

Rating Rationale

Brickwork Ratings assigns 'BWR A1+' Rating for the Commercial Paper Issue of ₹ 750 Crores (enhanced from ₹ 500 Crores with additional proposed ₹ 250 Crores) of Adani Enterprises Ltd.

Brickwork Ratings (BWR) has assigned the **Ratings**¹ of "BWR A1+" (pronounced BWR A One Plus) for Commercial Paper issue of ₹ 750 Crores (enhanced from ₹ 500 Crores with additional proposed ₹ 250 Crores) of Adani Enterprises Ltd. ('AEL' or 'the Company'), having a tenor up to one year.

BWR has essentially relied upon the draft terms, audited financial results up to FY14, limited review financial results till 9MFY15 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 working capital intensive nature of operations, volatility in commodity prices, forex exposure risk, regulatory issues faced by the industry, 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 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 Adani Power Ltd and Adani Ports & Special Economic Zone Ltd. The record date for the same is 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.

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

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. The primary coal related integrated operations under AEL is expected to give company further prospects 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.

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 sectors. As of Dec 2014, promoters holds 75% equity stake in the Company, while Institutions and Non Institutions hold 21.24% and 3.76% stake respectively.

Financials of AEL

In FY14, on standalone basis, AEL recorded total revenue of ~₹ 12993 Crs and loss after tax of ~₹ 179 Crs. In 9MFY15, on a standalone basis AEL reported total operating income of ~₹ 11614 Crs, while PAT stood at ~₹ 334 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 FY14, on consolidated basis, AEL recorded total revenue of ~₹ 56225 Crs and profit after tax of ~₹ 2645 Crs. In 9MFY15, on a consolidated basis AEL reported total operating income of ~₹ 48440 Crs, while PAT stood at ~₹ 1211 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.

Rating Outlook

The rating captures the strong market presence and the improving overall performance of AEL. AEL's performance and scale has been showing improvement in the current year both at the standalone and consolidated level. The other key businesses of the group, which are Adani Power Ltd and Adani Ports & Special Economic Zone Ltd, have also shown reasonable

improvement in the current year. It is expected that the Company will continue with its good performance, further aided by substantial reduction in debt levels and interest cost due to the proposed demerger. Besides, improved focus on key operations, post proposed restructuring, is expected to have beneficial results.

Going forward, the sustained increase its scale of operations and substantial improvement in profitability, smooth implementation of the demerger plan, efficient management of working capital and short term liquidity, would remain key rating sensitivities.

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