



RATING RATIONALE

21 April 2022

Adani Transmission Ltd

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities aggregating Rs. 400 Crores of Adani Transmission Ltd

Particulars

Facility**	Previous Amount (Rs. Crs)	Present Amount (Rs Crs)	Tenure	Previous Rating (Mar 2021)	Present Rating*
Fund based	100.00	20.00	Long Term	BWR AA+/Stable	BWR AA+/Stable Reaffirmation
Non-Fund Based	400.00	380.00	Long/Short Term	BWR AA+/Stable/A1+	BWR AA+/Stable/A1+ Reaffirmation
	(100.00)	(20.00)^	Short Term	BWR A1+	BWR A1+ Reaffirmation
Total	400.00	400.00	Rupees Four Hundred 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

^Sub-limit of fund-based.

Rating Action / Outlook

Brickwork Ratings (BWR) has reaffirmed the ratings assigned to the bank loan facilities of Adani Transmission Ltd (ATL or the company) on account of the company's consistent operational and financial performance at a consolidated level.

The ratings continue to draw strength from the company's strategic importance to Adani Group, being the flagship company of the group in the power transmission and distribution business, besides the successful operational track record of multiple transmission assets, adequate cash flows in the distribution business to meet its own debt obligations, favourable tariff structure in all transmission projects lending healthy revenue visibility and an availability-based tariff mechanism, limited counterparty risk with Power Grid Corporation of India Ltd (PGCIL) being the counterparty (via central pooling mechanism) in 50% of the projects and an LC-based payment security mechanism for the remaining projects with state entities as counterparties and the high financial flexibility of the company evident from its ability to raise low-cost debt, as well as successfully refinance a substantial portion of its debt in the past.

The ratings, however, continue to remain constrained on account of the sizable under-construction portfolio exposing the company to execution-related risks and continuous expansion by the company leading to increased debt requirement.

The outlook has been maintained as Stable as the company is expected to continue generating sufficient cash flows to meet its liabilities on time, along with reporting steady growth in its financial performance.

Key Rating Drivers

Credit Strengths:-

Strategic Importance to Group: Adani Transmission Ltd is the flagship company of Adani Group in the power transmission and distribution business. Power transmission is a critical business segment for the group, seeing considerable growth and expansion over the last 2-3 years. Additionally, with the impending privatisation of discoms in union territories (UTs), the company sees a considerable opportunity in the distribution business as well. Thus, the company continues to remain strategically important to the group as a whole.

Strong Portfolio of Assets: The company presently has 18 operational projects with a successful operational track record of 2-3 years with average availability being maintained at above 99% for all the assets. These projects have long-term transmission service agreements for more than 30 years with an availability-based revenue stream. In addition, the company has a Mumbai HVDC project, which is expected to get commissioned by FY25. Furthermore, the Mumbai GTD business housed under Adani Electricity Mumbai Ltd (AEML) has an operational track record of 93 years with a consumer base of 3.06 million. AEML is a regulated asset and has a factor of Return on Equity built in its tariff as per the guidelines of Maharashtra Electricity Regulatory Commission (MERC)

Favourable Tariff Structure: The tariff structure in all the transmission assets is either on a tariff-based competitive bidding (TBCB) or cost plus basis. While, in the TBCB structure, the tariff is based on the bid amount and is fixed in nature for the period of concession, the cost plus structure provides a fixed return on equity to the company in addition to the recovery of the cost incurred. As the transmission agreements are long-term in nature, it provides long-term revenue visibility. Additionally, these projects come with a built-in 'take or pay' mechanism protecting the company from the risk of usage-based volatile returns.

Limited Counterparty Risk: 50% of the transmission assets of ATL come under the central pool mechanism for the collection and payment of transmission charges, with PGCIL as the pooling agency. Under the mechanism, PGCIL collects the transmission charges from all the discoms in the pool and distributes the funds proportionately to all transmission licensees. The risk of non-payment or short payment is shared among all the transmission licensees leading to the diversification of risk. For all the other intrastate projects also, the company has been able to collect the receivables on a timely basis due to the operationally important nature of these transmission assets. Additionally, these agreements include an LC backed payment security mechanism to ensure timely payments to the SPVs. The share of intrastate assets in the total asset mix is expected to increase over the medium term, and BWR will continue to monitor its impact on the company's receivables cycle.

