January 31, 2025 (Revised)

Adani Power Limited: Ratings assigned

Summary of rating action

Instrument*	Current rated amount (Rs. Crore)	Rating action
Long-term fund based – Term loan	18,961.25	[ICRA]AA (Stable); assigned
Long-term fund based – Working capital	9,180.49	[ICRA]AA (Stable); assigned
Short-term non fund based – Bank guarantee	2,358.26	[ICRA]A1+; assigned
Proposed non-convertible debentures	11,000.00	[ICRA]AA (Stable); assigned
Total	**41,500.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings factors in the leading market position of Adani Power Limited (APL) as the largest private thermal power producer in the country with a diversified project portfolio located across eight Indian states. APL has been able to increase its operational portfolio over the years through a mix of organic expansion and various acquisitions to 17.55 Gigawatt (GW) as on December 31, 2024, from 11.81 GW in FY2020. The ratings draw comfort from the availability of long-term and medium-term power purchase agreements (PPAs) for 87% of the operational capacity with a two-part tariff structure, providing revenue visibility over the medium to long term for the company. Moreover, the proximity of its coal-based plants without long-term PPAs to pit heads and the strong operational efficiencies enable a competitive cost of generation for sale in the short-term market. The ratings factor in the diversified counterparty profile of APL by virtue of its exposure to eight state distribution companies (discoms), Bangladesh power utility, private discoms and a strong industrial customer.

APL has tied up fuel supply agreements (FSA) with Coal India Limited (CIL) and its subsidiaries for its domestic coal-based power plants that accounted for 50-60% of its overall coal requirement. The projects using imported coal (40-50% of the overall capacity currently) source the raw material from the open market through traders. Further, the upcoming projects are being bid under the design, build, finance, own and operate (DBFOO) model with coal linkages from CIL allocated to the bid inviting discoms, which mitigates the fuel supply risk to a large extent. It is to be noted that ~80% of the long-term PPAs signed by APL have the fuel cost pass-through provision, which mitigates the fuel cost escalation risk to a large extent. APL is currently sourcing 35-40% of its coal through imports. However, it plans to decrease its dependence on imported coal over the next five years. This comes on the back of the company planning to appoint mining, developer and operator (MDO) for its four commercial captive coal mines of 13 million tonnes per annum (MTPA) in the medium term. This, coupled with the increased sourcing of coal through FSA tie-ups with CIL, is expected to reduce the dependence on imported coal and raise the cost competitiveness of its power plants.

The ratings also draw comfort from the execution efficiencies derived from being a part of the Adani Group, which is a diversified conglomerate having interests across the energy sector value chain, including coal mining, coal logistics, thermal and renewable power generation, power transmission and power distribution along with superior execution capabilities.

The operational performance of APL has remained strong with plant availability at over 90%, well above the normative level, improvement in the plant load factor (PLF) from 48% in FY2023 to 65% in FY2024 and further to 69% in 9M FY2025. APL has also benefitted from the robust tariffs in the merchant market as a result of strong power demand in the country for its open capacity over the last two years, leading to merchant sales contributing 10-15% to the company's consolidated EBITDA. However, the company will remain exposed to any adverse movement in merchant tariffs for its open capacity.

The company's operating profits have significantly improved after the resolution of past regulatory issues and receipt of considerable sum for compensatory claims over the last few years for its Tiroda, Kawai and Mundra power plants. APL has utilised these regulatory receipts for deleveraging as well as for the acquisition of distressed thermal power plants over the last few years. The acquisitions made by APL have been at attractive valuations, leading to an overall capital cost per MW of ~Rs. 6 crore per MW for its operational portfolio, which is quite competitive compared to the current replacement cost of Rs. 10-12 crore per MW. All these factors have enabled a significant improvement in the company's leverage and debt coverage metrics with the total external debt/OPBDIT of 1.3x in FY2024 (7.0x in FY2020) and debt service coverage ratio (DSCR) of 4.5x in FY2024 (0.7x in FY2020). While the leverage and coverage metrices are expected to moderate, going forward, due to the ongoing capex, ICRA expects these to remain comfortable with a total external debt/OPBDIT of less than 3.0x and DSCR of more than 2.5x.

