

Rating Rationale

Adani Power (Mundra) Ltd.

February 5, 2018

Brickwork Ratings assigns Rating for the NCD issues of Rs. 2705 Crore of Adani Power (Mundra) Ltd.

Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD ¹	275 (Rupees One Hundred and Fifty Crore Only)	Long Term	BWR AA-(SO) (Pronounced as Double A Minus (Structured Obligation)) (Outlook:Stable)
NCD ¹	330 (Rupees Three Hundred and Thirty Crore Only)		
NCD ¹	400 (Rupees Four Hundred Crore Only)		
NCD ¹	350 (Rupees Three Hundred and Fifty Crore Only)		
NCD ¹	1200 (Rupees One Thousand Two Hundred Crore Only)		
NCD ²	150 (Rupees One Hundred Fifty Crore Only)		
Total	Rs.2705 Cr (Two Thousand Seven Hundred and Five Crore Only)		

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

Other outstanding NCD ratings of Adani Power (Mundra) Ltd are:

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	₹ 490 Cr	Jan 5, 2018	9.25%	20-Apr-2020	INE513Y07128	BWR AA-(SO) (Stable) (Dec 11, 2017)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)

¹Pursuant to NCLT order dated November 3, 2017 National Company Law Tribunal (NCLT) bench at Ahmedabad has sanctioned the Scheme of Arrangement between Adani Power Ltd. and Adani Power (Mundra) Ltd., wherein Mundra Thermal Power Generation Business (4620 MW) of APL will be transferred to APMuL. Considering the demerger, APL transferred all the assets and liabilities pertaining to 4620 MW Mundra Power Plant to APMUL. As such, all the share pledge backed NCDs raised by APL for Mundra Power Plant were transferred to APMUL aggregating Rs.2555 Cr.



The rating of NCDs will be subsequently withdrawn from APL on receipt of confirmation from the Trustee to the issue that the above said NCDs which are currently outstanding on the books of APL have been transferred from APL to APMUL and that all the existing terms of the above NCD issue (as per the issue term sheet) remain unchanged even after its transfer to APMUL.

² Fresh share backed NCDs raised by APMuL

Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the 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 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, Adani Enterprise 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 NCDs which have been transferred from APL:

Existing NCDs aggregating Rs.2555 Cr (which has been transferred from APL) are secured by the 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.

Brief Terms of the fresh NCD of Rs.150 Cr:

The Company has proposed to raise this structured NCD upto ₹150 Crs maturing in December 2020 with a Put/Call option at the end of 13 months from the date of disbursement and then every 13 months thereafter.

All repayments are due 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.

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 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2017	Date in 2016	Date in 2015
1.	NCD	Long term	275	BWR AA-(SO) (Stable)	-		
2.	NCD	Long term	330	BWR AA-(SO) (Stable)	-		
3.	NCD	Long term	400	BWR AA-(SO) (Stable)	-		
4.	NCD	Long term	350	BWR AA-(SO)	-		



				(Stable)			
5.	NCD	Long term	1200	BWR AA-(SO) (Stable)	-		
6.	NCD	Long term	150	BWR AA-(SO) (Stable)			
7.	NCD	Long Term	490	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-	-
Total			3195				

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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For print and digital media

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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

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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