RATING RATIONALE

12 April 2022

Adani Power (Mundra) Ltd

Brickwork Ratings reaffirms ratings and places the ratings under watch with developing implications for the Bank Loan Facilities aggregating Rs. 13000 Crores of Adani Power (Mundra) Ltd

Particulars

Facility**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan 2021)	Present
Fund Based -Term Loan	10265.21	**8850.00**	Long Term	BWR BBB-/Stable	**BWR BBB- (Credit watch with developing implications) Reaffirmation**
FB/NFB- WC	4986.79	**4150.00**	Long/Short Term	BWR BBB-/Stable/A3	**BWR BBB-/A3 (Credit watch with developing implications) Reaffirmation**
Total	15252.00	**13000.00**	**Rupees Thirteen Thousand Crore Only**		

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

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

@ The working capital limits have full interchangeability between fund and non-fund based

Rating Action / Outlook

Brickwork Ratings (BWR) has reaffirmed the ratings assigned to the bank loan facilities of Adani Power (Mundra) Ltd (APMuL or the company) at BWR BBB- (Stable)/A3.

The ratings continues to draw strength from the company's strong parentage, with Adani Power Ltd being the holding company, as well as APMuL being a part of the larger Adani Group, both of which have been consistently supporting the company by way of infusion of quasi equity, as well as unsecured loans, along with the group's demonstrated track record in the power segment and established operational track record of the Mundra power plant since the last unit's COD in May 2012.

The rating, however, continues to remain constrained on account of some untied capacity, which the company is currently selling in the merchant market, exposing it to volatility in demand and prices and continuing net losses in the company.

The ratings have been placed under credit watch with developing implications in the view of the recent announcement made by its parent company i.e. Adani Power Limited regarding the approval of amalgamation scheme of various wholly owned operational subsidiaries with APL by its Board of Directors. The amalgamation is expected to translate into synergistic benefits in the form of enhanced operational, organisational and financial efficiencies. BWR will keep a track of developments in this regard and shall review the rating when greater clarity in respect of the same emerges.

Key Rating Drivers

Credit Strengths-:

Strong Promoters and 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. APL has thermal power plants located in various states, catering to different discoms. The promoters also have a long track record of having supported the company by way of equity infusion including unsecured perpetual securities and unsecured loans. The availability of timely and need-based support from the group has been taken into account while arriving at the rating, and the same is also a key sensitivity.

Pass-through for Imported Coal Cost with GUVNL: In its Energy Watchdog judgement, the Supreme Court made it clear that any movement in imported coal prices is neither an Indian change in the law nor a force majeure event. However, to improve the viability of such power plants, the Gujarat government formed a High Powered Committee, which among others, recommended allowance of imported fuel cost pass-through, with lower capacity charges to be borne by the generators. These recommendations of the committee were accepted by the Government of Gujarat, and accordingly, the PPAs were amended in October 2018. The company received approval for the amendments from the CERC in April 2019, under which the tied-up capacity was increased from 1000 MW to 1200 MW for the Bid-1 PPA (and from 1000 MW to 1234 MW under the Bid-2 PPA) by tying up previously united capacities, and the full imported fuel cost pass-through was allowed, effective October 2018. The terms of the Settlement Deed will be incorporated in fresh amendments of Bid-1 PPA and Bid-2 PPA, which will allow APMuL to get a full pass through of imported coal prices in line with CERC's coal index. Apart from this, the Bid-2 PPA will also be revived. Revised terms of both PPAs will be implemented with retrospective effect from 15th Oct 2018 after approval by the Govt. of Gujarat and CERC. As a result tied up capacity will increase and bring in further revenue visibility.

Creation of DSRA and Reduction of Interest Cost: The company has created the required DSRA for the bank loan facilities. In addition, the company has got an interest rate reduction from all the banks (from an average of 10.50% earlier to 9% currently), leading to substantially reduced financial cost. This will also improve the company's debt servicing ability, going forward.

Credit Risks-:

Untied Capacities: The company has offtake agreements for 64% of the total capacity and the balance is being used to sell power in the merchant market where the tariffs remain volatile. After the settlement with GUVNL, the tied up capacity will increase by 1320 MW bringing in additional revenue visibility.

Continued Net Losses causing Deterioration in Networth: APMuL continues to report net losses in its financial statements due to high depreciation and financial costs. While the company's operating profitability has also remained volatile on account of fluctuations associated with the merchant market tariffs, it largely remained above the financial cost associated with the company's external debt. However, at the net level, the company continues to report substantial losses, leading to the erosion of the networth. APMuL reported accumulated losses amounting to Rs. 2137.27 Crs as on 31 March 2021.

Analytical Approach and Applicable Rating Criteria
For arriving at the rating, BWR has considered the terms of PPAs, project parameters, audited financials till FY21 and financial projections of the company. The expectation of timely and need-based support from the promoters has also been factored in while arriving at the rating.

The methodology applied by BWR is highlighted in the end.

Rating Sensitivities

Positive: The signing of long-term PPAs for the untied-up capacities, sustained improvement in PLF and timely receipt of the pending compensatory tariff dues from Haryana discoms
Negative: Deterioration in the financial support from the promoters leading to any shortfall in the cash flows to meet key obligations

Liquidity Position: Adequate

The company has created a DSRA equivalent to one quarter of principal and interest payments as an additional security to the lenders. Additionally, the promoters have been supporting the company since inception and have assured the lenders that they will continue to support the company until its financial profile strengthens. During FY21, promoters have brought in additional loans amounting to more than Rs. 1800 Crs.

