



## Rating Rationale

Adani Rail Infra Pvt. Ltd.

26 March 2019

Brickwork Ratings assigns Rating to new NCD Issuances aggregating Rs. 1350 Crore, withdraws the rating of NCDs aggregating Rs.1340 Cr and reaffirms the rating other instruments / facilities of Adani Rail Infra Pvt. Ltd. (ARIPL)

### Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	500 (Rs. Five Hundred Crore Only)	Long Term	BWR Provisional AA- (SO) <sup>(1)</sup> [Pronounced as Provisional AA Minus (Structured Obligation)] Outlook – Stable
NCD	500 (Rs. Five Hundred Crore Only)	Long Term	BWR Provisional AA- (SO) <sup>(1)</sup> [Pronounced as Provisional AA Minus (Structured Obligation)] Outlook – Stable
NCD	265 (Rs. Two Hundred and Sixty Five Crore Only)	Long Term	BWR Provisional AA- (SO) <sup>(1)</sup> [Pronounced as Provisional AA Minus (Structured Obligation)] Outlook – Stable
NCD	85 (Rs. Eighty Five Crore Only)	Long Term	BWR Provisional AA- (SO) <sup>(1)</sup> [Pronounced as Provisional AA Minus (Structured Obligation)] Outlook – Stable
<b>Total</b>	<b>1350 (Rs. One Thousand Three Hundred and Fifty Crore Only)</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).

**Details of NCDs for which rating is withdrawn:**

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	₹400 Cr	14-Oct-2015	Zero Coupon with redemption premium	30-Apr-2019	INE814H07059	BWR A1+ (SO)	Withdrawn on account of Redemption
NCD	₹890 Cr	-	-	-	-	BWR AA-(SO) (Stable)	Withdrawn as not raised
NCD	₹50 Cr	-	-	-	-	BWR A1+ (SO) (Stable)	Withdrawn as not raised

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

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Previous Rating (MMYY)	Rating Based on Current Review
NCD*	₹ 480 Cr	18-Jul-2018	Zero Coupon with redemption premium	16-Apr-2020	INE00U207010	BWR AA-(SO) (Stable)	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 A+(SO) (Stable)	Reaffirmation of existing rating BWR A+ (SO) (Outlook: Stable)
NCD*	625cr	23 Aug-2018	Zero Coupon with redemption premium	27-Apr-2020	INE00U207044	BWR A+(SO) (Stable)	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 AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)
NCD*	₹ 400 Cr	14-Oct-15	10.50%	30-Apr-2019	INE814H07067	BWR AA-(SO) (Stable)	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	435.00	<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 Infra (India) Ltd. (AAIL), 1HFY19 financials, 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 and ATL with the current promoter pledge of 35.5% and 44.7%, respectively, 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 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.500 Cr, Rs.500 Cr, Rs.265 Cr and Rs.85 Cr, respectively. The NCDs are secured 2.0x till maturity by the pledge of listed equity shares of APSEZ, ATL and AEL. As per the draft term sheet of the transaction, NCD will require a top-up if the cover falls below 1.75x. The Company is required to deposit all amounts payable under the facility (including principal and accrued premium) 15 days prior to maturity date which is April 29, 2023. 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.



All of the NCDs have in built put options and / or trigger date mechanism wherein the date of payment is to be mutually decided by both investor and the issuer.

Further, 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. 367 (52 weeks H/L is Rs. 444 and Rs. 294 respectively). As on March 15, 2019, promoters are holding 62.30% of shares of which 35.50% are pledged.

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. 235 (52 weeks H/L is Rs. 256 and Rs. 115 respectively). As on March 15, 2019, promoters are holding 74.92% of shares of which 44.70% are pledged.

AEL, on a standalone basis, has mainly coal trading, power trading and coal mine developer and operator (MDO) businesses, whereas, AEL on a consolidated basis also has agri-logistics, oil and gas exploration, solar cell & module manufacturing, agro-processing (including sale of branded edible oil) & storage and commodities trading. CMP of its shares is Rs. 141.8 (52 weeks H/L is Rs. 237 and Rs. 101 respectively).

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), 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

As of December 31, 2018, the company has issued debt of approximately Rs.4500 Cr which is largely backed by pledge of listed shares held by the promoters, and the same is raised for providing loans and advances to Group companies, or investing in their equity or instruments. As such, repayment of the debt will have to be out of the cash flows of the Group’s operating companies, and this will be a key rating sensitivity.

### 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- (Stable)			
2.	NCD	Long Term	500	BWR Provisional AA- (Stable)			

3.	NCD	Long Term	265	BWR Provisional AA- (Stable)			
4.	NCD	Long Term	85	BWR Provisional AA- (Stable)			
5.	NCD	Long Term	400	Withdrawn	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	
6	NCD	Long Term	1000	BWR AA- (Stable)	BWR AA- (Stable)	BWR AA- (Stable)	
6.	NCD	Long Term	400	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	
7.	NCD	Long Term	480	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	
8.	NCD	Long Term	300	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)	
9.	NCD	Long Term	625	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)	
10.	Term Loan	Long Term	435	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	
11	NCD	Short Term	50	Withdrawn	BWR A1+ (SO)		
12	NCD	Long Term	890	Withdrawn	BWR AA- (SO) (Stable)		
	<b>Total</b>		<b>4590 (Four Thousand Five 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

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

**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.