



Rating Rationale

Adani Properties Pvt. Ltd.

15 Jan 2018

Brickwork Ratings assigns Rating to the proposed Bank Loan facilities of Rs. 1050 Crore Adani Properties Pvt. Ltd. (APPL)

Particulars

Facility	Limits (Crs)	Tenure	Rating based on current review*
Proposed Bank Loans	1050.00	Long Term / Short Term	BWR A- (Pronounced as BWR A Minus) Outlook - Stable / A1 (Pronounced as BWR A One)
Total	Rs.1050.00 Crs (One Thousand Fifty Crore only)		

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

Other Outstanding Ratings of APPL which are reaffirmed are:

Bank Loans:

Instruments	Amount	Previous Rating	Assigned/ Reaffirmed	Issue Date	Present Rating
Fund Based – Short Term Loan	₹ 250 Cr	BWR A1+ (SO) (Jun 2017)	Reaffirmed	Mar 2017	BWR A1+ (SO) (BWR A One Plus Structured Obligation) Reaffirmed
Total	250.00	Two Hundred and Fifty Crores only			

NCDs

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Previous Rating	Current Rating
NCD	Rs 255 Cr	23-Feb -2017	Zero Coupon with redemption premium	19-April-2019	INE382 Go7026	BWR AA-(SO) (Stable) (February 2017)	BWR AA-(SO) (BWR Double A Minus Structured Obligation) (Stable) Reaffirmed



NCD	Rs.250 Cr	27-Mar-2017	Zero Coupon with redemption premium	10-April-2019	INE382 G07034	BWR AA-(SO) (Stable) (Mar 2017)	BWR AA-(SO) (BWR Double A Minus Structured Obligation) (Stable) Reaffirmed
Total	505.00	Five Hundred and Five Crores only					

Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the audited financials of APPL upto FY17, publicly available information and information/clarification provided by the company.

The rating has factored, *inter alia*, strong parentage of Adani Group, strategic importance of the company for being an ultimate holder of sizable investments in listed companies of the group, and significant differential between market value and book value of the investments.

The rating, is however constrained by the fact that APPL is a key promoter holding company which holds investments in a variety of businesses, absence of any meaningful cash flows of its own, need for refinance or promoter support for servicing the debt obligations, and increasing overall debt levels of the Adani Group.

Analytical Approach: BWR has reviewed APPL on a standalone basis, considering the direct as well as indirect interest it has in listed as well as unlisted companies of the Adani Group. Further, group support is also factored for servicing the rated facilities, for reasons mentioned above.

Key Risk Drivers:

1. **Key Investment Company of the Group:** APPL is basically a strategic investment company of Adani group. In FY17 it has transferred its holding in listed entities of the group to a Limited Liability Partnership, where it is a 51% partner and balance is held directly by promoters. Apart from this, APPL also has direct or indirect investments/control over group companies dealing with diversified businesses.



2. **Part of Reputed Group:** APPL is a strategic investment company of reputed Adani Group.
3. **High Market value of investments in listed companies:** The differential between the Market value and Book value of the underlying investments in listed companies of Adani Group, is substantial and adds to the real networth of the company.
4. **Purpose of the proposed facility vis-a-vis its end use:** APPL will use the proposed bank loans to invest or lend to its group companies, mainly, Adani Green Energy Ltd. (AGEL) and its subsidiaries. AGEL is Adani Group's holding company for renewable generation SPVs, with a total capacity aggregating to around 2000 MW. Under an ongoing business restructuring, AGEL is proposed to be demerged out of AEL and separately listed on bourses. The loans extended by APPL, however, may not yield cash-flows that can take care of the debt servicing obligations in the immediate future. As such, the company needs to refinance or receive support from group companies to meet its repayment obligations. The group/promoters are resourceful, and in similar circumstances in the past relating to different group companies, have provided means for repaying debts on time.
5. **Increasing debt level of the group:** Overall consolidated debt at Adani group level is substantial, considering the inorganic growth path that the group has adopted. This may restrict group's overall ability to raise new debt or refinance existing debt, in some cases.

Rating Outlook:

BWR believes the APPL'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 company has any issues in refinancing the debt or getting need-based group support.

Background:

APPL, belonging to the Adani Group of companies, was incorporated in May 1995. APPL is mainly engaged in the business of let-out and/or lease of immovable properties and wholesale trading of commodities. APPL is a part of promoter and promoter group of all the listed entities of Adani Group and holds strategic investments in Adani Enterprise Ltd., Adani Ports and SEZ Ltd., Adani Power Ltd., & Adani Transmission Ltd through LLPs. APPL has also invested in



unlisted group companies which are mainly engaged in real estate, renewable energy and financial services business.

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 highly qualified and professional management team.

Company Financial Performance

For FY17, APPL reported operating profit of Rs. 83.4 Cr (P.Y loss of Rs. 4.55 Cr) on the revenue of RS. 242.6 Cr (P.Y Rs. 207.22 Cr).

Rs. Cr	FY16	FY17
	Audited	Audited
Total Operating Income	288.38	367.27
OPBDIT	76.10	200.1
Total Debt	1177.7	1938.87
Networth	6330.31	3419.17
Total Debt to Equity	0.19	0.57

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

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2017	Date in 2016	Date in 2015
1.	Proposed Bank Loan	Long Term / Short Term	1050	BWR A-(Stable)/A1	-	-	-
2.	Short Term Loan	Short Term	250	BWR A1+	April 5, 2017	-	-
3.	NCD	Long Term	500*	BWR AA- (SO) Outlook Stable	April 5, 2017	-	-

4.	NCD	Long Term	255	BWR AA- (SO) Outlook Stable	February 20, 2017	-	-
5.	NCD	Long Term	250* (Out of the proposed NCD of RS.500 Cr as mentioned above, the company issued NCDs of only Rs250 Cr.)	Withdrawn	Jun 28, 2017		
Total			1805	One Thousand Eight Hundred and Five Crores only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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