



Rating Rationale

Adani Infra (India) Ltd.

23 Sep 2019

Brickwork Ratings assigns rating to the proposed NCD issue of Rs.250 Cr, withdraws the rating of the NCD issue of Rs.250 and Bank loans aggregating Rs.1254 Cr and reaffirms the rating of existing instruments of Adani Infra (India) Ltd. (AIIL or the “the Company”)

Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	250 (Rs. Two Hundred and Fifty Crores Only)	Long Term	BWR Provisional AA- (CE) ⁽¹⁾ [Pronounced as Provisional Double A Minus (Credit Enhancement)] Outlook – Stable

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

(1) CE indicates credit enhancement derived from the security cover of 2x by the pledge of listed equity shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. Provisional Rating will affirmed on receipt of executed documentation.

As per assessment by BWR, the standalone rating of AIIL will be BBB- (Stable).

Details of the NCD whose rating is withdrawn are is given below

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	₹ 250 Cr	12-Oct-17	Zero Coupon with redemption premium	3-Apr-20	INE701Q0705 9	BWR AA- (CE) (Stable)	Withdrawn

Details of the Bank Loans where the rating is withdrawn:

Facility*	Previous Limits	Limits (Cr)	Tenure	Previous Rating	Rating based on current review
Short Term Bank Loan	717.00	-	Short Term	BWR A1+ (CE) (Pronounced as A One Plus – Credit Enhancement)	Withdrawal on redemption
Short Term Bank Loan	537.00	-	Short Term	BWR A3 (CE) (Pronounced as A Three – Credit Enhancement)	Withdrawal on redemption

Details of the other outstanding NCD ratings:

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	₹ 300 Cr	21-Jul-17	Zero Coupon with redemption premium	21-Jul-21	INE701Q07026	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA-(CE) (Outlook: Stable)
NCD	135	28-Mar-19	Zero Coupon with redemption premium	30-Apr-21	INE701Q07125	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA-(CE) (Outlook: Stable)
NCD	215			30-Apr-20	INE701Q07117		
NCD	525			30-Apr-22	INE701Q07133		
Total	₹ 1175 Cr						

*CE refers to Credit Enhancement derived from the security of the pledged equity shares of listed Adani Group Companies.

Details of Other outstanding bank loan ratings:

Instruments	Previous Amount	Present Amount	Rating History	Present Rating
Fund Based – Short term Loan	₹ 250 Cr	₹ 250 Cr	BWR A1 (CE)	BWR A1 (CE) (Reaffirmed)
Fund Based – Long Term Loan	₹ 250 Cr	₹ 250 Cr	BWR AA- (Ce)	BWR AA- (CE) Reaffirmed
Total	₹ 500 Cr	₹ 500 Cr		



Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the draft term sheet of the proposed transaction, audited financial results upto of FY19 of the issuer Adani Infra (India) Ltd. (AAIL), as well as audited financials of the listed companies – Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd (ATL) whose equity shares are provided as collateral security, and information and clarifications provided by the issuer.

The rating factors, *inter alia*, the strength of underlying security in the form of pledge of listed equity shares of APSEZ and ATL with the current promoter pledge in the range of 26% to 52% across these companies, structure of the NCD, resourcefulness of the promoters of the Company, and financial flexibility of the group.

However, the rating is constrained by moderate fundamentals of the issuer, reliance on promoter funds, refinance or, alternatively, liquidation of the securities - to meet the payment obligations arising from the NCD and market volatility in the price of equity shares of APSEZ and ATL.

Structure of the NCD:

The Company has proposed to raise the Rated, unlisted, Zero-Coupon, Redeemable, Non-Convertible Debentures (“NCDs” or “Debentures” or “Issue”) of Rs. 250 Cr with the tenor of 3 year and 7 months from the deemed date of allotment. The NCDs are secured 2.0x with the pledge of shares of Adani Ports and Special Economic Zone (APSEZ) 1.6x and Adani Transmission Ltd. (ATL) 0.4x till maturity. As per the executed term sheet of the transaction, NCD will require a top-up if the cover falls below 1.75x. PUT option date is 2 Years 1 month from the deemed date of allotment with 45 days prior notice and CALL option date is 3 Years 1 month from the date of allotment with 30 days prior notice. The Company is required to deposit all amounts payable under the facility (including principal and accrued premium) 15 days prior to maturity date. This addresses the liquidity aspects to an extent, should there be a need to invoke the sale of collateral. Other covenants are standard terms that are common for issues of this nature.

