

October 17, 2025

Khavda-II A Transmission Limited: [ICRA] AA (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term fund based - Proposed	9.50	[ICRA]AA(Stable); assigned
Long term - Fund based - Term loan	815.50	[ICRA]AA(Stable); assigned
Total	825.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating on the bank facilities of Khavda-II A Transmission Limited (Khavda-II A) factors 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 Khavda-II A. As on June 30, 2025, AESL had a portfolio of 46 transmission projects (including 13 under construction projects), along with Adani Energy Mumbai Limited's (AEML) generation, transmission and distribution (GTD) business in Mumbai and the transmission and distribution (TD) business in Mundra special economic zone (SEZ) with presence across 16 states. Its network includes transmission lines with a total length of 26,696 ckm (as on June 30, 2025), making it the largest privately operating transmission line company in India.

The rating also factors in assured offtake and stable cash inflows in the form of fixed monthly transmission charges, as per the 35-year transmission service agreement (TSA), provided the line availability is maintained above the normative level of 98%. The project under Khavda-II A is an inter-state transmission system (ISTS) project and was developed to undertake the development of a transmission system for the evacuation of 4.5 GW renewable energy from the Khavda Renewable Energy (RE) Park under Phase II – Part A. The scope of the project included the implementation of a 765-kV double circuit transmission line spanning approximately 354.72 circuit kilometres, connecting the Khavda PS2 (GIS) substation to the Lakadia pooling station in Gujarat. The transmission infrastructure also comprises associated line bays and switchable line reactors.

The project achieved commissioning on June 28, 2025, marginally beyond the scheduled commissioning date (SCOD) of March 28, 2025 due to delays related to land acquisition and right of way (ROW). The actual project cost stood at Rs. 1,270.92 crore against a proposed project cost of Rs. 1,165 crore. The project cost is funded through a rupee term loan of Rs. 815.50 crore and promoter contribution of Rs. 455.42 crore. The promoter has already infused Rs. 364.77 crore to fund the project cost and cost overruns. The balance amount will be infused by the promoter over the coming months. Additionally, as there were delays in the initial few months for the payment process to be streamlined with the Central Transmission Utility of India Limited (CTUIL), AESL has been infusing funds to support the interest servicing in the project. The company has received approval from the lender to extend the SCOD and will be filing a petition with the Central Electricity Regulatory Commission (CERC) for extending the COD and additional project cost incurred.

The rating also takes comfort from that fact that since commissioning, the project has been able to achieve an average line availability of 99.77% in H1 FY2026, which is more than the normative level. Further, the project being a part of the ISTS network, is expected to benefit from the payment security available under the pooling mechanism managed by the CTUIL {subsidiary of Power Grid Corporation of India Limited (PGCIL; rated [ICRA]AAA (Stable)/ [ICRA]A1+)}. CTUIL 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 over the long term. With steady cash flows and a long amortising debt tenor of 23 years, the debt coverage metrics of the project are expected to remain comfortable, with a cumulative DSCR above 1.45x.

The rating is, however, constrained by Khavda-II A's limited track record of operations of around four months, having commissioned the project in June 2025. Also, during this initial period post commissioning, there were delays in getting regular payments from CTUIL as the process of billing cycle was getting streamlined. The collections from CTUIL have started from September 2025 and have remained modest. However, given the robust payment security framework of the ISTS pool managed by CTUIL and the annuity-like nature of the availability-linked payments, the collection efficiency is expected to improve over the coming quarters. A track record of timely collection remains a key monitorable.

The rating also factors in the exposure to operations and maintenance (O&M) related risks, including the potential for increased O&M costs, inadequate upkeep leading to lower line availability, and consequent deductions in transmission charges under the TSA. While these risks are inherent to transmission projects, comfort is drawn from the O&M contract signed with Adani Infrastructure Management Services Limited, a group entity with established expertise in managing the transmission assets of the group. The contract is structured on a performance-linked basis, which is expected to ensure cost-efficient execution and adequate resource allocation.

The Stable outlook reflects ICRA's expectation that Khavda-II A will maintain healthy line availability and benefit from the assured cash flows under the TSA, CTU pooling mechanism, a favourable debt tenor and support from AESL for any cash flow mismatches.

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 Khavda-II A. 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 98.5%.

