

FEBRUARY 20, 2015

CARE PLACES THE RATINGS OF BANK FACILITIES OF ADANI POWER LIMITED ON 'CREDIT WATCH'

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	16156.93	CARE BBB (Triple B) (Credit watch)	Placed on credit watch
Long-term / Short-term Bank Facilities	5079.60	CARE BBB / CARE A3 (Triple B / A Three) (Credit watch)	Placed on credit watch
Total Facilities	21236.53		

Rating Rationale

The above ratings have been placed on 'Credit Watch' in view of the impending possible impact of the acquisitions of 1200 MW Udipi power plant of Lanco Infratech Ltd. and 600 MW Korba power plant of Avantha Power & Infrastructure Ltd. by Adani Power Ltd. (APL) and change in shareholding in the group on the credit profile of APL. CARE is in the process of evaluating the impact of the same on the credit quality of APL and has sought necessary information / clarification from the company. As such, CARE would await further developments to unfold, to enable it to assess the situation. CARE would arrive at the credit quality after evaluating the magnitude of acquisition, more so with the emergence of clarity on funding pattern of the same.

The ratings, however, continue to derive strength from the strong parentage of APL being part of the Adani group, demonstrated financial support from the promoter group, Adani group's diversified presence in various sectors predominantly in energy businesses, substantially large power generation capacity in operation, long-term Power Purchase Agreements (PPAs) for off-take of majority of power in place, Fuel Supply Agreement (FSA) in place for part of the capacity and softening of imported coal prices.

The ratings are, however, constrained on account weakened financial risk profile of APL upon reporting losses, fixed rate PPAs leading to substantial under-recovery of power generation cost although CERC has directed for allowance of compensatory tariff, exposure to fuel price risk and susceptibility to exchange rate fluctuations.

Timing and quantum of compensatory tariff in fixed price PPAs, improvement in domestic coal supplies under FSA, refinancing of existing term debt with longer tenure debt under RBI guidelines and need based financial support from the promoter group shall be key rating sensitivities.

Background

APL is a part of Adani group. APL is currently a subsidiary of Adani Enterprises Ltd. (AEL). However as per recently announced group restructuring, controlling stake in APL is now proposed to be transferred from AEL to the promoters and APL shall no longer remain a subsidiary of AEL subject to statutory approvals and compliances. APL is incorporated to develop, operate and maintain power generation and transmission projects in India. APL along-with its two wholly owned subsidiaries has total operational power generation capacity of 9240 MW [4620 MW (330 MW x 4 and 660 MW x 5) in APL at Mundra; 3300 MW (660 MW x 5) in Adani Power Maharashtra Ltd. (APML) at Tiroda and 1320 MW (660 MW x 2) in Adani Power Rajasthan Ltd. (APRL) at Kawai. Also, with the group change in shareholding, APL shall have 40 MW operational solar power project located at Kutch, Gujarat.

During FY14 (refers to the period April 1 to March 31), APL on a standalone basis has reported a total operating income of Rs.11,295 crore (including compensatory tariff income of Rs.1,843 crore) (FY13: Rs.6,854 crore) with a PAT from continuing operations of Rs.733 crore (FY13: net loss of Rs.1,710 crore). As per provisional results for 9MFY15, APL on a standalone basis has reported a total operating income of Rs.8,445 crore (including compensatory tariff income of Rs.670 crore) with a net loss of Rs.486 crore.

Analyst Contact

Name: Mr. Hardik Shah

Tel: 079-4026 5620

Email: hardik.shah@careratings.com

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 - 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

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