

Adani Power Ltd.

July 14, 2017

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	190.91	CARE BBB (SO); Stable [Triple B (Structured Obligation); Outlook: Stable]	Assigned *
Total Facilities	190.91 (Rupees One Hundred Ninety Crore and Ninety One Lac Only)		

* These facilities were previously rated 'CARE A (SO)' based on credit enhancement in the form of an unconditional and irrevocable corporate guarantee extended by Adani Enterprises Ltd. (AEL, rated CARE A; Stable / CARE A1). However, this rating has now been withdrawn as the corporate guarantee of AEL for these facilities has fallen off. These facilities are now rated 'CARE BBB (SO); Stable' on the basis of credit enhancement in the form of an unconditional and irrevocable corporate guarantee extended by Adani Properties Private Limited (APPL).

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The above rating is based on credit enhancement in the form of unconditional and irrevocable corporate guarantee of Adani Properties Pvt. Ltd. (APPL) for the bank facilities of Adani Power Ltd. (APL).

The credit profile of APPL derives strength from its strong net-worth base which underlines its financial flexibility to raise the resources. However, the credit profile of APPL is constrained due to its large exposure towards its subsidiaries and associates in form of investments and corporate guarantees.

Continuing support from APPL along with any change in credit profile of APPL shall be the key rating sensitivities for the above bank facilities of APL.

Detailed description of the key rating drivers [of Adani Properties Pvt Ltd (APPL) – the guarantor for the above-rated bank facilities of Adani Power Ltd (APL)]

Key Rating Strengths

Strong net-worth base of APPL which underlines its financial flexibility to raise the resources

Previously, APPL used to hold investments in all listed Adani group companies directly, however, during the month of March 2017, APPL transferred all these investments to its majority owned (51%) partnership firm viz. PKRI, LLP. As on April 20, 2017, the market value of un-encumbered listed equity investments of PKRI LLP stood at Rs.7,720 crore. These investments provide financial flexibility and cushion to APPL in the likelihood of invocation of outstanding corporate guarantees and LOCs provided by APPL. Moreover, APPL's net-worth base of Rs.3,320 crore as on March 31, 2016 reflects its financial flexibility.

Key Rating Weaknesses

Large exposure in form of corporate guarantees

As on April 20, 2017 (Provisional), APPL had an outstanding debt of nearly Rs.1,455 crore. Moreover, outstanding corporate guarantee issued by APPL stood at Rs.4,950 crore as on March 31, 2017, which limits its financial flexibility to a certain extent.

Analytical approach: Backed by credit enhancement in the form of an unconditional and irrevocable corporate guarantee of Adani Properties Pvt. Ltd.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios - Non- Financial Sector](#)

[Rating Methodology - Infrastructure Companies](#)

[Rating Methodology - Private Power Producers](#)

[Rating Methodology - Factoring Linkages in Ratings](#)

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

About the Company (APL)

APL is a part of the Adani group. Previously APL was a subsidiary of Adani Enterprises Ltd. (AEL). However, subsequent to the group restructuring amongst various Adani group entities in March 2015, controlling stake in APL has been transferred from AEL to the promoters. As on March 31, 2017, promoter group held 68.08% equity stake in APL. APL along-with its three wholly-owned subsidiaries has total operational power generation capacity of 10,480 MW [4620 MW (330 MW x 4 and 660 MW x 5) in APL at Mundra, Gujarat; 3300 MW (660 MW x 5) in Adani Power Maharashtra Ltd. (APML) at Tiroda, Maharashtra; 1320 MW (660 MW x 2) in Adani Power Rajasthan Ltd. (APRL) at Kawai, Rajasthan and 1200 MW (600 MW x 2) in Udupi Power Corporation Ltd. (UPCL) along with 40 MW solar power project in APL located at Kutch, Gujarat]. Further, acquisition of 600 MW Korba coal-based power plant of Avantha Power & Infrastructure Ltd. is underway against which it has already extended advance of Rs.775 crore.

On June 06, 2017, the Board of Directors of APL have considered and approved 'the Slump Sale' of APL's Mundra Power Generation business undertaking to its subsidiary viz. Adani Power (Mundra) Ltd. The sale is for a lump sum consideration, without values being assigned to the individual assets and liabilities. The sale shall, however, be subject to statutory and regularity approvals, as may be required.

During FY17 (refers to the period from April 1 to March 31), APL (on a standalone basis) had a total operating income of Rs.11,653 crore (FY16: Rs.12,285 crore) with a net loss of Rs.6053 crore (FY16: PAT of Rs.6 crore). During FY17, APL has reversed entire compensatory tariff booked by it till Q.E. December 31, 2016 amounting to Rs.4,364 crore on a standalone basis.

About the Guarantor; APPL

APPL, incorporated in May 1995, owned by S.B. Adani Family trust, is the investment arm of the Adani group and holds investments in various Adani group entities including the investment in some of the listed Adani group companies through its majority owned partnership firm, Parsa Kente Rail Infra, LLP (PKRI, LLP). APPL avails the debt against the pledge of share held by PKRI LLP and/or promoters of Adani group to support the operation of its subsidiaries and JV/associates.

