

June 17, 2025

Lakadia Banaskantha Transco Ltd: [ICRA]AAA (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Proposed non-convertible debenture	580.00	[ICRA]AAA (Stable); assigned
Total	580.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating for Lakadia Banaskantha Transco Limited (LBTL) factors in the satisfactory operational track record of its power transmission project with the line availability remaining above the normative level since commissioning in September 2022. LBTL is an inter-state transmission system (ISTS) project between Lakadia and Banaskatha in Gujarat with an operational track record of more than two years.

The rating factors in the assured offtake for LBTL's power transmission project by virtue of a long-term (35 years) transmission service agreement (TSA) with availability-linked payments signed with a long-term transmission customer (LTTC). Further, the project, being a part of the inter-state transmission system (ISTS), is expected to benefit from the payment security available under the pooling mechanism managed by the Central Transmission Utility of India Limited {CTU; subsidiary of Power Grid Corporation of India Limited (PGCIL)}. The CTU is responsible for billing and collection on behalf of all the inter-state transmission licensees in the country, thereby significantly diversifying the counterparty credit risk. The availability-linked payments and low payment risk provide high visibility to the company's revenues and cash flows. The collections for the bills raised are being realised in a timely manner.

The total project cost stood at ~Rs. 850 crore, which was higher than the initial estimate due to cost escalations arising from delays caused by the Covid-19 pandemic and change-in-law events. These factors also delayed the commissioning of the project, which took place in September 2022, against the scheduled commercial operation date (SCOD) of June 2021. In this regard, the company has claimed an increase in costs due to force majeure events from the LTTC, as per the Electricity (Timely Recovery of costs due to Change in Law) Rules dated October 22, 2021, notified by the Ministry of Power, Government of India, citing loss of revenue, higher interest during construction (IDC), price variation paid to engineering, procurement and construction (EPC) contractors, commodity price fluctuations arising from the Covid-19 pandemic etc. In addition, the company has submitted claims under change in law, primarily due to an increase in the compensation payable to the landowners following a revision in the valuation of land under the transmission tower and right of way (RoW) corridor, as well as higher crop compensation. These claims have been submitted to the CERC through a petition, which is currently under review.

At present, the company is in the process of refinancing the existing external commercial borrowings (ECBs) which had an outstanding balance of Rs. 597.65 crore as of March 2025 and are scheduled for repayment in October 2025. The company is expected to refinance the ECBs through the issuance of non-convertible debentures (NCDs) of Rs. 580.0 crore. The NCD issuance has been proposed at a fixed coupon, which is lower than the existing interest rate on ECB loans, thereby leading to an improvement in the anticipated debt metrics of the project. The terms of the proposed NCDs include a put option at the end of five years from the first disbursement and every fifth year thereafter. In addition, the lenders have the right to ask the company to repay the loan in case the credit rating falls below BBB+. While this exposes the company to refinancing risk, comfort can be drawn from the long TSA tenure of 35 years and the high certainty of cash flows for a power transmission project. Going forward, the company's debt coverage metrics are expected to remain satisfactory, with the cumulative DSCR

on the external project debt estimated at 1.25-1.30x over the debt tenure, without factoring in the amount claimed under change in law and force majeure events. The promoter contribution for the project is in the form of equity and unsecured loans from the parent, and the unsecured loans are subordinated to the NCD debt.

The ratings continue to factor in the established track record of its sponsor - Adani Energy Solutions Limited (AESL; rated [ICRA]A1+) - in implementing and operating power transmission projects. AESL is the holding company for the transmission and distribution business of the Adani Group and holds a 100% stake in LBTL. As on March 31, 2025, AESL had a portfolio of 43 transmission projects (including 13 lines under construction), AEML's generation, transmission & distribution (GTD) business in Mumbai and the transmission & distribution (TD) business in Mundra SEZ with presence in 14 states. Its network includes transmission lines with a total length of 26,696 ckm (as on March 31, 2025), making it the largest privately operating transmission line company in India.

