



## Rating Rationale

Adani Properties Pvt. Ltd.

20<sup>th</sup> Feb 2017

**Brickwork Ratings assigns Rating for the Non-Convertible Debenture/Bonds Issue of Rs. 255 Crore of Adani Properties Pvt. Ltd.**

### Particulars

	Amount (Rs. Crs)	Tenor	Rating Assigned*
<b>NCD/Bonds Issue</b>	Rs.255 Crore (Rs. Two Hundred and Fifty Five Crore Only)	<b>Long Term</b>	<b>BWR AA-(SO) (Pronounced as Double A Minus (Structured Obligation)) (Outlook:Stable)</b>

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

**Other Outstanding Bank Loan Ratings for Adani Properties Pvt. Ltd which are reaffirmed are:**

Instruments	Amount	Present Rating	Assigned/ Reaffirmed	Issue Date	Rating History
Fund Based – Term Loan	₹ 500 Cr	BWR A- (SO) (Stable)	Reaffirmed	July 2016	BWR A- (SO) (Stable) (July 2016)

**Other outstanding NCD ratings of Adani Properties Pvt. Ltd are:**

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD (tenor 15 months)	₹ 500 Cr	8-Feb-2016	Zero Coupon with redemption premium	8-May-2017	INE382Go7018	BWR AA- (SO) (Stable) (Feb 2016)	Withdrawal of existing rating BWR AA-(SO) (Outlook: Stable) on account of redemption



### **Rationale / Description of Key rating drivers / Rating Sensitivities:**

BWR has essentially relied upon the draft term sheet outlining the structure of the deal, audited financial results upto FY16 of the issuer APPL as well as audited financials of Adani Ports & Special Economic Zone Ltd (APSEZ), Adani Enterprises Ltd (AEL) and Adani Transmission Ltd (ATL), whose equity shares are provided as security, and information and clarification provided by the issuer.

The rating factors, *inter alia*, the strength of underlying security in the form of pledge of listed equity shares of Adani Ports & Special Economic Zone Ltd, Adani Enterprises Ltd and Adani Transmission Ltd, structure of the proposed NCD issue, resourcefulness of the promoters of the Company, strategic investments by APPL and financial flexibility of the group.

However, the rating is constrained by moderate fundamentals of the issuer, reliance on promoter funds, refinance or, alternatively, liquidation of the securities - to meet the payment obligations arising from the proposed NCD issue, market volatility in the price of equity shares of Adani Ports & Special Economic Zone Ltd, Adani Enterprises Ltd and Adani Transmission Ltd, high contingent liability of APPL and the current challenging environment faced by the economy, in general.

### **Analytical Approach:**

The Company has proposed to raise this structured NCD of ₹255 Crs with tenor upto 27 months. All repayments, including the coupon, are due at maturity. There is call/put option at the end of 16<sup>th</sup> month. The NCDs are backed by way of pledge of equity shares of Adani Ports & Special Economic Zone Ltd(1.5 times), Adani Enterprises Ltd(0.3 times) and Adani Transmission Ltd(0.2 times) – overall a cover of 2 times.

The Facility will require a top-up if the cover falls below 1.75x for a period of three consecutive trading days or less than 1.70x on any business day. The Company is required to deposit all amounts payable under the facility (including principal and redemption premium) 15 days prior to maturity. 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.

APSEZ's current stock price is trading in the range of ₹ 302-311, with low of ₹ 169.65 and high of ₹ 317 during the past one year. AEL's current stock price is trading in the range of ₹ 92.55-94.90, with low of ₹ 58.35 and high of ₹ 97.55 during the past one year. ATL's current stock price is trading in the range of ₹ 65.60-66.60, with low of ₹ 26.30 and high of ₹ 68.40 during the past one year.

### **Rating Outlook: Stable**

BWR believes the Adani Properties Pvt. Ltd'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 'Positive' in case the revenues and profits of



underlying companies whose shares are pledged show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## 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. APPL has also invested in unlisted group companies which are mainly engaged in real estate. APPL also own 49% in group's renewable energy business where AEL holds the remaining 51%.

The Company intends to use the proceeds of the NCD towards Refinancing/Capex/Transaction expenses/ Investment in equity (group companies)/onward lending to group companies/ General corporate purposes.

## APPL - Board of Directors and Shareholding

Mr. Karan Adani & Mr. Pranav Adani are the Directors of APPL. As of March 2016, Mr. Karan Adani holds 15.59% equity stake in the Company, while rest is majorly with Adani Commodities and S B Adani Family Trust.

## Company Financial Performance

As per FY16 audited financials, APPL reported net profit of Rs. 20.44 Crs on net sales of Rs. 206.09 Crore as compared to net profit of Rs. 11.79 Crore on net sales of Rs. 107.42 Crore in FY15. The company's networth stood at Rs.3320.24 Crore as on March 31, 2016.

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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2016	Date in 2015	Date in 2014
1.	NCD	Long Term	500	Rating Withdrawn	AA-(SO) (Stable) Feb 2016	-	-
2.	BLR	Long Term	500	BWR A-(SO) (Stable)	BWR A-(SO) (Stable) Jul 2016	-	-



## Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<a href="#">MSR Manjunatha</a> Director – Ratings  <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>  <b>Relationship Contact</b> <a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

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### Note on complexity levels of the rated instrument:

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### 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.

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