

Rating Rationale

Adani Infra (India) Ltd.

20 Mar 2019

Brickwork Ratings assigns Rating to the NCD issues aggregating Rs.875 Cr, withdraws the rating of the NCD of Rs.500 Cr and reaffirms the existing ratings of Adani Infra (India) Ltd. (AIIL)

Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	215 (Rs. Two Hundred and Fifteen Crore Only)	Long Term	BWR Provisional AA- (SO) ⁽¹⁾ [Pronounced as Provisional AA Minus (Structured Obligation)] Outlook – Stable
NCD	135 (Rs. One Hundred and Thirty Five Crore Only)	Long Term	BWR Provisional AA- (SO) ⁽¹⁾ [Pronounced as Provisional AA Minus (Structured Obligation)] Outlook – Stable
NCD	525 (Rs. Five Hundred and Twenty Five Crore Only)	Long Term	BWR Provisional AA- (SO) ⁽¹⁾ [Pronounced as Provisional AA Minus (Structured Obligation)] Outlook – Stable
Total	875 (Rs. Eight Hundred and Seventy Five Crore Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Provisional rating will be affirmed on receipt of Investment Memorandum and executed documents from the company.

(1) SO refers to Structured Obligation which indicates credit enhancement derived from the security cover of 2x by the pledge of listed equity shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL).

Details of NCD for which rating is withdrawn on account of redemption prior to the due date:

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	₹500 Cr	22-Feb-2018	Zero Coupon with redemption premium	27-Apr-2019	INE701Q07083	BWR AA- (SO)	Withdrawn on account of Redemption

Other Outstanding Bank Loan Ratings of AIIL which are reaffirmed are:

Bank Loans:

Instruments	Previous Amount	Present Amount	Rating History (Jan 2019)	Present Rating
Fund Based – Long Term Loan	₹ 250 Cr	₹ 250 Cr	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable) Reaffirmed
Fund Based – Short term Loan	₹ 717 Cr	₹ 717 Cr	BWR A1+ (SO)	BWR A1+ (SO) (Reaffirmed)
Fund Based – Short term Loan	₹ 537 Cr	₹ 537 Cr	BWR A3 (SO)	BWR A3 (SO) (Reaffirmed)
Fund Based – Short term Loan	₹ 250 Cr	₹ 250 Cr	BWR A1 (SO)	BWR A1 (SO) (Reaffirmed)
Fund Based – Long Term Loan	₹ 800 Cr	₹ 800 Cr	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable) Reaffirmed
Fund Based – Long Term Loan	₹ 200 Cr	₹ 200 Cr	BWR BBB- (SO) (Stable)	BWR BBB- (SO) (Stable) Reaffirmed
Fund Based – Short Term Loan	₹ 950 Cr	₹ 950 Cr	BWR A3+ (SO)	BWR A3+ (SO) Reaffirmed
Total	₹3704 Cr	₹ 3704 Cr		

Other outstanding NCD ratings of Adani Infra (India) Ltd reaffirmed are:

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating (Jan 2019)	Current Rating
NCD	₹ 490 Cr	11-Jan-2019	Zero Coupon with redemption premium	25-Apr-2020	INE701Q07109	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 175 Cr	26-Mar-2018	Zero Coupon with redemption premium	4-Apr-2019	INE701Q07091	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 250 Cr	12-Oct-2017	Zero Coupon with redemption premium	3-Apr-2020	INE701Q07059	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 170 Cr	28-Sep-2017	Zero Coupon with redemption premium	20-Apr-2020	INE701Q07042	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 300 Cr	21-July-2017	Zero Coupon with redemption premium	21-July-2021	INE701Q07026	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
Total	₹ 1385 Cr						

BWR has essentially relied upon the audited financial results upto FY18 of the issuer Adani Infra (India) Ltd. (AAIL), 1HFY19 financials, draft term sheet of NCDs, as well as audited financials of



the listed company – Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd (ATL), whose equity shares are provided as collateral security, and information and clarifications provided by the issuer.

Rationale for NCD Rating:

The rating factors, *inter alia*, the strength of underlying security in the form of pledge of listed equity shares of APSEZ and ATL with the current promoter pledge of 35.5% and 44.7%, respectively, structure of the NCD, resourcefulness of the promoters of the Company, and financial flexibility of the group.

However, the rating is constrained by moderate fundamentals of the issuer, reliance on promoter funds, refinance or, alternatively, liquidation of the securities - to meet the payment obligations arising from the NCD, market volatility in the price of equity shares of APSEZ and ATL and the overall high debt levels of the Adani Group.

