August 24, 2026

Khavda-II A Transmission Limited: Rating upgraded to [ICRA]AAA(Stable) for BLR; [ICRA]AAA(Stable) assigned for NCD

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term – Fund based – Term loan	815.50	815.50	[ICRA]AAA (Stable); upgraded from [ICRA]AA+ (Stable)	RBI
Long term – Fund based – Proposed limits	9.50	9.50	[ICRA]AAA (Stable); upgraded from [ICRA]AA+ (Stable)	RBI
Proposed non-convertible debenture	-	840.00	[ICRA]AAA (Stable); assigned	SEBI
Total	**825.00**	**1,665.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The rating upgrade for Khavda-II A Transmission Limited (Khavda-II A/KATL) reflects the satisfactory operational track record of its power transmission project since commissioning in June 2025, with the line availability remaining above the normative level. Moreover, the streamlining of collections from the counterparty, Central Transmission Utility of India Limited (CTUIL), along with the comfortable debt service coverage ratio (DSCR) and the creation of a debt service reserve amount (DSRA) equivalent to one quarter of debt servicing, also supports the upgrade.

The rating continues to factor 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 developed for the evacuation of 4.5-GW renewable energy from the Khavda Renewable Energy (RE) Park as part of Phase II-Part A of the transmission infrastructure. 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 rating also takes comfort from that fact that since commissioning the project has been able to achieve an average line availability of 99.57% till June 2026, 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 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. The collections from CTUIL started in September 2025 and are being received in a regular and timely manner with an average collection efficiency of 94%. A track record of timely collection remains a key monitorable. Further, ICRA notes that with steady cash flows and a long amortising debt tenure, the debt coverage metrics of the project are expected to remain comfortable, with a cumulative DSCR of much above 1.3x.

The company has filed a petition before the CERC, seeking extension of the scheduled commercial operation date (SCOD) and recovery of additional expenditure arising from force majeure events, change-in-law claims, project scope changes and other consequential reliefs available under the TSA. These claims have been submitted to the CERC through a petition, which is currently under review.

At present, the company in the process of refinancing the existing term loan of Rs. 815.5 crore. The company is expected to refinance the loans through the issuance of proposed non-convertible debentures (NCDs) of up to Rs. 840.0 crore. The proposed NCD issuance carries a fixed coupon rate, which is lower than the interest rate on the existing loan, 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 year thereafter. In addition, the lenders have the right to ask the company for mandatory repayment in case the credit rating falls below A+. 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 the power transmission project.

Going forward, the company's debt coverage metrics are expected to remain comfortable, with the cumulative DSCR on the external project debt estimated much above 1.3x over the existing as well as proposed debt tenure, without factoring in the amount claimed under the tariff petition. 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.

ICRA also notes the established track record of its sponsor - Adani Energy Solutions Limited (AESL, rated [ICRA]AA+ (Stable)/[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 KATL. As on June 30, 2026, AESL had a portfolio of 48 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 27,949 ckm (as on June 30, 2026), making it the largest privately operating transmission line company in India.

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 resulting in 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 on the long-term rating 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.

The rating is now based on KATL's standalone credit profile, reflecting a sustained improvement in its credit profile, supported by a satisfactory operational performance and timely collections from the counterparty. Accordingly, the rating no longer incorporates any expectation of extraordinary parent support from AESL.

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%. The company demonstrated an average line availability of 99.57% for the period between June 2025 and June 2026, thereby being eligible for earning the incentive income.

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. This is also demonstrated by a healthy average collection efficiency of 94% for the period between August 2025 and July 2026.

Satisfactory operating performance with comfortable line availability - Khavda-II A has demonstrated satisfactory operating performance since commissioning. The average line availability stood healthy at 99.57% since commissioning. Further, the revenue profile remains supported by healthy billing and collection efficiency, with a billing collection of over 94%, while the balance receivables are largely attributable to normal payment cycle delays. The satisfactory operational performance, coupled with stable collections and the availability-linked nature of transmission revenues under the long-term TSA framework, provides visibility to the company's cash flows and debt servicing ability.

Debt coverage metrics to remain healthy - The debt coverage metrics of the project are expected to be adequate, with the cumulative DSCR likely to remain much above 1.3x over the debt tenure (for both existing and proposed NCDs), supported by the long-term TSA with availability linked tariff and the long tenure of the project debt at a competitive interest rate.

Established track record of sponsor group - 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 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

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 company's existing debt facilities are linked to floating interest rates, exposing it to variability in borrowing costs over the tenure of the debt. Given the fixed nature of transmission revenues under the long-term TSA, any material increase in interest rates could result in higher debt servicing obligations and exert pressure on the debt coverage metrics. In addition, the proposed NCD structure introduces refinancing risk, as the debenture holders have a put option exercisable at the end of five years from the date of allotment, which could necessitate refinancing prior to the final maturity of the instrument. Nevertheless, these risks are mitigated to an extent by the project's stable and predictable cash flow profile arising from availability-based transmission charges, a healthy buffer in the projected debt coverage indicators and the long residual economic life of the asset, which are expected to support the company's refinancing prospects and access to funding avenues, if required.

