

Rating Rationale

Adani Power Ltd.

17st February 2017

Brickwork Ratings assigns Rating for the Proposed Non-Convertible Debenture Issue of Rs. 300 Crs of Adani Power Ltd.

Particulars

	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD (Proposed)	Rs 300 Crs (Rs. Three Hundred Crores only)	Long Term (Upto 15 months)	BWR AA- (SO) (Stable) (Outlook:Stable)

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

Other Outstanding Ratings for Adani Power Ltd, which are reaffirmed, are as under:

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Present Rating
NCD (Tenor – upto 16 Months)	₹ 250 Cr	January 2016	Zero Coupon With redemption premium	16 Months	Unlisted	BWR AA- (SO) Reaffirmed
NCD (Tenor – 5 Months)	₹ 275 Cr	₹50 Crs- 14/12/2016 ₹220 Crs- 14/12/2016	Zero Coupon With redemption premium	₹ 50 Crs- 24/04/2017 ₹ 220 Crs- 05/05/2017	₹ 50 Crs- INE814H07141 ₹ 220 Crs- 05/05/2017	BWR A1+ (SO) Reaffirmed
NCD (Tenor – 42 Months and 18 Days)	₹ 1200 Cr	14/10/2015	Zero Coupon With redemption premium	30/04/2019	₹ 400 Crs- INE814H07042 ₹ 400 Crs- INE814H07059 ₹ 400 Crs- INE814H07067	BWR AA- (SO) (Stable) Reaffirmed
NCD (Tenor – 48 Months)	₹ 330 Cr	10/05/2016	Zero Coupon With redemption premium	04/05/2020	INE814H07133	BWR AA- (SO) (Stable) Reaffirmed
NCD (Tenor – 32 Months and 1 Day)	₹ 350 Cr	01/09/2016	10.48% p.a.	01/05/2019	INE814H08016	BWR AA- (SO) (Stable) Reaffirmed
NCD (Tenor – 43 Months and 1 Day)	₹ 400 Cr	14/09/2016	10.48% p.a.	16/04/2020	INE814H08024	BWR AA- (SO) (Stable) Reaffirmed
Fund Based: Term Loan	₹ 6480 Cr	-	-	-	-	BWR BBB(SO) (Stable) Reaffirmed



Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the draft term sheet submitted by the issuer, audited financial results upto FY16 and Q3FY17 financial results of the issuer APL as well as audited financials of Adani Ports & Special Economic Zone Ltd (APSEZ), Adani Enterprises Ltd (AEL) and Adani Transmission Ltd(ATL) whose equity shares are provided as security, and information and clarifications 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 Enterprises Ltd and Adani Transmission Ltd, structure of the proposed NCD issue, resourcefulness of the promoters of the Company and financial flexibility of the group. However, the rating is constrained by the current challenging environment faced by the power sector, issues relating to the financial position of the issuer, viz., high gearing, substantially increasing receivables mainly on account of ongoing compensatory tariff litigations, and reliance on promoter funds, refinance, or alternatively, liquidation of the securities - to meet the payment obligations arising from the proposed NCD issue. Market volatility in the price of underlying equity shares is another aspect that is factored.

Analytical Approach

The Company has proposed to raise this structured NCD of ₹ 300 Cr with tenor upto 15 Months. Repayments are due at maturity along with redemption premium. The NCDs are backed by way of pledge of equity shares of Group's listed companies, viz., Adani Ports & Special Economic Zone Ltd (1.5 times), Adani Enterprises Ltd(0.3 times) and Adani Transmission Ltd(0.2 times) – overall a cover of 2 times. The Facility will require a top-up if the cover falls below 1.75x for a period of three consecutive trading days or less than 1.70x on any business day. The Company is required to deposit all amounts payable under the facility (including principal and redemption premium) 15 days prior to maturity. This addresses the liquidity aspects to an extent, should there be a need to invoke the sale of collateral. Other covenants are standard terms that are common for issues of this nature.

