October 12, 2017

Adani Transmission Limited

Adani Transmission Limited (ATL) has announced that it has entered exclusive discussions with Reliance Infrastructure Limited (RInfra) in relation to discussions for the proposed acquisition of the integrated business of generation, transmission and distribution of power for the Mumbai city from RInfra.

ICRA notes that there is no binding offer made by ATL and the proposed transaction is subject to confirmatory diligence, definitive documentation and customary approvals. While the transaction is likely to be significant in terms of funding requirements and will thus involve a significant debt funding if it materializes, there is still uncertainty around the final terms. ICRA shall continue to monitor the developments and take appropriate rating action, as and when this proposed transaction for acquisition becomes certain.

ICRA currently has outstanding short term rating of [ICRA]A1+. The rating derives comfort from the satisfactory operating track record in terms of transmission line availability as well as the associated low demand risks and the regulated returns assured towards the lines owned by SPVs- Adani Transmission India Ltd (ATIL) and Maharashtra Eastern Power Transmission Company Ltd (MEGPTCL) subject to ensuring the costs and availability within the normative parameters, as per approved tariff orders.

Further, the counterparty credit risk is low due to the pooling benefit associated with Point of Connection (PoC) mechanism where Power Grid Corporation of India Limited (PGCIL) (rated [ICRA]AAA(Stable)/[ICRA]A1+) (forming 35% of total revenues in FY 2017) is the central transmission utility (CTU) and is responsible for collecting the transmission charges from the beneficiary users and disbursing the same to interstate transmission licensee. The ratings also favourably take into account the company's financial flexibility as evident from its demonstrated debt raising and refinancing abilities through different debt instruments of varying maturities.

The previous rating rationale is available on the following link: **Click here**

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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