However, the ratings are constrained by the significant capex plans of the company over the coming five years to increase its operational capacity to 30.6 GW by FY2030. This, along with the installation of flue gas desulfurisation (FGD) at the existing plants, entails a capex of ~Rs. 1.1 lakh crore over the next five years and will be funded through a mix of debt and internal accruals. This exposes the company to significant execution and approval risks. The timely completion of these projects without any major time and cost overruns will be a key monitorable. Nonetheless, ICRA notes that a large part of this capex is through brownfield expansion, thereby limiting land and execution risks to a certain extent. Also, comfort is drawn from the strong execution track record of the Adani Group for other similar projects in the past. However, a large part of the under-construction projects is exposed to offtake and fuel supply risk as currently only 2.9 GW out of 13.1 GW of the under-development capacity has long-term PPAs and FSAs in place.

The ratings also factor in the exposure to the weak financial profile of most of the state discoms, leading to a risk of payment delays. However, the payment discipline of the state discoms has improved following the implementation of the Late Payment Surcharge rules in June 2022, with overdue receivables of more than 6 months accounting for just 7% of APL's overall receivables outstanding as on September 30, 2024. The sustainability of the trend remains a key monitorable. Further, the receivables for its Godda power plant supplying power to Bangladesh have increased. Nonetheless, the recovery of dues has improved over the past few months, thereby reducing the receivables to 7.5 months as of December 31, 2024, from the peak of ~9 months as of August/September 2024. Also, the company has received payment security in the form of letter of credit equivalent to USD 170 million, covering for ~2 months of billing.

ICRA also notes that there are a few pending regulatory issues, such as the final tariff orders being received from the Central Electricity Regulatory Commission (CERC) and the Supreme Court of India for its Mundra, Tiroda and Korba (Lanco Amarkantak) projects. Apart from this, the Group has pending investigations, filed by the US Department of Justice and the US Securities and Exchange Commission against APL's chairman in November 2024. ICRA would continue to monitor these developments and their impact on the availability of funding for APL.

The Stable outlook on the long-term rating reflects ICRA's opinion that APL will benefit from its diversified power generation portfolio having high cash flow visibility, supported by the long-term PPAs and healthy operating efficiencies, which is expected to generate a stable and predictable earnings stream, going forward. Further, the calibrated capacity additions planned over the next five years will support an increase in the company's earnings and further strengthen its position as a leading private player in India's thermal power sector, while keeping its credit metrics at comfortable levels.

Key rating drivers and their description

Credit strengths

Country's leading private thermal power producer with large scale of operations and diversified asset and customer profile - The company has an operational thermal power capacity of 17.51 GW and 40 MW of solar plant. These plants are located across various states like Gujarat, Maharashtra, Madhya Pradesh, Rajasthan, Jharkhand, Karnataka and Tamil Nadu. These projects have multiple offtakers, including eight state discoms, two private discoms, one reputed industrial customer and Bangladesh Power Development Board for its operational and under-construction capacity. Of the 15.3-GW capacity tied up under LT-PPA, the share of the top 3 discoms of Maharashtra, Gujarat and Bangladesh remains at ~50%, which somewhat mitigates the risk of a large capital blockage due to payment delays from any one counterparty. Around 53% of the operating capacity is implemented using supercritical technology, while majority of the upcoming projects are being established under ultra-supercritical technology.

Long-term PPAs for majority capacity and fuel tie-ups provide visibility on revenues and profits - The company has tied up long-term PPAs with a two-part tariff structure for its operational and upcoming projects of ~18.2 GW on a gross basis, which provides long-term earnings visibility. The two-part tariff structure under the PPAs, efficient plant operations and the fuel-cost pass-through for majority of the contracted LT capacity ensure a steady and predictable earnings stream. Further, majority of APL's projects fall in the second and third quartile of the merit order dispatch of the offtaking discoms, supporting healthy PLF levels.

