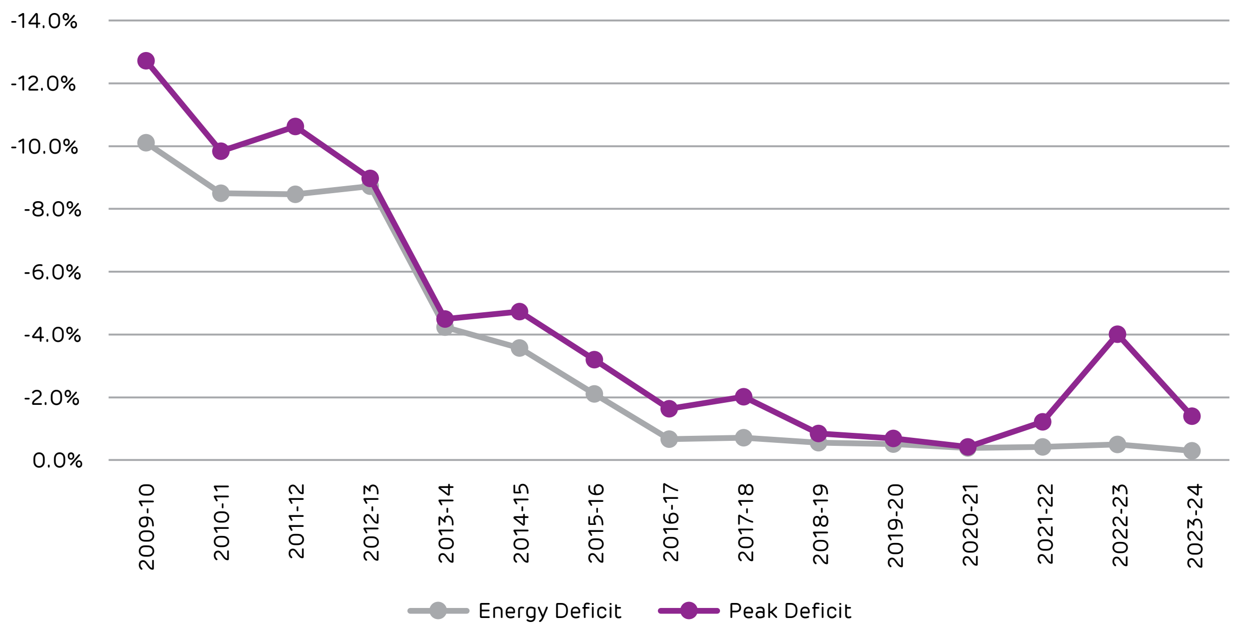
to grow rapidly led by increase in household appliance use, shift to electric mobility, growing industrialisation and mechanisation, and growth in infrastructure.

Power: Demand-Supply Scenario

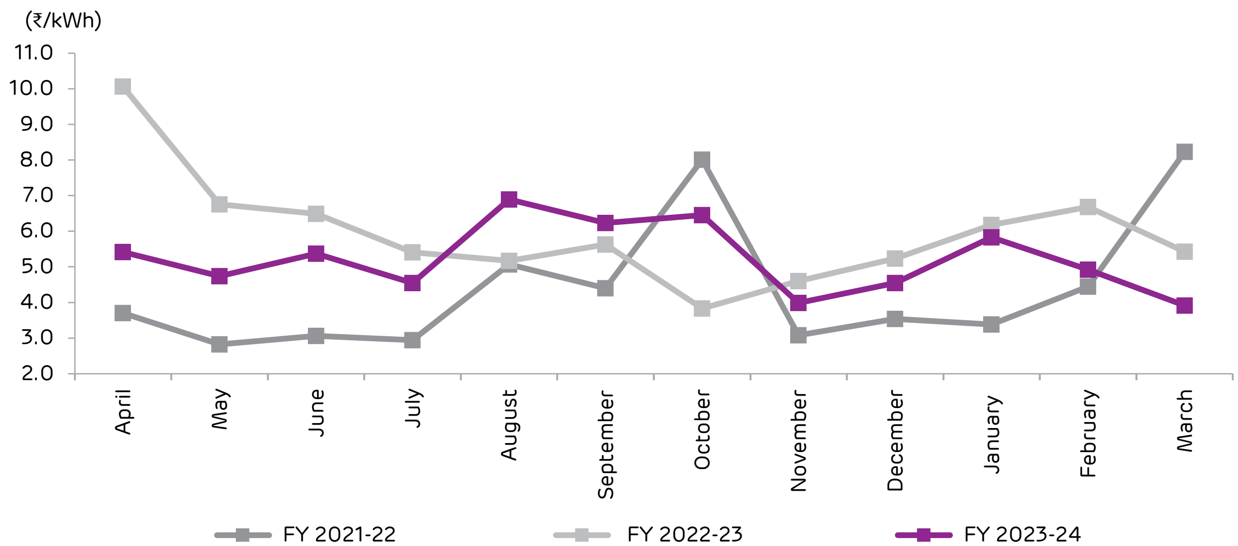
Increase in generation capacity, along with augmentation of transmission and distribution infrastructure and improvement in inter-regional connectivity has resulted in a narrowing of the supply-demand gap in energy as well as peak power requirements. However, over the last few years, demand growth has outstripped the growth in power generation, resulting in a reemergence of deficits.

Energy and peak surplus/deficit (%)



Reemergence of deficits has increased the demand for power from the short-term markets, resulting in higher exchange prices in the merchant market in recent years.

Monthly IEX prices



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Going forward, the energy and peak power deficits are expected to subsist for several years, as the power demand is expected to be strong. Even though renewable energy capacity additions have outstripped thermal power additions, the growth has been slower than expected.

