AUGUST 04, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE NON-CONVERTIBLE DEBENTURE ISSUE OF ADANI POWER LTD. BACKED BY PLEDGE OF SHARES

Ratings

Instrument	Amount (Rs. crore)	Ratings[1]	Remarks
Non-Convertible Debenture issue ^	750.00	**CARE AA- (SO) [Double A Minus (Structured Obligation)]**	**Reaffirmed**
Total Instrument	**750.00 (Rupees Seven Hundred Fifty Crore only)**		

^backed by credit enhancement in the form of security of first and exclusive pledge of unencumbered shares of Adani Ports & SEZ Ltd. (APSEZ; rated CARE AA+), Adani Transmission Ltd. (ATL) and Adani Enterprises Ltd. (AEL; rated CARE A/ CARE A1) in the ratio of 80: 10: 10, such that the value of these shares is 2 times the value of the outstanding NCD.

Rating Rationale

The rating assigned to the above Non-Convertible Debenture (NCD) issue of Adani Power Ltd (APL) continues to derive strength from the availability of credit enhancement in the form of security of first and exclusive pledge of unencumbered shares of APSEZ, ATL and AEL held by promoter group in the ratio of 80:10:10, such that the aggregate value of these shares, at all times, is maintained at 2 times the value of outstanding NCDs. The rating further derives strength from availability of adequate unpledged shares of APSEZ with the promoters despite reduction in its quantum so as enable it to maintain the aggregate collateral cover during the tenure of the instrument, presence of collateral top up clause in the structure and strength derived from the APSEZ shares forming part of Nifty 50 index.

The rating, however, continues to be constrained by the liquidity risk associated with the underlying shares as evidenced from the very high proportion of pledged shares of APSEZ vis-a-vis its average daily traded volume, unavailability of assured cash flows for redemption of NCDs, possible reliance on refinancing or group support and eventuality of liquidation of shares to meet NCD redemption. The rating is further constrained on account of increased volatility in the share price of APSEZ vis-à-vis Sensex during the last one year (as reflected by rise in value of 'Beta' of APSEZ shares).

The rating is subject to maintenance of the aggregate collateral cover (by way of the pledge of shares) as per the structure during the tenure of the instrument and timely liquidation of shares in case of occurrence of an 'event of default' during the tenure of the instrument.

Background

APL is a part of Gujarat based 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. APL along-with its three wholly-owned subsidiaries has total power generation capacity of 10,440 MW and it has achieved Commercial operations Date (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; 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 Company Ltd. (UPCL). APL has taken 100% equity stake in UPCL in April 2015. Also, with the change in group's shareholding, APL has been vested with the 40 MW operational solar power project located at Kutch, Gujarat. Further, acquisition of 600 MW Korba power plant of Avantha Power &

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

Infrastructure Ltd. is underway against which it has already given an advance of Rs.775 crore by March 31, 2016.

During FY16 (refers to the period from April 1 to March 31), APL (on a standalone basis) had a total operating income of Rs.12,285 crore (FY15: Rs.10,165 crore) with a PAT of Rs.6 crore (FY15: Net loss of Rs.69 crore). During FY16, APL has recognized compensatory tariff income of Rs.919 crore on a standalone basis.

The shares of APSEZ, ATL and AEL held by promoter group viz. S.B. Adani Family Trust and/or Adani Properties Pvt. Ltd. (APPL) would be pledged to provide an aggregate collateral cover of two times the outstanding amount of the NCD. As on March 31, 2016, promoter and promoter group companies held 56.39%, 75.00% and 75.00% equity stake in APSEZ, ATL and AEL respectively.

Analyst Contact
Name: Hardik Shah
Tel # 079-40265620
Mobile # 9898802101
Email: hardik.shah@careratings.com

****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.

CONTACT

Head Office Mumbai

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@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

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

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@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

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

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@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

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

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691