

Rating Rationale

Adani Transmission (Rajasthan) Ltd.

17 Oct 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 140 Crore of Adani Transmission (Rajasthan) Ltd.

Particulars

Facility*	Previous Limits (Rs. Cr)	Current Limits (Rs. Cr)	Tenure	Previous Rating (June 2017)	Rating based on current review (Reaffirmation)	
Fund Based						
Term Loan	120	120	Long Term	BWR A- (Pronounced as BWR A minus) Outlook - Stable	BWR A- (Pronounced as BWR A minus) Outlook - Stable	
Non-Fund Based Limits						
Letter of Credit**	(108)	(108)		BWR AA- (SO) (Pronounced as BWR Double A Minus (Structure Obligation) Outlook - Stable	BWR AA- (SO) (Pronounced as BWR Double A Minus (Structure Obligation) Outlook - Stable	
LER (Loan Equivalent Risk)	10	10		BWR A- (Pronounced as BWR A minus) Outlook - Stable	BWR A- (Pronounced as BWR A minus) Outlook - Stable	
Bank Guarantee	10	10				
Total	140	*Rs.140.00 Crs (One Hundred and Forty 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 (Rajasthan) Ltd. (ATRL) upto FY18, projections, sanction terms and conditions of the facilities, publicly available information and other information and clarifications provided by the company.

The reaffirmation of rating factors timely implementation of the project as per schedule, strength of Adani Group and ATRL being a wholly owned subsidiary of Adani Transmission Ltd., experience of ATL in transmission business, and expected steady cash flows post COD with



pre-decided tariff structure as per the transmission agreement with Rajasthan Rajya Vidyut Prasaran Nigam Ltd. (RRVPNL).

The rating is however, constrained by requirement to keep the transmission line availability of 98% as per Transmission Service Agreement with RRVPNL, counter party risk of RRVPNL and high debt level of the group. Timely receipt of payment towards transmission charges from RRVPNL post achievement of COD is a key rating sensitivity.

Analytical Approach: ATRL is rated on a stand-alone basis; however, BWR has factored Group's experience in Power business in general, and Transmission business in particular. For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Risk Drivers for rating:

Timely Implementation of the project: The execution of the project is as per the schedule. Final COD certificate from RRVPN is expected to be received before the end of CY18.

Group Support – ATRL is a wholly owned subsidiary of Adani Transmission Ltd. (ATL – BWR AA+ (Credit Watch with Developing Implications)). 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. Group's demonstrated track record will enable ATRL to keep the line availability of 98% post achievement of COD.

Cash flow visibility with Transmission Service Agreement with RRVPN: Transmission business has low risk due to CEA's regulatory framework supporting such infrastructure and assured payment. For this transmission line, ATRL has signed transmission Service Agreement (TSA) with RRVPN (BWR BBB (Stable) /A3+) for payment of transmission charges. Escrow account in favor of ATRL is maintained by RVPN with SBI, for remittance of monthly transmission charges.

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 believes the Adani Transmission (Rajasthan) 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. Formal declaration of COD, billing by ATRL for monthly transmission charges and timely receipt of payment by RVPN on a regular basis can lead to favourable revision in the outlook or the rating.

About Adani Transmission Ltd.:

Adani Transmission Rajasthan Ltd (ATRL) is a 100% subsidiary of Adani Transmission Ltd (ATL), which is owned by the promoters of Adani Group of Companies. Mr. Gautam Adani is the majority share-holder of ATL.

ATRL is setting up a 139km 400 Kv Double Circuit twin ACSR Moose Transmission line from Suratgarh Thermal Power Station (operated by Rajasthan Rajya Vidyut Prasaran Nigam Ltd.) to Bikaner for evacuation of power from 2 X 660 MW Units 7 and 8 of supercritical thermal power plant at Suratgarh with design capacity to transfer electrical power equivalent to 1066 MW. The



Transmission line is passing by Khara, Bamanwali, Hausera, Lunkaransar villages under the jurisdiction of Bikaner.

The Transmission Agreement for 400kV Suratgarh – Bikaner Transmission Line PPP Project was signed between RRVPNL and Adani Transmission (Rajasthan) Limited, on 09th May 2016. The estimated Project Cost of Rs. 160 Cr is expected to reduce to Rs.137 Cr as on October 10, 2018 due to savings in certain overhead costs. Project cost is funded in Debt: Equity proportion of 75:25.

Cost incurred till September 30, 2018 is Rs. 136 Cr and project is almost complete with some final fitting works remaining. COD certificate from RRVPN is expected to be received in CY18 within next two months, and loan repayment starts from August 2019.

Payments to ATRL will be made by RRVPN for the services rendered as per the amount decided in the transmission agreement. The Base Unitary charge for the year in which COD occurs has been decided as Rs. 26.86 crore and the same shall be revised annually in accordance with provisions of Article 26 of the Transmission Agreement.

Company’s Financial Performance:

Rs. Crore	FY17	FY18
As per IND AS	Audited	Audited
Total Income	6.4	109.5
Operating profit	0.64	7.42
Net Loss	-0.64	-1.72
Total Debt	28.22	122.85
Tangible Net Worth	1.23	2.64
Current Ratio	0.9	0.4

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

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	June 28, 2017	Date in 2016	Date in 2015
1.	Term Loan	Long Term	120	BWR A-(Stable)	BWR A-(Stable)		
2.	Letter of Credit	Long Term	(108)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)		
3.	LER	Long Term	10	BWR A-(Stable)	BWR A-(Stable)		
4.	BG	Long Term	10	BWR A-(Stable)	BWR A-(Stable)		
	Total		140				

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 ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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