



## Rating Rationale

Adani Infra (India) Ltd.

10 July 2017

**Brickwork Ratings assigns Rating for the NCD of Rs. 300 Crore of Adani Infra (India) Ltd.**

### Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	300 (Rupees Three Hundred Crore Only)	Long Term	<b>BWR AA-(SO)</b> <b>(Pronounced as Double A Minus</b> <b>(Structured Obligation)</b> <b>(Outlook:Stable)</b>

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

### Other Outstanding Bank Loan Ratings for Adani Infra (India) Ltd which are reaffirmed are:

Instruments	Amount	Present Rating	Assigned/ Reaffirmed	Issue Date	Rating History
Fund Based – Short Term Loan	₹ 250 Cr	BWR A3+ (SO)	Reaffirmed	October 2016	BWR A3+ (SO) (October 2016)

### Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the draft term sheet outlining the structure of the NCD, audited financial results upto FY16 of the issuer Adani Infra (India) Ltd. (AII) as well as audited financials of Adani Ports & Special Economic Zone Ltd (APSEZ), Adani Enterprise Ltd. (AEL) and Adani Transmission Ltd (ATL), whose equity shares are provided as security, and information and clarification provided by the issuer.

The rating factors, *inter alia*, the strength of underlying security in the form of pledge of listed equity shares of Adani Ports & Special Economic Zone Ltd, Adani Enterprise Ltd. and Adani Transmission Ltd, structure of the proposed 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 proposed debts, market volatility in the price of equity shares of Adani Ports & Special Economic Zone Ltd, Adani Enterprise Ltd. and Adani Transmission Ltd, increasing debt level of the group and the current challenging environment faced by the economy, in general.



## **Analytical Approach:**

### **NCD:**

The Company has proposed to raise this structured NCD upto ₹300 Crs with tenor of 4 years. All repayments, including the redemption premium, are due at maturity. There is call/put option at the end of 3 years and 15 days. The NCDs are backed s by way of pledge of equity shares of Adani Ports & Special Economic Zone Ltd(1.5 times), Adani Enterprises Ltd (0.4 times) and Adani Transmission Ltd (0.1 times) – overall a cover of 2 times. The pledgers is SB Adani Family Trust.

If on any trading day, the share price of APSEZ falls to the extent to reduce the cover to 1.275x of the outstanding NCD amount, issuer will post additional APSEZ shares to reset the underlying share ratio to 1.5x outstanding financing amount.

The Facility will require a top-up within 2 days if the cover falls below 1.70 times. Cash top-up will be triggered if on any day the APSEZ share price is below 35% from the initial share price. The Company is required to deposit all amounts payable under the facility (including principal and the redemption premium) 15 days prior to maturity. Other covenants are standard terms that are common for issues of this nature.

APSEZ's current stock price is trading in the range of Rs.327-Rs.375, with the low of Rs.202.5 and the high of Rs.377.50 during past one year. AEL's current stock price is trading in the range of Rs.111 – Rs. 132 with the low of Rs.58.35 and high of Rs. 160.70 during past one year. ATL's current stock price is trading in the range of Rs.104.45 – Rs. 133.40, with the low of Rs.34.60 and high of Rs. 137.20 during past one year.

### **Background**

Adani Infra (India) Ltd. (AII), established in 2010, is presently 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 caters mainly to Group companies. In the past it was also involved in trading in various commodities. The company is managed by Adani Group professionals.

The Company intends to use the proceeds of the NCD towards Refinancing, onward lending to group companies and General corporate purposes.

### **Company Financial Performance**

As per FY17 audited financials, AII reported net profit of Rs.5.86 Crs on net sales of Rs. 413.54 Crore as compared to net profit of Rs. 13.06 Crore on net sales of Rs. 953.60 Crore in FY16. The company's networth stood at Rs.81.14 Crore as on March 31, 2017.

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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1.	NCD	Long Term	300	BWR AA-(SO) (Stable)	-	-	-
2.	Bank Loan	Short Term	250	BWR A3+ (SO)	October 2016		

### Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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).

#### About Brickwork Ratings

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#### **DISCLAIMER**

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