OCTOBER 28, 2016

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

Ratings

Bank Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Long-term Bank Facilities #	287.95 (reduced from 550.00)	**CARE A (SO) [Single A (Structured Obligation)]**	Reaffirmed
Total	**287.95 (Rupees Two Hundred Eighty Seven Crore and Ninety Five Lacs Only)**		

 # backed by unconditional and irrevocable corporate guarantee of Adani Enterprises Ltd.

Rating Rationale

The above rating is based on credit enhancement in the form of unconditional and irrevocable corporate guarantee of Adani Enterprises Ltd. (AEL; rated CARE A / CAREA1) for the bank facilities of Adani Power Ltd. (APL)

The ratings of AEL continue to derive strength from the vast experience of promoters of AEL in various businesses, leading position of AEL in imported coal trading business in India which is aided by its established coal sourcing arrangement and diversified clientele; and ramp-up of operations of the higher profit margin domestic coal mine developer and operator (MDO) business segment under AEL. The ratings also factor improved performance of AEL's subsidiaries viz. Adani Wilmar Ltd. (AWL) and Adani Gas Ltd. (AGL), diversified and synergetic operations of the Adani group and likely need-based support that AEL can receive from its subsidiaries.

The ratings of AEL are, however, constrained by uncertainty associated with repatriation of significant amount of loans given by AEL to power business vertical of the Adani group, high level of corporate guarantees extended to companies in the power business vertical of the group, continued moderation in profit margin of its coal trading business at a consolidated level (during FY16 and Q1FY17) on the back of growth in domestic coal production which resulted in increased competition in its imported coal trading business; albeit the coal trading volumes largely remained stable on a consolidated level, risks associated with commodity price movement and exchange rate fluctuations, working capital intensive nature of operations, high leverage and moderate debt coverage indicators. The ratings are also constrained by the large sized predominantly debt-funded expansion plans of AEL in solar power generation & solar PV manufacturing through its SPVs and subdued performance of its Oil & Gas exploration business under Adani Welspun Exploration Ltd. (AEL).

Repatriation of loans and advances extended to group companies and corresponding reduction in debt level of AEL, improvement in profitability of its coal trading segment, achievement of envisaged domestic coal mining volumes, effective working capital management, improvement in its debt coverage indicators, level of explicit & implicit support from AEL to existing and upcoming projects viz. solar power generation & solar PV manufacturing and other ventures of the Adani group and conducive regulatory environment shall be the key rating sensitivities.

Background

APL is a part of Gujarat based Adani group. Previously APL was a subsidiary of 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

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

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 & 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 level. As per provisional results for H1FY17, APL (on a standalone basis) had a total operating income of Rs.5,305 crore with a net loss of Rs.141 crore. During H1FY17, APL has recognized compensatory tariff income of Rs.401 crore on a standalone basis.

About the guarantor (AEL)
Incorporated in 1993, AEL is part of Adani Group being chaired by Mr. Gautam Adani. AEL, on a standalone basis, has mainly coal trading, power trading and coal Mine Developer & Operator (MDO) businesses, whereas, Adani Group as a whole has evolved in to a diversified conglomerate and is engaged in various 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. Group is also involved in agro-processing (including sale of branded edible oil) & storage and commodities trading.
During FY16 (refers to the period from April 1 to March 31), AEL (on a consolidated basis) had a total operating income of Rs.45,028.56 crore (FY15: Rs.63,153.40 crore) with a PAT of Rs.1,030.24 crore (FY15: Rs.2,298.00 crore). As per unaudited consolidated results for Q1FY17, AEL had a total operating income of Rs.8,723.09 crore with a PAT of Rs.363.71 crore (including extraordinary income of Rs.195.60 crore) as against a total operating income of Rs.11, 274.79 crore with a PAT of Rs.379.67 crore in Q1FY16.

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

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