



RATING RATIONALE

2 July 2020

Adani Power Maharashtra Ltd

Brickwork Ratings reaffirms rating for the Bank Loan Facilities aggregating ₹ 15517 Crores of Adani Power Maharashtra Ltd

Particulars

| Facility** | Amount (Rs. Crs) | | Tenure | Rating* | |
|----------------|------------------|--------------|--|----------------------------------|--|
| | Previous | Present | | Previous (March 2019) | Present |
| Fund Based | 14320 | 14273 | Long Term | BWR A Outlook: Stable | BWR A Outlook: Stable <i>Reaffirmation</i> |
| Non-Fund Based | 1197 | 1244 | Long Term/Short Term | BWR A (Outlook: Stable)/ BWR A2+ | BWR A (Outlook: Stable)/ BWR A2+ <i>Reaffirmation</i> |
| Total | 15517 | 15517 | INR Fifteen Thousand Five Hundred and Seventeen Crores Only | | |

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

** Details of bank facilities are provided in Annexure-I

Rating Action / Outlook

Brickwork Ratings (BWR) has reaffirmed the ratings of BWR A (Stable)/A2+ assigned to the bank loan facilities of Adani Power Maharashtra Ltd (APML or the company).

The reaffirmation factors in the strong parentage of APML and demonstrated support of promoters by way of the infusion of unsecured loans, availability of domestic coal for nearly the entire fuel requirement through FSA/linkages and inter-plant transfer (IPT) from Adani Power (Mundra) Ltd (APMuL), offtake agreements for the entire power generation capacity (net of auxiliary consumption) involving a two-part tariff structure, along with a moderate counterparty risk, improved operational performance during Q1FY21 in spite of the lockdown and the realisation of a substantial amount of dues with respect to compensatory tariff (CT) on account of shortfall in domestic coal availability for 2500 MW capacity.



The rating, however, is constrained on account of the lack of clarity as to when and in how many tranches the accumulated CT receivables will be cleared by the MSEDCL (Maharashtra State Electricity Distribution Company Ltd), delay in resolving the CT dispute for the remaining 800 MW capacity, high gearing with considerable repayment obligations over the medium term and strained working capital position of the company.

The outlook has been kept as Stable as the company's performance is expected to remain immune to the disruptions in power demand caused on account of the Covid-19 pandemic as the plant enjoys a higher merit order position leading to consistent offtake.

Key Rating Drivers

Credit Strengths:

Strong Promoters and their Demonstrated Support: The company is a wholly owned subsidiary of Adani Power Ltd (APL), Adani Group's flagship company in the thermal power generation segment. The promoters have a long track record in the power sector and have been supporting the company by way of infusing necessary funds. APL is one of the largest independent power producers (IPP) in the country with a portfolio of 14 GW generation capacity (including 1.6 GW of under construction capacity). The promoters have been providing financial support to the company in the past. However, with the plant now becoming self-sustainable, it is no longer reliant on the funding from promoters. Nonetheless, need-based support from the group, in case of any eventuality in the future, has been factored in while arriving at the ratings.

Fuel Supply Arrangements (FSA) in Place: The company requires a minimum fuel supply of 13.50 MTPA to operate the plant at a normative level (availability factor of 85%). The company received FSA from SECL for 4.91 MTPA, which was insufficient to meet the requirement; thus, the company entered an agreement with APMuL for the inter-party transfer of 6.40 MTPA coal from the linkages received by APMuL from mines located near the plant of APML. The same was also approved by Coal India Ltd. While, the pricing of this coal was done at the next best available source of coal to APML, which was e-auctioned/imported coal, both the parties agreed that APML would pay only the price charged by CIL until the compensatory tariff dues of APML are not cleared by the MSEDCL. The balance requirement, however, continued to be met from e-auction/imported coal. Subsequently, the company received linkages for 5.85 MTPA under SHAKTI during August 2017, and supply commenced from April 2018, resulting in lower reliance on e-auctioned/imported coal. It also helped in lowering the average cost per tonne of coal, thereby improving the profitability of the company.