The Ministry of Power of the Indian government, in consultation with the Ministry of New and Renewable Energy, has specified a trajectory of Renewable Purchase Obligations (RPOs) that has to be followed by DISCOMs to purchase a certain percentage of total energy consumed by them from renewable sources. Under this trajectory, DISCOMs have to meet 43.33% RPO by the year 2029-30. Along with this, the Indian government has also announced a target to achieve 50% of total installed generation capacity from non-fossil sources by the year 2029-30.

Consequently, various DISCOMs have been buying power in increasing quantum from renewable sources to meet their RPO obligations through lon-term contracts. At the same time, they have also increasingly relied on the merchant and short-term markets to meet incremental power demand.

However, higher demand has also resulted in merchant prices shooting up, resulting in market disruptions and government interventions. DISCOMs are therefore expected to invite bids for long-term contracts for supply of power from conventional sources like thermal power.

Further, the need for ensuring reliability of power supply in an era of increasing penetration from intermittent sources like renewables is being felt considering the projected growth in power demand. As a result, DISCOMs are expected to continue to rely on thermal power to meet the growing baseload power requirements by entering into new long-term contracts, in addition to drawing more power from existing capacities and hence helping to improve the average PLFs of the sector.

Coal demand and supply

Coal continues to power a major portion of India's energy needs, accounting for more than 72% of the nation's power generation in FY 2023-24.

India is endowed with plentiful supplies of this crucial natural resource, which enhances energy security and helps strengthen the reliability and resilience of its energy sector, which contributes to the nation's continued growth and prosperity. In times of growing energy demand, driven by a surging economy, coal as a primary fuel has witnessed an unprecedented upswing in domestic production and despatch, while imports have exhibited a declining trend.

During FY 2023-24, the production of coal in India grew by nearly 12% to 997 million tonnes. Of this, Coal India Limited produced 774 million tonnes registering 10% growth. Coal despatched to power utilities also grew by 5% to reach 618 MT during this period.

While domestic coal production has been picking up significantly, the strong growth in power demand as well as economic activity has led to a higher reliance on imports of coal. Total imports of coal registered in FY 2023-24 till February 2024 were 239 MT, as compared to 238 MT during the whole of FY 2022-23.

The Ministry of Coal estimates overall demand for coal to reach 1,448 MT by 2029-30, of which the power sector will account for 1,034 MT. Public sector coal miners are expected to hold up their commitment to maintain consistent coal production and despatch, ensuring an uninterrupted supply for a reliable and resilient energy sector. At the same time, captive mines are expected to increase their production to 175 MT in 2024-25, as compared to 145 MT more than estimated in 2023-24. Output from mines recently auctioned to the private sector is expected to contribute 20 million tonnes in 2024-25.

Imported coal prices, which had shot up following disruptions in natural gas supply consequent to the war in Ukraine, have started to come down as gas supply has improved. Indonesia is expected to cut its production to 710 MT in 2024, as compared to a record output of 775 MT in 2023. Lower gas prices amidst an oversupply in the global gas markets will create negative pressures on Indonesia's lower calorific value coal demand. This trend will be supported further by China's resumption of coal imports from Australia and high inventories due to improved domestic production of coal in the country.

Adani Power Limited (Adani Power): Stronger Than Ever

Adani Power is India's largest private thermal power producer with a power generation capacity of 15,250 MW, consisting of 15,210 MW thermal power capacity and 40 MW solar power capacity. Of this, 1,600 MW capacity caters to power supply to Bangladesh, while the balance 13,650 MW is being supplied within India. In addition to this, an expansion project of 1,600 MW Ultra-supercritical power plant is also underway, which will take the operating capacity to 16,850 MW upon completion.

Out of the current and under-construction capacity, 10,840 MW of thermal power capacity, comprising a 4,620 MW plant at Mundra, Kutch in Gujarat, a 3,300 MW plant at Tiroda, Gondia in Maharashtra, a 1,320 MW plant at Kawai, Baran in Rajasthan, and 1,600 MW (under its subsidiary Adani Power (Jharkhand) Limited), at Godda in Jharkhand, have been established by the Company.

Adani Power has also acquired four thermal power plants with a combined capacity of 4,370 MW, including a 1,370 MW plant at Raipur in Chhattisgarh, a 600 MW plant at Raigarh in Chhattisgarh, a 1,200 MW plant at Udupi in Karnataka, and a 1,200 MW plant (under subsidiary Mahan Energen Limited) at Bandhaura, Singrauli in Madhya Pradesh.

The power plants of Adani Power and its subsidiaries have specific locational advantages and strengths, which allow them easy access to fuel and connectivity to key markets. The Company enjoys a substantial competitive advantage due to its ability to conduct sourcing and logistics of 60 million tonnes per annum (MPTA) coal within India and from abroad along with 13 MTPA fly ash, which is a complex, multi-point operation involving co-ordination of complete movement of up to 14,500 railway rakes a year.

Adani Power has overcome numerous challenges to emerge as a financially stronger and profitable company with low debt per MW capacity and strong cash flows. It now plans to expand its capacity further to 24,270 MW by setting up new brownfield projects at existing sites and acquiring more power plants.

