



Rating Rationale

Adani Infra (India) Ltd.

7 Jan 2019

Brickwork Ratings assigns Rating to the proposed NCD issue of Rs.500 Cr, withdraws the rating of NCD issue of Rs.170 Cr and reaffirms the existing ratings of Adani Infra (India) Ltd. (AAIL)

Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	500 (Rs. Five Hundred Crore Only)	Long Term	BWR AA- (SO)⁽¹⁾ [Pronounced as BWR Double A Minus (Structured Obligation)] Outlook - Stable

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

(1) SO refers to 'Structured Obligation' rating, which 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. (ATL).

Details of NCD for which rating is withdrawn:

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	₹ 170 Cr	28-Sep-2017	Zero Coupon with redemption premium	20-Apr-2020	INE701Q07034	BWR AA- (SO) (Stable)	Withdrawn on account of Redemption

Other Outstanding Ratings of AIL which are reaffirmed are:

Bank Loans:

Instruments	Previous Amount	Present Amount	Rating History (Oct 2018)	Present Rating
Fund Based – Short term Loan	₹ 900 Cr	₹ 717 Cr	BWR A1+ (SO)	BWR A1+ (SO) (Reaffirmed)
Fund Based – Short term Loan	₹ 675 Cr	₹ 537 Cr	BWR A3 (SO)	BWR A3 (SO) (Reaffirmed)
Fund Based – Short term Loan	₹ 250 Cr	₹ 250 Cr	BWR A1 (SO)	BWR A1 (SO) (Reaffirmed)
Fund Based – Long Term Loan	₹ 800 Cr	₹ 800 Cr	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable) Reaffirmed
Fund Based – Long Term Loan	₹ 200 Cr	₹ 200 Cr	BWR BBB- (SO) (Stable)	BWR BBB- (SO) (Stable) Reaffirmed
Fund Based – Short Term Loan	₹ 950 Cr	₹ 950 Cr	BWR A3+ (SO)	BWR A3+ (SO) Reaffirmed
Total	₹ 3775 Cr	₹ 3454 Cr		

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

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	₹ 175 Cr	26-Mar-2018	Zero Coupon with redemption premium	4-Apr-2019	INE701Q07091	BWR AA- (SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 500 Cr (Reduced from Rs.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	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	₹ 2895 Cr						

BWR has essentially relied upon the, audited financial results upto FY18 of the issuer Adani Infra (India) Ltd. (AIIL), 1HFY19 financials, draft term sheet of the proposed NCD, 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 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, 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, market volatility in the price of equity shares of APSEZ and ATL shares, and the overall high debt levels of the Adani Group.

Structure of the NCDs: The Company has proposed to raise the NCD of Rs.500 Cr maturing in April 2020. The NCDs are secured 2.0x by the pledge of listed equity shares of APSEZ and ATL

APSEZ and ATL are two of the important listed companies of the Group. APSEZL is the developer and operator of the Mundra port located in the Kutch district of Gujarat on the west coast of India, under a 30 year Concession Agreement with the Gujarat Maritime Board (GMB), valid till February 2031. CMP of its shares is Rs. 331 (52 weeks H/L is Rs. 452 and Rs. 294 respectively).

ATL is involved in setting up and operating power transmission lines through its subsidiary companies. CMP of its shares is Rs. 217 (52 weeks H/L is Rs. 256 and Rs. 115 respectively). Any issues affecting these companies and/or other market developments could result in share price changes, and the promoters may be required to pledge additional shares.

As per the draft term sheet of the transaction, NCD will require a top-up if the cover falls below 1.7x times. The Company is required to deposit all amounts payable under the facility (including principal and interest) 5 days prior to maturity. 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.

Further, the company is expected to utilize the proceeds of the NCDs towards refinancing of existing debt, investment in equity / onward lending to group companies, and for general corporate purpose.

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, APSEZ & ATL, market value of shares pledged, percentage of promoters' shares pledged, etc.



Background

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. The company is managed by professionals in the 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.

AIIL: Financial Performance

Rs. Cr	FY16	FY17	FY18
	(Audited)	(Audited)	(Audited)
Operating Revenues	1143	646	674
Operating Profit	212	211	263
PAT	13	6	3.20
Total Debt	1550	1435	8925
Tangible Networth	81.14	77.15	85
Current Ratio	1.03	1.07	1.7

AIIL's debt for during FY18 is backed by pledge of listed shares held by the promoters, and the same is raised for loans and advances to Group companies. As such, repayment of the debt will be out of the cash flows of the operating companies.

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

Sl. No.	Instrument/Facility	Current Rating (Year 2019)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Oct 2018	Oct 3, 2017	Date in 2016
1.	Proposed NCD	Long Term	500	BWR AA- (SO) (Stable)			
1.	Term Loan	Short Term	717	BWR A1+ (SO)	BWR A1+ (SO)		

2.	Term Loan	Short Term	537	BWR A3 (SO)	BWR A3 (SO)		
3.	Term Loan	Short Term	250	BWR A1 (SO) (Stable)	BWR A1 (SO) (Stable)		
4.	NCD	Long Term	175	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
5.	Term Loan	Short term	950	BWR A3+ (SO)	BWR A3+ (SO)		
6.	Term Loan	Short term	800	BWR AA- (SO)	BWR AA- (SO)		
7.	Term Loan	Long Term	200	BWR BBB- (SO) (Stable)	BWR BBB- (SO) (Stable)		
8.	NCD	Long Term	500	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
10.	NCD	Long Term	1000	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
9.	NCD	Long Term	500	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
10.	NCD	Long Term	170	Withdrawn	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-
11.	NCD	Long Term	170	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-



12.	NCD	Long Term	250	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)		
13.	NCD	Long Term	300	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-	
Total			6849 (Rupees Six Thousand Eight Hundred and Forty Nine Crore Only)					

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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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