Healthy operating efficiency - Thermal power plants have demonstrated a healthy operating track record with the plant availability and operating efficiencies remaining above the normative levels along with fuel cost pass-through for majority of the PPAs. Further, APL benefits from the experience of the Adani Group across the energy value chain, including power generation, distribution, transmission, logistics, and coal mining in India. The Group's status as the largest private coal miner/MDO, one of the largest domestic coal buyers across the power and cement businesses, as well as the largest coal importer is expected to support coal procurement at a competitive cost, thereby leading to a competitive cost of generation for APL's capacities.

Competitive capital cost of operational portfolio, supported by strong project execution capabilities and acquisition of inorganic assets at attractive valuations - Over the years, APL has built an operational portfolio of 17.55 GW through a series of acquisitions as well as greenfield projects. In FY2025, APL acquired three projects totalling an operational capacity of 2,300 MW and under construction capacity of 1,320 MW. It has acquired these projects at attractive valuations of ~Rs. 2-3 crore per MW. Thus, the overall capital cost for the operational portfolio currently is quite competitive at ~Rs. 6 crore per MW. Also, supported by the Adani Group's superior infrastructure project execution capabilities, the under-construction projects are expected to be implemented at a project cost of Rs. 9-10 crore per MW, compared to the current replacement cost of over Rs. 12 crore per MW for greenfield thermal assets. This remains a key competitive advantage for APL's business.

Proximity to coal mines enables competitive cost of generation for capacity exposed to short-term market - The proximity of its coal-based plants without long-term PPAs to pit heads and the strong operational efficiencies enable a competitive cost of generation for sale in the short-term market. APL is currently sourcing 60-65% of its coal through the domestic market and the remaining 35-40% through imports. However, it plans to decrease its dependence on imported coal over the next five years as the company is looking to appoint MDO contractor to develop four commercial captive coal mines of 13 MTPA in the medium term, as well as increase the sourcing of FSA tie-ups with CIL, which would increase the cost competitiveness of its power plants.

Leverage and debt service coverage metrics to remain comfortable despite the large capacity expansion - APL has used regulatory claims received in the form of compensatory tariffs to deleverage as well as grow its generation asset base and overall earnings. Therefore, the leverage and coverages of the company remained healthy and improved in FY2024 with total external debt to OPBDIT of 1.3x (7.0x in FY2020) and DSCR of 4.5x (0.7x in FY2020). With the planned capex, while the leverage and coverage metrics are projected to moderate slightly, they would remain comfortable going forward, supported by the continuation of healthy profit generation from the existing capacity which limits the dependence on external borrowings. In ICRA's medium term baseline estimates (FY2025-FY2030), APL's total external debt to OPBITDA is expected to remain less than 3.0x along with the DSCR being more than 2.5x.

Credit challenges

Large expansion plans expose company to execution risks - APL plans to increase its operational thermal power capacity to 30.67 GW by the end of FY2030. The company plans to meet this additional growth through the organic (12.5 GW) and inorganic (0.6 GW) routes. Most of the organic projects are currently in their initial stages of development, thereby exposing them to significant execution risks. Any major time or cost overruns in these projects could hamper the financial profile of the company. However, comfort can be drawn from the fact that most of these projects are brownfield expansion and already have the required land and some of the auxiliary infrastructure in place. Also, APL gets support in terms of execution capabilities from being a part of the Adani Group.

Counterparty credit risks from exposure to state discoms; payment delays from Bangladesh power discoms - APL's portfolio remains vulnerable to counterparty credit risks from the exposure to the state discoms of Madhya Pradesh, Karnataka, Tamil Nadu, Maharashtra, Rajasthan, Haryana and Chhattisgarh, that have weak to moderate credit profiles. However, such risks get partly mitigated with no counterparty accounting for more than 22% of the capacity tied up under long-term PPA. Moreover, ICRA notes that there has been a sustained improvement in the receivable position, given the payment discipline from the state discoms since the implementation of the Late Payment Surcharge rules in June 2022, reflected in the overdue receivables of more than 6 months accounting for just 7% of APL's overall receivables outstanding as on September 30, 2024. The receivable days have reduced to 85 days in FY2024 from 165 days in FY2021. Sustenance of debtors at this level will be a key monitorable.
For the Godda plant, which is supplying power to Bangladesh, the receivables have remained high. Bangladesh has been making payments, but with a delay. Nonetheless, the recovery of dues has improved over the past few months, thereby reducing the receivable to 7.5 months as on December 31, 2024, from the peak of ~9 months as of August/September 2024. Adani Power (Jharkhand) Limited has also received payment security in the form of letter of credit equivalent to USD 170 million, covering for ~2 months of billing. In addition, in a favourable regulatory development, the Government of India has recently allowed cross-border thermal generation assets to sell power in the domestic market as well. This can provide APL an alternative avenue to market the power after the under-construction transmission line connecting the Godda power plant to the nearest inter-state transmission system substation is completed.