SWOT analysis

Strengths

- Proven capability to execute large and complex projects within cost and time budgets
- Proven capabilities of turning around stressed power plant acquisitions
- Dedicated teams with domain expertise in O&M, fuel management, power sector regulation, project management, and business development
- Deep backward integration experience with mine-to-plant logistics capability
- Combination of coastal, pithead, and hinterland projects proximate to fuel sources and demand centres
- Competitive tariffs permitting a secured Merit Order Despatch position and increased offtake along with regulatory approvals for recovery of alternate coal cost in case of shortfall in domestic fuel availability
- 85% of installed and upcoming greenfield capacities tied up through long-term / medium-term PPAs, enhancing revenue visibility
- Fuel cost pass-through included in imported coal based PPAs, enhancing cash flow stability
- Around 79% domestic coal requirements tied up in long-term / medium-term Fuel Supply Agreements (FSAs)
- Regulatory approvals for carrying cost as well as a late payment surcharge mechanism, protecting against delays in the award of regulatory claims and payment from power procurers
- Availability of land and shared infrastructure at existing plant locations to provide advantage in setting up new brownfield capacities

Weakness

- Reliance on monopolistic state-owned coal suppliers for domestic coal could lead to disruptions in fuel availability
- Non-availability of escalation in tariffs for coal price growth in some domestic coal-based PPAs and partial tariff escalation in other cases
- 15% capacity exposed to short-term market risks or long-term, firm domestic fuel supplies
- Narrow sectoral focus of thermal power generation restricting opportunities to invest in renewable energy and other promising areas

Opportunities

- Growing power demand with increasing need for base load power in backdrop of increasing penetration of intermittent power sources
- Stressed power assets with locational advantage available in superior valuations, an opportunity to enhance capacity while avoiding execution risks
- Sale of power to Commercial and Industrial (C&I) customers due to Increased industrial tariffs borne by big industrial consumers dependent on State DISCOMs, impacting their profitability and competitiveness
- Limited new thermal power capacity installations, even as baseload demand continues to grow, creating opportunities for merchant power and long-term / medium-term tie-ups
- Greater availability of domestic fuel and softening of import coal prices could result in higher PLFs
- Auctions of coal linkages under SHAKTI policy for plants without PPAs
- Coal availability from commercial coal mine licensees under liberalised regime

Threats

- Growing preference for renewable power could limit thermal power demand
- Hesitation of state DISCOMs to tie power demand through long-term PPAs
- Volatile international coal prices could hamper the Merit Order Position of PPAs with coal price pass-through
- Inability of domestic coal miners to enhance production
- Funding constraints for new coal-based projects
- Deterioration in DISCOM financial strength due to inefficiency in collections or inadequate cost recovery through tariffs

Performance update

Operating performance

During FY 2023-24, Adani Power posted a strong improvement in its operating performance, which was attributable to growing power demand, better domestic coal availability and lower prices of imported coal, in addition to capacity growth from addition of the 1,600 MW Godda Ultra-supercritical thermal power plant, which was commissioned during Q1 FY 2023-24. Domestic power sales volumes were driven by growing power demand across India, and offtake under Power Purchase Agreements ("PPAs") was further supported by falling prices of imported coal and alternate fuel.

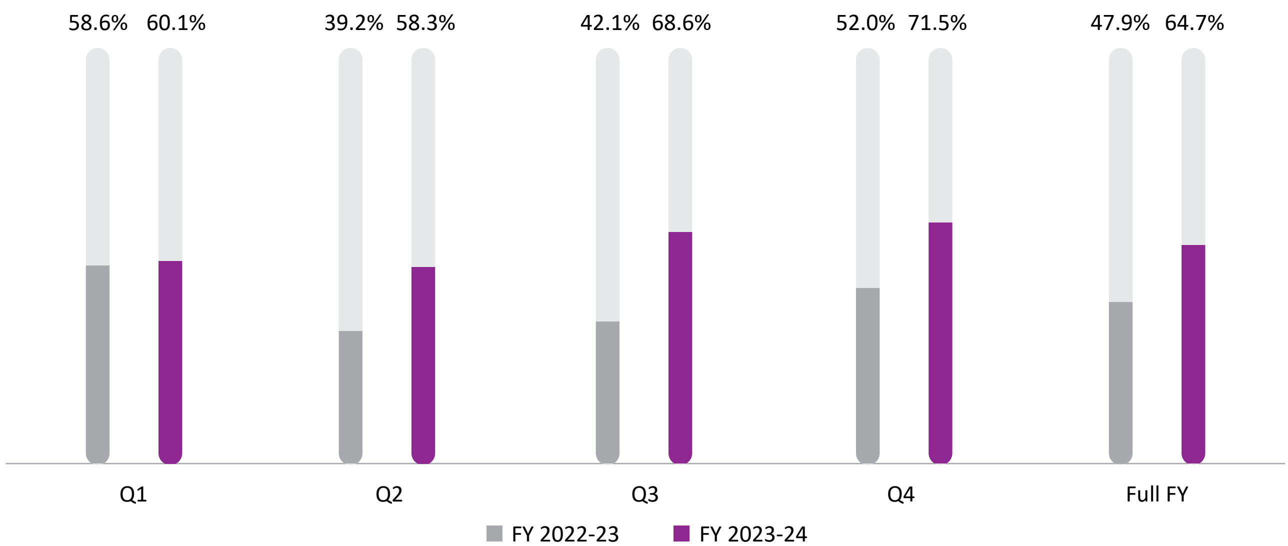
The aggregate Plant Load Factor (PLF) achieved by Adani Power on a consolidated basis during FY 2023-24 was 64.7%, which was significantly higher than the PLF of 47.9% achieved during FY 2022-23. Average operational capacity for FY 2023-24 increased to 15,051 MW with the commissioning of the 1,600 MW Ultra-supercritical power plant of Adani Power (Jharkhand) Limited at Godda, Jharkhand, in comparison to 13,650 MW of operating capacity in FY 2022-23. The installed capacity as of March 31, 2024 was 15,250 MW.

