



## RATING RATIONALE

31 December 2020

### Adani Infrastructure Management Services Ltd.

**Brickwork Ratings reviews the ratings of the Bank Loan Facilities aggregating Rs. 740 Crores of Adani Infrastructure Management Services Ltd. (AIMSL or the ‘Company’)**

#### Particulars

Borrowing Type	Previous Amt (Rs. Cr)	Present Amt (Rs. Cr)	Tenure	Previous Rating (June 2020)	Present Rating
Yes Bank Term Loan I <sup>(1)</sup>	594	576	Long Term	BWR BBB+ (CE) (Stable) <sup>(1)</sup>	BWR AA- (CE) (Stable) <sup>(1)</sup> (Revised)
Yes Bank Term Loan II <sup>(2)</sup>	190	164	Long Term	BWR AA- (CE) (Stable) <sup>(2)</sup>	BWR AA- (CE) (Stable) <sup>(2)</sup> (Reaffirmed)
Total	784	740	Rupees Seven Hundred and Eighty Four Crore Only		

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

\*\* Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I

(1) CE rating till June 2020 was based on (a) the unconditional and irrevocable corporate guarantee issued by Adani Properties Pvt Ltd (APPL, rated BWR A (Stable) / A1), and (b) a structures payment mechanism reflected in the T minus payment structure. The loan also had additional security in form pledge of shares of Adani Transmissions Ltd (ATL) at 1.0x as per the original sanction letter dated March 20, 2019. Currently, based on the revised sanction letter dated November 23, 2020, the security cover has been enhanced from 1.0x to 1.5x of ATL shares. Consequently, the ratings have been revised to take cognizance of the enhanced security structure in the said facility.

(2) CE rating is based on the pledge of shares of ATL with the security cover of 1.5x.

The standalone unsupported rating of Adani Infrastructure Management Services Ltd. (AIMSL) is BWR BBB- (Stable).

#### **RATING ACTION AND OUTLOOK: Rating Revised for Term Loan I and Rating Reaffirmed for Term Loan II.**

BWR has rated two term loans of AIMSL. Term Loan I of Rs.600 Cr (Current Outstanding – Rs.576 Cr) and Term Loan II of Rs. 200 Crs (Current outstanding Rs.164 Cr).

Term Loan 1 was earlier rated BWR BBB+ (CE) based on (a) unconditional and irrevocable corporate guarantee from AIMSL’s sponsor Adani Properties Pvt. Ltd. (APPL, rated BWR A (Stable)/ A1) and (b) a structured payment mechanism in form of a T minus payment structure.

Further, as per the stipulations of the original sanction letter dated March 2019 from the lender, this term loan was also additionally having the cover of 1.0x with pledge of shares of Adani Transmission Ltd. (ATL). Now, with the revised stipulations under the revised sanction dated November 2020, this security cover has been enhanced to by an additional 0.5x pledge of shares of Adani Transmission Ltd. (ATL) making the total security cover to 1.5x of the outstanding loan. Consequently, the ratings on this term loan I has been revised from BWR BBB+ (CE) (Stable) to BWR AA- (CE) (Stable) to reflect this change in the



Security cover and the resultant Credit Enhancement to align the rating with the revised stipulations of the sanction. The enhanced security cover has already been established and the same has been confirmed by the management as well as the lender.

The Term Loan II of Rs. 200 Crs has always been rated at AA-(CE) /Stable with the same security structure of pledge of shares of ATL with 1.5x cover as now exists for Term Loan 1.

The rating factors, inter alia, strong parentage being part of the Adani Group which enjoys high financial flexibility in domestic as well as international markets, demonstrated track record of the Group which is a global integrated infrastructure player with businesses in key industry verticals – transport & logistics, and energy & utility, gradual ramp-up of Operation and Maintenance (O & M) Services activity by AIMSLS to various companies (both group companies and others) engaged in the infrastructure businesses including but not limited to thermal and renewable power generation, transmission and distribution and O&M of other infrastructure businesses.

The rating is however constrained by the fact that the Company also acts as an investment arm of the Group wherein the debt raised by AIMSLS is extended as loans to Group companies, cash-flows from operational activities (O & M) is relatively low compared the debt servicing liability of the Company on a standalone basis and it derives cash flow from Group companies.

