



Rating Rationale

Adani Power (Jharkhand) Ltd.

9 Sept 2019

Brickwork Ratings reaffirms the ratings for the Bank Credit Facilities of ₹ 500 Crores (enhanced from Rs.356.4 Cr) of Adani Power (Jharkhand) Ltd (APJL or the ‘Company’).

Particulars

| Facility | Amount Rated (Rs in Crores) | | Tenor | Rating History with BWR (May 2018) | Rating based on current review (Reaffirmation) |
|----------------------------|--|-------------------------------------|-----------|------------------------------------|--|
| | Previous | Present | | | |
| Performance Bank Guarantee | USD 54 Mio equivalent to Rs. 356.40 Cr | USD 72 Mio equivalent to Rs. 500 Cr | Long Term | BWR BBB (SO) | BWR BBB (SO) |

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

SO refers to ‘Structured Obligation’ which indicates credit enhancement derived from the security cover of 1.25x by the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL), in the ratio of 3:2 for Rs. 356.40 Crs rated earlier, and of 1:1 for the enhanced amount of Rs. 143.60 Crs.

Rating: Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon information as provided in Information Memorandum, sanction terms of performance bank guarantee issued by Axis Bank, audited financials of Adani Power Jharkhand Ltd. upto FY19, publicly available information and information/clarifications provided by the Company’s management.

The rating factors, *inter alia*, group’s experience in the power generation and transmission sectors, project execution capabilities, achievement of financial closure for the project, Implementation Agreement with Bangladesh Power Development Board, favourable terms of Power Purchase Agreement and revenue visibility, and adequate security in the form of pledge of listed shares as detailed above. However, the rating is constrained by very nascent stage of the project, and increasing overall debt levels of the group.

Analytical Approach: The rating is assigned for the **Performance Bank Guarantee** of Rs.500 Cr issued in favour of Bangladesh Power Development Board (BPDB), Bangladesh for the development of a Coal Fired Power Generation Facility of 1600 MW (1496 MW Net capacity) on a Build Own Operate (BOO) basis at Jharkhand, India and supply of net generation to BPDB. The original performance guarantee amount is RS.356 Cr. The sanction of the additional BG was account of extension of timeframe for the documentation though the financial closure was already achieved. The tenor of this BG is 3 months extendable every 3 months and it was sanctioned in November 2018.



It is further clarified that this is not a rating for the project loan to be availed by the Company from its project lenders. BWR has assigned a Structured Obligation rating, deriving credit enhancement from the security cover of 1.25x by the pledge of shares of APSEZ and ATL in the ratio of 3:2 for the original BG of RS.356.4 Cr and in the ratio of 1:1 for the additional BG of Rs. 143.6 Cr. Please refer to the criteria applicable to SO ratings at the end.

Description of Key Rating Drivers

Credit Strengths:

Group's experience in Power business: Adani Group owns India's largest private sector thermal power generator - Adani Power Ltd and also India's largest private sector power transmission company, ATL [rated BWR AA+. Adani Enterprises Ltd [AEL, rated BWR A1+] is India's largest coal importer – thereby deriving significant competitive advantage as well as experience in running thermal power plants as well as fuel procurement.

Revenue visibility with long term PPAs: APJL has signed implementation agreement (IA) with Govt. of Bangladesh and Power Grid Company of Bangladesh. It has also signed 25 years PPA with Bangladesh Power Development Board (BPDB) for supply of Power. The PPA is for 1496 MW net capacity (net of auxiliary consumption) with a two part tariff structure wherein coal cost recovery for the Company is linked appropriately with global coal indices / benchmarks, and covers all costs involved in sourcing and transporting coal to the plant, and a well-defined fixed revenue stream; both parts in USD terms. On overall terms, the agreement adequately covers execution and operating risks for the project implementer.

Financial Closure: Total cost of the project is approximately Rs.14817 Cr funded in the mix of debt to equity of 68:32. Debt of Rs.10075.42 Cr is tied-up with REC (50%) and PFC (50%). Both the lenders have sanctioned the facility. Till date, upfront equity of Rs.1450 Cr has been infused by the promoter company.

