

**Adani Cementation Ltd.**

**Brickwork Ratings assigns ratings for the Bank Loan Facilities of ₹ 20 Crore of Adani Cementation Ltd. (ACL or “the Company”)**

**Particulars**

<b>Facility</b>	<b>Amount (₹ Cr)</b>	<b>Tenure</b>	<b>Rating*</b>
Performance Bank Guarantee	20	<b>Long Term</b>	<b>BWR BBB (CE) (Stable)</b>
<b>Total</b>	20	<b>INR Twenty Crores Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

**Standalone Rating of the Company is BWR BBB- (Stable)**

**RATING ACTION / OUTLOOK**

BWR assigned rating of BWR BBB (CE) (Stable) to the Performance Bank Guarantee facility of ACL. CE refers to Credit Enhancement derived from the security cover of 1.40x by the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) in the ratio of 1:3.

The rating factors, inter alia, strong parentage being 100% subsidiary of Adani Enterprise Ltd. (AEL – BWR A1+), demonstrated track record of the group in successfully executing various nascent projects, strong moral obligation on the group to support this new business both in business as usual and in distress situations and adequate security in the form of pledge of listed equity shares of group companies as mentioned above.

The rating is however constrained inherent limitations attached to the nascent stage of cement business for the group and increasing debt level of the group.

The Outlook for the rating is kept at “Stable” as the Company is in very nascent stage of development.

## KEY RATING DRIVERS

### Credit Strengths:

- **Strong Parentage:** ACL is 100% subsidiary of AEL (BWR A1+). AEL has demonstrated track record of nurturing new businesses and supporting it till they achieve self-sufficiency and become independent. AEL has adequate cash flows to fund new ventures. It is in the process of funding Roads, Water, Airports, Cement and Defence & Aerospace businesses in last 12-18 months. All of these new businesses have access to cash from AEL on a need basis in addition to equity infusions in a timely manner.
- **Experienced management with integrated nature of operations:** Adani Cementation has a well experienced management team to run operations. The long track record and extensive experience of the management team in building businesses in infrastructure space mitigate the limited track record in cement business. The management's ability to scale up business is fuelled by the business opportunities within the Adani group ecosystem from the 14000-MW thermal portfolio's ash disposal perspective and the string of ports within Adani Group for its cement movement logistics.
- **Security:** Performance Bank Guarantee is secured 1.40x by the pledge of shares of APSEZ and ATL in the ratio of 1:3 for the rated BG. As and when there is a claim under the guarantee, the Bank is required to pay the same immediately. The Bank can adjust the claim amount by liquidating the security it has in the form of share-pledge, if required.

### Credit Risks:

- **Nascent Stage of business:** ACL's mining operations will start post grant and execution of Mining Lease. As per Letter of Intent, presently ACL have 3 Years' time until 21 Jan 22 to execute the lease with further extension of Letter Of Intent for another 2 years period until 21 Jan 2024 depending upon receipt of statutory compliances. There is timeline of 5 years till 2024 for start- up of operations. Company's Investment plan for this venture is still being finalized with a likely Debt to Equity ratio of 70:30.
- **Increasing overall debt levels of the Adani Group:** Overall debt level of the Adani Group has been increasing on account of new initiatives as well inorganic growth undertaken across businesses by the Group, given the significantly capital intensive infrastructure nature and long gestation period of most of these businesses. However, at an overall Group level, the debt is adequately covered through committed cash-flows across the strong businesses. For the equity requirements of new businesses and support requirements for existing businesses, the promoters largely rely on dividends from strong businesses and raising additional funds through pledge of their equity shares in the listed companies. Servicing of some of this debt largely depends on refinancing options, given the growth that the group is undertaking.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA:**

The rating is assigned to the Performance BG of Rs.20 Cr sanctioned by Axis Bank in favour of “Governor of Andhra Pradesh” in line with the Letter of Intent issued by the Industries and Commerce Department, Government of Andhra Pradesh and the Tender Document for the auction of mining lease of the CAK Limestone Block, dated August 20, 2018.

It is further clarified that this is not a rating for the project loan to be availed by the Company from its project lenders. BWR has assigned a CE rating, deriving credit enhancement from the security cover of 1.40x by the pledge of shares of APSEZ and ATL in the ratio of 1:3 for the BG. Please refer to the criteria applicable to SO ratings at the end.

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## **RATING SENSITIVITIES**

**Positive:** Any further progress in the project will be credit positive for the company.

**Negative:** Any major setback leading to delay in the progress of the project will be credit negative.

**LIQUIDITY POSITION (Adequate):** As on March 31, 2019 the company had cash and cash equivalent of Rs.6.26 Cr without any debt. Further, ACL being wholly owned subsidiary of AEL, it has access to cash from AEL on a need basis in addition to equity infusions in a timely manner.