The “Stable” outlook indicates low-likelihood of rating change in the medium term considering the past trends and current activity level of the Company.

## **KEY RATING DRIVERS**

### **Credit Strengths:**

**Part of the Reputed Group:** AIMSLS is a part of the Adani Group. The Adani Group, is one of India’s leading business houses with revenues of over USD 13 billion, employing over 10,000 people and exploring diverse interests in Transport & Logistics (including Port Development & Operations, Development of Industrial Clusters & Special Economic Zones & Logistics) and Energy & Utility (including thermal and renewable power generation, transmission & distribution, city gas distribution) and other business interests like Solar Manufacturing, Real Estate, Coal Trading & Mining, Roads, Power Trading and Edible Oil Refining & Agro based infrastructure development. The biggest source of competitive advantage for the Adani Group is experienced and highly qualified professionals including technocrats of repute. The team has demonstrated capabilities in conceptualization and implementation of large projects, excellent records of establishing benchmarks in the industry. The group has a rich and extensive experience of execution, implementation and operating large infrastructure projects

**Financial Flexibility of the Group:** The Group has a demonstrated track-record of successfully tapping global as well as domestic market for raising debt as well as equity capital across various businesses. Over the last 18 months, the Group has raised around USD 5.3 billion from global debt capital markets and around USD 1.9 billion of equity by entering into 3 strategic equity partnerships with international players like Total SA of France and Qatar Investment Authority.



**Strategic Importance of APPL to the Group:** AIMSL is 100% subsidiary of Adani Properties Pvt. Ltd. (APPL – BWR A1). APPL, incorporated in May 1995, is one of Group’s holding companies which holds sizeable investments in all listed as well as unlisted business of the Group. Value of APPL’s holding in the listed entities was Rs.73,615 Cr based on the market price of the listed equity shares on December 30, 2020.

**Importance of AIMSL’s line of activity to the group:** AIMSL was incorporated to provide Operation and Maintenance services to various companies in the Infrastructure Businesses including but not limited to thermal and renewable power generation, transmission and distribution. All the above businesses are part of the Group. Though as of now, the Company is dealing with only group companies, AIMSL has plans to target business outside of the Group as well considering strong credentials for providing operations & management services. .

**Credit Risks:**

**Insufficient cashflows for debt servicing:** Though AIMSL undertakes O&M activity for the group companies, cashflows generated from operations are not sufficient for servicing the debt obligations in this Company at a standalone level. Rated debt raised in AIMSL has been extended as loans to Group companies. Repayment of these loans is expected to be done through support from one or more of these Group companies.

**Increasing overall debt levels of the Adani Group:** Overall debt level of the Adani Group has been increasing on account of new initiatives as well inorganic growth undertaken across businesses by the Group, given the significantly capital intensive infrastructure nature and long gestation period of most of these businesses. However, at an overall Group level, the debt is adequately covered through committed cash-flows across the strong businesses. As on March 31, 2020, the external Debt to EBITDA was around 5.0x which is expected to increase in near future for higher capex requirements in new projects to be undertaken in AEL as well as AGEL. Out of the total debt of the group, around 7-8% is secured by pledge of listed equity shares of the group companies, and the Group has articulated plans to repay this in full by December 2021. For the equity requirements of new businesses and support requirements for existing businesses, the promoters largely rely on dividends from strong businesses and raising additional funds through pledge of their equity shares in the listed companies. Servicing of some of this debt largely depends on refinancing options, given the growth that the group is undertaking. Over the last few months, the Group has also undertaken strategic equity raise of around USD 1.9 billion through dilution of shareholding in various assets like AGL, AGEL, and AEML.

**ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR’s ratings for both the term loans are ‘CE’ ratings. As per terms of facility shared with us, Term Loan I of 600 Crs (Current Outstanding Rs.576 Cr) earlier derived credit enhancement based on an unconditional and irrevocable corporate guarantee from APPL, and the existence of a T minus payment structure that stipulated that in the event of the borrower not being able to arrange funds at least two days prior to any interest or principal repayment, APPL, the guarantor will step in and make the required funds available for timely servicing of obligations. Now, with the change in sanction terms as per the revised sanction letter the security cover for the said loan has increased to 1.5x from 1.0x of pledge of shares of ATL.



