

January 08, 2016

CARE ASSIGNS 'CARE AA- (SO)' RATING TO THE NCD ISSUE OF ADANI POWER LTD.

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Remarks
Non-Convertible Debenture (NCD) issue	500.00	'CARE AA- (SO)' [Double A Minus (Structured Obligation)]	Assigned
Total	500.00 (Rs. Five Hundred crore only)		

Rating Rationale

The rating is primarily based on the strength of availability of two times credit enhancement of NCD issue in the form of security of first and exclusive pledge of unencumbered shares of Adani Ports and Special Economic Zone Limited (APSEZ) and Adani Transmission Ltd. (ATL) held by promoter group in the ratio of 80:20. The rating takes into account the availability of adequate unpledged shares of APSEZ to maintain the aggregate collateral cover during the tenure of the proposed instrument.

The rating is however constrained on account of 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 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

Adani Power Ltd. (APL) is a part of Adani group. Previously APL was a subsidiary of Adani Enterprises Ltd. (AEL). However, subsequent to the group restructuring, 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 Udipi Power Company Ltd., 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 restructuring, APL has 40 MW operational solar power project located at Kutch, Gujarat.

During FY15 (refers to the period April 1 to March 31), APL (on a standalone basis) reported a net loss of Rs.293 crore (FY14: PAT of Rs.733 crore) on a total operating income of Rs.10,165 crore (FY14: Rs.9,452 crore). During FY15, APL (on a consolidated basis) reported net loss of Rs.1298 crore (FY14: net loss of Rs.291 crore) on a total operating income of Rs.17,383 crore (FY14: Rs.13,336 crore).

The shares of APSEZ and ATL held by promoter group viz. S.B. Adani Family Trust and/or Adani Properties Pvt. Ltd. (APPL) is pledged to provide an aggregate collateral cover of two times the outstanding amount of the NCD. As on September 30, 2015, Promoter and promoter group companies hold 56.26% and 75.00% equity stake in APSEZ and ATL respectively.

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

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

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