



## Rating Rationale

Adani Infra (India) Ltd.

2 Nov 2018

Brickwork Ratings assigns Rating to the bank loan facilities aggregating Rs. 1575 Cr of Adani Infra (India) Ltd. (AAIL)

### Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
Term Loan	900 (Rupees Nine Hundred Crore Only)	Short Term	<b>BWR A1+ (SO)<sup>(1)</sup></b> <b>(Pronounced as BWR A One (Structured Obligation))</b>
Term Loan	675 (Rupees Six Hundred Seventy Five Crore Only)	Short Term	<b>BWR A3 (SO)<sup>(2)</sup></b> <b>(Pronounced as BWR A Three (Structured Obligation))</b>

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

(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 Transmission Ltd. (ATL) and Adani Enterprise Ltd. (AEL).

(2) SO refers to Structured Obligation which indicates credit enhancement derived from the Letter of Comfort provided by Adani Properties Pvt. Ltd. (BWR A-(Stable)/A1).

**Other Outstanding Ratings of AAIL which are reaffirmed are:**

### Bank Loans:

Instruments	Amount	Present Rating	Rating History (March 2018)
Fund Based – Short term Loan	₹ 250 Cr	BWR A1 (SO)	BWR A1 (SO) (Reaffirmed)
Fund Based – Long Term Loan	₹ 800 Cr	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable) Reaffirmed
Fund Based – Long Term Loan	₹ 200 Cr	BWR BBB- (SO) (Stable)	BWR BBB- (SO) (Stable) Reaffirmed
Fund Based – Short Term Loan	₹ 950 Cr	BWR A3+ (SO)	BWR A3+ (SO) Reaffirmed

<b>Total</b>	<b>₹ 2200 Cr</b>
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**Other outstanding NCD ratings of Adani Infra (India) Ltd are:**

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
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	₹ 1000 Cr	22-Feb-2018	Zero Coupon with redemption premium	27-Apr-2019	INE701Q07083	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 1000 Cr	5-Feb-2018	Zero Coupon with redemption premium	20-Apr-2019	INE701Q07075	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 500 Cr	1-Feb-2018	Zero Coupon with redemption premium	20-Apr-2020	INE701Q07067	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	INE701Q07034	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)
<b>Total</b>	<b>₹ 3565 Cr</b>						

BWR has essentially relied upon the, audited financial results upto FY18 of the issuer Adani Infra (India) Ltd. (AAIL), terms of sanction letters from the bank, as well as audited financials



of the listed companies - Adani Enterprise Ltd. (AEL) and Adani Transmission Ltd (ATL), whose equity shares are provided as security, and information and clarifications provided by the issuer.

**Rationale for Bank Loan Rating:**

Short Term loans from banks have been assigned Structured Obligation ratings based on the specific credit enhancement derived from the underlying security in the form of equity shares of Adani Transmission Ltd. and Adani Enterprise Ltd. for the loan of RS.900 Cr and Letter of Comfort from APPL for the bank loan of Rs.675 Cr.

The rating factors strength of Adani Group along with the underlying structure. The rating is however, constrained by the fact that AIIL is an investment arm of Adani Group promoters without any significant cash-flows of its own, and the overall group debt is high. Repayment is dependent on the cash-flows of the operating entities of the group and/or group support or refinance.

**Analytical Approach:** BWR has reviewed AIIL on a standalone basis, considering the direct as well as indirect interest it has in listed as well as unlisted companies of the Adani Group. Further, group support is also factored for servicing the rated facility, for reasons mentioned above.

**Structure of Term Loan of Rs.900 Cr:**

This loan has a tenor of 12 months, and repayable at maturity. It is secured 2.0x by the shares of Adani Transmission Ltd. (BWR AA+) of 1.5x and Adani Enterprise Ltd. (BWR A1+) of 0.5x, with a T-2 days funding structure.

**Structure of Term Loan of Rs.675 Cr:**

This loan has a tenor of 12 months, and repayable at maturity. Adani properties Pvt. Ltd. (BWR A- (Stable) A1) – parent of AIIL, has provided Letter of Comfort for the loan of RS.675 Cr.

**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 stand-alone financial risk profile of the company deteriorates, or the 'structure' based on which the credit enhancement is derived weakens. This includes, and not limited to revenues and profitability of AIIL& ATL, market value of shares pledged, and financial risk profile of APPL which has provided Letter of Comfort.

**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. The company is managed by professionals in the 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.

### AAIL: Financial Performance

<b>Rs. Cr</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
	(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
Gearing	19.1	18.6	105
Current Ratio	1.03	1.07	1.7

AAIL's debt for during FY18 is backed by pledge of shares and the same is raised for towards loans and advances to Group companies. As such, repayment of the debt will be out of the cash flows of the operating companies.

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

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Oct 3, 2017	Date in 2016	Date in 2015
1.	Term Loan	Short Term	900	BWR A1+ (SO)			
2.	Term Loan	Short Term	675	BWR A3 (SO)			
3.	Term Loan	Short Term	250	BWR A1 (SO) (Stable)			
4.	NCD	Long Term	175	BWR AA-(SO) (Stable)			

5.	Term Loan	Short term	950	BWR A3+ (SO)			
6.	Term Loan	Short term	800	BWR AA- (SO)			
7.	Term Loan	Long Term	200	BWR BBB- (SO) (Stable)			
8.	NCD	Long Term	1000	BWR AA- (SO) (Stable)	-		
10.	NCD	Long Term	1000	BWR AA- (SO) (Stable)			
9.	NCD	Long Term	500	BWR AA- (SO) (Stable)	-		
10.	NCD	Long Term	170	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-	-
11.	NCD	Long Term	170	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-	-
12.	NCD	Long Term	250	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)		
13.	NCD	Long Term	300	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-	-
<b>Total</b>			<b>7340 (Rupees Seven Thousand Three Hundred and Forty Crore Only)</b>				

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<a href="#">MSR Manjunatha</a> Head – Ratings Administration  <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>  <b>Relationship Contact</b> <a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

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BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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