Liquidity position: Adequate

Khavda-II A's liquidity profile remains adequate, supported by stable cash flow generation from the availability-based transmission charges under the long-term TSA framework. The cash flow from operations is expected to remain sufficient to meet the debt servicing requirements in FY2027 and FY2028. As on June 30, 2026, the company maintained a total liquidity of Rs. 66.17 crore, comprising cash and cash equivalents of Rs. 15.56 crore, DSRA balances of Rs. 26.00 crore and investments, including contingency reserves, of Rs. 24.61 crore. The company has created and maintained a fully-funded DSRA equivalent to one quarter of scheduled debt servicing obligations, providing adequate cushion against any temporary cash flow mismatches. Further, collections under the CTUIL pooling mechanism have remained regular, supporting liquidity and cash flow visibility.

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 moderation of the cumulative DSCR to less than 1.2x. In addition, delays in receiving payments under the pooling mechanism adversely impacting the company's cash flows and liquidity profile may trigger a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Power Transmission
Parent/Group support	Not applicable
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 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 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. 1,231.87 crore and was funded through a rupee term loan of Rs. 815.50 crore and promoter contribution of Rs. 416.37 crore.

Key financial indicators (audited)

Khavda-II A Transmission Limited (consolidated)	FY2025	FY2026	Q1FY2027*
Operating income	828.2	251.9	80.6
PAT	0.0	8.4	18.3
OPBDIT/OI	7.1%	45.7%	63.6%
PAT/OI	0.0%	3.3%	22.7%
Total outside liabilities/Tangible net worth (times)	13.6	13.8	11.8
Total debt/OPBDIT (times)	18.6	10.4	5.8
Interest coverage (times)	1.0	1.1	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

	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug 24, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based - Term loan	Long term	815.50	[ICRA]AAA (Stable)	Mar 16, 2026	[ICRA]AA+ (Stable)	-	-	-	-
				Oct 17, 2025	[ICRA]AA (Stable)	-	-	-	-
Fund based - Proposed limits	Long term	9.50	[ICRA]AAA (Stable)	Mar 16, 2026	[ICRA]AA+ (Stable)	-	-	-	-
				Oct 17, 2025	[ICRA]AA (Stable)	-	-	-	-
Proposed non-convertible debenture	Long term	840.00	[ICRA]AAA (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Term loan	Simple
Long term – Fund based – Proposed limits	Simple
Non-convertible debenture	Complex

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	Financial sector regulator#
NA	**Fund based - Term loan**	January-2024	9.25%	June-2048	815.50	[ICRA]AAA (Stable)	RBI
NA	**Fund based - Proposed**	NA	NA	NA	9.50	[ICRA]AAA (Stable)	RBI
NA	**Proposed non-convertible debenture**	NA	NA	NA	840.00	[ICRA]AAA (Stable)	SEBI

Source: Company

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

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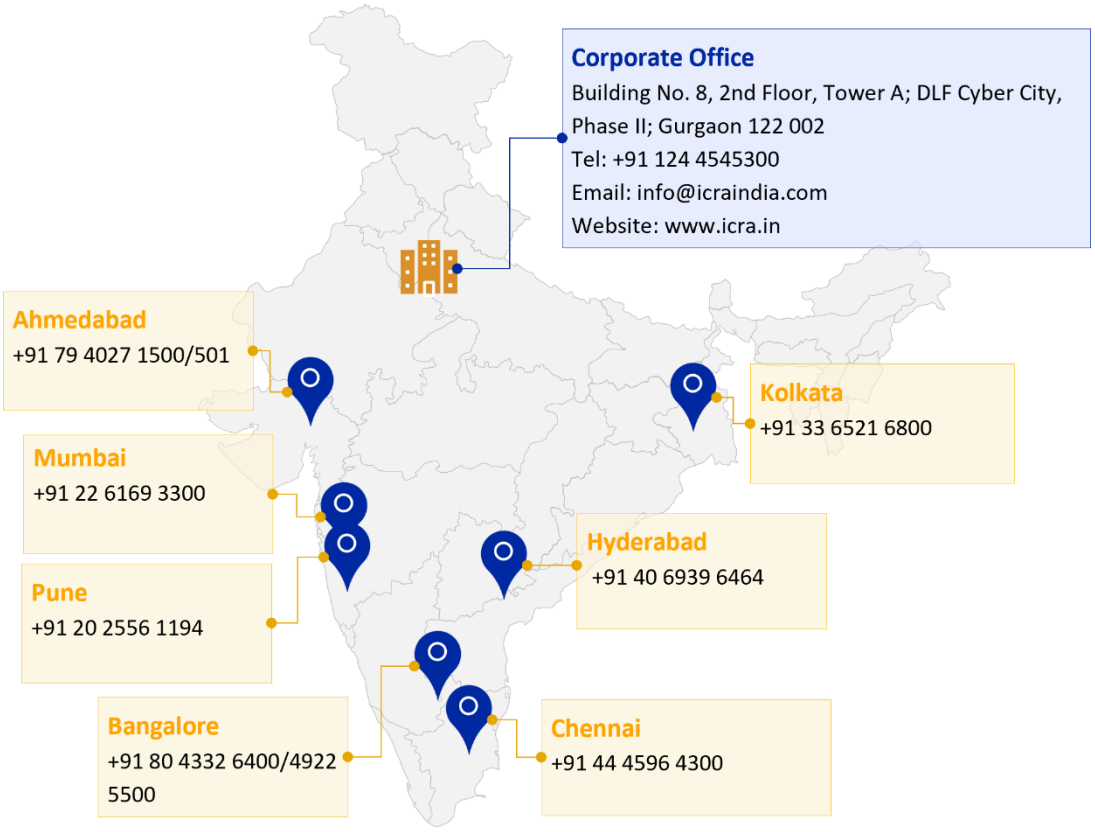

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