High Financial Flexibility: The company has high financial flexibility, as is evident from its ability to raise debt by way of multiple instruments such as Rupee Term Loans, USD Bonds, Commercial Papers and US Private Placement Issue. The company has refinanced a significant portion of its INR debt with longer tenured foreign currency instruments in the past, and similar activities are expected to be undertaken in the future as well to bring down the financial cost and have a longer maturity period.

Credit Risks:-

Sizable Under Construction Portfolio: ATL at present has few under-implementation projects (including Mumbai HVDC) involving an asset base of ~ Rs. 15000 Crs. All these projects are at various stages of execution. While in some of these projects financial closure has happened and required approvals are in place, others are yet to achieve the same, exposing the company to execution-related risks. However, ATL has demonstrated a track record in implementing transmission projects in a time-bound manner, mitigating the risk to some extent. In addition, the company has committed equity in all these projects, and they will require ATL's support till the operations are commissioned.

High Debt: The debt in the company has steadily increased with the continuous expansion. Debt at the consolidated level increased from Rs. 10428.34 Crs as on 31 March 2018 to Rs. 26960.98 Crs as on 31 March 2021, leading to a higher gearing of 3.21x as on 31 March 2021 as compared to 1.82x as on 31 March 2018. While all the operational SPVs and AEML are self-sustainable and are able to take care of their own debt servicing without any support from ATL, support may be required by the under implementation assets (some of which have witnessed a delay in completion during the lockdown period).

Analytical Approach And Applicable Rating Criteria

To arrive at the rating, BWR has considered the consolidated financials of the company till FY21, provisional financials for 9MFY22 and consolidated financial projections. The list of entities consolidated for the purpose of analysis is given in the annexure-II.

The methodology applied by BWR while arriving at the rating is given in the criteria mentioned below.

Rating Sensitivities

Positive: The completion of ongoing projects in a timely manner and within stipulated costs, improvement in revenues and profitability at the consolidated level

Negative: Deterioration in the receivables cycle, any adverse regulatory changes impacting the company's returns indicators and deterioration in the capital structure with the substantial increase in gearing.

Liquidity Position: Adequate

ATL, on a consolidated basis, has net repayment obligations of around Rs.574 Crs in FY23 and against this, the company projects to earn net cash accruals of around Rs.3000 Crs. In the past 3 years, the company has recorded net cash accruals of above Rs. 2000 Crs and the same is expected to continue over the coming years as well indicating availability of adequate cash to meet debt obligations. AEML (Adani Electricity Mumbai Ltd) is also self sustainable with no requirement of support. The company also maintains a healthy balance of cash & cash equivalents of more than Rs. 1200 Crs at all times.

Company Profile

Adani Transmission Ltd (ATL), incorporated in 2015, is the flagship company of Adani Group in the power transmission and distribution sectors. ATL is a holding company created to house the power transmission and distribution business of Adani Group. Through its SPVs and subsidiaries, ATL owns, operates and maintains 18,875 Ckt kms (14,279 ckm is operational and 4,596 ckm is at various stages of construction) of transmission lines ranging from 220 KV to 765 KV. During 2018, the company also ventured into the power distribution business by acquiring Mumbai's generation, transmission and distribution business, which is

housed under Adani Electricity Mumbai Ltd.

Key Financial Indicators: Consolidated

Key Parameters	Unit	FY20 (A)	FY21 (A)
TNW	Rs. Crs	7970.85	8405.26
D:E	Times	3.04	3.21
Operating Income	Rs. Crs	11416.10	9937.49
EBITDA	Rs. Crs	4503.88	3691.52
PAT	Rs. Crs	706.49	1289.57

Note: All figures and ratios have been adjusted as per BWR standards.

