AUGUST 09, 2016

CARE ASSIGNS 'CARE BBB' RATING TO THE BANK FACILITIES OF ADANI GREEN ENERGY LIMITED

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Long-term Bank Facilities	62.50	**CARE BBB (Triple B)**	Assigned
Total Facilities	**62.50 (Rupees Sixty Two crore and Fifty lakh only)**		

Rating rationale

The rating assigned to the bank facilities of Adani Green Energy Limited (AGEL) draws strength from it being a part of Adani group; a diversified conglomerate engaged in varied businesses including power generation and transmission and the group's increasing presence in renewable energy sector. The rating is also underpinned by the achievement of project commissioning of 12 MW wind mill of AGEL, presence of long-term power purchase agreement (PPA) with M. P. Power Management Company Ltd (MPPMCL), moderate project debt to equity ratio with project debt being tied-up and creation of required debt service reserve account (DSRA).

The rating is, however, constrained by limited operational track record of the wind power plant, its dependence on favourable wind patterns and climatic conditions and counter-party credit risk.

Satisfactory track record of achievement of envisaged plant load factor (PLF) for the wind power plant, track record of receipt of payments from the off-taker within the envisaged time frame and any large un-envisaged debt-funded capex undertaken by AGEL shall be the key rating sensitivities.

The rating also takes into account that sponsors' equity for future projects through AGEL would be contributed by the present promoters of AGEL viz. Adani Enterprises Ltd. (AEL; rated CARE A / CARE A1) and Adani Properties Pvt. Ltd. (APPL), and the debt in the subsidiaries would be without any recourse to AGEL. Any change in this structure and funding pattern shall also be a key rating monitorable.

Background

AGEL was promoted in January 2015 by Adani Group's flagship entity viz. AEL (51% stake) and APPL as a holding company for ownership of renewable energy assets of the group. AEL is mainly engaged in coal mining, coal trading and power trading businesses, while APPL is one of the investment arms of the group.

Adani group is a diversified conglomerate and is engaged in varied businesses across a range of sectors, primarily energy including coal mining, power generation and transmission, port operations, logistics, oil and gas exploration and city gas distribution.

The 12 MW wind power capacity of AGEL was commissioned in March 2016 and it has entered into a long-term power purchase agreement (PPA) with MPPMCL for off-take of entire power at a tariff of Rs.5.92 per unit, for a period of 25 years. AGEL is also entitled to receive an additional 50 paisa per unit under the generation based incentive (GBI) policy of Ministry of New and Renewable Energy (MNRE). The total project cost was Rs. 86.83 crore (Rs.7.23 crore per MW),

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

structured with a debt-equity ratio (DER) of 1.77:1, comprising term debt of Rs.55.50 crore (sanctioned) and promoter contribution of Rs.31.33 crore.

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

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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