

## Rating Rationale

Adani Infra (India)Ltd.

18 September 2017

Brickwork Ratings assigns Rating for the NCD of Rs. 340 Crore of Adani Infra (India) Ltd.

### Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	170 (Rupees One Hundred Seventy Crore Only)	Long Term	BWR AA-(SO) (Pronounced as Double A Minus (Structured Obligation)) (Outlook:Stable)
NCD	170 (Rupees One Hundred Seventy Crore Only)	Long Term	BWR AA-(SO) (Pronounced as Double A Minus (Structured Obligation)) (Outlook:Stable)
<b>Total</b>	<b>340 (Rupees Three Hundred Forty Crore Only)</b>		

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

### Withdrawal of Outstanding BLR Rating:

Instruments	Amount	Outstanding Rating	Current Rating	Rating Issue Date
Fund Based – Short Term Loan	₹ 250 Cr	BWR A3+ (SO)	Withdrawn*	October 2016

\*On repayment of the loan

### Other outstanding NCD ratings of Adani Infra (India) Ltd are:

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD (tenor 4 years)	₹ 300 Cr	21- July- 2017	Zero Coupon with redemption premium	21-July- 2021	INE701Q07026	BWR AA- (SO) (Stable) (July 2017)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)



### **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 FY17 of the issuer Adani Infra (India) Ltd. (AIIL) as well as audited financials of the listed companies, 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:**

This is a 'Structured Obligation' rating, indicating the credit enhancement derived from the pledge of listed shares, and overall structure of the instrument.

### **Brief Terms of the NCD:**

The Company has proposed to raise this structured NCD upto ₹340 Crs with tenor of 32 months. The NCDs are to be issued in two tranches of Rs.170 Crore each. Terms and conditions for both the tranches are similar except for the put and call option. In case of tranche I, put/call option can be exercised at the end of 15 months from the deemed date of allotment and in case of tranche II, at the end of 20 months from the deemed date of allotment.

All repayments, including the redemption premium, are due at maturity. The NCDs are backed 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 pledger is SB Adani Family Trust, a promoter entity.

The Facility will require a top-up within 2 days if the cover remains below 1.75 times for 3 consecutive trading days. 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.375-Rs.397, with the low of Rs.229.20 and the high of Rs.421.60 during past one year. AEL's current stock price is trading in the range of Rs.107 – Rs. 137 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.107.45 – 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. (AAIL), 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, AAIL 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	Date in 2016	Date in 2015	Date in 2014
1.	NCD	Long Term	170	BWR AA-(SO) (Stable)	-	-	-
2.	NCD	Long Term	170	BWR AA-(SO) (Stable)	-	-	-
3.	NCD	Long Term	300	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-	-
4.	Bank Loan	Short Term	250	Withdrawal of BWR A3+(SO)	BWR A3+(SO) in October 2016		
<b>Total</b>			<b>890</b>	<b>INR Eight Hundred and Ninety Crores 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

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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