Off-take Agreements for Entire Capacity (Net of Auxiliary Consumption): APML has entered power purchase agreements for 3085 MW (net of auxiliary consumption) with the MSEDCL at a two-part tariff structure - fixed charge + variable charge. The company will be able to recover the fixed charge if the plant is operated at the normative availability factor. The MSEDCL has also opened a monthly revolving letter of credit with APML as a payment security mechanism in compliance with the regulatory requirement. Furthermore, with respect to PPAs entered for 60% of the company's capacity, it is eligible to receive escalation in tariff on account of changes in energy charges and the



inland transportation cost linked to the CERC index. Additionally, the PPAs have a validity for another 20 years, lending adequate revenue visibility over the long term.

Improve Operational Performance: Post receiving coal linkages under SHAKTI, the company's operational performance has reported considerable improvement. The plant availability factor (PAF) increased from 66% in FY18 to 83% in FY19 and further to 87% in FY20. Accordingly, the plant load factor (PLF) increased from 61% in FY18 to 75% in FY19 and further to 80% in FY20. The plant enjoys a favourable merit order position, due to which its offtake has not been impacted during the lockdown period as well. During April and May 2020, the company's average PLF stood at 84.50%, even higher than that achieved in FY20. Accordingly, no adverse impact on the company's operational, as well as financial performance is expected on account of Covid-19-led demand disruptions in the power sector.

Realisation of Substantial Amount Towards Compensatory Tariff Dues: The company has received a favourable order from the MERC for 2500 MW, allowing it compensatory tariff with respect to the shortage of domestic coal. APML has, until FY20, claimed an amount of Rs. 5465 Crs, against which it has received a total of Rs. 3459 Crs (forming 63%) during FY19 and FY20. The company is confident of recovering the balance amount also over the next few years.

Credit Risks:

Delay in Resolving the Dispute Related to Lohara Coal Block: For the balance 800 MW capacity of the plant, the company was allotted a captive coal mine (Lohara Coal Block), which was subsequently deallocated on account of the lack of environmental clearances. The company had appealed for the allowance of CT on account of a shortage of domestic coal for the said capacity. The MERC in September 2019 gave a favourable order to the company, allowing compensatory tariff; however, the same has been challenged by the MSEDCL, and the matter is pending for hearing at the APTEL level. APML expects the resolution of the said dispute during FY21 itself. Even if the company is able to get a favourable order from APTEL, the total CT dues (past and present) in this case are expected to be significant and would take a number of years to be eventually cleared-off by MSEDCL.

Analytical Approach and Applicable Rating Criteria

For arriving at the rating, BWR has considered the terms of PPAs, project parameters, audited financials until FY20 and financial projections of the company. The expectation of timely and need-based support from the promoters is also factored in while arriving at the rating.

The methodology applied by BWR is highlighted and mentioned at the end.

Rating Sensitivities

Positive: The resolution of the dispute pertaining to Lohara Coal Block and realisation of a major chunk of CT dues, resulting in an improved liquidity position for the company

Negative: A deterioration in the PLF, impacting revenue, as well as profitability, and deterioration in the payment cycle for regular power dues from the MSEDCL

Liquidity Position: Adequate

APML reported cash and cash equivalents of ~ Rs. 120.67 Crs as on June 22, 2020 (FD - Rs. 118.47 Crs and Current A/C Balance - Rs. 2.20 Crs). The company’s cash accruals for the past two years have remained at around Rs. 1000 Crs and are expected at Rs. 1100 Crs for FY21 (excluding any income pertaining to CT for Lohara Coal Block). In addition, the company has also been realising payments towards past CT dues. During FY20, APML received Rs.1680 Crs from MSEDCL pertaining to CT dues (past and present) as against only Rs.417 Crs recognised as part of revenue during the year, resulting in the availability of additional cash of more than Rs. 1000 Crs available for debt servicing and working capital for FY20. BWR expects a similar amount of CT dues to be recovered in the current year as well.

Additionally, the company also has sanctioned working capital limits amounting to Rs.2670 Crs, of which Rs. 264.40 Crs remain unutilised as on 22 June 2020. APML has also availed covid emergency line of credit amounting to Rs. 168 Crs (Rs. 20 Crs in the process of sanction) to meet working capital requirements.

