

RATING RATIONALE

8 June 2020

Adani Infrastructure Management Services Ltd.

Brickwork Ratings Reaffirms ratings for the Bank Loan Facilities aggregating Rs. 784 Crores of Adani Infrastructure Management Services Ltd. (AIMSL or the ‘Company’)

Particulars

Facility**	Amt (Rs. Cr)		Tenure	Rating*	
	Previous	Present		Previous (May 2019)	Present (Reaffirmation)
Fund based – Bank term Loans	200	190	Long Term	BWR AA- (CE) (Stable) (1)	BWR AA- (CE) (Stable) (1)
	600	594	Long Term	BWR BBB+ (CE) (Stable) (2)	BWR BBB+ (CE) (Stable) (2)
Total	800	784	INR Seven Hundred and Eighty Four Crore Only		

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

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

(1) CE rating is based on the pledge of shares of Adani Transmission Ltd. (ATL) the security cover of 1.5x.

(2) CE rating is on the Corporate Guarantee with T-2 structure from the parent – Adani Properties Pvt. Ltd.

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

RATING ACTION AND OUTLOOK : Ratings Reaffirmed

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 AIMSL 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 AIMSL 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.

For the bank loan rating of Rs.200 Cr, the rating factors, inter alia, the strength of underlying security which is the listed equity shares of Adani Transmission Ltd. For the bank loan rating of Rs.600 Cr, the rating factors in the strength of the corporate guarantee extended by AIMSLS's promoter Adani Properties Pvt. Ltd. (APPL, rated BWR A-/Stable)..

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 12 months, the Group has raised around USD 4 billion from global debt capital markets and also entered into 3 strategic equity partnerships with international players like Total SA of France and Qatar Investment Authority.

Strategic Importance of APPL to the Group: AIMSLS is 100% subsidiary of Adani Properties Pvt. Ltd. (APPL – BWR A1). APPL, incorporated in May 1995, is Group's holding company which holds Group's strategic investments in all listed businesses as well as for the unlisted business like real estate, financial services and trading. Value of APPL's holding in the listed entities was Rs.21000 Cr based on the market price of the listed equity shares on May 22, 2020.



Importance of AIMSL's line of activity to the group: AIMSL is 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, and O&M of other infrastructure businesses. 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 at 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. 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 some strategic equity raise through dilution of shareholding in various assets like AGL, AGEL, and AEML.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

Both the ratings covered in this rationale are 'CE' ratings, based on different structures. As per terms of facility shared with us, the TL of Rs. 200 Crs is covered by pledge of shares, which provides liquidity to meet debt repayment obligations. TL of Rs. 600 Crs derives credit enhancement based on Corporate Guarantee of APPL, and the rating assumes 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.

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 March 31, 2020 the company had cash and cash equivalent of Rs.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.

APPL: As on March 31, 2020 APPL had cash and cash equivalent of RS.108 CR and liquid investments in securities of listed entities of the group valued at Rs.21000 Cr.

COMPANY PROFILE

Borrower: Adani Infrastructure Management Services Ltd (AIMSL) was incorporated on 9th 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.

Guarantor – Adani Properties Pvt. Ltd.

APPL, an investment company of the Adani Group, was incorporated in May 1995. It is mainly engaged in the business of let-out and/or lease of immovable properties and wholesale trading of commodities, and is also a part of promoter group company that holds strategic investments in listed entities of Adani Group (Adani Enterprise Ltd., Adani Ports and SEZ Ltd., Adani Power Ltd., Adani Green Energy Ltd & Adani Transmission Ltd) through various LLPs. APPL also holds investments in various other businesses like real estate and financial services.

Mr. Karan Adani (Son of Mr. Gautam Adani) and Mr. Pranav Adani (nephew of Mr. Gautam Adani) are members of the Board of Directors of APPL. They are supported by a highly qualified and professional management team.

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 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+ customers in Mumbai, through its subsidiary Adani Electricity Mumbai Ltd.

KEY FINANCIAL INDICATORS (in INR Crs) –

Borrower - AIMSL

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 Networkth	4.33	9.66	34.87
Total Debt	0	38.3	1000
Current Ratio	1.49	0.83	0.46

Guarantor - APPL

Rs. Cr	FY19	FY20
	(Audited)	Provisional
Total Operating income	883	1504
EBITDA	394	1137
PAT	40	750
Total debt	3740	8648
Networth	3445	4195
Total Debt to Equity (Excluding Contingent Liabilities)	1.09	2.06
Corporate Guarantees	764	1718
Total Debt to Equity (Including Contingent Liabilities)	1.3	2.5

Security Provider – ATL

Rs. Cr	FY19	FY20
	Audited	Audited
Total Operating Income	7561	11681
EBITDA	3017	4751
Net profit	559	706
Tangible Networkth	6468	7974
Total Debt	20137	23526
Debt to Equity	3.1	3.0

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
				May-19	Jan-19		
Bank Term Loan	Long Term	190	AA- (CE) (Stable)	AA- (CE) (Stable)	AA- (CE) (Stable)	-	-
Bank Term Loan	Long Term	594	BBB+ (CE) (Stable)	BBB+ (CE) (Stable)			
Total		784					

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [Approach to Financial Ratios](#)
- [General Criteria](#)
- [Criteria on Credit Enhancement based on Letter of Comfort](#)

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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	190	-	190
2.	Yes Bank Ltd.	Term Loan	594	-	594
TOTAL					784

Total Rupees Seven Hundred and Eighty Four Crores only.

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