

RATING RATIONALE

10 July 2020

Adani Properties Pvt. Ltd.

Brickwork Ratings assigns the rating to the fresh NCD issue of Rs.1400 Cr, reaffirms the existing ratings and upgrades the unsupported rating of Adani Properties Pvt. Ltd. (APPL or the “Company”)

Particulars

Facility / Instrument	Amt (Rs. Cr)		Tenure	Rating*	
	Previous	Present		Previous (Nov 2019)	Present
Proposed NCD	-	1400	Long Term	-	BWR AA- (CE) (Stable) (1)
NCD	450	450	Long Term	BWR AA- (CE) (Stable) (2)	BWR AA- (CE) (Stable) (2)
NCD	250	250	Long Term	BWR AA- (CE) (Stable) (2)	BWR AA- (CE) (Stable) (2)
Bank Term Loan	900	900	Long Term	BWR AA- (CE) (Stable) (3)	BWR AA- (CE) (Stable) (3)
Total	1600	3000	Rs. Three Thousand 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 and Annexure-II

- (1) CE rating is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ), Adani Transmission Ltd. (ATL) and Adani Green Energy Ltd. (AGEL) with the security cover of 2.23x.
- (2) CE rating is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ), Adani Transmission Ltd. (ATL) and Adani Enterprises Ltd. (AEL) with the security cover of 2.23x & 2.0x.
- (3) CE rating is based on the pledge of shares of Adani Transmission Ltd. (ATL) with the security cover of 1.5x.



RATING ACTION AND OUTLOOK: Unsupported Ratings Upgraded; supported rating assigned/reaffirmed

The standalone unsupported rating of Adani Properties Pvt. Ltd. (APPL) is upgraded from BWR A- (Stable) / A1 to BWR A (Stable) / A1.

Upgrade in the standalone rating factors strategic importance of Adani Properties Pvt. Ltd. (APPL) to the Adani Group for being ultimate holder of sizeable investments in listed entities of the group, 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, consistent improvement in performance of key business verticals and the significant role played by APPL in supporting the planned achievement of the group's vision.

The rating is however constrained by the fact that the APPL acts only as an investment arm of the Group wherein the debt raised by APPL is extended as loans to Group companies, and repayment for the same is expected from the cash flows of the operating entities as dividend received by APPL may be insufficient for debt servicing. Further, increasing debt level of the group is also cause of concern.

For the bank loan rating of Rs.900 Cr and rating of the three NCDs of Rs.1400 Cr, Rs.450 Cr and 250 Cr, the rating factors strength of the underlying securities which is the listed equity shares of Adani Ports and Special Economic Zone Ltd. (APEZ), Adani Transmission Ltd. (ATL), Adani Enterprise Ltd. (AEL) and Adani Green Energy Ltd. (AGEL).

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: APPL 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: 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.32000 Cr based on the market price of the listed equity shares on July 7, 2020.

Credit Risks:

Insufficient cash flows for debt servicing: APPL only acts as a holding company without any operations of its own. Rated debt raised in APPL have 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 which earn operating revenues.

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 the overall Group level, the debt is adequately covered through committed cash-flows across the strong businesses. As on March 31, 2020, the net Debt to EBITDA was 4.5x which is expected to increase in near future for higher capex requirement in new projects to be undertaken in AEL as well as AGEL. Out of the total debt of the group, around 7-8% is in secured by pledge of listed equity shares of the group companies, which would be further reduced to 5% level in medium term as per management guidance. 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

Unsupported rating of APPL is based taking into account Group support. The rating of the three NCDs and one bank loan covered in this rationale are 'CE' ratings, based on the security cover of the in the form of listed equity shares of the group companies.

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):

As on July 7, 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.32000 Cr.

STRUCTURE OF THE PROPOSED NCD OF Rs.1400 Cr:

The Company has proposed to raise the Rated, Unlisted, Zero-Coupon, Redeemable, Non-Convertible Debentures (“NCDs” or “Debentures” or “Issue”) of Rs.1400 Cr for the purpose of refinancing of existing debt. The NCD is expected to have maturity in tranches – 10% of the Issue Amount to mature in August 2021, 15% to mature in August 2022 and balance 75% in August 2023. The PUT / CALL option is available one month prior to the maturity date. The NCDs have initial security cover of 2.23x by the pledge of listed equity shares of APSEZ, ATL and AGEL. As per the draft term sheet of the transaction, NCD will require a top-up if the cover falls below 2.0x. The Company is required to deposit all amounts payable under the facility (including principal and accrued premium) 15 days prior to maturity date. 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.

