

## Adani Power Limited (Revised)

September 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	21,805.99	CARE AA; Stable	Assigned
Long Term / Short Term Bank Facilities	8,429.01	CARE AA; Stable / CARE A1+	Assigned
Short Term Bank Facilities	765.00	CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Adani Power Limited (APL) draws strength from its experience in thermal power generation with operational capacity of 15.25 GW spread across seven states, improvement in operational performance in recent years as evident from higher plant load factor (PLF) and reduction in receivables considering favourable orders from regulatory authorities, which improved the company's liquidity profile. Ratings further derive strength from strong revenue visibility via long term/medium term power purchase agreements (PPAs) aggregating to 85% of its current operational capacity. The untied capacity is near the mines, resulting in low fuel cost, which improves tariff competitiveness in open market. Presence of long/medium term fuel supply agreements for 85% of current and upcoming capacity mitigates fuel availability and price risk to a large extent. Additionally, the signing of supplementary PPAs for Mundra project with Gujarat has improved fuel cost recovery. Ratings also factors in healthy plant availability factors (PAF; above normative levels) and improvement in plant load factor from 48% in FY23 to 65% in FY24. The company has recently commissioned 1600 MW Godda project in FY24 without cost and time overrun demonstrating its strong execution capability. The plant has a 25-year PPA with Bangladesh Power Development Board (BPDB) at a remunerative tariff.

Ratings also consider favourable outcome of regulatory authorities allowing compensatory tariff (CT) claims regarding domestic coal shortfall and pass through of alternate coal cost under change in law. The company has received most of the disputed dues from state discoms in FY23 and FY24, improving the company's financial profile. The company prepaid ₹3,750 crore of term debt apart from partial redemption of perpetual security and unsecured subordinated loans of ~₹12,600 crore. Post settlement of issues, the collection from the domestic discoms have been timely.

CARE Ratings Limited (CARE Ratings) estimates earnings before interest, taxation, depreciation, and amortisation (EBIDTA) to sustain above ₹16,000 crore per annum for FY25 and FY26, given the long-term PPA tie-up, ramp up of Godda and Mahan plants, strong merchant realisation and overall buoyant power demand in the country. Moderation in this shall be a key monitorable.

Ratings are constrained by the company's aggressive capital expenditure plans considering the stated goal of doubling operational capacity to 30 GW through organic/inorganic mode in the next 6-7 years. Capex for this expansion is estimated over ₹1,00,000 crore (trillion) including FGD capex, which would be funded from internal accruals and debt. Successful commissioning of plants without major delays/cost overruns and healthy operational performance shall be a key monitorable. Ratings are also constrained by price and demand risks associated with merchant capacity. The exposure to state distribution utilities with weak-to-moderate financial profile exposes the company to counterparty credit risk.

Regarding the ongoing regulatory scrutiny, Securities and Exchange Board of India (SEBI) has completed 23 of 24 investigations into the Adani group and is expected to complete the pending investigation shortly. Negative outcomes from conclusion of investigations over Adani group adversely impacting financial flexibility of APL will be a key rating monitorable.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in business risk profile as characterised by firming up of long-term PPAs at remunerative tariff for exposed capacity and significant traction in commissioning capacity under development,
- Faster-than-expected deleveraging as reflected by total external debt to EBIDTA remaining below 2.25x on a sustained basis.

#### Negative factors

- Weakening operating performance with actual PAF remaining below normative levels on a sustained basis for tied capacity or lower PLF for open capacity
- Delay in payments from counterparties, resulting in receivables staying above 120 days on a sustained basis.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

- Dilution in leverage philosophy, resulting in total external debt to EBITDA remaining above 3.0x on a sustained basis.
- Adverse regulatory action on APL or adverse outcome on the overall group constraining its financial flexibility.

**Analytical Approach:** Consolidated, considering that APL (merged entities) has strong linkages with subsidiaries on account of similar line of operations. Entities consolidated into APL are listed in **Annexure-6**

#### **Outlook:** Stable

The 'stable' outlook reflects APL's ability to sustain its healthy operational performance, healthy realisation on merchant sales, and a steady level of receivables in the near-to-medium term.

#### **Detailed description of key rating drivers:**

##### **Key strengths**

##### **Parentage of experienced Adani Group**

Adani Group has evolved as a diversified conglomerate with strong interests in the energy sector. Adani Group has operations ranging from coal mining, coal import, port operations and logistics to coal-based thermal and renewable power generation, transmission & distribution and city gas distribution through listed group companies. Its long track record across the entire value chain of power provides significant synergetic benefits. As on June 30, 2024, promoters held 72.71% equity stake in APL, which is the holding company of Adani Group's coal-based thermal power generation business.