Structure of the NCDs:

The Company has proposed to raise the Rated, Unlisted, Zero-Coupon, Redeemable, Non-Convertible Debentures ("NCDs" or "Debentures" or "Issue") of Rs.215 Cr, Rs.135 Cr and Rs.525 Cr, respectively. The NCDs are secured 2.10x for the first four months from the date of allotment and 2.0x thereafter till maturity by the pledge of listed equity shares of APSEZ and ATL. As per the draft term sheet of the transaction, NCD will require a top-up if the cover falls below 1.85x for the first 4 months and 1.75x thereafter. The Company is required to deposit all amounts payable under the facility (including principal and interest) 15 days prior to maturity. This addresses the liquidity aspects to an extent, should there be a need to invoke the sale of collateral. Other covenants are standard terms that are common for issues of this nature.

All the three NCDs have the maturity date of April 30, 2020 without any PUT / CALL option. It will be bullet repayment at maturity.

The company intends to utilize the proceeds of the NCDs towards refinancing of existing debt, onward lending to group companies.

Rating Outlook: Stable

BWR believes the Adani Infra (India). Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Negative' if the 'structure' based on which the credit enhancement is derived weakens. This includes, and not limited to revenues and profitability of ATL and APSEZ, market value of shares pledged, and percentage of promoter's shares pledged.

Background

Adani Infra (India) Ltd. (AIIL), established in 2010, is a 100% subsidiary of Adani Properties Pvt. Ltd. (APPL). It is an infrastructure development company with specialization in



comprehensive engineering, project management and construction (EPC) services for power generation and transmission sector, and mainly caters to requirements of the Group companies. It is also involved in trading in various commodities. Board of Directors and senior employees comprises of professionals from Adani group.

The company is also used as a vehicle to raise debt and bank loans against various third party securities, and in turn lend to Adani group entities.

AIIL: Financial Performance

Rs. Cr	FY16	FY17	FY18
	(Audited)	(Audited)	(Audited)
Operating Revenues	1143	646	674
Operating Profit	212	211	263
PAT	13	6	3.20
Total Debt	1550	1435	8925
Tangible Networth	81.14	77.15	85
Current Ratio	1.03	1.07	1.7

AIIL's debt for during FY18 is backed by pledge of listed shares held by the promoters, and the same is raised for providing loans and advances to Group companies, or investing in their equity or instruments. As such, repayment of the debt will be out of the cash flows of the Group's operating companies.

Security Providers:

APSEZ and ATL are two of the important listed companies of the Group.

APSEZ is the developer and operator of the Mundra port located in the Kutch district of Gujarat on the west coast of India, under a 30 year Concession Agreement with the Gujarat Maritime Board (GMB), valid till February 2031. CMP of its shares is Rs. 367 (52 weeks H/L is Rs. 444 and Rs. 294 respectively). As on March 15, 2019, promoters are holding 62.30% of shares of which 35.50% are pledged.

ATL (rated BWR AA+ (Stable)) is involved in setting up and operating power transmission lines through its subsidiary companies. CMP of its shares is Rs. 235 (52 weeks H/L is Rs. 256 and Rs. 115 respectively). As on March 15, 2019, promoters are holding 74.92% of shares of which 44.70% are pledged.

Any issues affecting these companies and/or other market developments could result in share price changes, and the promoters may be required to pledge additional shares.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Mar 2019)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Jan 2019	Oct 2018	Oct 3, 2017
1.	NCD	Long Term	215	BWR AA- (SO) (Stable)			
2.	NCD	Long Term	135	BWR AA- (SO) (Stable)			
3.	NCD	Long Term	525	BWR AA- (SO) (Stable)			
4.	Term Loan	Long Term	250	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
5.	Proposed NCD	Long Term	490	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
6.	Term Loan	Short Term	717	BWR A1+ (SO)	BWR A1+ (SO)	BWR A1+ (SO)	
7.	Term Loan	Short Term	537	BWR A3 (SO)	BWR A3 (SO)	BWR A3 (SO)	
8.	Term Loan	Short Term	250	BWR A1 (SO) (Stable)	BWR A1 (SO) (Stable)	BWR A1 (SO) (Stable)	
9.	NCD	Long Term	175	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	
10.	Term Loan	Short term	950	BWR A3+ (SO)	BWR A3+ (SO)	BWR A3+ (SO)	
11.	Term Loan	Short term	800	BWR AA- (SO)	BWR AA- (SO)	BWR AA- (SO)	

12.	Term Loan	Long Term	200	BWR BBB-(SO) (Stable)	BWR BBB-(SO) (Stable)	BWR BBB-(SO) (Stable)	
13.	NCD	Long Term	500	Withdrawn	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	
14.	NCD	Long Term	170	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)
15.	NCD	Long Term	250	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)
16.	NCD	Long Term	300	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)
Total			5964 (Rupees Five Thousand Nine Hundred and Sixty Four Crore Only)				

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Structured Obligation Ratings](#)



For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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