

## Rating Rationale

### Brickwork Ratings assigns “BWR A- (SO)” Rating for the Bank Loan Facilities amounting to ₹ 500Cr of Adani Properties Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the **Rating**<sup>1</sup> of BWR A-(SO) (Pronounced BWR A Minus [Structured Obligation]) (Outlook: Stable) for Adani Properties Pvt. Ltd.’s (APPL or the ‘Company’) Bank Loan Facility of ₹ 500 Cr as follows:

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based: Term Loan	500	Long Term	BWR A-(SO) [Pronounced BWR A Minus (Structured Obligation)] (Outlook-Stable)
<b>Total</b>	<b>500</b>	<b>INR Five Hundred Crores only</b>	

#### Other Outstanding Ratings for Adani Properties Pvt. Ltd are:

Instruments	Amount (₹ Cr)	Present Rating	Assigned/ Reaffirmed	Issue Date	Rating History
NCD (Tenor – 15 Months)	500	BWR AA- (SO) (Stable)	Reaffirmed	Feb, 2016	BWR AA- (SO) (Stable) (Feb 2016)

BWR has essentially relied upon audited financial results up to FY15 & Provisional financial for FY16 of APPL, as well as audited financials of Adani Ports & Special Economic Zone Ltd (APSEZ) and Adani Enterprises Ltd (AEL), whose equity shares are provided as security for the bank facility, and information and clarifications provided by the issuer.

The rating factors, *inter alia*, resourcefulness of the promoters of the Company, strategic investments made by APPL and financial flexibility of the group. ‘SO’ suffix indicates credit enhancement derived from the strength of underlying security in the form of pledge of listed equity shares of Adani Ports & Special Economic Zone Ltd & Adani Enterprises Ltd, Bank facility structure including Debt Service Reserve Account for Interest Payments, and 7 days prefunding for principal repayments. However, the rating is constrained by moderate fundamentals of the issuer, rising debt of APPL, reliance on promoter funds, refinance or, alternatively, liquidation of the securities - to meet the repayment obligations, market volatility in the price of pledged equity shares, high contingent liability of APPL and overall rising pledge levels and borrowings in Adani Group on account of various ongoing/new projects.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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## **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 promoters and promoter group of all the listed entities of Adani Group and holds strategic investments into Adani Enterprise, Adani Ports and SEZ, Adani Power & Adani Transmission. APPL has also invested in unlisted group companies which are mainly engaged in real estate and green energy business.

## **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.

## **Financials of Adani Properties Pvt. Ltd:**

For FY16, on a provisional basis, APPL reported net sales of ~₹ 206 Crs with a net profit of ~₹ 17 Crs. APPL had total debt of ~ ₹ 1448 Crs (~ ₹ 775 Crs in FY15), as against a tangible networth of ~ ₹ 3317 Crs (~ ₹ 3300 Crs in FY15). For FY16, the company has significant non-current investments of ~₹ 3424 Crs.

## **Structure of the Bank Loan facility:**

The said bank facility of ₹ 500 Cr is secured by exclusive charge over investments made by issuer and pledge of equity shares of 1.25 times of the facility comprising of APSEZ(0.4375 times) and AEL(0.8125 times). APSEZ share require top up within 3 working days if it falls below 0.385 times and within 5 working days if it falls between 0.385 times to 0.4375 times. AEL share require top up within 3 working days if it falls below 0.715 times and within 5 working days if it falls between 0.715 times to 0.8125 times. The share pledge/top-up is done by APPL & other promoter group companies. The repayments are due in equal installments at the end of 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> year. The Company is required to deposit repayments amounts 7 days prior to due dates.

## **Background of Adani Ports & Special Economic Zone Ltd (APSEZ), whose Equity shares are pledged**

Incorporated in 1998, APSEZ is engaged in the development and operations of Ports and related logistics. APSEZ is also in the business of developing a Special Economic Zone (SEZ) at Mundra. The company provides logistics services including railway networks at various ports. It was initially named Mundra Port & Special Economic Zone Ltd and changed to Adani Ports and Special Economic Zone Ltd in 2012. Adani Port has developed and operated 12 terminals comprising of 31 berths which handle bulk, liquid and container cargoes. Together with the acquired Dhamra port (an operational port) in the east of India in May'14, it has a total of eight operational ports/terminals under its portfolio.

It operates ports at Mundra, Dahej, Hazira, Dhamra, and Terminals at Kandla, Mormugao, Vizag and Ennore.

For FY16, on a consolidated basis, APSEZ reported total income from operations of ~₹7255 Crs. The net profit for FY16 stood at ~₹2876 Crs. For FY16, on a consolidated basis, APSEZ had long term debt of ~ ₹ 16305 Crs and short term debt of ~ ₹ 3194 Crs, as against a tangible networth of at ~ ₹ 10767 Crs while the fixed assets stood at ~ ₹ 20838 Crs. APSEZ's current stock price is trading in the range of ₹ 180-220.

### **Background of Adani Enterprises Ltd (AEL), whose Equity shares are pledged**

Incorporated in 1993, Adani Enterprises Ltd. (AEL) is the flagship company of Adani Group being chaired by Mr. Gautam Adani. AEL, on a standalone basis, has mainly coal trading and power trading businesses. The Company undertakes coal trading business directly and through its subsidiaries. In FY16, on a consolidated basis AEL reported total operating income of ~₹ 44023 Crs, while PAT stood at ~₹ 1041 Crs. For FY16, on a consolidated basis, AEL had long term debt of ~ ₹ 7076 Crs and short term debt of ~ ₹ 12222 Crs , as against a tangible networth of ~ ₹ 13408 Crs. AEL's current stock price is trading in the range of ₹ 75-85.

### **Rating Outlook**

The outlook is expected to remain stable over the current year. The rating captures the APPL's strategic investments in key Adani Group entities, current financial flexibility of Adani group, the bank facility structure which involves pledge of APSEZ & AEL equity shares provided as security, and performance of APSEZ & AEL. The Company is required to deposit repayments amounts 7 days prior to due dates. This addresses the liquidity aspects to an extent, should there be a need to invoke the sale of collateral. Overall, Stock Market performance of APSEZ & AEL, as well as adherence to the terms of sanction is a key sensitivity to the Rating.

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