

Adani Properties Pvt. Ltd.

Brickwork Ratings assigns the rating to the fresh NCD issue of Rs.4000 Cr, reaffirms the existing ratings and reaffirms the unsupported rating of Adani Properties Pvt. Ltd. (APPL or the “Company”)

Particulars

Facility / Instrument	Amt (Rs. Cr)		Tenure	Rating*	
	Previous	Present		Previous (July 2020)	Present
Proposed NCD	-	4000	Long Term	-	BWR Provisional AA- (CE) (Stable) (1)
NCD	1500	1500	Long Term	BWR AA- (CE) (Stable) (2)	BWR AA- (CE) (Stable) (2)
NCD	450	450	Long Term	BWR AA- (CE) (Stable) (3)	BWR AA- (CE) (Stable) (3)
NCD	250	250	Long Term	BWR AA- (CE) (Stable) (3)	BWR AA- (CE) (Stable) (3)
Bank Term Loan	900	783	Long Term	BWR AA- (CE) (Stable) (4)	BWR AA- (CE) (Stable) (4)
Total	3100	6983	Rs. Six Thousand Nine Hundred and Eighty-three 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 2.75x.
- (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 Green Energy Ltd. (AGEL) with the security cover of 2.23x.
- (3) 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 2.0x.
- (4) 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: Assignment of Provisional Rating of BWR AA-(CE) (Stable) for the NCD issue of up to Rs.4000 Cr and reaffirmation of existing ratings. Provisional rating will be affirmed on receipt of executed documents from the company.

Standalone Rating of the Company is reaffirmed at BWR A (Stable) / A1.

The rating factors the 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 either refinancing or strategic equity raise or cash flows of the operating entities, as dividends received by APPL are not likely to be sufficient for debt servicing. Further, the increasing overall debt levels of the group without commensurate increase in the cash-flows will be a monitorable.

For the bank loan rating of Rs.950 Cr and rating of the four NCDs of Rs.1400 Cr, Rs.450 Cr, Rs.250 Cr and Rs.4000 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) and adequacy of promoter holding in each of these listed entities. The rating is however constrained by potential increase in pledge level of promoters holding in Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) with the raising of proposed NCD of Rs.4000 Cr. As per the management, while the proposed NCD issue will lead to increase in overall share pledge debt to around Rs.13000 Cr, this increase is an interim event for strategic purposes and the overall share pledge debt levels are expected to revert to around Rs.8000 Cr by March 2021 through funds raised by various strategic equity raises at various levels across the infrastructure and utility portfolio of the Group in line with similar deals concluded in past 12 months for around Rs.12,500 Cr. Hence, the pledge position is expected to be at a comfortable level by March 2021.

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

Adequacy of Credit Enhancement: The 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 a security cover of 2.75x, in the proportion of 69:23:8 respectively. As on September 30, 2020, 28.7%, 29.1% and 5.7% of the promoter holdings in APSEZ, ATL and AGEL were pledged. With this transaction, pledge of promoters holdings for APSEZ and ATL is expected to increase to 45.2% and 38.0% respectively, while these levels are comfortable from an interim perspective, they are now significantly closer to BWR's concern levels of around 50%. Further, as per the management, the proposed NCD issuance will increase the share pledge debt in interim for strategic purposes. Also, APPL has

confirmed that at a portfolio level there is adequate liquidity of more than Rs.7000 Cr to be utilised in case of adverse market movement leading to increase in pledge position. Taking all things into consideration, the security provided is considered adequate for the credit enhancement.

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, Integrated Resource Management & Mining Services, and Roads. 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 12-18 months, the Group has raised around USD 5 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. Furthermore, group has six listed entities with promoters having majority equity stakes, providing significant financial flexibility to raise resources on a need basis. The aggregate market capitalisation of all the six listed entities was Rs.279,106 Cr, of which market value of promoter holdings was Rs.193,480 Cr as on September 30, 2020.

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.48000 Cr based on the market price of the listed equity shares on October 21, 2020.