APSEZ's current stock price is trading in the range of ₹ 302-311, with low of ₹ 169.65 and high of ₹ 317 during the past one year. AEL's current stock price is trading in the range of ₹ 92.55-94.90, with low of ₹ 58.35 and high of ₹ 97.55 during the past one year. ATL's current stock price is trading in the range of ₹ 65.60-66.60, with low of ₹ 26.30 and high of ₹ 68.40 during the past one year.

The rating is also subject to the terms of issue being in line as per draft provided to us and their compliance with the requisite terms of the issue, regulatory and legal requirements.

Rating Outlook: Stable

BWR believes credit risk profile of Adani Power Ltd's proposed NCD structure will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profits of the underlying companies whose shares are pledged show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



About the Company

APL, an Adani Group company was incorporated in August 1996. It is a power project development company and is operating and maintaining multiple power projects in India. Adani Power alongwith its subsidiaries currently has an operational capacity of 10480 MW, comprising of 4620 MW at Mundra in Gujarat, 3300 MW at Tiroda in Maharashtra, 1320 MW at Kawai in Rajasthan, 1,200 MW at Udupi in Karnataka and 40 MW solar plant at Bitta in Gujarat. Acquisition of 600 MW Korba plant from Avantha Group is under process. The Company intends to use the proceeds of the NCD towards refinancing of existing debt, Capex/Opex, Investment in equity (group companies), onward lending to group companies and general corporate purpose. Mr. Gautam Adani is the Chairman of APL, and also founder of Adani Group. The Board has six other Directors. As of Sep 2016, promoters hold 64.03% equity stake in the Company.

Company Financial Performance

For FY16, as per consolidated figures, APL reported total revenue of ~₹ 25433 Crs with a net profit of ~₹488 Crs. Till FY16, the Company and its subsidiaries have recognized revenues of ~₹ 7014 Crs based on the various CERC orders on compensatory tariff/additional compensatory tariff, etc. APL's customers have filed an appeal against the orders with the Appellate Tribunal for Electricity. For FY16, APL's consolidated Tangible Networth and Total Debt were ₹ 6633 Crs and ₹ 53200 Crs respectively. For Q3FY17, on a consolidated basis, APL reported net loss of ~₹ 473 Crs on total operating income of ~₹17,176 Crs.

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 (Feb 2017)	2016	2015	2014
1	NCD	Long Term	300	BWR AA-(SO)	-	-	-
2	NCD	Long Term	250	BWR AA-(SO)	-	-	-
3	NCD	Short Term	275	BWR A1+(SO)	BWR A1+(SO) (Dec 2016)	-	-
4	NCD	Long Term	350	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable) (Dec 2016)	-	-
5	NCD	Long Term	400	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable) (Dec 2016)	-	-
6	NCD	Long Term	330	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable) (Dec 2016)	-	-
7	NCD	Long Term	1200	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable) (Dec 2016)	BWR AA-(SO) (Stable) (Oct 2015)	-
8	Term Loan	Long Term	6480	BWR BBB(SO) (Outlook: Stable)	BWR BBB(SO) (Outlook: Stable) (Dec 2016)	-	-

9	NCD	Long Term	1000	-	BWR AA-(SO) (Stable) (Withdrawn) (Nov 2016)	BWR AA-(SO) (Stable) (March 2015)	-
10	NCD	Short Term	1000	-	BWR A1+(SO) (Withdrawn) (March 2016)	BWR A1+(SO) (May 2015)	-
11	NCD	Long Term	1000	-	-	BWR A+SO) (Stable) (Withdrawn) (May 2015)	BWR A+SO) (Stable) (Dec 2014)
12	NCD	Long Term	1000	-	-	BWR A+SO) (Stable) (Withdrawn) (Feb 2015)	BWR A+SO) (Stable) (Dec 2014)

Status of non-cooperation with previous CRA (if applicable): -

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Structured Obligation \(SO\) Instruments](#)

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 Investors queries can be sent to info@brickworkratings.com.

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, 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.

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