For 9MFY22, the company has recorded revenues of Rs. 8282.79 Crs and PAT of Rs. 998.75 Crs.

Non-cooperation With Previous Rating Agency If Any: NA

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

Facility	Current Rating			Rating History					
Fund Based	Tenure	Amount (Rs. Crs)	Rating	2021	2020	2019	2018	2017	
Cash Credit	Long Term	20	BWR AA+/Stable	BWR AA+/Stable	NA	BWR AA+/Stable (Dec 2019) BWR AA+/Stable (Jan 2019)	BWR AA+/Rating Watch (Aug 2018) BWR AA+/Stable (Jan 2018)	BWR AA+/Stable	
NFB									
LC (Sublimit of CC)	Short Term	(20)^	BWR A1+	BWR A1+		BWR A1+ (Dec 2019) BWR A1+ (Jan 2019)	BWR A1+ (Aug 2018) BWR A1+ (Jan 2018)	BWR A1+	
BG	Long/Short Term	380	BWR AA+/Stable/A1+	BWR AA+/Stable/A1+		BWR AA+/Stable/A1+ (Dec 2019) BWR AA+/Stable/A1+ (Jan 2019)	BWR AA+/Rating Watch/A1+ (Aug 2018) BWR AA+/Stable/A1+ (Jan 2018)	BWR AA+/Stable/A1+	
Total		400[#]		INR Four Hundred Crores Only					

[#]Sub-limit of fund based.

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](#)
- [Power Transmission Projects](#)

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Adani Transmission Ltd
Annexure I - Details of Bank Facilities Rated

Lender	Facility	Amount
IndusInd Bank	Cash Credit/WCDL	20
	LC (sublimit of CC/WCDL)	(20)^
	Bank Guarantee	380
	Total	400 [#]

[#]Sub-limit of fund based.

Annexure II - List of Entities Consolidated

Name of Company	Relationship	Shareholding as on March 31, 2020
Adani Transmission (India) Ltd	Subsidiary	100%
Maharashtra Eastern Grid Power Transmission Co. Ltd	Subsidiary	100%
Sipat Transmission Ltd	Subsidiary	100%
Raipur-Rajnandgaon-Warora Transmission Ltd	Subsidiary	100%
Chhattisgarh-WR Transmission Ltd	Subsidiary	100%
Adani Transmission (Rajasthan) Ltd	Subsidiary	100%
North Karanpura Transco Ltd	Subsidiary	100%
Maru Transmission Service Company Ltd	Subsidiary	100%
Aravali Transmission Service Company Ltd	Subsidiary	100%
Hadoti Power Transmission Service Ltd	Subsidiary	100%
Barmer Power Transmission Service Ltd	Subsidiary	100%
Thar Power Transmission Service Ltd	Subsidiary	100%
Western Transco Power Ltd	Subsidiary	100%
Western Transmission (Gujarat) Ltd	Subsidiary	100%

Fatehgarh-Bhadla Transmission Ltd	Subsidiary	100%
Ghatampur Transmission Ltd	Subsidiary	100%
Adani Electricity Mumbai Ltd	Subsidiary	74.90%
AEML Infrastructure Ltd	Subsidiary	100%
Obra-C Badaun Transmission Ltd	Subsidiary	100%
Adani Transmission Bikaner Sikar Pvt Ltd (formerly known as KEC Bikaner Sikar Transmission Pvt Ltd)	Subsidiary	100%
WRSS XXI (A) Transco Ltd (WRSS XXI (A))	Subsidiary	100%
Bikaner Khetri Transco Ltd	Subsidiary	100%
Lakadia Banaskantha Transco Ltd	Subsidiary	100%
Jamkhambaliya Transco Ltd	Subsidiary	100%
Arasan Infra Pvt Ltd	Subsidiary	100%
Sunrays Infra Space Pvt Ltd	Subsidiary	100%
Power Distribution Services Ltd	Subsidiary	74.90%
Adani Electricity Mumbai Infra Ltd	Subsidiary	74.90%
MPSEZ Utilities Ltd	Subsidiary	100%

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