Company Profile

Incorporated in April 2007, Adani Power Maharashtra Limited (APML) was floated as a wholly owned subsidiary of Adani Power Limited to implement a 3300 MW supercritical, domestic coal-based thermal power generation plant at Tiroda in Maharashtra. The project was implemented in three phases – Phase I (2 x 660 MW), Phase II (1 x 660 MW) and Phase III (2 x 660 MW). These units became operational between September 2012 and October 2014. APML has entered long-term power purchase agreements with the MSEDCL for 3085 MW capacity (net of auxiliary consumption), out of which the PPA for 440 MW became operational mid-February 2017 onwards.

Key Financial Indicators

| Particulars | Units | FY19 (A) | FY20 (A) |
|-------------------------|---------|----------|----------|
| Revenue from Operations | Rs. Crs | 8849.46 | 8314.92 |
| EBITDA | Rs. Crs | 1519.90 | 2087.75 |
| PAT | Rs. Crs | 192.67 | 35.19 |
| Tangible Net Worth | Rs. Crs | 3933.42 | 3967.50 |
| Total Borrowings | Rs. Crs | 14919.91 | 13623.04 |
| Total Debt/TNW | Times | 3.79 | 3.43 |

Note: All financials have been reclassified as per BWR standards.

Non-cooperation With Previous Rating Agency If Any: NA

Rating history for the past three years

| Facility | Current Rating (2020) | | | Rating History | | |
|-----------------------|-----------------------|----------------|--|--------------------------|--------------------------|--------------------------|
| | Tenure | Amount (₹ Crs) | Rating | 2019 | 2018 | 2017 |
| Fund Based | | | | | | |
| Rupee Term Loan | Long Term | 7748 | BWR A/Stable | BWR A/Stable | BWR A/Stable | BWR A/Stable |
| ECB | | 2298 | | | | |
| Cash Credit | | 4059 | | | | |
| CELC | | 168 | | NA | NA | NA |
| Non-Fund Based | | | | | | |
| BG/LC | Long/Short Term | 1244 | BWR A/Stable/ BWR A2+ | BWR A/Stable/ BWR A2+ | BWR A/Stable/ BWR A2+ | BWR A/Stable/ BWR A2+ |
| Total | | 15517 | INR Fifteen Thousand Five Hundred and Seventeen Crores Only | | | |

Complexity Levels Of The Instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference To Applicable Criteria

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

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Adani Power Maharashtra Ltd

Annexure I - Details of Bank Facilities Rated

| Bank wise Details (Consortium) - Rs. Crs | | | | |
|---|-------------|-------------|-------------|--------------|
| Bank/FI | CC | NFB | RTL | Total |
| Allahabad Bank | 80 | - | 257 | 337 |
| Andhra Bank | 101 | - | 299 | 400 |
| BOB | 200 | - | 171 | 371 |
| Canara Bank | 90 | - | 428 | 518 |
| ICICI Bank | 300 | - | - | 300 |
| IDBI Bank | 60 | - | 530 | 590 |
| IOB | 100 | - | 101 | 201 |
| J&K Bank | 50 | - | 86 | 136 |
| Lakshmi Vilas Bank | 50 | - | - | 50 |
| OBC | 50 | - | 321 | 371 |
| SBI | 1053 | 150 | 2463 | 3666 |
| Syndicate Bank | 236 | 150 | 221 | 607 |
| TMB | 50 | - | 86 | 136 |
| UCO Bank | 100 | - | 286 | 386 |
| Corporation Bank | - | 265 | 307 | 572 |
| PNB | - | - | 342 | 342 |
| Union Bank of India | 150 | 80 | 76 | 306 |
| Yes Bank | - | 599 | - | 599 |
| Central Bank of India | - | - | 83 | 83 |
| IIFCL | - | - | 1197 | 1197 |
| LIC | - | - | 337 | 337 |
| PSB | - | - | 128 | 128 |
| Proposed | 1389 | - | - | 1389 |
| Total | 4059 | 1244 | 7748 | 13051 |

| Details of ECB - Rs. Crs | |
|---------------------------------|-------------|
| CDB | 821 |
| ICBC | 427 |
| SCB | 328 |
| China EXIM | 366 |
| IIFCL UK | 356 |
| Total | 2298 |

| Details of New CELC - Rs. Crs | |
|--------------------------------------|---------------|
| Allahabad Bank | 8.00 |
| UCO Bank | 10.00 |
| Union Bank | 25.00 |
| SBI | 105.00 |
| Proposed (BOB) | 20.00 |
| Total | 168.00 |



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