Susceptibility of untied capacity to demand and tariff risks along with exposure to fuel price movement; escalation in coal prices may impact profitability of a few projects which have a partial pass-through - About 13% of the current operational capacity and 76% of the under-development capacity do not have long-term PPA tie-ups and therefore remain exposed to demand and tariff risks. APL is currently selling this untied power through short-term bilateral contracts. Further, the company remains exposed to the adverse movement in fuel prices for the capacity exposed to the merchant market, given the absence of linkage coal. Also, projects having partial fuel cost pass-through under the long-term PPAs remain exposed to the adverse changes in fuel prices.

Environmental and social risks

The environmental risks for coal-based power producers emanate from their exposure to fossil fuels with coal-based power plants being the leading emitters of pollutants and one of the largest industrial users of water. It is important for the power producers to comply with the emission and water consumption norms prescribed by the Government to avoid any disruption in operations or penalties for non-compliance. While the Godda power plant, part capacity of Mundra power plant and the upcoming thermal power plants are compliant with the revised emission norms prescribed by the Government of India, the company needs to make adequate investments to make the remaining operational plants compliant with the emission norms, within the timeline provided by the Government. Moreover, the company has set a target to reduce greenhouse gas (GHG) emissions to 0.85 tons of CO_2 by 2025. APL is also exposed to the risk of natural disasters and extreme weather conditions, which could damage the power generation equipment or transmission lines. Nonetheless, the company avails insurance against such risks.

Given the large land requirement for its thermal projects, social risks manifest when there are disagreements on compensation between the developers and landowners. Also, the adverse impact of air pollution caused by coal-based power plants in nearby localities could trigger local criticism. The thermal power projects would also be exposed to labour-related risks and the risks of protests/social issues with local communities. The company develops social investment and development programmes for each site based on local development priorities to mitigate such risks. Further, APL has put in place a safety organisation structure and conducts various certification programmes, safety audits and assessments to ensure enhanced safety requirements at its sites.

Liquidity position: Adequate

APL had cash and bank balances, including debt service reserve (DSR) and investments of Rs. 6,442 crore along with unutilised working capital limits of Rs. 722 crore as on September 30, 2024. As per the sanctioned terms of Rs. 19,700 crore of corporate loan, the company will create a liquidity reserve equivalent to 1.25x of scheduled debt obligations, which shall provide additional cushion to the liquidity. The company is expected to remain free cash flow negative (FCF) between FY2026 and FY2029 and start generating positive FCF from FY2030 when the capex intensity tapers down following the commissioning of the 13.12-GW capacity. Therefore, during this period, the company would depend on external funding sources to meet its requirement of growth capex. However, the company has comfortable headroom available in terms of OPBDIT generation to meet its scheduled debt service requirements over the coming years. APL's established track record of raising funds at competitive rates will support its liquidity profile in the intervening period. The proposed capex is expected to be funded through a mix of debt and internal accruals.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to achieve a sustained growth in revenues and profitability, led by the long-term PPAs and a scale-up in the generation capacity without any major time/cost overruns, along with maintaining strong debt coverage metrics and liquidity profile.

