Rating Rationale

Adani Transmission Ltd.

Aug 8, 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 200 Crore Adani Transmission Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating [1]
Non-Fund Based Working capital limits	200	Short Term	BWR A1+
Fund Based Cash Credit (Sublimit)	(25)	Long Term	BWR AA+ (Stable)
Total	Rs. 200 Crores (Rupees Two Hundred Crores 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) for FY16 and FY17, 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 of ATL including revenue and net profit and ready access to domestic and international debt market as demonstrated in FY17, 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.

BWR has taken note of the fact that the rated facilities include Bank Guarantee which are issued for ongoing business requirements of ATL and its subsidiaries.

Rating Outlook: Stable

BWR believes the Adani Transmission Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. A material deterioration of the gearing levels or profitability resulting in reduced debt protection covers at the consolidated level could result in a rating downgrade.

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.

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 5450 ckm (Circuit Kilometers) of electric transmission lines with a total transformation capacity of 12,630 MVA.

The transmission networks are consistently operating at more than 99.5% availability. Company is currently developing 8 new transmission lines; post completion, ATL's transmission network will increase to ~7819 ckms.

Company's Financial Performance

As per FY17 audited financials, at a consolidated level, ATL earned net profit of Rs. 416.43 Cr (P.Y Rs. 367.94 Cr.) on revenue of Rs. 2901.55 Cr (P.Y Rs. 2267.37 Cr). The company had a tangible networth of Rs. 2625.91 Cr (P.Y Rs. 2357 Cr) with debt to equity ratio of 3.42x (Rs. 3.64x).

At a Standalone level, , ATL earned net profit of Rs. 3.85 Cr (P.Y net loss Rs. 56.54 Cr.) on revenue of Rs. 1608.30 Cr (P.Y Rs. 421.38 Cr). The company had a networth of Rs. 2120.99 Cr (P.Y Rs. 2248.86 Cr) with debt to equity ratio of 3.58x (Rs. 2.34x). The company has assumed debt in its books for the revenue earning assets of its subsidiaries/SPVs.

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.	**Non Fund Based Working Capital**	**Short Term**	**200**	**BWR A1+**	-	-	-

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, 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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