



## Rating Rationale

Adani Power (Mundra) Ltd.

December 11, 2017

Brickwork Ratings assigns Rating for the NCD of Rs. 490 Crore of Adani Power (Mundra) Ltd.

### Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	490.00	Long Term	<b>BWR AA-(SO) (Pronounced as Double A Minus (Structured Obligation)) (Outlook:Stable) (Assigns)</b>
<b>Total</b>	490.00	(Rupees Four Hundred Ninety Crore Only)	

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

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

BWR has essentially relied upon the draft term sheet outlining the structure of the NCD, carved out Balance Sheet of Adani Power (Mundra) Ltd., Audited financials of the listed companies, Adani Ports & Special Economic Zone Ltd (APSEZ), 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, and Adani Transmission Ltd, structure of the proposed NCD, 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 a new company with no business of its own at the moment, and will become active once it acquires power generating business at Mundra (as per details below). Further, 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 and Adani Transmission Ltd, increasing debt level of the group and the current challenging environment faced by the economy, in general, are other concerns.

**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:**

The Company has proposed to raise this structured NCD upto ₹490 Crs maturing in April 2019, with a Put/Call option at the end of 12 months and 15 days from the deemed date of allotment.

All repayments, are due at maturity. The NCDs are backed by way of pledge of equity shares of Adani Ports & Special Economic Zone 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.

APSEZ's stock is currently trading at Rs.405, with the low of Rs.245 and the high of Rs.443 during past one year. ATL's stock is currently trading at Rs.207, with the low of Rs.40 and high of Rs. 237 during past one year.

**Background**

APMuL is a company incorporated in February 2015 in the name of Adani Power (Karnataka) Ltd. The name of the company was changed to Adani Power (Mundra) Ltd. on April 27, 2017. APMuL is an unlisted public company, wherein 99% shares are held by Adani Power Ltd. and 1% by Adani Power (Jharkhand Ltd.).

APMuL will take over Adani Power's 4620 MW power generating assets of Mundra –Gujarat, for which final NCLT approval for a slump sale has been obtained on November 11, 2017. As such, all the assets and liabilities pertaining to Mundra Power Generating assets will be transferred to Adani Power Mundra Ltd.

**Company Financial Performance**

Presently no business is undertaken by APMuL. All the assets and liabilities pertaining to Mundra Power Generating assets of Adani Power Ltd will be transferred to APMuL, in terms of the NCLT approval.



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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2016	Date in 2015	Date in 2014
1.	NCD	Long Term	490	<b>BWR AA-(SO)</b> <b>(Stable)</b> <b>(Assigns)</b>	-	-	-
<b>Total</b>			<b>490</b>	<b>(Rupees Four Hundred Ninety Crore Only)</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:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

**DISCLAIMER**

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