##### **Long-term PPAs in place for off-take of majority power with diverse off-takers**

Of the total operational coal-based thermal power generation capacity of 15,210 MW on a consolidated basis, APL has tied-up 85% of its gross power generation capacity with diverse set of off-takers. APL has also tied-up 83% out of its gross operational capacity of 1,600 MW coal-based thermal power generation capacity under Mahan Energen Limited Phase-II (MEL Phase-II), which is under construction. None of the counterparties hold over 25% share in the overall power sale mix.

##### **Sustained availability of domestic coal under all fuel supply agreements (FSAs)**

APL has total domestic coal linkage for ~85% of its domestic coal requirement through long term/medium term FSAs. Historically, there had been lower-than-committed supply of domestic coal by CIL under these FSAs due to mine related or logistics related issues, which resulted in reliance on costlier imported coal. In the last 2-3 years, there has been significant improvement in domestic coal supplies by CIL to APL thereby improving fuel security. The company has tied-up for domestic coal supply under SHAKTI policy for short/medium term PPAs. The company is also developing captive mines namely Gondkhari and Dhirauli which will have a peak combined capacity of 8.5 MMTPA. The company plans to obtain fuel from prospective mines assuring fuel supply.

##### **Receipt of past regulatory receivables**

Post the favourable judgement by the Hon'ble Supreme Court in March and April 2023 regarding change in law for domestic coal shortfall, the company has received most of the disputed dues from state discoms as compensatory tariff in FY23 and FY24. The resolution of past dues and subsequent receipt has resulted in favourable cash inflow aiding the company's overall financial risk profile. Adverse regulatory judgements regarding the company's projects shall remain a key monitorable.

##### **Stable operating performance in FY24 and Q1FY25**

The company's operational plants demonstrated satisfactory plant availability in the last few years. On consolidated basis, the PLF improved to 65% in FY24 (PY: 48%) and 78% in Q1FY25 (PY: 60%). The company has relatively comfortable position under its domestic coal-based plants in merit order dispatch in respective states, and hence, receives higher scheduling.

##### **Comfortable financial risk profile**

APL has comfortable financial risk profile characterised by stable gross cash accruals (GCA) and acceptable leverage aided by comfortable coverage metrics. Owing to stable PAF ensuring fixed cost recovery under contracted capacity and healthy PLF aided by high power demand, the company's cash accrual is expected to remain stable. Overall gearing improved to 0.93x as on March 31, 2024 (PY: 1.68x). Interest cover stood at 5.37x in FY24 (PY: 2.84x). Average collection period also improved year-on-year and stood at 67 days in FY24 (PY: 100 days).

Post the amalgamation of six entities, APL has replaced project debt of consolidated assets with a single corporate loan to harmonise terms and conditions, align loan amortisation with PPA cash flows and enhance financial flexibility. The company is also required to maintain 21 months of debt servicing and six months forward unfunded capex requirement as reserve.

## Key weaknesses

### Exposure to risk on lower merchant power tariff and demand

Around 15% of the total installed power generation capacity of 15,250 MW of APL's subsidiaries does not have long-term PPAs of APL on a consolidated basis exposing it to merchant power tariffs and demand volatility. Tariffs in merchant route have been high in the last 2-3 years considering satisfactory power demand and sustainability in the medium term shall be a key monitorable.

### Exposure to counterparty credit risk, despite having payment security in place

The company has exposure to counterparty credit risk as a significant share of the total capacity is tied up with state discoms of Madhya Pradesh, Rajasthan, Maharashtra, Haryana, Karnataka among others, which have moderate financial and operational risk profiles. However, debtor position has improved in the recent past considering several measures by GOI including liquidation of receivables under LPS scheme and favorable orders from regulatory authorities.

The company also has exposure with BPDB through PPA of Godda plant and receivable has been delayed. However, the same is mitigated by lower cost of power from Godda Plant as compared to alternate sources for BPDB and payment security mechanism as per PPA (Presence of letter of credit (LCs) and guarantee from Government of Bangladesh)

### Aggressive expansion plans expose implementation risk

APL plans to double its current operational capacity to 30 GW by FY30-FY31 through a series of organic and inorganic acquisitions for an estimated capex of over ₹1,00,000 crore (trillion) including FGD capex, which would be funded from internal accruals and debt.

APL plans to acquire 1,200 MW and 600 MW coal-based thermal power generation plants housed under Coastal Energen Private Limited (CEPL) and Lanco Amarkantak Private Limited (LAPL) respectively for an enterprise value of ₹3,445 crore and ₹4,101 crore respectively. This will be funded in a mix of debt and equity. According to APL's management, it is evaluating proposals for acquiring stressed power generation plants after assessing their economic cost-benefit analysis.