The PLF at the Kawai and Tiroda plants stayed above 70% due to continuous high grid demand and better domestic coal availability under Fuel Supply Agreements. At the same time, the PLF at Mundra improved due to higher grid offtake following growth in power demand coupled with lower prices of imported coal. Similarly, the PLF of Udupi improved significantly due to improvement in merit order position owing to low imported coal price and higher grid demand in Karnataka. The PLFs of Raipur, Raigarh, and Mahan were also strong mainly due to improved availability of domestic coal and high demand from the merchant / short-term markets. The Godda plant ramped up satisfactorily and achieved a high PLF in its first year of operation.

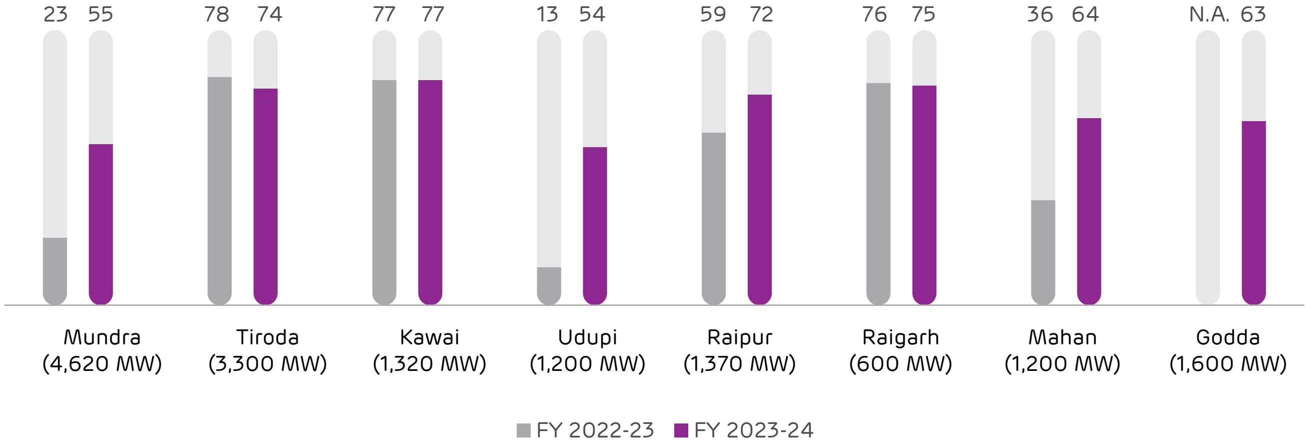
As a result of higher PLF and greater operating capacity, Adani Power achieved a power sales volume of 79.3 Billion Units (BUs) during FY 2023-24, which was 48% higher than the sales volume of 53.4 BUs achieved during FY 2022-23.

Plant-wise PLF and power sales trend in FY 2023-24

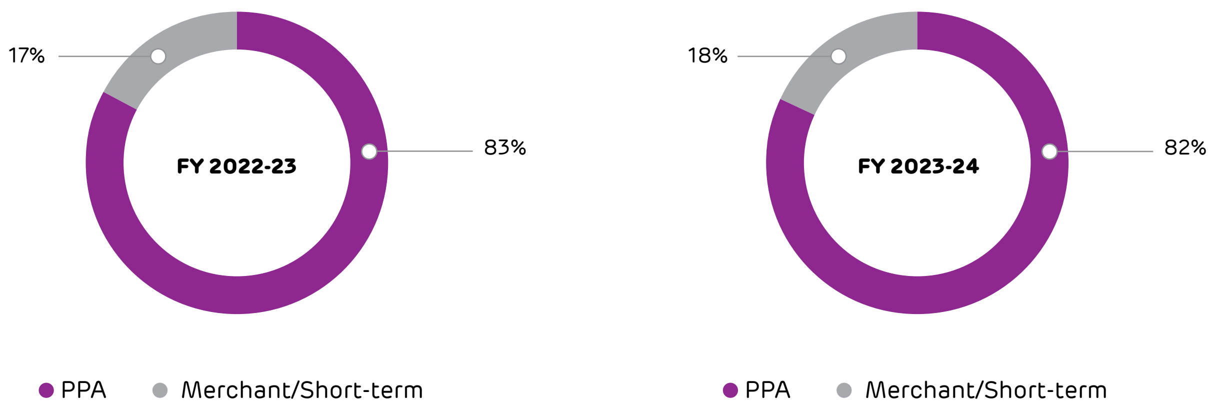
Consolidated PLF (%)



Plant-wise PLF (%)



Volume mix



The mix of power sold under PPA and Merchant / Short-term market during FY 2023-24 was similar to FY 2022-23.

PPA sale volume rose from 44.4 BU in FY 2022-23 to 65.3 BU in FY 2023-24, primarily due to rise in power demand and reduction in import coal prices which improved merit order positioning of PPAs, in addition to growth in operating capacity.

Merchant sale volume rose from 8.9 BU in FY 2022-23 to 14 BU in FY 2023-24 mainly due to better power demand and better domestic coal availability. The Company's domestic coal-based untied capacities enjoy a locational advantage in sourcing coal due to their proximity to major coal bearing areas. It has been able to convert this advantage into a profitable opportunity by ensuring higher plant uptime and improved coal availability to supply power during high demand periods.

