



## Rating Rationale

Adani Power (Mundra) Ltd.

8 Feb 2019

**Brickwork Ratings reaffirms rating for the NCD issue of Rs. 330 Crore of Adani Power (Mundra) Ltd.**

### Particulars

Instrument	Amount	Issue Date	Coupon	Maturity	ISIN	Previous Rating (Feb 2018)	Current Rating (Reaffirmation)
NCD	₹ 330 Cr	10-May-16	Zero Coupon	10-May-20	INE814H07133	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**SO refers to Structured Obligation which indicates credit enhancement derived from the security cover of 2x by the pledge of listed equity shares of Adani Ports and Special Economic Zone Ltd. (APSEZ – 1.6x), Adani Transmission Ltd. (ATL – 0.2x) and Adani Enterprise Ltd. (AEL – 0.2x).**

### Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the executed term sheet outlining the structure of the NCDs, Audited financials of the listed companies, Adani Ports & Special Economic Zone Ltd (APSEZ), Adani Enterprise Ltd. (AEL) and Adani Transmission Ltd (ATL), whose equity shares are provided as security, and information and clarification provided by the issuer.

The rating factors, *inter alia*, the strength of underlying security in the form of pledge of listed equity shares of Adani Ports & Special Economic Zone Ltd, Adani Enterprise Ltd. and Adani Transmission Ltd, structure of the NCDs, resourcefulness of the promoters of the Company, and financial flexibility of the group.

However, the rating is constrained by the fact that the Issuer Company is currently loss making entity with negative networth. The rating is further constrained by reliance on promoter funds, refinance or, alternatively, liquidation of the securities - to meet the payment obligations arising from the proposed debts, market volatility in the price of equity shares of Adani Ports & Special Economic Zone Ltd, Adani Enterprise Ltd. and Adani Transmission Ltd and overall high debt level of the group

### Analytical Approach:

This is a 'Structured Obligation' rating, indicating the credit enhancement derived from the pledge of listed shares, and overall structure of the instrument.



### **Brief Terms of the NCD of Rs.330 Cr:**

Instruments rated are Zero Coupon Secured Redeemable Non Convertible Debentures. The Company has raised this structured NCDs of ₹330 Crs maturing in May 2020 for the purpose of refinancing with Put / Call option after December 31, 2019.

Redemption Premium is 10.5%, which is compounded annually and payable at maturity. The NCDs are backed by way of pledge of equity shares of Adani Ports & Special Economic Zone Ltd , Adani Enterprise Ltd. and Adani Transmission Ltd – overall a cover of 2 times. The pledger is SB Adani Family Trust, a promoter entity.

The Facility will require a top-up within 2 days if the cover remains below 1.75 times on any business day. The Company is required to deposit all amounts payable under the facility (including principal and the redemption premium) 15 days prior to maturity. Other covenants are standard terms that are common for issues of this nature.

### **Security Providers:**

APSEZ, AEL and ATL are three of the important listed companies of the Group.

APSEZ is the developer and operator of the Mundra port located in the Kutch district of Gujarat on the west coast of India, under a 30 year Concession Agreement with the Gujarat Maritime Board (GMB), valid till February 2031. CMP of its shares is Rs. 330 (52 weeks H/L is Rs. 424 and Rs. 294 respectively).

ATL (rated BWR AA+ (Stable)) is involved in setting up and operating power transmission lines through its subsidiary companies. CMP of its shares is Rs. 216 (52 weeks H/L is Rs. 256 and Rs. 115 respectively).

AEL (rated BWR A1+), on a standalone basis, has mainly coal trading, power trading and coal mine developer and operator (MDO) businesses, whereas, AEL on a consolidated basis also has agri-logistics, oil and gas exploration, solar cell & module manufacturing, agro-processing (including sale of branded edible oil) & storage and commodities trading. CMP of its shares is Rs. 124 (52 weeks H/L is Rs. 237 and Rs. 101 respectively).

Any issues affecting these companies and/or other market developments could result in share price changes, and the promoters may be required to pledge additional shares.

### **Background**

APMuL is a 100% subsidiary of Adani Power Limited (APL) and houses the 4620 MW coal-based thermal power plant at Mundra, Gujarat.

### Company Financial Performance

Rs. Cr	FY17 (Audited)	FY18 (Provisional)
Revenue	10588	9468
Operating profit	1268	1688
PAT	-5617	-1673
Total Debt	21772	21254
Networth	-4780	-6474
Current Ratio	0.32	0.2

As per H1FY19 (Prov.) results, APMuL has reported total income of Rs.3660 crore with net loss of Rs.1864 crore

### Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2019)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	February 5, 2018	Date in 2016	Date in 2015
1.	NCD	Long term	330	<b>BWR AA-(SO)</b> <b>(Stable)</b>	<b>BWR AA-(SO)</b> <b>(Stable)</b>		
<b>Total</b>			<b>330</b>				

### Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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**Note on complexity levels of the rated instrument:**

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**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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