

## RATING RATIONALE

5 March 2021

### Adani Infra (India) Ltd.

Brickwork Ratings reaffirms the rating of the NCD issues aggregating Rs.910 Cr and bank loan of Rs.186.25 Cr and withdraws the rating of the NCDs aggregating Rs.515 Cr and bank loans aggregating Rs.750 Cr of Adani Infra (India) Ltd. (AIIL or the “Company”)

#### Particulars

Facility / Instrument*	Amt Rated (Rs. Cr)		Tenor	Rating History with BWR# (March 6, 2020)	Present Rating#
	Previous	Present			
WCDL / Overdraft	200	-	Short term	BWR A3	<b>BWR A3/ BBB- (Stable) and Withdrawn</b>
Performance BG	38	-	Long Term	BWR BBB- (Stable)	
Proposed Bank Loan	262	-	Long Term / Short Term	BWR BBB- (Stable) / A3	<b>Withdrawn as not raised</b>
NCD (1)	215	-	Long Term	BWR AA- (CE) (Stable)	<b>Withdrawn on Redemption</b>
NCD (1)	135	135	Long Term	BWR AA- (CE) (Stable)	<b>BWR AA- (CE) (Stable)</b>
NCD (1)	525	525	Long Term	BWR AA- (CE) (Stable)	<b>BWR AA- (CE) (Stable)</b>
NCD (1)	250	250	Long Term	BWR AA- (CE) (Stable)	<b>BWR AA- (CE) (Stable)</b>
Bank Loan (1)	250	186.25	Long Term	BWR AA- (CE) (Stable)	<b>BWR AA- (CE) (Stable)</b>
Bank Loan (1)	250	-	Short Term	BWR A1 (CE)	<b>Withdrawn on Repayment</b>
NCD (1)	300	-	Long Term	BWR AA- (CE) (Stable)	<b>Withdrawn on Redemption</b>
<b>Total</b>	<b>2425</b>	<b>1096.25</b>	<b>INR One Thousand Ninety Six Crore and Twenty Five Lakhs 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 and Annexure-II

(1) CE rating is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) with the security cover of 2.0x.

#### **RATING ACTION AND OUTLOOK:**

1. BWR reaffirms the standalone unsupported rating at BWR BBB- (Stable)
2. BWR Reaffirms the rating for the NCD issues aggregating Rs.910 Cr and Bank Loan of Rs.186.25 Cr at BWR AA- (CE) with stable outlook.
3. BWR reaffirms the rating of BWR BBB- (Stable) / A3 and withdraws the rating of the Working Capital Overdraft limit of Rs.200 Cr and Performance BG of Rs.38 Cr on the basis of No Objection certificate from the banker and as per extend guidelines of BWR for withdrawal of ratings.
4. BWR withdraws the rating of proposed bank loan of Rs.262 Cr on confirmation from the company that they are not planning to raise it in near future.
5. BWR withdraws the rating of the NCDs aggregating Rs.515 Cr on redemption and rating of Bank loan of Rs.250 Cr on repayment.

The standalone unsupported rating reaffirmation factors, inter alia, strong parentage being part of the Adani Group which enjoys financial flexibility in domestic as well as international market, demonstrated track record of the Group which is global integrated infrastructure player with businesses in key industry verticals – transport & logistics, and energy & utility, gradual pick of the EPC activity by AIIL which is inherent part of the Group's activity and significance of the company to the Group.

The rating is however constrained by the fact that the company primarily acts as an investment arm of Adani Group wherein substantial amount of debt is raised in AIIL which in turn is extended onwards as loans to Group companies, cash-flows from operational activities which is EPC and PMC is relatively low and as on date primarily derived from Group companies. The ratings is also constrained by the overall high debt levels of the Group.

Reaffirmation of the rating of the NCDs and bank loans which are secured by the pledge of shares factors strength of the underlying securities which is the listed equity shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) and adequacy of promoter holding in each of these listed entities.

The “Stable” outlook indicates low-likelihood of rating change in the medium term considering the past trends and current activity level of the Company.

**Adequacy of Credit Enhancement:** The CE rating is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) with a security cover of 2.0x. The total share pledge debt levels of the group has reduced to Rs.8800 Cr as on date from Rs.12500 Cr as on December 31, 2020 with significant amount of repayment in previous two months. Repayment was done with cashflows from divestment of stake in group entity. At the current share backed indebtedness level of the group, the percentage of promoter pledge in each of the listed entity of the group is well within the comfortable levels. As on February 28, 2021, percentage of promoter pledge in APSEZ, ATL, Adani Enterprises Ltd. (AEL), Adani Power Ltd. (APL) and Adani Green Energy Ltd. (AGEL) was comfortable at 19%, 15.10%, 12.3%, 29.2% and 4.13% respectively.

