

Rating Rationale

Brickwork Ratings assigns ‘BWR A1+’ Rating for the Proposed Commercial Paper (CP) Issue of ₹ 300 Cr of Adani Enterprises Ltd.

Brickwork Ratings (BWR) has assigned the **Rating**¹ of “BWR A1+” (pronounced BWR A One Plus) for Proposed Commercial Paper issue of ₹ 300 Crores of Adani Enterprises Ltd. (‘AEL’ or ‘the Company’), having a tenor up to one year. With this, total amount of CP rated for AEL aggregates to ₹ 1050 Crores.

BWR has essentially relied upon the draft terms, audited financial results up to FY14, limited review financial results for FY15 and projected cash flow and key financial figures provided, publicly available information and information/clarification provided by the issuer.

The rating factors, *inter alia*, the experience and resourcefulness of the promoters of the Company, improving financial performance and scale of operations, strong market position, expected benefits arising out of the demerger of the diversified business and financial flexibility of the group. However, the rating is constrained by volatility in commodity prices, forex exposure risk, regulatory issues faced by the Coal & mining industry, deployment of funds for group’s needs, and refinance or, alternatively, rollover risk - to meet the obligations arising from the proposed CP issue.

AEL Background

Incorporated in 1993, Adani Enterprises Ltd. (AEL) is the flagship company of Adani Group being chaired by Mr. Gautam Adani. Adani Group as a whole is engaged in diversified areas of businesses and operates in a range of sectors - primarily energy - including coal mining, power generation and transmission, port operations, logistics, oil and gas exploration, city gas distribution. The group is also involved in agro-processing & storage mainly in to edible oil and commodities trading. AEL, on a standalone basis, has mainly coal trading and power trading businesses. The Company undertakes coal trading business directly and through its subsidiaries.

AEL has announced scheme of demerger in Jan 2015, post which AEL would not be a holding company of two listed entities, viz., Adani Power Ltd and Adani Ports & Special Economic Zone Ltd. The record date for the same was 1st April 2015 and it is subject to statutory approvals. Subsequently, AEL on a standalone basis will be focused on the business of coal mining and trading.

The proposed restructuring is expected to simplify the corporate structure of the group, as also unlock the value of its various businesses. Ultimately, there will be four listed companies in the group, including AEL.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The primary coal related integrated operations under AEL is expected to help the company to strengthen its market position and substantially improve its performance both operationally and financially.

The Company proposes to issue Commercial Papers having a tenor up to one year keeping in view its requirements as a business entity as also its current role as a holding company.

AEL - Board of Directors and Shareholding

Mr. Gautam Adani is the Chairman of AEL, and also the founder of the Adani Group. The Board has six other Directors who have vast experience in the field of Administration Finance, Economics, Accounting and other fields. As of March 2015, promoters holds 75% equity stake in the Company, while Institutions and Non Institutions hold 20.58% and 4.42% stake respectively.

Financials of AEL

In FY14, on standalone basis, AEL recorded total revenue of ~₹ 12993 Crs and net loss of ~₹ 179 Crs. As of March 2014, on a standalone basis AEL had total debt of around ₹ 6576 Crs, as against a tangible networth of at around ₹ 10017 Crs. The non-current investments stood at around ₹ 6551 Crs, while long term loans and advances stood at around ₹ 4221 Crs.

In FY15, on a standalone basis AEL reported total operating income of ~₹ 14932 Crs, while PAT stood at ~₹ 406.85 Crs.

In FY14, on consolidated basis, AEL recorded total revenue of ~₹ 56225 Crs and profit after tax of ~₹ 2645 Crs. As of March 2014, on a consolidated basis AEL had total debt of around ₹ 71980 Crs, as against a tangible networth of at around ₹ 24936 Crs. The net fixed tangible assets stood at around ₹ 67277 Crs, while long term loans and advances stood at around ₹ 5327 Crs.

In FY15, on a consolidated basis AEL reported total operating income of ~₹ 64582 Crs, while PAT before minority interest stood at ~₹ 2298 Crs.

Rating Outlook

The rating captures the strong market presence and the improving overall performance of AEL, both on standalone and consolidated basis. The other key business entities of the group, viz., Adani Power Ltd and Adani Ports & Special Economic Zone Ltd, have also shown reasonable improvement in the current year. Further, Adani Power Ltd., which has a large debt to service, is expected to benefit out of elongated repayment schedule being worked out by its lenders under Reserve Bank of India's 5/25 scheme. The proposed demerger of Adani Power Ltd and Adani Ports & Special Economic Zone Ltd is expected to result in substantial reduction in debt levels and interest cost for AEL.

Going forward, the sustained increase in the scale of operations and improvement in profitability, smooth implementation of the demerger plan, judicious deployment and timely recovery of CP proceeds, and efficient management of short term liquidity, would remain the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.