The company has also announced greenfield and brownfield expansion projects of 11,200 MW including the 1,600 MW ongoing construction of MEL-II. This exposes it to implementation risk. However, the company has already given the contract to Bharat Heavy Electric Limited (BHEL) for supply of key equipment and supervise erection and commissioning under the projects. However, it may be noted that APL has a strong track record of executing and turning around projects acquired through inorganic route.

### Liquidity: Strong

The company's liquidity profile is characterised by stable GCA against its debt obligation and cash and cash equivalents (including undrawn working capital limits) of ₹10,730 crore as on June 30, 2024. The company currently maintains two quarters of debt servicing and is required to create additional liquidity buffer of five quarters of debt servicing as liquidity reserve account.

## Environment, social, and governance (ESG) risks

Environmental	In its endeavour for climate readiness, APL is aligning its business model with latest technologies in climate efficient manner. Specific GHG emissions maintained at 0.85 tCO <sub>2</sub> e/MWh. Water intensity performance of APL is 2.35 m <sup>3</sup> /MWh for FY24, which is 33% lower than the statutory limit for hinterland plants (3.50 m <sup>3</sup> /MWh). APL scored 48/100 in Corporate Sustainability Assessment (CSA) for 2024 by S&P Global – better than world electric utility average score of 33/100. It also has a B Score For fulfilling climate change and water security commitments from CDP (Carbon Disclosure Project) for 2024. The company targets to install FGD under all its plant operations by FY28.
Social	APL is committed to its diverse range of programmes and projects undertaken in core areas of education, health, sustainable livelihoods, skill development, and community infrastructure such as Gyanodaya and Saksham.
Governance	About 50% of APL's board comprises independent directors. The company has a dedicated grievance redressal mechanism for its stakeholders and fully independent audit committee. APL formed the Corporate Responsibility Committee, which comprises 100% of independent members to provide assurance for all ESG commitments.

## Applicable criteria

[Definition of Default](#)

[Consolidation](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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## About the company and industry

### Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power generation

APL is the holding company of the Adani group's coal-based thermal power generation business. APL (on a consolidated basis) has a total operational thermal power generation capacity of 15.21 GW and 40 MW of solar power plant. Projects are spread across Gujarat, Maharashtra, Rajasthan, Karnataka, Chhattisgarh, Jharkhand and Madhya Pradesh. It is the largest private thermal IPP in the country.

Brief Financials (₹ crore) *	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	38,100	50,294	15,052
PBILDT	9,457	18,202	6,290
PAT	10,727	20,829	3,913
Overall gearing (times)	1.68	0.93	NA
Interest coverage (times)	2.84	5.37	7.75

A: Audited UA: Unaudited; Note: these are latest available financial results \*per CARE Rating Methodology

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Guarantee		-	-	-	2358.24	CARE AA; Stable
Fund-based - LT-Term Loan		-	-	31-03-2037	19447.75	CARE AA; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	8429.01	CARE AA; Stable / CARE A1+
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	765.00	CARE A1+

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	-	1)CARE BBB+; Stable / CARE A2 (07-Apr-23) 2)Withdrawn (07-Apr-23)	1)CARE BBB- / CARE A3 (RWP) (27-Dec-22)	1)CARE BBB- / CARE A3 (CW with Positive Implications) (30-Mar-22)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (07-Apr-23)	1)CARE BBB- (RWP) (27-Dec-22)	1)CARE BBB- (CW with Positive Implications) (30-Mar-22)
3	Fund-based - LT-Term Loan	LT	19447.75	CARE AA; Stable	1)CARE AA; Stable (02-Sep-24)	-	-	-
4	Fund-based - LT/ ST-Working Capital Limits	LT/ST	8429.01	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (02-Sep-24)	-	-	-
5	Fund-based - LT-Bank Guarantee	LT	2358.24	CARE AA; Stable	1)CARE AA; Stable	-	-	-

					(02-Sep-24)			
6	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	765.00	CARE A1+	1)CARE A1+ (02-Sep-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Guarantee	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Adani Power (Jharkhand) Limited (APJL)	Full	Wholly Owned Subsidiary
2.	Pench Thermal Energy (MP) Limited	Full	
3.	Kutch Power Generation Limited	Full	
4.	Adani Power Dahej Limited	Full	
5.	Mahan Fuel Management Limited	Full	
6.	Alcedo Infra Park Limited	Full	
7.	Chandenvale Infra Park Limited	Full	
8.	Emberiza Infra Park Limited	Full	
9.	Resurgent Fuel Management	Full	
10.	Mahan Energen Private Limited	Proportionate	Subsidiary
11	Adani Power Resources Limited	Proportionate	

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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