

Rating Rationale

Brickwork Ratings reaffirms 'BWR A (Outlook: Stable)/A2+' Rating for the Bank loan facilities of ₹ 15971.90 Cr of Adani Power Maharashtra Ltd

Brickwork Ratings (BWR) has reaffirmed the **Rating¹** of BWR A/A2+ Rating for Adani Power Maharashtra Ltd.'s (APML or 'the Company') Bank loan facilities of ₹ 15971.90 Cr, reduced from the earlier rated amount of ₹ 16437.78 Cr.

Instruments with this rating are considered to have **adequate degree** of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

Facility	Previous Facility (₹ Cr)	Existing Facilities (₹ Cr)	Tenure	Rating History	Present Rating ¹
Rupee Term Loan (RTL) – FB	9239.00	9014.00	Long Term	BWR A (BWR Single A) (Outlook: Stable)	BWR A (BWR Single A) (Outlook:Stable) (Reaffirmed)
ECB – FB*	3850.88	3610.00			
ECB from ICBC (RTL)	101.00	101.00			
CC – FB	1960.00	1960.00			
BG – NFB**	1286.90	1286.90	Long Term /Short Term	BWR A/ BWR A2+ (BWR A/ A Two Plus)	BWR A/ BWR A2+ (BWR A/ A Two Plus) (Reaffirmed)
Total	16437.78	15971.90	INR Fifteen Thousand Nine Hundred Seventy One Crores & Ninety Lakhs Only		

* ECB – Conversion @ US \$ 1 = Rs66.255

** NFB facilities are both short term and long term in nature.

BWR has essentially relied upon audited financial results upto FY16 and projected financial of the issuer APML, sanction letters provided by the Company for the credit facilities refinanced by the lenders under 5-25 scheme of RBI, project completion status, long term PPA with MSEDCL, long term Fuel Supply Agreement (FSA) with South Eastern Coal Fields and information and clarifications provided by the issuer.

The rating factors, *inter alia*, experience and resourcefulness of the promoters of the Company, project completion status of all the three phases, Long term PPA with Maharashtra State Electricity Distribution Company Ltd (MSEDCL) for the supply of 3085 MW out of total capacity of 3300 MW, Long term Fuel Supply Agreement (FSA) with South Eastern Coalfields Ltd. (SECL), a subsidiary of Coal India Limited (CIL), completed status of refinancing of its term

¹ Please refer to www.brickworkratings.com for definition of the Ratings

loans under 5-25 scheme by RBI & consequent lower debt repayment for coming years, and financial flexibility of the group. However, the rating is constrained by the current challenges being faced by power generation sector in general, dependency on imported coal at higher cost to the extent of ~ 35% of their total requirement, billing issues with MSEDCL regarding higher tariff approved by regulators, and foreign currency risks in respect of ECBs raised by the Company though it is partially hedged.

Background

Adani Power Maharashtra Limited (“APML” or “the Company”), incorporated on 11 April 2007, is a subsidiary of Adani Power Limited, a public listed company in India. The Company is operating a coal based 3300 MW Supercritical Thermal Power Project at Tiroda, Maharashtra - implemented in three phases, viz Phase I (2X660 MW), Phase II (1X660 MW) and Phase III (2X660 MW). The Phase I & II projects were commissioned in March 2013 and June 2013 respectively, while Phase III was completed in Oct 2014. The power transmission business, which was earlier a part of APML has since been hived off.

The fuel requirement for the 1980 MW Project is being sourced from South Eastern Coalfields Ltd. (SECL), a subsidiary of Coal India Limited (CIL). APML has executed a Long Term Fuel Supply Agreement (FSA) with SECL for 4.91 MTPA for 1180 MW and another tapering FSA with SECL for 3.287 MTPA for 800 MW. It is also having MOU for 3.389 MTPA of 1320 MW for Phase III. The Company has signed long term PPAs for 25 years of 3085 MW out of 3300 MW total capacity on net basis with Maharashtra State Electricity Distribution Company Limited (MSEDCL) at revised levelised tariff, which is favourable. APML had achieved PLF of 69% with PAF of ~90% (YTD) during FY16.

APML - Board of Directors and Shareholding

Mr. Jayadeb Nanda is the Managing Director of the APML. The Board has four other Directors. As of March 2016, Adani Power holds 100% equity stake in the Company.

Refinancing under 5-25 scheme prescribed by RBI

As per the original repayment schedule for the Term Loans, moratorium was to end in Jun’12 for Phase I & II and Jun’15 (extended from Mar’14) for Phase III and repayment to start thereafter, with the entire project loans getting repaid by 2022 for phase I & II and 2025 for Phase III. Accordingly repayments have started. However, in view of all the developments related to non-availability of domestic coal, increasing cost of imported coal, litigations in respect of purchase price under PPAs, losses up to FY15, and the extant guidelines provided by RBI for elongating the repayment period of Infrastructure Project loans in line with economic life of the project, the company has approached the banks for revising the repayment schedule. SBI (Lead Bank) and other banks have already sanctioned the refinancing of Term Loans under the scheme. The implementation of the said scheme was completed in June 2015. As per the revised schedule, amount due up to FY17 is low, and major repayment starts from FY18.

Financials of APML

For FY16, as per audited financials, APML reported total revenue of ~₹ 7884.10 Cr with a net profit of ~₹ 139.51 Cr as compared to total revenues of ₹ 6279.17 Cr with a loss of ₹ 206.31 Cr in FY15. The Company has recognized ₹ 1172.06 Cr (including ₹ 409.33 Cr for FY16 and ₹ 585.42 Cr during FY15) with regards to the Maharashtra Electricity Regulatory Commission (MERC) order on compensatory tariff. Additionally, ₹ 259.52 Cr (w.r.t 1320 MW PPA), ₹ 838.09 Cr (w.r.t. 1200 MW PPA) and ₹ 70.87 Cr (w.r.t. 125 MW PPA) of compensatory tariff have been recognized under other PPAs. Company's Tangible Net-worth was ₹ 3148.99 Cr in FY16. Its total borrowings stood at ₹ 17633.41 Cr during FY16 as compared to ₹ 17042.19 Cr in FY15. Overall gearing ratio was at 5.60x in FY16. Company's Receivables as of FY16 were high at ₹ 3599.61 Cr & this is mainly due to MSEDCL still paying as per earlier tariff, due to the ongoing appeal.

Rating Outlook

The rating captures the performance of APML, completed projects, its FSA with SECL, PPA with MSEDCL and expected improvement in profitability on account of significant reduction in imported coal prices as 35% imported coal used of the total requirement. No material capex is needed in the short to medium term. The Rating also takes note of the refinancing scheme in tune with relevant RBI guidelines, which has benefited towards low repayment for medium term. This is expected to improve the debt protection matrices. Keeping fuel costs optimal with minimum usage of imported coal, full off-take of generated power at the enhanced rates approved by regulators, and resolution of the tariff related issues & timely receipt of payments as per bills raised - would be the key rating sensitivities.

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