



## Rating Rationale

Adani Rail Infra Pvt. Ltd.

23 Sep 2019

Brickwork Ratings assigns rating to the proposed NCD issue of Rs.500 Cr and reaffirms the rating of existing instruments of Adani Rail Infra Pvt. Ltd. (ARIPL or the “the Company”)

### Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	500 (Rs. Five Hundred Crores Only)	Long Term	<b>BWR Provisional AA- (CE)<sup>(1)</sup></b> [Pronounced as Provisional Double A Minus (Credit Enhancement)] Outlook – Stable

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

**(1) CE 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) and Adani Transmission Ltd. Provisional Rating will affirmed on receipt of executed documentation.**

As per assessment by BWR, the standalone rating of ARIPL will be BB (Stable) considering the fact that considering the fact that it does not have any operating cashflows of its own for debt servicing and is dependent on the cashflows of the operating companies of the Adani group or refinancing for debt servicing.

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

Amt (Rs. Cr)	Issue Date	Coupon	Maturity	ISIN	Existing Rating (July 2019)	Current Rating
480	18-Jul-18	Zero Coupon with redemption premium	16-Apr-20	INE00U207010	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA- (CE) (Stable)
300	6-Aug-18	Zero Coupon with redemption premium	27-Apr-20	INE00U207036	BWR A+(CE) (Stable)	Reaffirmation of existing rating BWR A+ (CE) (Stable)
625	23-Aug-18	Zero Coupon with redemption premium	27-Apr-20	INE00U207044	BWR A+(CE) (Stable)	Reaffirmation of existing rating BWR A+ (CE) (Stable)



1000	28-Sep-18	Zero Coupon with redemption premium	20-Apr-23	INE00U207051	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA- (CE) (Stable)
85	29-Mar-19	Zero Coupon with redemption premium	22-Apr-20	INE00U207085	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA- (CE) (Stable)
265	29-Mar-19	Zero Coupon with redemption premium	22-Apr-22	INE00U207077	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA- (CE) (Stable)
500	29-Mar-19	Zero Coupon with redemption premium	29-Apr-23	INE00U207069	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA- (CE) (Stable)
500	29-Mar-19	Zero Coupon with redemption premium	29-Apr-23	INE00U207093	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA- (CE) (Stable)
700	5-Jul-19	Zero Coupon with redemption premium	5-May-23	INE00U207101	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA- (CE) (Stable)
<b>4455</b>						

\*CE refers to Credit Enhancement derived from the security of the pledged equity shares of listed Adani Group Companies.

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

BWR has essentially relied upon the draft term sheet of the proposed transaction, audited financial results upto FY18 and provisional financials of FY19 of the issuer Adani Rail Infra Pvt Ltd. (ARIPL), as well as audited financials of the listed companies – Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd (ATL) 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 and ATL with the current promoter pledge in the range of 26% to 52% 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 and market volatility in the price of equity shares of APSEZ and ATL.

### **Structure of the NCD:**

The Company has proposed to raise the Rated, listed, Zero-Coupon, Redeemable, Non-Convertible Debentures (“NCDs” or “Debentures” or “Issue”) of Rs. 500 Cr with an accrued



premium of 12% payable at maturity. The NCD is expected to be issued in three series – Series I – Rs. 54 Cr maturing in October 2020, Series II – Rs. 48 Cr maturing in September 2021 and Series III – Rs.398 Cr maturing in April 2022. The NCDs are secured 2.0x till maturity by the pledge of listed equity shares of APSEZ and ATL. As per the executed term sheet of the transaction, NCD will require a top-up if the cover falls below 2.0x. 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, 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 and APSEZ market value of shares pledged, and percentage of promoter's shares pledged.

### **Security Providers:**

APSEZ and ATL are the important listed companies of the Group.

APSEZ is India's largest private port developer and operator, currently operating 10 ports across India. CMP of its shares is Rs. 370 (52 weeks H/L is Rs. 430 and Rs. 294 respectively). As on June 30, 2019, promoters are holding 62.30% of shares of which 32.10% are pledged.

ATL (rated BWR AA+ (Stable)) is India's largest private transmission and distribution company and is involved in setting up and operating power transmission lines through its subsidiary companies and also operates the Mumbai integrated generation, transmission and distribution utility. CMP of its shares is Rs. 233 (52 weeks H/L is Rs. 256 and Rs. 141 respectively). As on June 30, 2019, promoters are holding 74.92% of shares of which 50.37% are pledged.

**Analytical Approach:** For rating of the NCDs which are secured by the pledge of the securities of the listed entities of the Adani Group, BWR has analyzed the terms of the NCDs, rating of the entities whose shares are pledged as securities & security cover of the transaction. Further, group support is also factored for servicing the rated facilities, for reasons mentioned above.

### **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), is implementing a project envisaging construction of ~ 70 Km Private Siding from boundary of Parsa East & Kanta Basan coal blocks (“PE & KB mines”), 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 project has been commissioned in March 2018.

### Financial Performance of the Issuer - ARIPL

Rs. Crore	FY18 (Audited)	FY17 (Audited)
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

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

Sl. No.	Instrument/Facility	Current Rating (Year 2019)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Jan 2019	2017	Date in 2015
1.	NCD	Long Term	500	BWR Provisional AA- (CE) (Stable)			
1.	NCD	Long Term	700	BWR AA- (CE) (Stable)			
1.	NCD	Long Term	500	BWR AA- (CE) (Stable)			
2.	NCD	Long Term	500	BWR AA- (CE) (Stable)			
3.	NCD	Long Term	265	BWR AA- (CE) (Stable)			



4.	NCD	Long Term	85	BWR AA-(CE) (Stable)				
6	NCD	Long Term	1000	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)		
7.	NCD	Long Term	480	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)		
8.	NCD	Long Term	300	BWR A+ (CE) (Stable)	BWR A+ (CE) (Stable)	BWR A+ (CE) (Stable)		
9.	NCD	Long Term	625	BWR A+ (CE) (Stable)	BWR A+ (CE) (Stable)	BWR A+ (CE) (Stable)		
	<b>Total</b>		<b>4955 (Four Thousand Nine Hundred and Fifty Five Crore Only)</b>					

**Hyperlink/Reference to applicable Criteria**

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

For any other criteria obtain hyperlinks from website



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