

## Rating Rationale

Adani Rail Infra Pvt. Ltd.

17 April 2019

**Brickwork Ratings assigns Rating to proposed NCD Issue of Rs. 700 Crore and reaffirms the rating other instruments / facilities of Adani Rail Infra Pvt. Ltd. (ARIPL)**

### Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	700 (Rs. Seven Hundred Crore Only)	Long Term	<b>BWR Provisional AA- (SO) <sup>(1)</sup></b> <b>[Pronounced as Provisional AA Minus (Structured Obligation)]</b> <b>Outlook – Stable</b>

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

**(1) Provisional rating will be affirmed on receipt of final documents and information memorandum.**

**SO refers to ‘Structured Obligation’ which indicates credit enhancement derived from the security cover of 2x by the pledge of listed equity shares of Adani Ports and Special Economic Zone Ltd. (APSEZ), Adani Transmission Ltd. and Adani Enterprise Ltd. (AEL).**

### Other outstanding NCD ratings of Adani Rail Infra Pvt. Ltd are:

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Previous Rating (March 2019)	Rating Based on Current Review
NCD*	₹ 480 Cr	18Jul-2018	Zero Coupon with redemption premium	16-Apr-2020	INE00U207010	BWR (Stable) AA-(SO)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)
NCD*	₹ 300 Cr	6-Aug-2018	Zero Coupon with redemption premium	27-Apr-2020	INE00U207036	BWR (Stable) A+(SO)	Reaffirmation of existing rating BWR A+ (SO) (Outlook: Stable)
NCD*	625cr	23 Aug-2018	Zero Coupon with redemption premium	27-Apr-2020	INE00U207044	BWR (Stable) A+(SO)	Reaffirmation of existing rating BWR A+ (SO) (Outlook: Stable)
NCD*	₹ 1000 Cr	28 Sep-2018	Zero Coupon with redemption premium	20-Apr-2023	INE00U207051	BWR (Stable) AA-(SO)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)

NCD*	₹ 400 Cr	14 Oct-2015	Zero Coupon with redemption premium	30-Apr-2019	INE814H07067	BWR (Stable)	AA-(SO)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)
NCD*	₹ 85 Cr	29 Mar-2019	Zero Coupon with redemption premium	22-Apr-2020	INE00U207085	BWR (Stable)	AA-(SO)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)
NCD*	₹ 265 Cr	29 Mar-2019	Zero Coupon with redemption premium	22-Apr-2022	INE00U207077	BWR (Stable)	AA-(SO)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)
NCD*	₹ 500 Cr	29 Mar-2019	Zero Coupon with redemption premium	29-Apr-2023	INE00U207069	BWR (Stable)	AA-(SO)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)
NCD*	₹ 500 Cr	29 Mar-2019	Zero Coupon with redemption premium	29-Apr-2023	INE00U207093	BWR (Stable)	AA-(SO)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)

\*SO refers to Structured Obligation in the form of credit enhancement derived from the security of the pledged equity shares of listed Adani Group Companies.

**Outstanding Bank Loan Rating which is reaffirmed, is as follows:**

Facility*	Previous Limits	Limits ( Crs)	Tenure	Previous Rating	Rating based on current review (Reaffirmation)
<b>Bank Term Loan</b>	435.00	335.00	<b>Long Term</b>	<b>BWR AA- (SO)</b> (Pronounced as Double A Minus) <b>Outlook - Stable</b>	<b>BWR AA- (SO)</b> (Pronounced as Double A Minus) <b>Outlook - Stable</b>

**SO** refers to ‘Structured Obligation’ which indicates credit enhancement derived from the security cover of 1.5x by the pledge of listed equity shares of APSEZ.

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

BWR has essentially relied upon the audited financial results upto FY18 of the issuer Adani Rail Infra Pvt Ltd. (ARIPL), key financials for 9MFY19, draft term sheet of NCDs, as well as audited financials of the listed companies – Adani Ports and Special Economic Zone Ltd. (APSEZ), Adani Transmission Ltd (ATL), and Adani Enterprise Ltd. (AEL) whose equity shares are provided as collateral security, and information and clarifications provided by the issuer.

The rating factors, *inter alia*, the strength of underlying security in the form of pledge of listed equity shares of APSEZ, AEL and ATL with the current promoter pledge in the range of 27% to



45% across these companies, structure of the NCD, resourcefulness of the promoters of the Company, 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 NCD, market volatility in the price of equity shares of APSEZ, AEL and ATL and the overall high debt levels of the Adani Group.

**Structure of the NCD:**

The Company has proposed to raise the Rated, Unlisted, Zero-Coupon, Redeemable, Non-Convertible Debentures (“NCDs” or “Debentures” or “Issue”) of Rs. 700 Cr. The NCD is expected to have the tenor of 48 months with PUT / CALL option after 24 months. The NCDs are secured 2.0x till maturity by the pledge of listed equity shares of APSEZ, AEL and ATL. As per the draft term sheet of the transaction, NCD will require a top-up if the cover falls below 1.70x and cash top-up when the cover falls below 1.45x. 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. Other covenants are standard terms that are common for issues of this nature.