Security: Performance Bank Guarantee is secured 1.25x by the pledge of shares of APSEZ and ATL in the ratio of 3:2 for the existing BG amount of Rs.356.4 Cr and 1:1 for the additional BG amount of Rs.143.6 Cr. As and when there is a claim under the guarantee, the Bank is required to pay the same immediately. The Bank can adjust the claim amount by liquidating the security it has in the form of share-pledge, if required.

Credit Risks:

Nascent Stage of the Project: In terms of the Implementation Agreement signed with Govt. of Bangladesh and PPA with Bangladesh Power Development Board, both in November 2017, APJL is setting up a coal based thermal power plant of 1600 MW (2*800) in Godda District of Jharkhand, India on Build, Own and Operate basis. The first Unit of 2x800 MW project is proposed for commercial operation in 50 months from date of PPA and IA, which is Nov 5, 2017 and second unit with a gap of 4 months thereon. Accordingly, the first unit is expected achieve COD in January 2022.



Increasing overall debt levels of the Adani Group: Overall debt level of the Adani Group has been increasing on account of new initiatives as well inorganic growth undertaken across businesses by the Group, given the significantly capital intensive infrastructure nature and long gestation period of most of these businesses. However, at an overall Group level, the debt is adequately covered through committed cash-flows across the strong businesses. For the equity requirements of new businesses and support requirements for existing businesses, the promoters largely rely on dividends from strong businesses and raising additional funds through pledge of their equity shares in the listed companies. Servicing of some of this debt largely depends on refinancing options, given the growth that the group is undertaking. Servicing of some of this overall debt depends on refinancing.

Rating Outlook: *Stable*

BWR believes the **Adani Power Jharkhand Ltd.**'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Negative' if the company is not likely to meet the performance criteria as per sanction terms of Bank Guarantee. This being an SO rating, anything that affects the liquid security structure, including share price movement of APSEZ and ATL., is a key rating sensitive factor.

About the Company and the Project

APJL, incorporated in 2015 is 100% subsidiary of Adani Power Ltd. (APL), with its Registered Office at Ahmedabad. Mr. Jayadeb Nanda, Mr. K. S. Nagendra and Mr. Rajivkumar Rustagi are the directors of the company.

APJL is setting up coal based thermal power plant of 1600 MW (2*800) in Godda District of Jharkhand, India on Build, Own and Operate basis, for which the company has signed implementation agreement (IA) with Govt. of Bangladesh and Power Grid Company of Bangladesh and also signed 25 years PPA with Bangladesh Power Development Board (BPDB) for supply of Power, both in November 2017. The Project envisages using imported pulverized coal to meet its fuel requirements. The pulverized coal is proposed to be sourced from Indonesia, South Africa and Australia.

Under the PPA, the coal cost (variable tariff) is linked to international coal indices / benchmark prices. FSA will be finalised before COD (May 2022).

The first Unit of 2x800 MW project is proposed for commercial operation in 50 months from date of PPA and IA, which is Nov 5, 2017 and second unit with a gap of 4 months thereon. Accordingly, the first unit is expected achieve COD in January 2022.

Total cost of the project is approximately Rs.14817 Cr funded in the mix of debt to equity of 68:32. Debt of Rs.10075.42 Cr is tied-up with REC (50%) and PFC (50%). Both the lenders have sanctioned the facility. Till date, upfront equity of Rs.1450 Cr has been infused by promoter company.



Brief details of their financials:

As per audited financials as of 31.3.2019, the Company has infused Rs. 1065 Cr in the form of equity share capital. The entire money is used for project expenditure purposes like land acquisition, project advances and other project related purposes. Though the term loans are sanctioned, drawdown is pending. As of now the financial closure is underway and the Company expects commensurate debt drawdown to start with 1/3rd equity requirement already infused.

Since it is the green field project under construction, there is no revenue.

Rating History for the last three years

| S.No | Instrument /Facility | Current Rating (2019) | | | Rating History | | |
|------|----------------------------|------------------------------|----------------|----------------------------------|------------------------------|-------------------|-------------------|
| | | Type (Long Term/ Short Term) | Amount (₹ Crs) | Rating | May 2018 | Date, Month, Year | Date, Month, Year |
| 1. | Performance Bank Guarantee | Long Term | 500 | BWR BBB (SO) (Stable) | BWR BBB (SO) (Stable) | - | - |
| | Total | | 500 | ₹ Five Hundred Crore Only | | | |

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Structured Obligations](#)

For any other criteria obtain hyperlinks from website



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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