FEBRUARY 19, 2016

CARE REMOVES 'CREDIT WATCH' AND REAFFIRMED THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ADANI POWER LTD.

Ratings

Bank Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	7406.00	**CARE BBB (Triple B)**	**Reaffirmed; Removed from credit watch**
Long-term / Short-term Bank Facilities	5079.60	**CARE BBB / CARE A3 (Triple B / A Three)**	**Reaffirmed; Removed from credit watch**
Long-term Bank Facilities #	6,546.00	**-**	**Withdrawn**
Total Facilities	**19,031.60 (Rupees Nineteen Thousand Thirty One Crore and Sixty Lacs only)**		

 # rating is withdrawn w. r. to Rs.6546.00 crore rupee term loans pertaining to Phase-IV of the project upon its replacement under RBI's refinancing scheme.

Rating Rationale

The ratings assigned to the bank facilities of Adani Power Ltd. (APL) were placed on Credit Watch in view of the impending possible impact of the acquisitions of 1200 MW Udupi power plant of Lanco Infratech Ltd. and 600 MW Korba power plant of Avantha Power & Infrastructure Ltd. by APL and change in shareholding in the group on the credit profile of APL. The credit watch has been removed upon conclusion of scheme of restructuring of the diversified businesses of Adani group and emergence of clarity over the financial impact of acquisitions/proposed acquisitions of the power plants of Lanco Infratech Ltd. and Avantha Power & Infrastructure Ltd.

The reaffirmation of the ratings takes into account 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, softening of imported coal prices and completion of refinancing of its rupee term debt under RBI guidelines.

The ratings are, however, constrained on account of 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, worsening of its capital structure upon largely debt funded acquisitions, risks associated with aggressive expansion plans, exposure to fuel price risk and susceptibility to exchange rate fluctuations.

Timing and quantum of receipt of compensatory tariff in fixed price PPAs, improvement in domestic coal supplies under FSA, refinancing of balance foreign currency term debt with longer tenure debt and need based financial support from the promoter group are the key rating sensitivities.

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

Background

APL is a part of the Adani group. Previously APL was a subsidiary of Adani Enterprises Ltd. (AEL). However subsequent to the group restructuring in March 2015, controlling stake in APL has been transferred from AEL to the promoters. APL along-with its two wholly-owned subsidiaries has total power generation capacity of 9240 MW and it has achieved CoD for the entire power generation capacity [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 and 1320 MW (660 MW x 2) in Adani Power Rajasthan Ltd. (APRL) at Kawai, Rajasthan. Further, APL has taken 100% equity stake in Udupi Power Company Ltd. in April 2015 which has 1200 MW (600 MW x 2) operational power generation capacity. Accordingly, consolidated coal based thermal power generation capacity of APL stands at 10440 MW. Also, with the group change in shareholding, APL has the 40 MW operational solar power project located at Kutch, Gujarat. Further, deal for acquisition of 600 MW Korba Power plant from Avantha Power & Infrastructure Ltd. is on the verge of completion.

During FY15 (refers to the period from April 1 to March 31), APL (on a standalone basis) reported a total operating income of Rs.10165 crore (FY14: Rs.9452 crore) with a net loss of Rs.69 crore (FY14: PAT of Rs.595 crore). As per provisional results for H1FY16, APL has reported a total operating income of Rs.5850 crore with a net loss of Rs.320 crore.

During FY15, APL (on a consolidated basis) reported a total operating income of Rs.17383 crore (FY14: Rs.13336 crore) with a net loss of Rs.1298 crore (FY14: net loss of Rs.291 crore). As per provisional results for H1FY16, APL has reported a total operating income of Rs.10689 crore with a net loss of Rs.787 crore.

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

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