AUGUST 25, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ADANI POWER LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	7,830.30 (enhanced from 4,830.30)	**CARE BBB- (Triple B Minus)**	**Reaffirmed**
Long-term / Short-term Bank Facilities	5,079.60	**CARE BBB- / CARE A3 (Triple B Minus / A Three)**	**Reaffirmed**
Total Facilities	**12,909.90 (Rupees Twelve Thousand Nine Hundred Nine Crore and Ninety Lacs only)**		

Rating Rationale

The ratings continue to draw strength from Adani Power Ltd's (APL) strong parentage being part of the Adani group, financial support from the promoter group by way of infusion of equity/unsecured loans, group's diversified presence in various sectors predominantly in energy businesses, substantially large power generation capacity in operation, long-term Power Purchase Agreements (PPAs) in place for off-take of majority of power, availability of adequate transmission infrastructure and softening of imported coal prices.

The ratings, however, continue to remain constrained on account of substantial delay in resolution of APL's dispute related to compensatory tariff (CT) with its power off-takers than what was previously envisaged which has led to substantial under-recovery of its power generation cost in the backdrop of its largely fixed rate tariff PPAs which has adversely impacted its liquidity, with significant build-up of CT receivables on its books. The rating also continue to remain constrained by inordinate delay in refinancing of its outstanding External Commercial Borrowings (ECBs) than what was previously envisaged and consequent adverse impact on its debt coverage indicators in light of substantial installment obligations falling due in near term, entailing significant financial support from the promoters for timely debt servicing. It is, however, noted that APL has made reasonable progress in its refinancing efforts, which is expected to be concluded shortly. The ratings also remain constrained by APL's exposure to fuel price risk, susceptibility to foreign exchange rate fluctuations, high leverage and risk associated with its aggressive expansion plans.

The ultimate determination of quantum of CT in APL's fixed price PPAs along with its receipt, improvement in domestic coal supplies under Fuel Supply Agreement (FSA), improvement in merchant power tariff rates, quantum of dividend & interest income from its subsidiaries, improvement in its profitability and leverage along with need based financial support from the promoter group are the key rating sensitivities.

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 standalone level. As per provisional results for Q1FY17, APL (on a standalone basis) had a total operating income of Rs.2,671 crore with a net loss of Rs.5 crore.

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