As per audited results of FY16, APPL reported PAT of Rs.20.44 crore on total operating income (TOI) of Rs.268.42 crore as against PAT of Rs.11.79 crore on TOI of Rs.123.98 crore in FY15.

Status of non-cooperation with previous CRA:

CRISIL has conducted the review of its ratings on Adani Power Ltd on the basis of best available information and has also classified these ratings as "Issuer Not cooperating" vide its press release dated June 01, 2017.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	NA	NA	Aug 13, 2020	190.91	CARE BBB (SO); Stable

NA: Not Applicable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (19-Feb-16)	1)CARE BBB (Under Credit Watch) (20-Feb-15)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	289.60	CARE BB- / CARE A4 (Under Credit watch with Developing Implications)	1)CARE BB- / CARE A4 (Under Credit watch with Developing Implications) (16-Jun-17) 2)CARE BBB- / CARE A3 (Under Credit watch with Negative Implications) (14-Apr-17)	1)CARE BBB-; Stable / CARE A3 (27-Jan-17) 2)CARE BBB- / CARE A3 (28-Oct-16) 3)CARE BBB- / CARE A3 (25-Aug-16) 4)CARE BBB- / CARE A3 (04-Aug-16)	1)CARE BBB / CARE A3 (19-Feb-16)	1)CARE BBB / CARE A3 (Under Credit Watch) (20-Feb-15)
3.	Fund-based - LT-External Commercial Borrowings	LT	1579.84	CARE BB- (Under Credit watch with Developing Implications)	1)CARE BB- (Under Credit watch with Developing Implications) (16-Jun-17) 2)CARE BBB-	1)CARE BBB-; Stable (27-Jan-17) 2)CARE BBB-	1)CARE BBB (19-Feb-16)	1)CARE BBB (Under Credit Watch) (20-Feb-15)

					(Under Credit watch with Negative Implications) (14-Apr-17)	(28-Oct-16) 3)CARE BBB- (25-Aug-16) 4)CARE BBB- (04-Aug-16)		
4.	Fund-based - LT-Term Loan	LT	-	Withdrawn	-	1)CARE A (SO) (28-Oct-16)	1)CARE A (SO) (19-Feb-16)	1)CARE A (SO) (Under Credit Watch) (26-Mar-15)
5.	Fund-based/Non-fund-based-LT/ST	LT/ST	4773.08	CARE BB- / CARE A4 (Under Credit watch with Developing Implications)	1)CARE BB- / CARE A4 (Under Credit watch with Developing Implications) (16-Jun-17) 2)CARE BBB- / CARE A3 (Under Credit watch with Negative Implications) (14-Apr-17)	1)CARE BBB-; Stable / CARE A3 (27-Jan-17) 2)CARE BBB- / CARE A3 (28-Oct-16) 3)CARE BBB- / CARE A3 (25-Aug-16) 4)CARE BBB- / CARE A3 (04-Aug-16)	1)CARE BBB / CARE A3 (19-Feb-16)	1)CARE BBB / CARE A3 (Under Credit Watch) (20-Feb-15)
6.	Fund-based - LT-Term Loan	LT	6417.59	CARE BB- (Under Credit watch with Developing Implications)	1)CARE BB- (Under Credit watch with Developing Implications) (16-Jun-17) 2)CARE BBB+ (SO) (Under Credit watch with Negative Implications) (14-Apr-17)	1)CARE BBB+ (SO); Stable (27-Jan-17) 2)CARE BBB+ (SO) (28-Oct-16) 3)CARE BBB+ (SO) (04-Aug-16) 4)CARE A- (SO) (19-Apr-16)	-	-
7.	Debentures-Non	LT	451.00	CARE AA- (SO);	-	1)CARE	1)CARE AA-	-

	Convertible Debentures			Stable		AA- (SO) (04-Aug-16)	(SO) (08-Jan-16)	
8.	Debentures-Non Convertible Debentures	LT	750.00	CARE AA- (SO); Stable	-	1)CARE AA- (SO) (04-Aug-16)	1)CARE AA- (SO) (08-Jan-16)	-
9.	Fund-based - LT-Term Loan	LT	4493.34	CARE BB- (Under Credit watch with Developing Implications)	1)CARE BB- (Under Credit watch with Developing Implications) (16-Jun-17) 2)CARE BBB- (Under Credit watch with Negative Implications) (14-Apr-17)	1)CARE BBB-; Stable (27-Jan-17) 2)CARE BBB- (28-Oct-16) 3)CARE BBB- (25-Aug-16) 4)CARE BBB- (04-Aug-16)	1)CARE BBB (19-Feb-16)	-
10.	Fund-based - LT-External Commercial Borrowings	LT	1358.53	CARE BB- (Under Credit watch with Developing Implications)	1)CARE BB- (Under Credit watch with Developing Implications) (16-Jun-17) 2)CARE BBB- (Under Credit watch with Negative Implications) (14-Apr-17)	1)CARE BBB-; Stable (27-Jan-17) 2)CARE BBB- (28-Oct-16) 3)CARE BBB- (25-Aug-16) 4)CARE BBB- (04-Aug-16)	-	-
11.	Fund-based - LT-Term Loan	LT	190.91	CARE BBB (SO); Stable	-	-	-	-

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