

Rating Rationale

Adani Transmission Ltd.

1 Aug 2018

Brickwork Ratings reviews and assigns ratings for the Bank Loan Facilities of Rs. 300 Crore of Adani Transmission Ltd.

Particulars

Facility	Amt Rated (Rs. Cr)		Rating Based on Current Review	Previous Rating (Jan 3, 2018)
	Previous	Present		
Bid Bond Bank Guarantees (Tenor upto 1 year)	200	300	BWR A1+ (Reaffirmation)	BWR A1+
Cash Credit (Sub-limit)	(25)	(100)	BWR AA+ (Rating Watch with Developing Implications) (Reaffirmation)	BWR AA+ (Rating Watch with Developing Implications)
Performance Bank Guarantee (Max tenor upto 3 years)		(200)		BWR AA+ (Rating Watch with Developing Implications)
Letter of Credit / Buyer's Credit (Max tenor upto 3 years)		(100)		
Total	200	300 (Rupees Three Hundred Crore Only)		

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

BWR has essentially relied on audited financials of Adani Transmission Ltd. (ATL) upto FY18, sanction terms and conditions of the facilities, publicly available information and other information and clarifications provided by the company.

Analytical Approach

The rating factors strong financial parameters (consolidated) of ATL including growth in revenue and net profits and ready access to domestic and international debt market, stable and favorable regulatory environment wherein revenues for all its transmission projects are based on cost plus tariff, which provides long term cash flow visibility and certainty and also the fact that

though ATL's record of operations is short, the company has demonstrated a transmission line availability higher than normative availability requirement.

The rating is however, constrained by the fact that ATL is basically a holding company with operations and revenues happening in the subsidiaries/SPVs, potential increase in debt level due to ongoing acquisition of Reliance Infra's transmission assets by ATL coupled by Group's aggressive strategy of going ahead with multiple projects which would affect group level debt and gearing.

Analytical Approach: BWR has analyzed consolidated financials while assigning the ratings to ATL which is the holding company of the power transmission business. It is noted that in some cases debt in the holding company are essentially for the project funding requirement of the SPVs. BWR has also taken note of the fact that rated facilities include Bank Guarantee which are issued for ongoing business requirements of ATL and its subsidiaries.

Key Risk Drivers for rating:

Financial Flexibility: The Company has demonstrated its debt raising abilities through different debt instruments such as INR denominated masala Bond, off-shore USD denominated bond as well as non-convertible NCDs of varying maturities in the past 18 months.

Tariff order for cost-plus based projects provides cashflow visibility: The tariff mechanism for cost plus based projects ensures recovery of all fixed costs and allows a 15.5% post tax return on equity (RoE). Further, demand risk is low as transmission lines are part of inter-state and intra-state grid network.

Satisfactory operating track record of transmission lines: The line availability of all the operational transmission lines has been higher (~99%) than the normative levels of (95/98%).

ATL, being a holding company does not have any operating cash-flows: Adani Transmission Ltd., on a standalone basis, is a holding company of various operating subsidiaries, apart from some trading activity. As such, cash flows in ATL are essentially dependent on the cash inflows

by the operating subsidiaries. This mainly includes interest on SPVs' borrowings from the holding company.

Expected Increase in debt level: Total consolidated debt of ATL is Rs. 10,109 Cr as on March 31, 2018 with gearing of 1.7x. This debt is expected to increase, mainly due to the funding requirement for acquisition of RInfra's Mumbai distribution assets. As such, this will negatively impact the gearing and debt protection metrics in initial years of acquisition.

Increasing overall debt levels of the Adani Group: Overall debt level of Adani Group is continuously increasing on account of new initiatives, inorganic growth, etc. Some of the debt servicing depends on refinancing options.

Rating Outlook: Stable

BWR has maintained the Outlook at "Rating watch with Developing Implications" pending few approvals for completing the transaction relating to acquisition of Mumbai generation, transmission and distribution business of Reliance Infrastructure limited (RInfra) for a total consideration of Rs. 12,101 crore. Post completion of transaction, outlook may be revised to "Stable" if the company is able to maintain the existing gearing levels by infusion of sufficient equity. It could be revised to "Negative" if the gearing of the company goes up significantly as this transaction is expected to be majorly debt funded.

About Adani Transmission Ltd.:

Adani Transmission Ltd. ("ATL"), incorporated in 2013, is the flagship company of Adani Group in the power transmission sector. It is held 74.92% by Promoter and promoter group of which ~57.28% is being held by Mr. Gautam Adani. Its shares are listed in BSE/NSE. Mr. Gautam Adani is the Chairman and Mr. Anil Sardana is the Managing Director and Chief Executive Officer.

ATL is one of the largest private sector transmission companies in India and operates in the business of establishing, commissioning, operating and maintaining electric power transmission systems. It has operational projects in the states of Gujarat, Maharashtra, Rajasthan and Haryana with more than 8600 ckm (Circuit Kilometers) of electric transmission lines with a total transformation capacity of 14000 MVA. Currently the company is developing eight new

transmission lines. The transmission networks are consistently operating at more than 99.5% availability.

Company’s Financial Performance:

Rs. Cr	Consolidated		Standalone	
	FY18	FY17	FY18	FY17
Total Income	4055	2898	1610	1608
Operating Profit	2937	2005	770	824
Net Profit	1143	416	-25	4
Total Debt	10109	8787	7478	7798
Networth	5736	2627	3853	2121
Gearing (x)	1.8	3.3	1.9	3.7
Current Ratio (x)	0.8	0.7	0.7	0.9

Consolidated revenue and net profit of ATL is mainly contributed by two main subsidiaries – Adani Transmission India Ltd. and Maharashtra Eastern Grid Power Transmission Company Ltd.

Operating revenue on standalone basis majorly includes trading revenue to avoid being classified as Non-Banking Finance Company.

More than 80% of the total consolidated and standalone debt is long term debt including term loans from banks and NCDs.

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

Sl. No.	Instrument/F acility	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.	Non Fund Based Working Capital	Short Term	300	BWR A1+	BWR A1+	-	-

2.	Fund Based – Cash Credit - Sublimit	Long Term	(100)	BWR AA+ (Rating Watch with Developing Implications)	BWR AA+ (Stable)		
3.	Non Fund Based – Performance Bank Guarantee	Long Term	(200)	BWR AA+ (Rating Watch with Developing Implications)			
4.	Letter of Credit / Buyer’s Credit	Long term	(100)	BWR AA+ (Rating Watch with Developing Implications)			
	Total		300.00				

Status of non-cooperation with previous CRA (if applicable): Reason and comments N/A

Any other information: N/A

Hyperlink/Reference to Applicable Criteria

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



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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

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