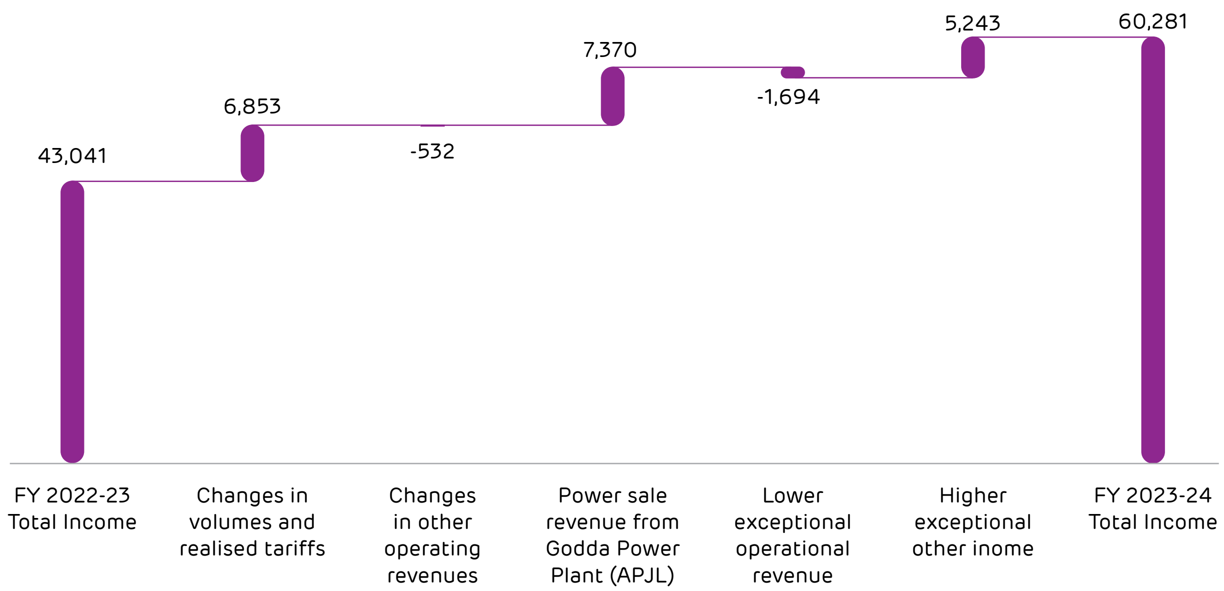
Financial Performance

Consolidated Total Income for FY 2023-24 grew by 40% at ₹ 60,281 crore, as compared to the revenue of ₹ 43,041 crore in FY 2022-23. This growth was the result of higher volumes, improved tariff realisation, capacity addition, and higher one-time revenue recognition on account of regulatory claims. The Total Income for FY 2023-24 includes recognition of prior period revenue of ₹ 9,322 crore on account of domestic coal shortfall, carrying cost, and late payment surcharge under PPAs, as compared to one-time prior period recognition of this nature of ₹ 5,772 crore for FY 2022-23.

More particularly, the prior period Operational Revenue of one-time nature recognised during FY 2023-24 was ₹ 683 crore, in comparison to ₹ 2,377 crore recognised during FY 2022-23. The Company recognised higher prior period operational income during the previous year upon conclusion of various major regulatory petitions and appeals for change-in-law claims, pertaining to domestic coal shortfall under various PPAs.

On the other hand, prior period Other Income recognised for the FY 2023-24 period was ₹ 8,638 crore, as compared to ₹ 3,395 crore recognised for FY 2022-23. This head of income includes carrying costs on regulatory claims along with late payment surcharges on delayed payments by customers. During the current year, the Company received a higher amount of claims under these heads.

Revenue progression (₹ crore)

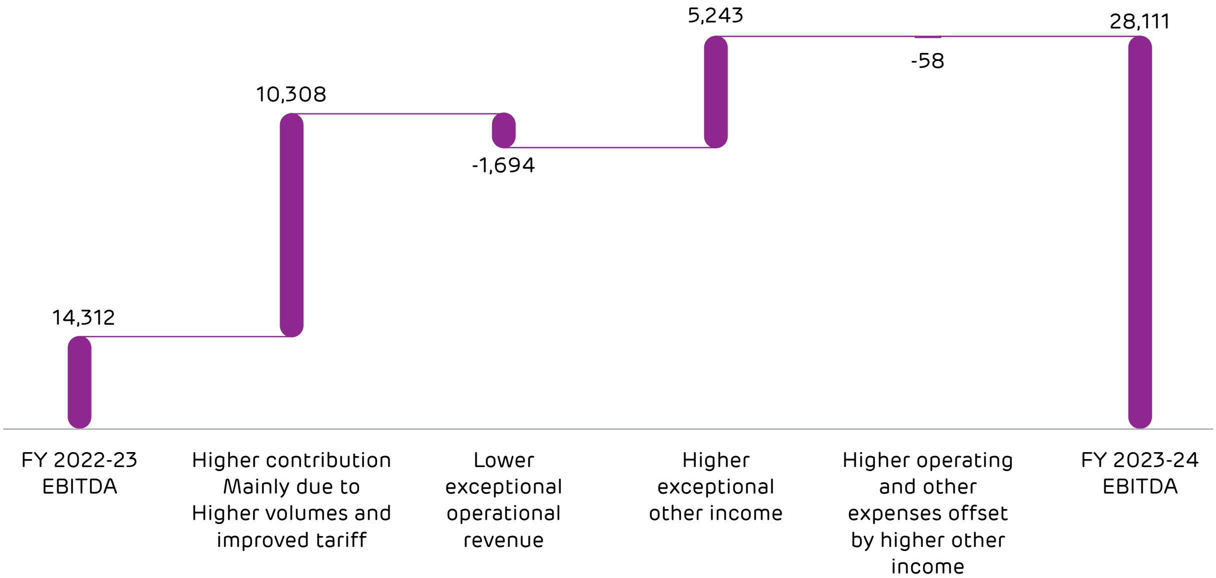


Consolidated EBITDA for FY 2023-24 stood higher by 96% at ₹ 28,111 crore compared to ₹ 14,312 crore for FY 2022-23. This increase in EBITDA was due to improved contribution on account of improved fuel cost recovery and inclusion of the Godda plant's revenues in addition to the benefit of higher volumes as well as higher prior period revenue recognition. The Company's strategically located open capacity near major coal mining regions was able to benefit from the growth in merchant power demand and high merchant tariffs in the short-term market due to its proximity to the fuel source, which creates a competitive advantage in terms of logistics cost of fuel.

