



Rating Rationale

Adani Infra (India) Ltd.

3 April 2018

Brickwork Ratings assigns Rating for the NCD of Rs.175 Cr and various bank loan facilities aggregating Rs. 1950 Cr of Adani Infra (India) Ltd.

Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	175 (Rupees One Hundred Seventy Five Crore Only)	Long Term	BWR AA-(SO) (Pronounced as BWR Double A Minus (Structured Obligation)) (Outlook:Stable)
Term Loan3	950 (Rupees Hundred and Fifty Crore Only)	Short Term	BWR A3+ (SO) (Pronounced as BWR A Three Plus (Structured Obligation))
Term Loan1	800 (Rupees Eight Hundred Crore Only)	Long Term	BWR AA- (SO) (Pronounced as BWR Double A Minus (Structured Obligation))
Term Loan2	200 (Rupees Two Hundred Crore Only)	Long Term	BWR BBB- (SO) (Pronounced as BWR Triple B Minus (Structured Obligation))
Total	Rs. 2125 Cr (Rupees Two Thousand One Hundred and Twenty Five Crore Only)		

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

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

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating (Feb 9, 2018)	Current Rating
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)
Total	₹ 3390 Cr						



BWR has essentially relied upon the, audited financial results upto FY17 and provisional results for 1HFY18 of the issuer Adani Infra (India) Ltd. (AIIL), draft term sheet outlining the structure of the NCD, sanctions letters of the bank loans 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, financials of AIIL's promoter - Adani Properties Pvt Ltd. (APPL) and Letter of Comfort provider for TL3, and information and clarifications provided by the issuer.

Rationale for NCD Rating:

The rating factors, *inter alia*, the strength of underlying security in the form of pledge of listed equity shares of APSEZ, AEL and ATL, 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 APSEZ, AEL and ATL, increasing debt level of the group and the current challenging environment faced by the economy, in general.

Rationale for Bank Loan Rating:

All the bank loans have also been assigned Structured Obligation ratings based on the credit enhancement derived from the underlying security of the transaction, or other comfort (as detailed below).

The rating for each of the bank loans factors, the strength of Adani Group along with the underlying structure which is separate for each of the transaction. The rating is however, constrained by the fact that AIIL is an investment arm of Adani Group without any significant cash-flows of its own. As such, repayment is dependent on the cash-flows of the operating entities of the group and/or group support.

Analytical Approach for NCD:

All the NCD ratings (existing as well as proposed) are 'Structured Obligation' ratings, indicating the credit enhancement derived from the pledge of listed shares, and overall structure of the instrument. Please refer to the links for Criteria, provided at the end.

Brief Terms of the NCD of Rs.175 Cr:

The Company has proposed to raise this structured NCD upto ₹175 Crs with the tenor of 13 months.

The NCDs are backed by way of pledge of equity shares of APSEZ (1.4 times), AEL (0.2 times) and ATL (0.4 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) 6 days prior to maturity. Other covenants are standard terms that are common for issues of this nature.

Analytical Approach for BLR: BWR has reviewed AAIL 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 facilities, for reasons mentioned above.

Bank Loan3 of Rs.950 Cr:

This loan for the tenor upto one year, and hence a ST rating is assigned. Adani Properties Pvt. Ltd. [Rated BWR A- (Stable)] has provided a letter of comfort for this unsecured bank loan of Rs.950 Cr.

LOC provider holds significant shareholdings in Adani Group's listed entities - directly or indirectly, and has committed to maintain a certain level of encumbrance-free holding.

Bank Loan1 of Rs.800 Cr:

This loan has a tenor of 13 months, and repayable at maturity. The loan is secured 1.5x by the shares of Adani Transmission Ltd. [Rated BWR AA+ (Stable)], with a T-15 days funding structure.

Bank Loan2 of Rs.200 Cr:

This loan has a tenor of 13 months, and repayable at maturity. APPL has provided a separate support letter for this unsecured bank loan.

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 AAIL, market value of shares pledged, and financial risk profile of APPL, which has provided Letter of Comfort/Support.

Background

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. The company is managed by professionals in the Adani Group.



For details of Adani Properties Pvt Ltd., a reference may please be made to [BWR's Rating Rationale dated 15 Jan 2018](#).

AIII: Financial Performance

Rs. Cr	FY16	FY17
Operating Revenues	1143	646
Operating Profit	212	211
PAT	13	6
Total Debt	1550	1435
Tangible Networth	81.14	77.15
Gearing	19.1	18.6
Current Ratio	1.03	1.07

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.	NCD	Long Term	175	BWR AA-(SO) (Stable)			
2.	Term Loan	Short term	950	BWR A3+(SO)			
3.	Term Loan	Short term	800	BWR AA-(SO)			
4.	Term Loan	Long Term	200	BWR BBB-(SO) (Stable)			
6.	NCD	Long Term	1000	BWR AA-(SO) (Stable)	-		
7.	NCD	Long Term	500	BWR AA-(SO) (Stable)	-		
8.	NCD	Long Term	170	BWR AA-(SO)	BWR AA-(SO)	-	-

				(Stable)	(Stable)		
9.	NCD	Long Term	170	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-	-
10.	NCD	Long Term	250	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)		
11.	NCD	Long Term	300	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-	-
Total			5515 (Rupees Five Thousand Five Hundred and Fifteen Crore Obly)				

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
MSR Manjunatha Head – Ratings Administration analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a



meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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 Investors queries can be sent to 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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.