

Rating Rationale

Adani Properties Pvt. Ltd.

5 April 2017

Brickwork Ratings assigns Rating for the short term loan of Rs. 250 Crore and NCD of Rs. 500 Crore of Adani Properties Pvt. Ltd.

Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
Short Term Loan	250 (Rs. Two Hundred and Fifty Crore Only)	Short Term	BWR A1+(SO) (Pronounced as A One Plus (Structured Obligation))
NCD	500 (Rupees Five Hundred Crore Only)	Long Term	BWR AA-(SO) (Pronounced as Double A Minus (Structured Obligation)) (Outlook:Stable)

*Please refer to BWR website 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 which are reaffirmed are:

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD (24 months)	₹ 255 Cr	23-Feb-2017	Zero Coupon with redemption premium	19-April-2019	INE382G07026	BWR AA-(SO) (Stable) (February 2017)	BWR AA-(SO) (Stable)



Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the draft term sheet outlining the structure of the ST Loan/NCD, audited financial results upto FY16 of the issuer APPL as well as audited financials of Adani Ports & Special Economic Zone Ltd (APSEZ) 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 and Adani Transmission Ltd, structure of the proposed short term loan/NCD, 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 debts, market volatility in the price of equity shares of Adani Ports & Special Economic Zone Ltd and Adani Transmission Ltd, high contingent liability of APPL and the current challenging environment faced by the economy, in general.

Analytical Approach:

Bank Loan Rating:

The Company has proposed to raise a short term loan of ₹250 Crs. Tentative maturity date is within the period of one year from due date. The loan is backed by way of pledge of equity shares of Adani Ports & Special Economic Zone Ltd (1.4 times) and Adani Transmission Ltd(0.6 times) – overall a cover of 2 times.

The Facility will require a top-up within two days if the cover falls below 1.70 times on any business day. The structure provides for release of top up share collateral in case cover is greater than 2.2 times for a consecutive period of 7 days. The Company is required to deposit all amounts payable under the facility (including principal and redemption premium) 7 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.

NCD:

The Company has proposed to raise this structured NCD upto ₹500 Crs with tenor of 25 months. All repayments, including the coupon, are due at maturity. There is call/put option at the end of 16th 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 within two days if the cover falls below 1.75 times for three consecutive business days or less than 1.70x on any business day. The structure provides for release of top up share collateral in case cover is greater than 2.2 times for a consecutive period of 4 days. The Company is required to deposit all amounts payable under the facility (including



principal and interest) 15 days prior to maturity. Other covenants are standard terms that are common for issues of this nature.

APSEZ's current stock price is trading in the range of Rs.296-Rs.327, with the low of Rs.321.45 and the high of Rs.327.45 during past one year. AEL's current stock price is trading in the range of Rs.94 - 104 with the low of Rs.61.45 and high of Rs. 103.70 during past one year. ATL's current stock price is trading in the range of Rs.62 - 68, with the low of Rs.64 and high of Rs. 66 during past one year.

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 and green energy business.

The Company intends to use the proceeds of the short term loan 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.	Short Term Loan	Short Term	250	BWR A1+(SO)			
2.	NCD	Long Term	500	BWR AA-(SO) (Stable)			
3.	NCD	Long Term	255	BWR AA-(SO)			



				(Stable)			
4.	NCD	Long Term	500	Rating Withdrawn	AA-(SO) (Stable) Feb 2016	-	-
5.	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

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For print and digital media

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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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