## KEY RATING DRIVERS

### **Credit Strengths:**

**Part of the Reputed Group:** AAIL is 100% subsidiary of Adani Properties Pvt. Ltd. (APPL – BWR A1). APPL is Group's holding company which holds Group's strategic investments in all listed businesses as well as for the unlisted business like real estate, financial services and trading.

The Adani Group, is one of the leading business houses in India with revenues of over USD 13 billion, employing over 10,000 people and exploring diverse interests in Transport & Logistics (including Port Development & Operations, Development of Industrial Clusters & Special Economic Zones & Logistics) and Energy & Utility (including thermal and renewable power generation, transmission & distribution, city gas distribution) and other business interests like Solar Manufacturing, Real Estate, Coal Trading & Mining, Power Trading and Edible Oil Refining & Agro based infrastructure development. The biggest source of competitive advantage for the Adani Group is experienced and highly qualified professionals including technocrats of repute. The team has demonstrated capabilities in conceptualization and implementation of large projects, excellent records of establishing benchmarks in the industry. The group has a rich and extensive experience of working with government agencies, imports and funding large infrastructure projects.

**Financial Flexibility:** The Group has a demonstrated track-record of successfully tapping global as well as domestic market for raising debt as well as equity capital across various businesses. Over last 18 months, the Group has raised more than USD 5 billion from global debt capital markets and closed multiple equity issuances with strategic international investors like Total SA of France and Qatar Investment Authority.

**Strategic importance of the line of activity of AAIL to the Group:** AAIL is engaged in executing various types of infrastructure projects wherein it provides EPC and PMC services for Infrastructure Projects. Since incorporation AAIL took shape as in-house EPC arm of Adani Group and grown as full-fledged EPC company to take up open market contracts. AAIL has successfully executed various contracts with value of around Rs. 3700 Cr which includes 648 MW Solar Power Plant at Kamuthi, 4620 MW Thermal Power Plant at Mundra, 2\*660 MW thermal Power Plant at Kawai, Rajasthan, 660 MW thermal Power Plant at Tiroda, Maharashtra, 40 MW Solar Power Plant at Bitta – Gujarat. At the present, the company has various contacts under execution.

### **Credit Risks:**

**Investment arm of the Group:** AAIL also acts as investment arm of the Group wherein it raises funds from the market in the form of NCDs and Bank Loans and lends it to other operating entities of Group companies in the form of interest bearing loans and advances. So, another major source of income of AAIL is interest income received from this loans and advances. As on date, EPC forms very small percentage of total operating income. However, the company has plans to gradually focus on its operating activity by providing support to the group as well as



others and subsequently increase the share of the operating income. This is evident by the order book of the company as mentioned above.

**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 the overall Group level, the debt is adequately covered through free cash-flows generation across the strong businesses. As on March 31, 2020, the external Debt to EBITDA was around 5.0x at the Group level and the same is expected to remain range bound over the medium term. Out of the total debt of the group, around 5% is secured by pledge of listed equity shares of the group companies, and the Group plans to repay this in full by December 2021. For the equity requirements of new businesses and support requirements for existing businesses, the promoters largely rely on dividends from strong businesses, sale of equity 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. Over the last few months, the Group has also undertaken some strategic equity raise through dilution of shareholding in various assets like AGL, AGEL, and AEML.

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

Unsupported rating of AAIL is based taking into account Group support. The rating of the NCDs are 'CE' ratings, based on the security cover of the in the form of listed equity shares of the group companies.

For arriving at the ratings, BWR has factored group support for servicing the rated facilities, for reasons mentioned above. Please refer to the applicable rating criteria at the end.

#### **RATING SENSITIVITIES**

**Positive:** Reduction of debt levels and improvement in operating performance of the company with increase in operating income leading to higher cash-flows will be credit positive.

**Negative:** Increase in leverage with increase in debt will be credit negative. Increase in promoter pledge in any listed entity by more than 50% will be credit negative.

#### **LIQUIDITY POSITION (Adequate):**

As on September 30, 2020 the company had cash and cash equivalent of Rs. 50 Cr. This being investment arm of the group, servicing of debt is done by the cashflows of the operating entities. Further, AAIL being part of the Group, it has access to support from the Group on a need basis in addition to equity infusions in a timely manner. This is demonstrated by the fact that promoters have infused equity of Rs. 700 Cr in the form of Compulsorily Convertible Debentures (CCDs) in FY20 .



## COMPANY PROFILE

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.

