

October 17, 2025

## KPS-1 Transmission Limited: [ICRA]AA (Stable) assigned

### Summary of rating action

| Instrument*                              | Current rated amount<br>(Rs. crore) | Rating action               |
|------------------------------------------|-------------------------------------|-----------------------------|
| Long term – Fund based – Term loan       | 597.36                              | [ICRA]AA (Stable); assigned |
| Long term – Fund based – Proposed limits | 52.64                               | [ICRA]AA (Stable); assigned |
| <b>Total</b>                             | <b>650.00</b>                       |                             |

\*Instrument details are provided in Annexure I

### Rationale

The assigned rating on the bank facilities of KPS-1 Transmission Limited (KPS-1) 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 49% stake in KPS-1. AESL acquired 49% equity in KPS-1 from Megha Engineering & Infrastructures Ltd (MEIL) on August 16, 2023, and entered into a binding agreement to acquire the remaining 51% in accordance with the terms of the transmission services agreement executed by KPS-1, thereby gaining economic control from the date of initial acquisition. As on June 30, 2025, AESL had a portfolio of 46 transmission projects (including 13 lines under construction), 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 SEZ with presence in 16 states. Its network includes transmission lines with a total length of 26,696 circuit kilometres (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 KPS-1 is an inter-state transmission system (ISTS) project that was developed to facilitate the evacuation of renewable energy (RE) power beyond 3 GW from Khavda pooling station 1 (KPS1). The project involves augmentation of transformation capacity of Khavda pooling substation (PS) 1 and a 43-ckm 765-kV double circuit transmission line from KPS1 to Khavda PS2. The project achieved final commissioning on April 25, 2025, marginally beyond the scheduled commissioning date (SCOD) of January 20, 2025, on account of delays related to land acquisition and right of way (ROW). The company has already filed a petition with the Central Electricity Regulatory Commission (CERC) for extending the SCOD. The total project cost stood at Rs. 884.54 crore and is funded through a rupee term loan of Rs. 597.36 crore and promoter contribution of Rs. 287.18 crore. Till date, the company has availed debt of Rs. 554.36 crore of the sanctioned limits. In addition to this, an inter-corporate deposit (ICD) has been infused by promoter AESL to fund the ongoing debt servicing in the project 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).

The rating also takes comfort from that fact that since commissioning, the project has been able to achieve an average line availability of 99.71% in H1FY2026, which is more than the normative level. 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 CTUIL {subsidiary of Power Grid Corporation of India Limited (PGCIL)}. 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 KPS-1's limited track record of operations of around six months, having commissioned the project in April 2025. Also, during the 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 started from October 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 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 KPS-1 Transmission Limited will maintain healthy line availability and benefit from assured cash flows under the TSA, CTU pooling mechanism, 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 KPS-1. 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 a part of ISTS pool** - The transmission project under KPS-1 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** - KPS-1 has demonstrated a satisfactory operating performance since commissioning. The average line availability stood healthy at 99.71% 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** – KPS-1 is promoted by AESL, which is the holding company for the transmission and distribution business of the Adani Group and holds a 49% stake in KPS-1. AESL acquired 49% equity in KPS-1 from MEIL on August 16, 2023, and entered into a binding agreement to acquire the remaining 51% in accordance with the terms of the transmission services agreement executed by KPS-1, thereby gaining economic control from the date of initial acquisition. 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 one of the leading private players in India in operating transmission assets across the country.

## Credit challenges

**Limited operational track record** - KPS-1 achieved COD on April 25, 2025, and has limited operational history. Though the average line availability stood healthy, 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 KPS-1'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 KPS-1 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 the prevailing market conditions. Thus, the company's debt coverage metrics would be exposed to the interest rate movement, considering the project's largely fixed transmission revenue and could impact overall debt servicing costs and financial planning.

## Liquidity position: Adequate

KPS-1'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 is 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 an upgrade of company's ratings. 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 results 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 indebtedness adversely impacting the debt coverage metrics could trigger a downgrade. A deterioration in the credit profile of its parent (AESL) or adverse change in linkages between AESL and KPS-1, may also trigger a downgrade.

## Analytical approach

| Analytical approach             | Comments                                                                                                                                                                                  |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Power Transmission</a>                                                                                                 |
| Parent/Group support            | Parent – Adani Energy Solutions Limited<br>The ratings are based on implicit support from the parent. ICRA expects the sponsor to support the company in case of any funding requirements |
| Consolidation/Standalone        | Standalone                                                                                                                                                                                |

## About the company

KPS-1 is a project special purpose vehicle (SPV) that was incorporated by bid process coordinator REC Power Development & Consultancy Ltd (RECPDCL) to develop an interstate transmission system (ISTS) scheme, officially termed as 'Transmission scheme for injection beyond 3 GW RE power at KPS1'.

The project scope will include a transmission scheme for injection beyond 3 GW RE power at KPS1. The project involves augmentation of transformation capacity of Khavda PS1 in addition to a 765 kV D/C line from KPS 1 to Khavda Pooling Station GIS (KPS2) of approximately 43 ckm. The project achieved the actual commercial operation date (COD) on April 25, 2025, marginally beyond the scheduled COD of January 20, 2025.

The total project cost stood at Rs. 884.54 crore and is funded through a rupee term loan of Rs. 597.36 crore and promoter contribution of Rs. 287.18 crore. Till date, the company has availed debt of Rs. 554.36 crore of the sanctioned limits. In addition to this, inter-corporate deposit (ICD) has been infused by promoter AESL to fund the ongoing debt servicing in the project 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).