Negative factors – The ratings could be downgraded in case of a marked increase in receivables from customers and/or significant delays in executing under-construction projects, resulting in large time/cost overruns and adversely impacting the liquidity profile and debt metrics of the company. Any weakening in the operating performance adversely impacting the profitability and debt coverage metrics will also be a negative trigger for the ratings. A specific credit metric exerting pressure on the ratings would be the total external debt/OPBITDA remaining above 3.0x on a sustained basis. Additionally, any adverse material regulatory action from the ongoing investigations on the Adani Group which would constrain its financial flexibility may result in a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power-Thermal
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of APL. As on December 31, 2024, the company had 18 subsidiaries, which are all enlisted in Annexure II

About the company

APL is a part of Ahmedabad-based Adani Group. It is the largest private thermal power producer in India, with an operational thermal power generation capacity of 17.55 GW, accounting for 8% of India's domestic coal-based power generation capacity. Its power plants are located across various states in India, including Maharashtra, Karnataka, Rajasthan, Chhattisgarh, Gujarat, Madhya Pradesh, Tamil Nadu and Jharkhand. Further, APL has tied up long-term power purchase agreements (PPAs) with state and private distribution utilities and one industrial customer, accounting for ~87% of its operating capacity of 17.55 GW. This apart, the company has ~4.5-GW capacity under active construction, 0.6 GW under acquisition and ~8 GW under development.

Key financial indicators (audited)

APL (Consolidated)	FY2023	FY2024	H1 FY2025
Operating income	42,598	59,437	28,686
PAT	10,727	20,829	7,210
OPBDIT/OI	33.0%	46.0%	41.3%
PAT/OI	25.2%	35.0%	25.1%
Total outside liabilities/Tangible net worth (times)	1.9	1.1	0.9
Total debt/OPBDIT (times)	3.0	1.3	1.6
Total external debt/ OPBITD	2.5	1.3	1.5
Interest coverage (times)	4.3	8.2	7.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	18,961.25	Jan 31, 2025	[ICRA]AA (Stable)	-	-	-	-	-	-
Fund-based - Working capital	Long term	9,180.49	Jan 31, 2025	[ICRA]AA (Stable)	-	-	-	-	-	-
Non-fund based – Bank guarantee	Short term	2,358.26	Jan 31, 2025	[ICRA]A1+	-	-	-	-	-	-
Proposed non-convertible debentures	Long term	11,000.00	Jan 31, 2025	[ICRA]AA (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Term loan	Simple
Long-term fund-based - Working capital	Simple
Short-term non-fund based – Bank guarantee	Very Simple

Proposed non-convertible debentures	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term fund based – Term loan	FY2024	9.0%	FY2038	18,961.25	[ICRA]AA (Stable)
NA	Long-term fund based - Working capital	NA	NA	NA	9,180.49	[ICRA]AA (Stable)
NA	Short-term non-fund based – Bank guarantee	NA	NA	NA	2,358.26	[ICRA]A1+
Proposed	Proposed non-convertible debentures	NA	NA	NA	11,000.00	[ICRA]AA (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Adani Power Resources Limited (APReL)	51%	Full Consolidated
Adani Power (Jharkhand) Limited	100%	Full Consolidated
Mahan Energen Limited (MEL)	94.43%	Full Consolidated
Adani Power Dahej Limited	100%	Full Consolidated
Pench Thermal Energy (MP) Limited	100%	Full Consolidated
Kutchh Power Generation Limited	100%	Full Consolidated
Mahan Fuel Management Limited	100%	Full Consolidated
Alcedo Infra Park Limited	100%	Full Consolidated
Chandenvalle Infra Park Limited	100%	Full Consolidated
Emberiza Infra Park Limited	100%	Full Consolidated
Resurgent Fuel Management Limited	100%	Full Consolidated
Moxie Power Generation Limited	49%	Full Consolidated
Mirzapur Thermal Energy U.P. Private Limited	100%	Full Consolidated
Adani Power Global PTE Limited	100%	Full Consolidated
Adani Power Middle East Limited	100%	Full Consolidated
Korba Power Limited	100%	Full Consolidated
Orissa Thermal Energy Private Limited	100%	Full Consolidated
Anuppur Thermal Energy (MP) Private Limited	100%	Full Consolidated

Source: Company filings on Bombay Stock Exchange

Corrigendum

Rationale dated January 31, 2025, has been revised with the changes as below:

In the **Annexure II: List of entities considered for consolidated analysis** on Page 8, the shareholding of Mahan Energen Limited (MEL) and Adani Power (Jharkhand) Limited has been corrected.

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