## **COMPANY PROFILE**

### **Issuer – Adani Cementation Ltd.**

Adani Cementation Ltd. (ACL) incorporated in December 2016, is the wholly owned subsidiary of Adani Enterprise Ltd. (AEL) to set up cement manufacturing facilities & Bull Cement Terminal (BCT) of 5.5 MTPA capacity at various locations in the country.

Mining operation will start post grant and execution of Mining Lease. As per Letter of Intent, presently ACL have 3 Years’ time until 21 Jan 22 to execute the lease with further extension of LoI for another 2 years period until 21 Jan 2024 depending upon receipt of statutory compliances.

The Company is in very initial stage of operations. As on date AEL has infused Rs.5 lakhs in the form of equity share capital. The Company does not have any external debt as on date except the interest bearing loan of Rs.80 Cr from AEL which have been invested in land parcel.

### **Credit Enhancement Provider:**

#### **Adani Transmission Ltd. (ATL):**

Adani Transmission Ltd (ATL), incorporated in 2015, is the flagship company of Adani Group in the power transmission sector. The shareholding is held 74.92% by the Promoters and promoter group and 25% by the general public. It is one of the largest private-sector

participants in India's power transmission chain. ATL is a holding company created to house the power transmission and distribution business of Adani group. Through its SPVs and subsidiaries, ATL owns, operates and maintains 14738 Ckt Kms of transmission lines ranging from 220 KV to 765 KV with a power transformation capacity of more than 23000 MVA. During 2018, the company also ventured into power distribution business by acquiring Mumbai's generation, transmission and distribution business which is housed under a 100% subsidiary of ATL - Adani Electricity Mumbai Ltd. CMP of its shares is Rs. 332 (52 weeks H/L is Rs. 366 and Rs. 180 respectively). As on December 31, 2019, promoters are holding 74.75% of shares of which 35.29% are pledged.

**Adani Ports and Special Economic Zone Ltd. (APSEZ):**

APSEZ is India's largest private port developer and operator, currently operating 10 ports across India. CMP of its shares is Rs. 385 (52 weeks H/L is Rs. 430 and Rs. 299.8 respectively). As on December 31, 2019, promoters are holding 62.30% of shares of which 35.80% are pledged.

**KEY FINANCIAL INDICATORS (in INR Crs)**

**FINANCIAL INDICATORS - ISSUER**

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Income	Rs. Cr	0.00	0.00
EBITDA	Rs. Cr	0.00	0.00
Net Profit	Rs. Cr	-0.01	-0.02
Total Debt	Rs. Cr	42.25	80.37
Tangible Networkth	Rs. Cr	0.03	0.01
Gearing (x)	Times	NA	NA

The company is in very initial stage of operations. As on the company AEL has infused Rs.5 lakhs in the form of equity share capital. The company does not have any external debt as on date except the interest bearing short term loan of Rs.80.37 Cr from AEL.

**FINANCIAL INDICATORS – CREDIT ENHANCEMENT PROVIDER**

**Adani Transmission Ltd. (ATL) - Consolidated**

Key Parameters	Units	FY18	FY19	1HFY20
Result Type		Audited	Audited	Unaudited
Operating Income	Rs. Cr	3944.59	7305.64	5528.39
EBITDA	Rs. Cr	2826.12	2779.60	2348.39
Net profit	Rs. Cr	1142.94	559.20	444

Total Debt	Rs. Cr	10428.34	20136.99	17791.43
Tangible Networth	Rs. Cr	5735.71	6467.52	7687.95
Gearing	Times	1.82	3.11	2.31

**Adani Ports and Special Economic Zone Ltd. (APSEZ) –**

Key Parameters	Units	FY18	FY19	1HFY20
Result Type		Audited	Audited	Unaudited
Operating Income	Rs. Cr	12333.89	12287.78	5616
EBITDA	Rs. Cr	8073.05	7953.9	3634
Net profit	Rs. Cr	3689.95	4044.75	2055
Total Debt	Rs. Cr	23604.98	29136.81	31262
Tangible Networth	Rs. Cr	16992.44	19407.65	19838.53
Gearing	Times	1.4	1.5	1.6

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - NA**

**RATING HISTORY**

Instrument	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
<b>Performance Bank Guarantee</b>	Long Term	20	<b>BBB (CE)</b>	-	-	-

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

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**Adani Cementation Ltd.**

**ANNEXURE I**  
**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term ₹ Cr	Total ₹ Cr
1.	Axis Bank	Performance Bank Guarantee	20	-	20
<b>TOTAL</b>					20

**Total Rupees Twenty Crores only.**

**For print and digital media**

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## **DISCLAIMER**

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