Credit Risks:

Increase in share pledge debt thereby increasing pledge position: As on date, outstanding share pledge debt of the group is around Rs.9000 Cr with 28.7%, 29.1%, 5.7% and 20.6% of the promoter holdings in APSEZ, ATL, AGEL and AEL pledged. With this transaction which has the security of pledge of shares of APSEZ, ATL and AGEL, pledge percentage of APSEZ and ATL is expected to increase to 45.2% and 38.0% respectively. Further, share pledge debt will increase to around Rs.13000 Cr. Hence, any adverse movement in market conditions will lead to increase in pledge position. Since, this fund raise is an interim financing arrangement, pledge debt as well as pledge position is expected to be back to normal levels of around Rs.8000 Cr by March 2021.



Insufficient cash flows for debt servicing: APPL only acts as a holding company without any operations of its own. Rated debts raised in APPL have been used for refinancing as well to extend loans to Group companies. Repayment of these loans is expected to be done through support from one or more of these Group companies or refinancing or strategic equity raise by the holding 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 the 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 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 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 four 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 in share pledge debt with improvement in promoter pledge position to 25% for each of the listed entities will be credit positive.

Negative: Increase in promoter pledge in any listed entity by more than 50% and more than Rs.8000 Cr of outstanding share pledge debt as on March 31, 2021 will be credit negative.

LIQUIDITY POSITION (ADEQUATE):

As on September 30, 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.48000 Cr. Further, at a group level, an overall liquidity of at least Rs.7000 Cr is maintained at any point of time.

STRUCTURE OF THE PROPOSED NCD OF Rs.4000 Cr:

The Company has proposed to raise the Rated, Unlisted, Zero-Coupon, Redeemable, Non-Convertible Debentures ("NCDs" or "Debentures" or "Issue") of up to Rs.4000 Cr for the strategic purposes. The tenor of the NCD is 20 months. The NCDs have initial security cover of 2.75x by the pledge of listed equity shares of APSEZ, ATL and AGEL. 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. Further, cash collateral event will occur in case of share backed financial indebtedness exceeds 13.5% of the aggregate market capitalisation of all the listed entities of the group. Other covenants are standard terms that are common for issues of this nature.

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 Providers:

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. 293.5 (52 weeks H/L is Rs. 356 and Rs. 153 respectively). As on September 30, 2020, promoters are holding 74.92% of shares of which 29.1% 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. 358 (52 weeks H/L is Rs. 420.75 and Rs. 207 respectively). As on September 30, 2020, promoters are holding 62.46% of shares of which 28.7% 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. 726.85 (52 weeks H/L is Rs. 770 and Rs. 88.85 respectively). As on September 30, 2020, promoters are holding 74.92% of shares of which 5.7% 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 Networkh	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)	12-Oct-20	17-Jul-20	10-Jul-20		Nov-19	Jan-19	Dec-18	Oct-18	Aug-18	Jul-18		Jan-18
1	Proposed MCD	Long Term	4000	BWR Provisional AA-(CE)											
2	MCD	Long Term	100	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)										
3	MCD	Long Term	1400	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)									
4	MCD	Long Term	450	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)							
5	Bank Loan	Long Term	783	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)						
6	MCD	Long Term	250	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(SO)(Stable)					-
7	MCD	Long Term	750				Withdrawn	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(SO)(Stable)	BWR AA-(SO)(Stable)				-
8	MCD	Long Term	400				Withdrawn	BWR AA-(CE)(Stable)	BWR AA-(CE)(Stable)	BWR AA-(Stable)	BWR AA-(Stable)	BWR AA-(Stable)	BWR AA-(Stable)		-
9	Bank Loan	Short Term	1050				Withdrawn	BWR A1	BWR A1	BWR A1	BWR A1	BWR A1	BWR A1	BWR A1	-
10	MCD	Long Term										Withdrawn	BWR AA-(SO)(Stable)	BWR AA-(SO)(Stable)	BWR AA-(SO)(Stable)
11	MCD	Long Term													Withdrawn
12	Term Loan	Long Term													Withdrawn
			6983												

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 CriteriaCriteria on Credit Enhancement](#)
- [Ratings Based on Group Support](#)

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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	INE382G07091	1125	21-July-20	21-Aug-23	Zero Coupon with premium Redemption
NCD	INE382G07083	225	21-July-20	22-Aug-22	Zero Coupon with premium Redemption
NCD	INE382G07109	150	21-July-20	23-Aug-21	Zero Coupon with premium Redemption
NCD	INE382G07067	250	31-Dec-18	31-Dec-21	Zero Coupon with premium Redemption
NCD	INE382G07075	450	30-Sep-19	25-Apr-23	Zero Coupon with premium Redemption

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