

Rating Rationale

Brickwork Ratings assigns ‘BWR A (Outlook: Stable)/A2+’ Rating for the Bank Loan Facilities of ₹ 16437.78 Cr to Adani Power Maharashtra Ltd.

Brickwork Ratings (BWR) has assigned the **Rating**¹ of BWR A/A2+ for Adani Power Maharashtra Ltd.’s (APML or ‘the Company’) Bank loan facilities 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	Amount (₹ Cr)	Tenure	Rating
Fund Based	15150.88	Long Term	BWR A (Pronounced BWR Single A) (Outlook:Stable)
Non - Fund Based**	1286.90	Long Term/Short Term	BWR A/ BWR A2+ (Pronounced BWR A Two Plus)
Total	16437.78	INR Sixteen Thousand Four Hundred Thirty Seven Crores and Seventy Eight Lakhs only	

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

BWR has essentially relied upon the fresh sanction letters provided by the Company for the credit facilities refinanced by Lead banker and others lenders under 5-25 scheme of RBI, audited financial results up to FY14 and provisional for FY15 of the issuer APML, project completion status, long term PPA with MSEDCL, long term Fuel Supply Agreement (FSA) with South Eastern Coal Fields and information and clarification 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), on-going refinancing of its term loans under 5-25 scheme by RBI, improved cash flow position, 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.

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

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 power transmission business, which was earlier a part of APML has since been hived off.

The Phase I (2X660 MW) & II (1X660 MW) projects were commissioned in March 2013 & June 2013 respectively. The project cost for Phase I and Phase II was ₹ 8,333 Cr & ₹ 3,439 Cr respectively & funded at a Debt to equity of 75:25. Phase III of 1320 MW was completed in Oct 2014. The project cost for this phase was ₹ 8016 Cr & funded at a Debt to Equity of 75:25.

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 year 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 64% during FY15.

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 2015, Adani Power holds 100% equity stake in the Company.

On-going 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. As per the revised schedule, amount due up to FY17 is low, and major repayment starts from FY18. SBI (Lead Bank) has already sanctioned the refinancing of Term Loans under the scheme. The Company has already received ~77% of term loans sanction from various banks and others are following the same. The implementation is expected to be completed in June 2015.

Financials of APML

For FY15, as per provisional financials, APML reported total revenue of ~₹ 6279 Cr with a net loss of ~₹ 206 Cr as compared to total revenues of ₹ 2949 Cr with a loss of ₹ 602 Cr in FY14. The Company has recognized ₹ 762.73 Cr (including ₹ 177.31 Cr during previous year) with regards to the Maharashtra Electricity Regulatory Commission (MERC) order on compensatory tariff. Additionally, ₹ 473.84 Cr of compensatory tariff have been recognized under other PPAs. Company's Tangible Net worth was ₹ 3039.39 Cr in FY15. Its long term borrowings stood at ₹ 15258.84 Cr during FY15 as compared to ₹ 13802.03 Cr in FY14. Overall gearing ratio was at 5.02x in FY15.

Rating Outlook

The rating captures the performance of APML, completed projects, its FSA with SECL and PPA with MSEDCL. 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. 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 timely receipt of payments as per bills raised - would be key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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