Company Profile
Adani Power (Mundra) Limited (APMuL), incorporated on 16 February 2015, is a 100% subsidiary of Adani Power Limited, the flagship company of Adani Group in the power generation segment. The Mundra project, which was initially developed by Adani Power Ltd, was hived-off into APMuL in 2017. The project constitutes a coal-based 4620 MW Supercritical Thermal Power Project at Mundra Taluka, Kutch District, in Gujarat in four phases, viz, Phase I (2X330 MW, sub-critical), Phase II (2X330 MW, sub-critical), Phase III (2X660 MW, super-critical) and Phase IV (3X660 MW, super-critical). All the four phases are operational, with the last unit achieving a COD in May 2012.

The company has a long-term PPA with GUVNL for 1200 MW, for 1424 MW with Haryana Discoms from Phase IV and for 40 MW with MUPL. The remaining capacity is used to sell power in the merchant market.

Key Financial Indicators

Particulars	Units	FY20 (A)	FY21 (A)
Revenue from Operations	Rs. Crs	13011.99	9597.66
EBITDA	Rs. Crs	1837.23	660.91
PAT	Rs. Crs	-1427.10	-2137.27
Total Debt/TNW (Adjusted)	Times	3.52	2.31

Note: Adjusted ratios have been calculated after taking unsecured loans from promoters as quasi equity. All financials have been reclassified as per BWR standards.
For 9MFY22, the company has recorded revenues of Rs. 6494 Crs and net losses of Rs. 432 Crs.

Non-cooperation With Previous Rating Agency If Any: NA

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

Facility	Current Rating (April 2022)				Rating History	
	Tenure	Amount (₹ Crs)	Rating	2021	2020	Dec 2019
Term Loans	Long Term	8850.00	BWR BBB- (Credit watch with developing implications)	BWR BBB-/Stable	Not Reviewed	BWR BBB-/Stable
WC Limits	Long/Short Term	4150.00	BWR BBB-/A3 (Credit watch with developing implications)	BWR BBB-/Stable /A3		BWR BBB-/Stable /A3
Total		**13000**	**INR Thirteen Thousand Crores Only**			

Complexity Levels Of The Instruments: Simple

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

Hyperlink/Reference To Applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**
- **Power Generation Projects**

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Adani Power (Mundra) Ltd
Annexure I - Details of Bank Facilities Rated (Rs. Crs)

Sr. No.	Name of Bank	Sanction Amt.	Amt. O/S as on Dec 31, 2021
Phase – IV - RTL			
1	State Bank of India	2,018.00	1,327.45
2	Canara Bank	750.00	471.17
3	Uco Bank	700.00	434.22
4	LIC	500.00	291.65
5	Punjab National Bank	450.00	278.80
6	IDBI Bank	40.28	31.56
7	Bank of India	410.00	274.13
8	ICICI Bank	300.00	213.92
9	Allahabad Bank	300.00	180.71
10	Union Bank of India	275.00	179.30
11	Bank of Maharashtra	200.00	124.04
12	United Bank of India	200.00	121.92
13	Punjab & Sind Bank	200.00	124.14
14	Jammu & Kashmir Bank	200.00	123.21
15	Corporation Bank	100.00	60.50
16	IIFCL	1,050.00	822.20
Total		**7,693.28**	**5,058.93**

Sr. No.	Name of Bank	Sanction Amt.	Amt. O/S as on Dec 31, 2021
Phase- I to III – Corporate loan			
1	State Bank of India	1,000.00	428.72
2	Axis Bank	743.44	459.31
3	Union Bank of Inida	500.00	362.36
4	Canara Bank	500.00	367.71
5	IDBI Bank	306.56	226.92
	Total	**3,050.00**	**1,845.01**

Sr. No.	Name of Bank	Sanction Amt. (USD Million)	Outstanding Amt. as on Dec 31, 2021 (USD Mn)	Amt. to be rated # (Rs. Crore)
Phase- I & II - FCTL				
1	Axis Bank	150.00	3.75	27.85
2	ICICI Bank	115.00	35.47	263.64
3	Bank of Baroda	75.00	16.16	120.12
4	Union Bank of India	25.00	5.39	40.04
	Total	**365.00**	**60.76**	**451.66**
Phase- III				
5	Deutsche Bank consortium	500.00	65.28	485.25
	Total	**500.00**	**65.28**	**485.25**

Sr. No.	Name of Bank	CC / LC / BG / SLC *
1	IDBI Bank Limited	850.00
2	State Bank of India	1,010.00
3	IDBI Bank Limited	300.00
4	State Bank of India	750.00
5	Allahabad Bank	115.00
6	UCO Bank	145.00
7	Canara Bank	103.00
8	Bank of India	95.00
9	Union Bank of India	110.00
10	United Bank of India	100.00
11	Proposed	572.00
	Total	**4,150.00**

*CC: Cash Credit, LC: Letter of Credit, BG: Bank Guarantee, SLC: Standby Line of Credit

Proposed Limits	Amount (Rs. Crs)
Proposed	1009.15

<u>TOTAL FACILITIES RATED :</u> Rs. 13,000.00 Crore

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