The company is expected to utilize the proceeds of the NCDs towards refinancing of existing debt, investment in equity / onward lending to group companies, and for general corporate purposes.

**Rating Outlook: Stable**

BWR believes the Adani Rail Infra 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 'Negative' if the ‘structure’ based on which the credit enhancement is derived weakens. This includes, and not limited to revenues and profitability of ATL, APSEZ and AEL, market value of shares pledged, and percentage of promoter’s shares pledged.

**Security Providers:**

APSEZ, ATL and AEL are three of the important listed companies of the Group.

APSEZ is the developer and operator of the Mundra port located in the Kutch district of Gujarat on the west coast of India, under a 30 year Concession Agreement with the Gujarat Maritime Board (GMB), valid till February 2031. CMP of its shares is Rs. 391 (52 weeks H/L is Rs. 418 and Rs. 294 respectively). As on April 15, 2019, promoters are holding 62.30% of shares of which 34.55% are pledged (adjusted for repayments done on April 15, 2019).



ATL(rated BWR AA+ (Stable)) is involved in setting up and operating power transmission lines through its subsidiary companies. CMP of its shares is Rs. 230 (52 weeks H/L is Rs. 256 and Rs. 115 respectively). As on April 15, 2019, promoters are holding 74.92% of shares of which 44.07% are pledged (adjusted for repayments done on April 15, 2019).

AEL, on a standalone basis, has mainly integrated coal management, and coal mine developer and operator businesses, whereas, AEL on a consolidated basis also has commodities and power trading, solar cell & module manufacturing and agro-processing (including sale of branded edible oil) businesses. CMP of its shares is Rs. 144 (52 weeks H/L is Rs. 237 and Rs. 101 respectively). As on April 15, 2019, promoters are holding 74.92% of shares of which 27.81% are pledged (adjusted for repayments done on April 15, 2019).

Any issues affecting performance of these companies and/or other market developments could result in share price changes, and the promoters may be required to pledge additional shares.

### **Background - ARIPL**

Adani Rail Infra Pvt. Ltd. (ARIPL), incorporated in July 2005, is 100% owned by S B Adani Family Trust through its nominees. It is into the business of commodity trading. It is the holding company of “Sarguja Rail Corridor Pvt. Ltd. – Rated BWR BBB+ (Stable).

Sarguja Rail Corridor Private Limited (SRCPL), a wholly-owned subsidiary of Adani Rail Infra Private Limited (ARIPL), has implemented 70 Km Private Railway Siding from boundary of Parsa East & Kanta Basan coal blocks (“PE & KB mines”) of RRVUNL, located in Hasdeo Arand Coalfield in Surguja district of Chhattisgarh, to the nearest Indian Railway (“IR”) line at Surajpur station in Chattisgarh at a cost of Rs. 1982 Cr. The line is operational since March 2018.

### **Financial Performance of the Issuer - ARIPL**

<b>Rs. Crore</b>	<b>FY18 (Audited)</b>	<b>FY17 (Audited)</b>
Revenue	138.17	142.48
Operating profit	55.28	49.37
PAT	-5.97	0.13
Total Debt	648.00	629.88
TNW	52.52	58.49
Gearing	12.3	10.8

As of December 31, 2018, the company has raised debt of approximately Rs.4500 Cr backed by pledge of promoter’s shares in listed companies of the Group for providing loans and advances to Group companies.

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

Sl. No.	Instrument/Facility	Current Rating (April 2019)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Mar 2019	Jan 2019	2017
1.	NCD	Long Term	700	BWR Provisional AA- (Stable)			
2.	NCD	Long Term	500	BWR AA- (Stable)	BWR AA- (Stable)		
3.	NCD	Long Term	500	BWR AA- (Stable)	BWR AA- (Stable)		
4.	NCD	Long Term	265	BWR AA- (Stable)	BWR AA- (Stable)		
5.	NCD	Long Term	85	BWR AA- (Stable)	BWR AA- (Stable)		
6.	NCD	Long Term	1000	BWR AA- (Stable)	BWR AA- (Stable)	BWR AA- (Stable)	BWR AA- (Stable)
7.	NCD	Long Term	400	BWR AA- (Stable)	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)
8.	NCD	Long Term	480	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)
9.	NCD	Long Term	300	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)
10.	NCD	Long Term	625	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)



11.	Term Loan	Long Term	335	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)
	<b>Total</b>		<b>5190 (Five Thousand One Hundred and Ninety Crore Only)</b>				

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Structured Obligation](#)
- [Short term Debt](#)

For any other criteria obtain hyperlinks from website

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

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### **About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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