Further, the ratings on the term loan II of Rs. 200 Crs (Current outstanding Rs.164 Cr) derives credit enhancement from the pledge of shares, which provides liquidity to meet debt repayment obligations.

Now, the analytical approach for the ratings on the Term Loan I and the Term Loan II is similar to each other.

For arriving at the ratings, BWR has factored group support for servicing the rated facilities, for reasons mentioned above. Please refer to the applicable rating criteria at the end.

#### **RATING SENSITIVITIES**

**Positive:** Reduction of debt levels and improvement in operating performance of the company with increase in operating income leading to higher cash-flows will be credit positive.

**Negative:** Increase in leverage with increase in debt without any corresponding improvement in cash flows will be credit negative.

#### **LIQUIDITY POSITION (ADEQUATE):**

AIMSL: As on September 30, 2020 the company had cash and cash equivalent of Rs.12.35 Cr with no liquid investments and no working capital limits. This is considered to be adequate as the company does not have any borrowings for its own operational purpose. The company does not have any borrowings for its own operations.

#### **COMPANY PROFILE**

**Borrower:** Adani Infrastructure Management Services Ltd (AIMSL) was incorporated on 9<sup>th</sup> June 2017' with an aim to undertake the O&M services of majority of infrastructure businesses of Adani Group as well as outside the Group.

AIMSL is a wholly owned subsidiary of Adani Properties Pvt. Ltd. (APPL). Mr. Karan Adani (son of Gautam Adani) and Mr. Pranav Adani (Nephew of Gautam Adani) are on the board of APPL.

#### **Security Provider – Adani Transmission Ltd. (ATL):**

Adani Transmission Ltd (ATL), incorporated in 2015, is the transmission and distribution (T&D) business arm of the Adani Group. The shareholding is held 74.9% by the Promoters and promoter group and balance 25.1% by the general public. It is the country's largest private-sector transmission company with a cumulative transmission network of more than 14,739 ckt kms ranging from 220 KV to 765 KV with a power transformation capacity of more than 23000 MVA. ATL also operates a distribution business serving about 3 million+ households in Mumbai, through its subsidiary Adani Electricity Mumbai Ltd.

## KEY FINANCIAL INDICATORS (in INR Crs) –

### Borrower - AIMSLS

Rs. Cr	FY18	FY19	FY20
	Audited	Audited	Provisional
Total Operating Income	49.5	144.08	506.64
Operating Profit	6.11	7.83	33.38
Net profit	4.25	5.64	25.11
Tangible Networth	4.33	9.66	34.87
Total Debt	0	38.3	1000
Current Ratio	1.49	0.83	0.46

### Security Provider – ATL

Rs. Cr	Consolidated			
	FY19	FY20	1HFY20	1HFY21
	Audited	Audited		
Total Operating income	7561	11681	5446	4602
EBITDA	3017	4751	2120	2071
PAT	559	706	444	570
Tangible Networth	6468	7974		7827
Total Debt	20137	23526		21782
Gearing	3	3		3

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

### RATING HISTORY

Instrument	Current Rating (2020)			Rating History			
	Tenure (Long Term/ Short Term)	Amount (₹Cr)	Rating	2019		2018	2017
			Current (Dec 2020)	Jun-20	May-19	Jan-19	
Bank Term Loan	Long Term	164	AA- (CE) (Stable)	AA- (CE) (Stable)	AA- (CE) (Stable)	AA- (CE) (Stable)	-
Bank Term Loan	Long Term	576	AA- (CE) (Stable)	BBB+ (CE) (Stable)	BBB+ (CE) (Stable)		
<b>Total</b>		<b>740</b>					

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [Approach to Financial Ratios](#)
- [General Criteria](#)
- [Criteria on Credit Enhancement](#)
- [Criteria on rating based on Group Support](#)

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**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Yes Bank Ltd	Term Loan	164	-	164
2.	Yes Bank Ltd.	Term Loan	576	-	576
<b>TOTAL</b>					<b>740</b>

**Total Rupees Seven Hundred and Forty Crores only.**



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