The rating is, however, constrained by the company's exposure to operations and maintenance (O&M) related risks, including the risk of an increase in O&M cost, inadequate maintenance resulting in lower line availability and potential deductions from transmission charges by the CTU. However, the experience of the sponsor in the power transmission business should ensure adequate resource allocation and cost-efficient execution of O&M activity.

The Stable outlook on the long-term rating of LBTL factors in the high cash flow visibility for its transmission project, supported by the long-term TSA, high line availability and a strong payment security.

Key rating drivers and their description

Credit strengths

Assured offtake under long-term TSA with availability-linked payments - The presence of a long-term TSA (35-years) with availability-linked tariff payments limits the demand and tariff risks for the transmission project of LBTL. The company is eligible to receive the full quoted tariff under the TSA if the line availability is maintained at or above 98.0%. Also, the company is eligible to receive incentives for availability above the normative level.

Strong payment security from being part of ISTS pool - The transmission project under LBTL is a part of the inter-state transmission grid, which enjoys strong payment security because of the pooling benefit at the national level. The CTU is responsible for raising bills and collecting payments from the consumers of the transmission system and distributing the payments among various inter-state transmission licensees.

Satisfactory operating performance with availability remaining above the normative level - Since its commissioning in September 2022, the project has reported a healthy operational performance with the line availability remaining above the normative level of 98% prescribed under the TSA. The average line availability in the first year of operations, i.e. 7M FY2023, stood at 99.19%. The line availability of the project further improved to 99.91% in FY2024 and remained robust at 99.70% in FY2025.

Debt coverage metrics expected to remain satisfactory - The debt coverage metrics of the project are expected to be adequate, with the cumulative DSCR expected to remain at 1.25-1.30x, supported by the long-term TSA with availability-linked tariff, the long tenure of the project debt and a competitive interest rate under the proposed refinancing.

Established track record of the sponsor Group - LBTL is promoted by AESL, which is the holding company for the transmission and distribution business of the Adani Group and holds a 100% stake in LBTL. The project will continue to benefit from the established track record of the Adani Group in executing and operating power transmission projects in India.

Credit challenges

Moderate operations and maintenance risk - As the company's revenues are subject to the maintenance of the stipulated line availability, it is important that the lines are maintained in a good condition, reducing instances of tripping and minimising the outage time. While LBTL's profitability will remain exposed to the variations in O&M expenses, the risk is partially mitigated as O&M expenses form a small proportion of the revenues. Further, the sponsor's experience in the power transmission business should ensure adequate resource allocation and cost-efficient execution of O&M activity.

Refinancing risk - The company's debt coverage metrics remain exposed to the refinancing risk as the terms of the proposed NCDs include a put option at the end of five years from the first disbursement and every fifth year thereafter. In addition, the lenders have the right to ask the company to repay the loan in case the credit rating falls below BBB+. Nonetheless, comfort can be drawn from the long residual TSA tenure and the high certainty of cash flows for power transmission projects.

Liquidity position: Adequate

LBTL's liquidity profile is expected to remain adequate with a significant buffer between the cash flows from the project and debt servicing obligations, supported by satisfactory line availability and timely realisation of payments. Additionally, comfort is derived from the presence of a debt service reserve (DSRA) equivalent to one quarter of debt servicing under the proposed NCD terms. ICRA expects the company to generate annual cash flow from operations of Rs. 50-55 crore over FY2026-FY2027 against a debt repayment obligation of Rs. 22-39.5 crore over the same period. As on March 31, 2025, the company had free cash and bank balances of Rs. 53.81 crore, mutual fund investments of Rs. 49.86 crore and a DSRA balance of Rs 47.99 crore (towards existing ECB debt).

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Pressure on the rating could arise if lower-than-targeted line availability or increased expenses result in a deterioration of the projected cumulative DSCR to lower than 1.20 times on a sustained basis. In addition, delays in receiving payments under the pooling mechanism adversely impacting the company's cash flows and liquidity profile may trigger a rating downgrade. Also, an increase in the indebtedness adversely impacting the debt coverage metrics could trigger a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power Transmission
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

LBTL is a 100% subsidiary of Adani Energy Solutions Limited (AESL; rated [ICRA]A1+). The company is a special purpose vehicle (SPV) established for developing transmission system for the evacuation of renewable energy (RE) generation at Bhuj, Dwaraka & Lakadia on a build, own, operate and maintain (BOOM) basis. The entire stretch of the 351-ckm transmission line lies in the Kutch, Banaskantha and Patan districts of Gujarat. LBTL executed the TSA with the LTTC, Powerica Limited, on October 23, 2019. This transmission system will provide transmission services to the LTTC for a period of 35 years. The project became operational in September 2022.

