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	550.00 @	**CARE A (SO) [Single A (Structured Obligation)]**	**Reaffirmed; Removed from credit watch**
Total Facilities	**550.00 (Rupees Five Hundred Fifty Crore Only)**		

@ backed by an 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 above rating was placed on credit watch following the ratings of AEL put on credit watch in view of the impending possible impact of the scheme of business restructuring in the Adani group on the credit profile of AEL. The credit watch has been removed as the H'ble High Court of Gujarat has approved the scheme of arrangement with an appointed date of April 1, 2015.

The ratings of AEL, continue to derive strength from the wide experience of the promoters of AEL in global trading businesses, AEL's leading position in imported coal trading business in the country, commencement of domestic coal mining operations and diversified operations of the group with strong presence in the energy value chain. The ratings also factor in established coal sourcing arrangement, established & diversified clientele and group's significant financial flexibility. The ratings also take cognizance of the fact that APL is no longer a subsidiary of AEL, accordingly there shall be no requirement to support the operations of APL by AEL.

The ratings of AEL are, however, constrained by risks associated with commodity price movement and exchange rate fluctuations, working capital intensive nature of operations, substantial reduction in net-worth base without corresponding reduction in debt level on a standalone level post business restructuring, uncertainty associated with repatriation of significant amount of loans given to power business of the group & interest income on the same and increasing financial support towards oil & gas exploration business in its subsidiary.

Repatriation of funds lent to group companies and corresponding reduction in debt level of AEL, improvement in profitability, ramp up in domestic coal mining operations, achievement of envisaged growth in coal trading business, effective working capital management and conducive regulatory environment are the key rating sensitivities for AEL.

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.

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

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.

About the Guarantor: Adani Enterprises Ltd.

Incorporated in 1993, AEL is the flagship company of Adani Group being chaired by Mr. Gautam Adani. AEL, on a standalone basis, has mainly coal trading, Mine Developer & Operator (MDO) and power trading businesses, whereas, Adani Group as a whole is engaged in diversified areas of businesses and operates in 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 & storage and commodities trading. AEL through its subsidiaries and joint ventures (all considered in consolidation) is indirectly engaged into balance businesses evolving it as a diversified conglomerate.

Scheme of business restructuring among Adani group

H'ble Gujarat High Court has approved the scheme of business restructuring among Adani group companies vide its order dated May 07, 2015. As per scheme of business restructuring among Adani group companies, Adani Power Ltd. (APL) & Adani Ports & SEZ Ltd. (APSEZ), which used to be the subsidiaries of AEL, are no longer subsidiaries of AEL w.e.f. April 01, 2015. Also, post listing of Adani Transmission Ltd. (ATL), ATL is also not a subsidiary of AEL. Upon amalgamation of Adani Mining Pvt. Ltd. (AMPL), an erstwhile subsidiary, within AEL, mining business is now under AEL itself. Accordingly, post business restructuring within group, AEL is vested with coal trading, power trading & coal mining businesses on a standalone basis. Business restructuring has resulted in simplified corporate structure.

During FY15 (refers to the period from April 1 to March 31), AEL (on a standalone basis) reported a total operating income of Rs.16,202 crore (FY14: Rs.12,984 crore) with a PAT of Rs.407 crore (FY14 : Net loss of Rs.179 crore). As per provisional results for Q1FY16, AEL has reported a total operating income of Rs.2,397 crore with a PAT of Rs.70 crore.

During FY15, AEL (on a consolidated basis) reported a total operating income of Rs.63,153 crore (FY14: Rs.54,047 crore) with a PAT of Rs.2,298 crore (FY14: Rs.2,646 crore). As per provisional results for Q1FY16, AEL has reported a total operating income of Rs.11,275 crore with a PAT of Rs.380 crore.

For a detailed rating rationale of AEL, please refer www.careratings.com.

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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.

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CIN - L67190MH1993PLC071691