Strong payment security from being part of ISTS pool - The transmission project under Khavda-II A 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 debt coverage metrics expected to remain healthy - Khavda-II A has demonstrated a satisfactory operating performance since commissioning. The average line availability stood healthy at 99.77% in H1 FY2026. The stable operational profile supports predictable cash flows, which, coupled with the long loan tenure, is expected to result in healthy and comfortable debt coverage metrics over the debt tenor.

Backed by a well-established sponsor group with a proven track record - Khavda-II A 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 Khavda-II A. The project will continue to benefit from the established track record of the Adani Group in executing and operating power transmission projects in India. The Group is India's one of the leading private players in operating transmission assets spread across the country.

Credit challenges

Limited operational track record- Khavda-II A achieved COD on June 28, 2025, and has limited operational history. Though the average line availability stood healthy in H1 FY2026, the project is yet to demonstrate consistent performance across varying seasonal and grid conditions. This lack of a long-term track record introduces uncertainty around generation reliability, operational efficiency, and the ability to meet projected cash flows, particularly during the initial stabilisation phase.

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 Khavda-II A's profitability will remain exposed to variations in O&M expenses, such expenses form a small proportion of the revenue, partially mitigating the risk. Further, the sponsor's experience in the power transmission business should ensure adequate resource allocation and cost-efficient execution of O&M activity.

Interest rate risk - The debt availed for Khavda-II A carries a floating interest rate and the applicable rate is determined by the lender at fixed intervals. This structure introduces interest rate risk, as future drawdowns may be subject to higher rates depending on prevailing market conditions. Thus, the company's debt coverage metrics would be exposed to interest rate movement, considering the project's largely fixed transmission revenue and could impact the overall debt servicing costs and coverages.

Liquidity position: Adequate

Khavda-II A's liquidity profile is expected to remain adequate, supported by stable cash flows from availability-linked transmission charges and a long-term TSA. The cash flow from the company's operations are expected to remain adequate to service the debt repayment obligations in FY2026 and FY2027. The company will create a debt service reserve account (DSRA) equivalent to three months of principal and interest obligations within 12 months of COD, providing a cushion against short-term cash flow mismatches. While the collections under the CTU pooling mechanism have been modest in the initial months post COD, they are expected to improve as the billing cycle stabilises. Moreover, AESL is expected to support the project in case of any cash flow mismatches.

Rating sensitivities

Positive factors – The company's ability to maintain above-normative line availability along with healthy collections on a sustained basis, leading to comfortable debt coverage metrics and a healthy liquidity profile, could lead to a rating upgrade. The rating also remains sensitive to credit profile of the parent (AESL).

Negative factors – Pressure on the rating could arise if lower-than-targeted line availability or increased expenses result in a moderation of the cumulative DSCR. In addition, delays in receiving payments under the pooling mechanism adversely impacting the company's cash flows and liquidity profile may trigger a downgrade. Also, an increase in the indebtedness adversely impacting the debt coverage metrics could weigh on the rating. A deterioration in the credit profile of its parent (AESL) or adverse change in linkages between AESL and Khavda-II A may also result in a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power Transmission
Parent/Group support	Parent – Adani Energy Solutions Limited The ratings are based on implicit support from the parent. ICRA expects the sponsor to support the company in case of any funding requirements or cashflow mismatches

Consolidation/Standalone

Standalone

About the company

Khavda II-A is a special purpose vehicle (SPV) incorporated in April 2022. The SPV was established pursuant to a competitive bidding process conducted by REC Power Development and Consultancy Limited, which was appointed as the bid process coordinator by the Ministry of Power, Government of India. The successful bidder, Adani Energy Solutions Limited (AESL), formerly Adani Transmission Limited, acquired Khavda II-A to undertake the development of a transmission system for the evacuation of 4.5 GW renewable energy from the Khavda RE Park under Phase II – Part A.

The scope of the project includes the implementation of a 765-kV double circuit transmission line spanning approximately 354.72 circuit kilometers, connecting the Khavda PS2 (GIS) substation to the Lakadia pooling station in Gujarat. The transmission infrastructure also comprises associated line bays and switchable line reactors. The project is being executed on a built, own, operate and maintain (BOOM) basis for a tenure of 35 years.