Adani Power's PPA capacity realised slightly lower average net tariff FY 2023-24 as against FY 2022-23, after excluding past period revenues. The reduction in realisation is due to lower imported fuel price which resulted in lower change-in-law revenue recovery as compared to the earlier period.

Similarly, Adani Power's open capacity realised lower average tariffs during FY 2023-24 as against FY 2022-23. The reduction in tariffs was compensated by a surge in power demand across the nation.

EBITDA progression (₹ crore)



Depreciation charge for FY 2023-24 increased to ₹ 3,931 crore from ₹ 3,304 crore in FY 2022-23 due to the addition of Godda power plant during Q1 FY 2023-24.

Finance Costs for FY 2023-24 increased marginally to ₹ 3,388 crore from ₹ 3,334 crore in FY 2022-23 mainly due to additional borrowing cost for the Godda power plant after its commissioning, which was largely offset by lower interest charge on existing borrowings due to a reduction in secured and unsecured debt over the year.

For FY 2023-24, the Profit Before Tax was ₹ 20,792 crore, as compared to ₹ 7,675 crore in FY 2022-23. Profit After Tax for FY 2023-24 was ₹ 20,829 crore as compared to ₹ 10,727 crore for FY 2022-23.

The Total Comprehensive Income for FY 2023-24 was ₹ 20,801 crore, as compared to the Total Comprehensive Income of ₹ 10,760 crore for FY 2022-23.

Total borrowings as of March 31, 2024 were ₹ 34,457 crore as compared to ₹ 42,252 crore as of March 31, 2023. The reduction was mainly due to prepayment of term loans by utilising internal accruals and regulatory cashflows, partially offset by addition of debt for recently commissioned Godda power plant.

The total equity at the consolidated level, including Unsecured Perpetual Securities [UPS], stood at ₹ 43,145 crore as of March 31, 2024 compared to ₹ 29,876 crore as of March 31, 2023.

Financial performance of subsidiaries

Financial performance of MEL

Total Income for FY 2023-24 grew by 38% to ₹ 3,804 crore, as compared to the revenue of ₹ 2,752 crore in FY 2022-23. This growth was the result of higher volumes including new capacity tie-up of 200 MW under medium-term PPA and higher merchant sales.

EBITDA for FY 2023-24 stood higher by 94% at ₹ 1,493 crore compared to ₹ 771 crore for FY 2022-23. This increase in EBITDA was due to improved contribution on account of firm tariff realisation for newly signed medium term PPA, higher merchant contribution due to high tariffs and lower fuel prices in addition to the benefit of higher volumes. MEL's strategically located open capacity near major coal mining areas was able to benefit from the growth in merchant power demand due to its proximity to the fuel source, which creates a competitive advantage in terms of logistics cost of fuel.

Depreciation charge for FY 2023-24 was ₹ 98 crore as against ₹ 89 crore in FY 2022-23. Finance Costs for FY 2023-24 reduced to ₹ 374 crore from ₹ 437 crore in FY 2022-23 mainly due to prepayment of senior secured debt.

The Profit Before Tax and exceptional items rose significantly by 317% to ₹ 1,021 crore for FY 2023-24, as compared to ₹ 245 crore in FY 2022-23. Exceptional Items of ₹ 2,950 crore were recognised for FY 2023-24 on account of reversal of impairment provisions due to improved performance of the company. In comparison, Exceptional Items were NIL for FY 2022-23.

Profit After Tax for FY 2023-24 was ₹ 3,057 crore as compared to ₹ 245 crore for FY 2022-23. The Total Comprehensive Income for FY 2023-24 was ₹ 3,057 crore, as compared to the Total Comprehensive Income of ₹ 244 crore for FY 2022-23.

Financial performance of APJL

The unit-1 and unit-2 of 800 MW each of the 1,600 MW Godda Ultra-supercritical power plant were commissioned on April 6, 2023 and June 26, 2023 respectively. APJL has been able to ramp up generation satisfactorily post-commissioning and started supplying much-needed power to Bangladesh under its 25-year PPA with the Bangladesh Power Development Board.

APJL, which exports 100% of power generated by the Godda plant to Bangladesh under the PPA, reported Total Income of ₹ 7,515 crore for FY 2023-24 and EBITDA of ₹ 2,986 crore.

Depreciation charge and Finance Costs for FY 2023-24 were ₹ 596 crore and ₹ 1,148 crore respectively. APJL reported Profit Before Tax of ₹ 1,242 crore for FY 2023-24. The Total Comprehensive Income for FY 2023-24 was ₹ 881 crore.