Key financial indicators (audited)

LBTL - Standalone	FY2024	FY2025
Operating income	120.7	114.2
PAT	-15.4	-16.2
OPBDIT/OI	96.4%	97.8%
PAT/OI	-12.8%	-14.2%
Total outside liabilities/Tangible net worth (times)	-60.0	-35.2
Total debt/OPBDIT (times)	11.7	12.8
Interest coverage (times)	0.8	0.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: 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

Instruments	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jun 17, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Proposed non-convertible debenture	Long term	580.00	[ICRA]AAA (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Proposed non-convertible debenture	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
-	Proposed non-convertible debenture	-	-	-	580.00	[ICRA]AAA (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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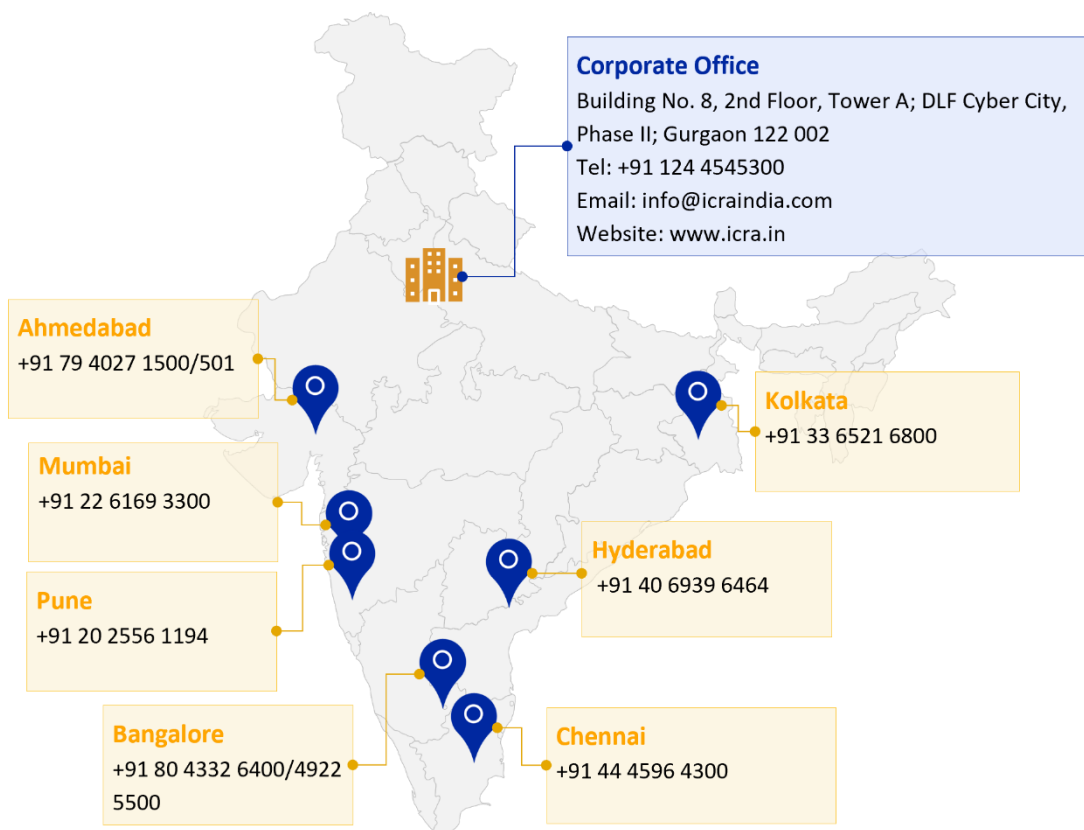


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