The effective date of the transmission service agreement (TSA) and SPV takeover was March 2023, following the issuance of a letter of intent in February 2023. The original SCOD was March 28, 2025, which was subsequently extended to June 30, 2025, as per the approval granted by the lender. The project achieved final COD on June 28, 2025. The actual project cost stood at Rs. 1,270.92 crore and will be funded through a rupee term loan of Rs. 815.50 crore and promoter contribution of Rs. 455.42 crore.

Key financial indicators (audited)

Company name (consolidated)	FY24	FY25	Q1FY26
Operating income	205.6	828.2	108.9
PAT	-0.0	0.0	14.6
OPBDIT/OI	3.5%	7.1%	39.0%
PAT/OI	0.0%	0.0%	13.4%
Total outside liabilities/Tangible net worth (times)	3.8	13.6	11.9
Total debt/OPBDIT (times)	41.5	18.6	6.6
Interest coverage (times)	1.0	1.0	1.8

Source: Company, ICRA Research; * Provisional numbers; 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

Instrument	Type	Current (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Oct 17, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based-Proposed	Long term	9.50	[ICRA]AA(Stable)	-	-	-	-	-	-
Fund based - Term Loan	Long term	815.50	[ICRA]AA(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based - Proposed	Simple
Long term - Fund based - Term loan	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	Fund based-Proposed	NA	NA	NA	9.50	[ICRA]AA (Stable)
NA	Fund based-Term loan	January-2024	9.25%	June-2048	815.50	[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: Not applicable

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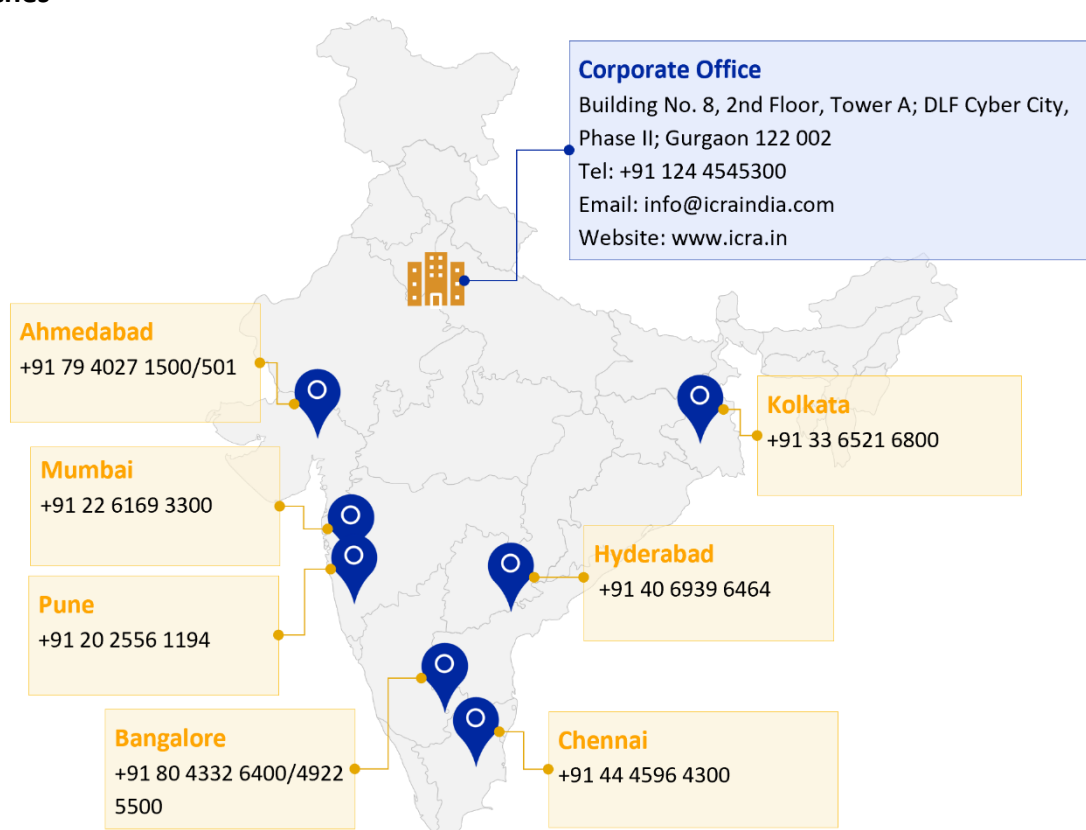
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