The Company is expected to utilize the proceeds of the NCDs towards refinancing of existing debt, onward lending to group companies, and for general corporate purposes.

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 ‘structure’ based on which the credit enhancement is derived weakens. This includes, and not limited to revenues and profitability of ATL and APSEZ, market value of shares pledged, and percentage of promoter’s shares pledged.



Security Providers:

APSEZ and ATL are the important listed companies of the Group.

APSEZ is India's largest private port developer and operator, currently operating 10 ports across India. CMP of its shares is Rs. 370 (52 weeks H/L is Rs. 430 and Rs. 294 respectively). As on June 30, 2019, promoters are holding 62.30% of shares of which 32.10% are pledged.

ATL (rated BWR AA+ (Stable)) is India's largest private transmission and distribution company and is involved in setting up and operating power transmission lines through its subsidiary companies and also operates the Mumbai integrated generation, transmission and distribution utility. CMP of its shares is Rs. 233 (52 weeks H/L is Rs. 256 and Rs. 141 respectively). As on June 30, 2019, promoters are holding 74.92% of shares of which 50.37% are pledged.

Analytical Approach: For rating of the NCDs which are secured by the pledge of the securities of the listed entities of the Adani Group, BWR has analyzed the terms of the NCDs, rating of the entities whose shares are pledged as securities and security cover of the transaction. Further, group support is also factored for servicing the rated facilities, for reasons mentioned above.

Background - AAIL

Adani Infra (India) Ltd. (AAIL), 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.

Financial Performance of the Issuer - AAIL

AAIL (Rs Crs)	FY18	FY19
	(Audited)	(Audited)
Net worth	84.87	2338.74
Total Debt	8925.18	7432.97
Long Term Loans & Adv.	1848.63	3754.03
Short term Loans and Adv.	7226.69	646.52
Non-Current Investments	0	5801.18
Total Income (Op + Non Op)	659	2033.15
PBT	5.23	6.86
PAT	3.2	4.58



- During FY19, promoters infused equity in AAIL in the form of CCDs of Rs.2250 Cr.
- Out of the total debt of Rs.7432.97 Cr as on March 31, 2019, Rs. 1660 Cr is from related parties.
- Non-current investments includes investments of Rs. 2100 Cr and Rs. 3408 Cr in perpetual securities of Adani Power Ltd. and Adani Transmission Ltd., respectively which were previously classified by the company as short term loans and advances.
- Total operating income includes income received from trading of castor seeds and castor oil and interest income from loans and advances given to group companies. Total income has increased considerably with increase in trading revenue and also interest income.

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

Sl. No.	Instrument/Facility	Current Rating (May 2019)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Oct 2018	Oct 3, 2017	Date in 2016
1.	NCD	Long Term	250	BWR Provisional AA-(CE) (Stable)			
7	NCD	Long term	215	BWR AA- (CE) (Stable)			
8.	NCD	Long term	135	BWR AA- (CE) (Stable)			
9.	NCD	Long term	525	BWR AA- (CE) (Stable)			
10.	Term Loan	Long Term	250	BWR AA- (CE) (Stable)			
11.	Term Loan	Short Term	717	Withdrawn	BWR A1+ (CE)		
12.	Term Loan	Short Term	537	Withdrawn	BWR A3 (CE)		
13.	Term Loan	Short Term	250	BWR A1 (CE) (Stable)	BWR A1 (CE) (Stable)		



14.	NCD	Long Term	250	Withdrawn	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	
15.	NCD	Long Term	300	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	-
Total			1925 (Rupees One Thousand Nine Hundred Twenty Five Crore Only)				

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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