The Company is expected to utilize the proceeds of the NCDs towards refinancing of existing debt.

COMPANY PROFILE

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

CMP of its shares is Rs. 251.5 (52 weeks H/L is Rs. 356 and Rs. 160 respectively). As on June 30, 2020, promoters are holding 74.92% of shares of which 26.81% are pledged.

Adani Ports and Special Economic Zone Ltd (APSEZ):

APSEZ is the largest private port developer and operator in the country with operations across 10 ports (nine operational) in India. It handled around 22% of the country's cargo volumes in FY20. The company has strategically located high-quality assets, with an average remaining concession life of 25 years (except Mundra port). CMP of its shares is Rs. 341.85 (52 weeks H/L is Rs. 415 and Rs. 200 respectively). As on June 30, 2020, promoters are holding 63.47% of shares of which 18.25% are pledged.

Adani Green Energy Ltd. (AGEL):

Founded in 2015, AGEL is a part of Adani Group. AGEL has around 14.0GW renewable energy portfolio across the country with 2.6GW operational and remaining under-construction. Of the operational portfolio, 2.1GW is under 50:50 JV with Total. Of the total operational assets, 85% is solar capacity and 15% is wind capacity, while on an overall portfolio basis, 76% is solar, 12% wind and 12% hybrid capacity.

CMP of its shares is Rs. 413.75 (52 weeks H/L is Rs. 470 and Rs. 50 respectively). As on June 30, 2020, promoters are holding 74.92% of shares of which 5.20% are pledged.

KEY FINANCIAL INDICATORS (in INR Crs) –

Borrower - 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 Networth	6468	7974
Total Debt	20137	23526
Debt to Equity	3.1	3.0

Security Provider – APSEZ

	FY19 (A)	FY20 (A)
Total Operating Income	12288	13734
EBITDA	7954	7801
Net Profit	4045	3785
Total Debt	27188	29462
Tangible Networth	19408	20577
Gearing	1.4	1.4

Security Provider – AGEL

	FY19 (A)	FY20 (A)
Total Operating Income	2,060	2,629
EBITDA	1710	1,941
Net Profit	-120	(68)
Total Debt	13000	14,847
Tangible Networth	1700	2,306
Gearing	7.6	5.51

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Sl. No	Instrument/Facility	Current Rating (Year 2020)				Rating History								
		Type	Amount		Jun-20	2019		2018				Jun-17		
		(Long Term/Short Term)	(Rs Crs)	Jul-20		Nov-19	Jan-19	Dec-18	Oct-18	Aug-18	Jul-18		Jan-18	
1	Proposed NCD	Long Term	1400	BWR.AA- (CE) (Stable)										
2	NCD	Long Term	450	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)								
3	Bank Loan	Long Term	900	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)							
4	NCD	Long Term	250	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)	BWR.AA- (SO) (Stable)						.
5	NCD	Long Term	750		Withdrawn	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)	BWR.AA- (SO) (Stable)	BWR.AA- (SO) (Stable)					.
6	NCD	Long Term	400		Withdrawn	BWR.AA- (CE) (Stable)	BWR.AA- (CE) (Stable)	BWR.AA- (Stable)	BWR.AA- (Stable)	BWR.AA- (Stable)	BWR.AA- (Stable)			.
7	Bank Loan	Short Term	1050		Withdrawn	BWR.A1	BWR.A1	BWR.A1	BWR.A1	BWR.A1	BWR.A1	BWR.A1		.
8	NCD	Long Term								Withdrawn	BWR.AA- (SO) (Stable)	BWR.AA- (SO) (Stable)	BWR.AA- (SO) (Stable)	
9	NCD	Long Term												Withdrawn
10	Term Loan	Long Term												Withdrawn
Total			3000											

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](#)

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APPL

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	900	-	900

Annexure II

Details of the NCDs rated by BWR

Instruments	ISIN	Amt (Rs. Cr)	Issue Date	Maturity	Coupon
NCD	INE382G0706 7	250	31-Dec-18	31-Dec-21	Zero Coupon with premium Redemption
NCD	INE382G0707 5	450	30-Sep-19	25-Apr-23	Zero Coupon with premium Redemption

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