Key ratios (Adani Power consolidated)

Adani Power Consolidated Ratios	FY 2023-24	FY 2022-23
Debtor Turnover (Days) Total Trade Receivables to Total Revenue (360 days)	70	96
Inventory Turnover (Days) Inventory to Fuel Cost (360 days)	44	36
Senior Debt Interest Coverage Ratio (x) EBIT to Interest on Term Debt and Working Capital Borrowings	8.44	4.64
Current Ratio (x) Current Assets to Current Liabilities	1.62	1.10
External Debt to Net Worth (x) Senior External Debt (Total Borrowings less Loans from related parties) to Total Equity	0.80	1.19
External Debt to EBITDA (x) Senior External Debt (Total Borrowings less Loans from related parties) to EBITDA (PBT + Finance Cost + Depreciation)	1.22	2.48
EBITDA Margin (%) EBITDA to Total Revenue	47%	33%
PAT Margin (%) PAT to Total Revenue	35%	25%
Return on Net Worth (%) PAT to Total Equity	48%	36%

- Debtor Turnover Days have reduced to 70 days as on March 31, 2024 as compared to 96 days as on March 31, 2023 on account of improved collections from DISCOMs, following various measures undertaken by the Central Government to encourage timely payments and reduce the outstanding amounts payable to power generators
- Senior Debt Interest Cover Ratio has increased to 8.44 times as on March 31, 2024 from 4.64 times as on March 31, 2023 due to improved profitability as well as control on finance costs following reduction in senior debt
- External Debt to Net Worth Ratio has reduced to 0.80 times as on March 31, 2024 from 1.19 times as on March 31, 2023 due to increase in shareholders' funds following improved profitability along with reduction in external debt
- External Debt to EBITDA Ratio has reduced to 1.22 times as on March 31, 2024 from 2.48 times as on March 31, 2023 due to improved operating profits along with reduction in external debt through prepayments as well as scheduled amortisation
- EBITDA margin has improved to 47% of Total Revenues as on March 31, 2024 from 33% as on March 31, 2023 due to higher volumes, improved tariff realisation, lower fuel prices, and higher one-time prior period income recognition

- Adani Power's PAT Margin and Return on Net Worth improved to 35% and 48% respectively in FY 2023-24 from 25% and 36% respectively in FY 2022-23 because of improvement in profitability of the Company on account of improved operating profitability, higher prior period revenue recognition, and control on finance costs. Consolidated Profit After Tax improved from ₹ 10,727 crore for FY 2022-23 to ₹ 20,829 crore for FY 2023-24
- Moreover, Adani Power's External Debt to Net Worth ratio also improved due to prepayment of external term debt in addition to scheduled amortisation as well as improved profitability as mentioned above

Adani Power's consolidated total debt reduced significantly to ₹ 34,457 crore as of March 31, 2024 as against total debt of ₹ 42,252 crore as on March 31, 2023. This was mainly due to prepayment of senior secured term debt and repayment of unsecured subordinated debt by prudently utilising cash surplus from operations.

Adani Power's consolidated total equity increased from ₹ 29,876 crore as of March 31, 2023 to ₹ 43,145 crore as of March 31, 2024 mainly due to increase in profit after tax, partially offset by repayment including distribution on Unsecured Perpetual Securities.

Key developments during FY 2023-24

Regulatory Developments

Hon'ble Supreme Court ("SC") on April 22, 2023 pronounced its orders pertaining to various regulatory appeals involving Adani Power Limited and its erstwhile subsidiaries Adani Power Maharashtra Limited ("APML"), Adani Power Rajasthan Limited ("APRL"), and Adani Power (Mundra) Limited ("APMuL"), which now stand amalgamated in the Company.

Hon'ble SC upheld various orders of the Hon'ble Appellate Tribunal for Electricity ("APTEL") and dismissed appeals of:

A. Maharashtra State Electricity Distribution Company Limited against three orders of APTEL;

B. Rajasthan Distribution Companies ("DISCOMs") against two orders of APTEL; and

C. Haryana DISCOMs against three orders APTEL, while partially setting aside another APTEL order and directing the Central Electricity Regulatory Commission ("CERC") to calculate the benefits that would be accruable to any of the parties, within a period of six months.

The order of the Hon'ble Court brought to a conclusion various long-pending appeals by DISCOMs, thus upholding most of the Company's claims, and bringing clarity to the regulatory philosophy to be followed.

Consequent to this development, the Company has recovered most of the respective DISCOMs' dues towards the respective regulatory claims, including carrying cost and late payment surcharges on delayed payments.

Adani Power (Jharkhand) Limited

Unit 1 of 800 MW capacity of the 2x800 MW Ultra-supercritical power project of APJL, situated in Godda District in Jharkhand, achieved commercial operations on April 5, 2023. Unit 2 achieved commercial operations at on June 26, 2023 following successful completion of Reliability Run Tests, as per contract.

APJL has started exporting its entire power output directly to Bangladesh through dedicated 400 kV transmission lines, with net capacity of 1,496 MW. APJL has 25-year contract with Bangladesh Power Development Board.

Construction of the Godda USTCPP was completed despite severe challenges posed by COVID-19 pandemic lockdowns. The project, which has deployed for the first time in India state-of-the-art Ultra-supercritical technology in 800 MW units, also incorporates Flue Gas Desulphurisers and Selective Catalytic Reconverter equipment, to minimise emissions and in compliance with futuristic norms announced by the Ministry of Environment and Forests and Climate Change ("MOEF&CC").

Credit Ratings

CRISIL Ratings upgraded the credit rating assigned to the bank facilities of Adani Power Limited from 'CRISIL A/Stable' to 'CRISIL AA-/Stable' in January 2024. India Ratings also upgraded the credit rating assigned to Adani Power from 'Ind A/Positive/A1' to 'Ind AA-/Stable/A1+' in February 2024.

The rating upgrades takes into consideration a strong improvement in the business and financial risk profile of the Company, significant improvement in operating performance, timely commissioning and ramp-up of the 1,600 MW Godda Ultra-supercritical power plant, ramp-up of the 1,200 MW Mahan power plant, recovery of pending regulatory dues related to claims for domestic fuel shortfall after resolution of key regulatory issues, and continued improvement in receivables.

The rating also takes into consideration, inter alia, the strong market position of the Company, high level of long-term power sale tie-ups and fuel supply arrangements, a diversified generation portfolio with locational advantage, and healthy debt protection metrics.