### Security Providers:

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

Adani Transmission Ltd (ATL), incorporated in 2015, is the transmission and distribution (T&D) business arm of the Adani Group. The shareholding is held 74.9% by the Promoters and promoter group and balance 25.1% by the general public. It is the country's largest private-sector transmission Company with a cumulative transmission network of more than 14,739 ckt kms ranging from 220 KV to 765 KV with a power transformation capacity of more than 23000 MVA. ATL also operates a distribution business serving about 3 million+ customers in Mumbai, through its subsidiary Adani Electricity Mumbai Ltd.

CMP of its shares is Rs. 838 (52 weeks H/L is Rs. 854.95 and Rs. 147.50 respectively). As on date, promoters are holding 74.92% of shares of which 15.1% are pledged.

#### Adani Ports and Special Economic Zone Ltd (APSEZ):

APSEZ is the largest private port developer and operator in the country with operations across 10 ports (nine operational) in India. It handled around 22% of the country's cargo volumes in FY20. The Company has strategically located high-quality assets, with an average remaining concession life of 25 years (except Mundra port).

CMP of its shares is Rs. 742.05 (52 weeks H/L is Rs. 765.70 and Rs. 203 respectively). As on date, promoters are holding 62.46% of shares of which 19% are pledged.

### KEY FINANCIAL INDICATORS of the Issuer - AIIL (in INR Cr)

AIIL (Rs Crs)	FY19	FY20
	(Audited)	Audited
Net worth	2339	3658
Total Debt	7433	3041
Long Term Loans & Adv.	3754.0	221
Short term Loans and Adv.	646.5	333
Non-Current Investments	5801.2	6287
Total Income (Op + Non Op)	2033.2	1790
PBT	6.9	7
PAT	4.6	5

During FY20, promoters infused equity in AILL in the form of CCDs of Rs.700 Cr.  
Out of the total debt of Rs.3041 Cr as on March 31, 2020, Rs. 1527 Cr is from related parties.

**Security Provider – ATL**

Rs. Cr	Consolidated			
	FY19	FY20	1HFY20	1HFY21
	Audited	Audited		
Total Operating income	7561	11681	5446	4602
EBITDA	3017	4751	2120	2071
PAT	559	706	444	570
Tangible Networkth	6468	7974		7827
Total Debt	20137	23526		21782
Gearing	3	3		3

**Security Provider – APSEZ**

	FY19	FY20	1HFY20	1HFY21
Total Operating Income	12288	13734	5616	5195
<b>EBITDA</b>	7954	7801	4561	4186
Net Profit	4045	3785	2088	2151
Total Debt	27188	29462		34367
Loan from Promoters				
<b>Net Debt</b>	27188	29562		34367
Tangible Networkth	19408	20577		22840
<b>Gearing</b>	1.4	1.4		1.5

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

## RATING HISTORY

Sl. No.	Instrument/Facility	Current Rating (2020)		Rating History			
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Mar-20	Sep-19	Oct-18
1	Fund based: Working Capital Demand Loan	Short Term	200	Withdrawn	BWR A3		
2	Non Fund Based: Performance Bank Guarantee	Long Term	38	Withdrawn	BWR BBB- (Stable)		
3	Proposed Bank Loans	Long Term/ Short Term	262	Withdrawn	BWR BBB (Stable)/ A3		
4	NCD	Long Term	250	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
5	NCD	Long term	215	Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
6	NCD	Long term	135	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
7	NCD	Long term	525	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
8	Term Loan	Long Term	186.25	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
9	Term Loan	Short Term	250	Withdrawn	BWR A1 (CE) (Stable)	BWR A1 (CE) (Stable)	BWR A1 (CE) (Stable)
10	NCD	Long Term	300	Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)
Total			1096.25 (Rupees One Thousand Ninety Six Crore and Twenty Five Lakhs Only)				

## 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

- [Approach to Financial Ratios](#)
- [General Criteria Criteria on Credit Enhancement](#)
- [Ratings Based on Group Support](#)
- [BWR's policy on withdrawal of Ratings](#)

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**Annexure II**  
**Details of the NCDs rated by BWR**

Instrument	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Rating
NCD	250	25-Sep-19	Zero Coupon with redemption premium	22-Apr-23	INE701Q07141	BWR AA-(CE)	Reaffirmation of existing rating BWR AA-(CE)
NCD	300	21-Jul-17	Zero Coupon with redemption premium	21-Jul-21	INE701Q07026	BWR AA-(CE)	Withdrawal on Redemption
NCD	135	28-Mar-19	Zero Coupon with redemption premium	30-Apr-21	INE701Q07125	BWR AA-(CE)	Reaffirmation of existing rating BWR AA-(CE)
NCD	215			30-Apr-20	INE701Q07117	BWR AA-(CE)	Withdrawal on Redemption
NCD	525			30-Apr-22	INE701Q07133	BWR AA-(CE)	Reaffirmation of existing rating BWR AA-(CE)
<b>Total</b>	<b>₹ 1425 Cr</b>						

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