Adani Energy Solutions Limited (Formerly Known as Adani Transmission Limited) had acquired 49% equity shares of KPS1 Transmission Limited w.e.f. 16th August 2023, from Megha Engineering & Infrastructures Limited. AESL has entered into a binding agreement to acquire the remaining 51% paid-up equity capital of KPS1 Transmission Limited in accordance with the terms of the transmission services agreement executed by KPS-1 with effect from August 16, 2023.

## Key financial indicators (audited)

| KPS (Standalone)                                     | FY2024 | FY2025  | Q1 FY2026* |
|------------------------------------------------------|--------|---------|------------|
| Operating income                                     | 80.2   | 633.2   | 49.8       |
| PAT                                                  | -0.0   | 0.1     | 15.8       |
| OPBDIT/OI                                            | 1.9%   | 4.4%    | 66.3%      |
| PAT/OI                                               | 0.0%   | 0.0%    | 31.8%      |
| Total outside liabilities/Tangible net worth (times) | -274.1 | -1633.6 | 56.6       |
| Total debt/OPBDIT (times)                            | 96.1   | 27.0    | 5.8        |
| Interest coverage (times)                            | 1.0    | 1.0     | 2.8        |

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

| Current (FY2026)             |           |                          |              |                   | Chronology of rating history for the past 3 years |        |        |        |        |        |
|------------------------------|-----------|--------------------------|--------------|-------------------|---------------------------------------------------|--------|--------|--------|--------|--------|
| FY2026                       |           |                          |              |                   | FY2025                                            |        | FY2024 |        | FY2023 |        |
| Instrument                   | Type      | Amount rated (Rs. crore) | Date         | Rating            | Date                                              | Rating | Date   | Rating | Date   | Rating |
| Term loan                    | Long term | 597.36                   | Oct 17, 2025 | [ICRA]AA (Stable) | -                                                 | -      | -      | -      | -      | -      |
| Fund based – Proposed limits | Long term | 52.64                    | Oct 17, 2025 | [ICRA]AA (Stable) | -                                                 | -      | -      | -      | -      | -      |

## Complexity level of the rated instruments

| Instrument                               | Complexity indicator |
|------------------------------------------|----------------------|
| Long term – Fund based – Term loan       | Simple               |
| Long term – Fund based – Proposed limits | 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       | August-2024      | 9.25%       | April-2049 | 597.36                   | [ICRA]AA (Stable)          |
| NA   | Long term – Fund based – Proposed limits | NA               | NA          | NA         | 52.64                    | [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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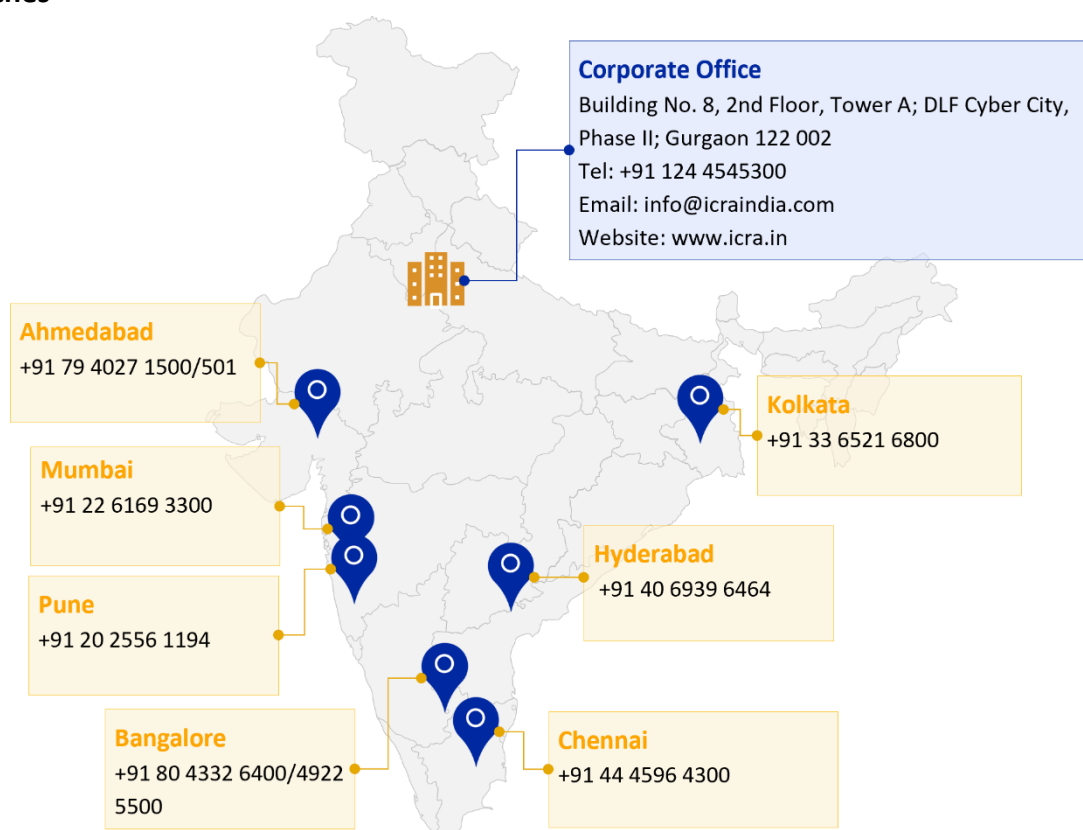
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