Inorganic acquisitions

Coastal Energen Private Limited

The Committee of Creditors ("COC") of Coastal Energen Private Limited ("CEPL"), a company undergoing Corporate Insolvency Resolution Process ("CIRP") under the Insolvency and Bankruptcy Code 2016 ("IBC") approved the Resolution Plan submitted by a Consortium of which Adani Power Limited is a part with a 49% stake.

CEPL owns and operates a 1,200 MW thermal power plant near Tuticorin in, Tamil Nadu. In this regard, the consortium of Adani Power received a Letter of Intent ("LOI") from the Resolution Professional ("RP") on December 23, 2023.

Acquisition of this plant will give access to the Company to one of the major markets of Southern India.

Lanco Amarkantak Power Limited

The Committee of Creditors of Lanco Amarkantak Power Limited ("LAPL") approved the Resolution Plan submitted by Adani Power, following which its Resolution Professional has issued a Letter of Intent. LAPL is undergoing the Corporate Insolvency Resolution Process under the Insolvency and Bankruptcy Code under aegis of the Hon'ble National Company Law Tribunal.

LAPL operates a 600 MW thermal power plant in Chhattisgarh, which also has a 2x660 MW (1,320 MW) capacity under construction. Acquisition of this plant will help Adani Power expand its capacity in Central India in vicinity of some of the major coal-bearing areas of the nation.

Outlook

Increasing power demand due to economic growth, increasing penetration of renewable energy accentuating the need for reliable power supply to serve base load requirements, increasing domestic coal production, availability of fuel from commercial mines, and lower prices of imported coal create a favourable situation for achieving high levels of capacity utilisation of both PPA-based and untied capacities.

Improved regulatory landscape, bolstered by the Hon'ble Supreme Court's order, enables the Company to recover alternate fuel costs efficiently. Renegotiation of PPAs with Gujarat and Haryana DISCOMs has helped the Company alleviate onerous conditions and improve fuel cost recovery, protecting it from future long-term increases in imported fuel prices.

The Company expects to tap growth opportunities through organic and inorganic routes successfully, relying on its improved financial strength and core competencies in project execution, power plant O&M, fuel management and logistics, and proven turnaround capabilities.

The Company is confident of extending its lead profitably among Independent Power Producers in India, and contribute meaningfully to nation building through the provisioning of reliable power supply in a sustainable manner.

Human Resource Practices

At Adani Power, we consider employees as our biggest asset. It is our constant endeavour to upgrade knowledge and skills, enhancing productivity of our employees. The average employee age of the company stood at 38 years, a complement of positive energy, enthusiasm and experience. We give the highest importance to employee safety and wellbeing through various safety initiatives like Chetna that sharpen our employees' skills to create a safe workplace.

The Company has created a valuable workplace revolving around the principles of capability building, employee engagement, governance and digitalisation. To ensure employee life cycle management, the company implemented Oracle Fusion Digital HR Tool.

Learning modules and performance appraisal helped standardise systems on a real-time basis. Competence evaluation and development were focused on all major functions and services. Targeted action plans were emphasised on increased engagement based on various studies and surveys.

The company invested in young talents (GETs & MTs) and sharpened the skills of talented professionals to prepare them for bigger responsibilities rather hiring laterals. Adani Power undertook focused approach to develop and train successors for all critical positions through high potential professionals and young managers.

The Company had launched capability building initiatives under Transition Leadership Programs like Fulcrum, Adani Leadership Acceleration Program, Takshashila and North Star in alliance with leading management institutes.

Internal control system

The Company has robust internal control procedures in place that are commensurate with its size and operations. The Board of Directors, responsible for the internal control system, sets the guidelines and verifies its adequacy, effectiveness and application.

The Company's internal control system is designed to ensure management efficiency, measurability and verifiability, reliability of accounting and management information, compliance with all applicable laws and regulations, and the protection of the Company's assets. This is to timely identify and manage the Company's risks (operational, compliance-related, economic and financial).

Our risk mitigation matrix

Scenario	Risks	Mitigation Measures
Mergers and acquisitions	▪ Incorrect target selection ▪ Inadequate due diligence ▪ Incorrect assessment of future synergies, potential benefits from the transaction, or fund infusion requirements	▪ Creation of established criteria for target co. selection based on key parameters such as project status, PPA tie-up, technology ▪ Formation of inter-departmental teams, with each team to focus on its core area for due diligence ▪ Ensuring that all information that is sought is promptly provided by counterparties ▪ Ensuring that necessary safeguards are built into the resolution plans and final transaction documents to protect from risks / liabilities that could not be identified during due diligence stage ▪ Every assumption having impact on valuation to be vetted by the responsible department ▪ Conservative approach in financial projections for valuation ▪ Periodic post-acquisition analysis of assumptions and deviations, and incorporation of learnings into procedures for future acquisitions
Regulatory	▪ Favourable regulatory orders being overturned upon appeal ▪ Customers reneging on contractual terms due to unfavourable situations ▪ Non-compliance of regulatory / judicial orders by customers	▪ Building strong case with effective arguments, using facts, precedence, and already decided legal principles ▪ Enforcement of contractual terms through representation and regulatory/judicial intervention ▪ Contempt proceedings seeking early redressal of claim/appeal
Commodity price risk	▪ Sharp increases in imported coal price ▪ Domestic coal shortage ▪ High prices of alternate coal	▪ Representations to CEA/regulators for precise matching of escalation indices with actual coal price increase ▪ Recovery of increase in coal price through revision in tariffs and escalation indices ▪ Ramping up pre-monsoon domestic coal procurement to stock the coal during lean production periods
Reputation risk	▪ Risk of reputation loss from operational issues such as safety, environment or litigation	▪ Strengthening of communication with Stakeholders in case of any such event