

RATING RATIONALE

26 Sep 2022

Adani Rail Infra Pvt. Ltd.

Brickwork Ratings reaffirms the rating to the NCD issue of Rs.500 Cr and withdraws the rating of the NCD issues aggregating Rs.1863 Cr on redemption of Adani Rail Infra Pvt. Ltd. (ARIPL or the “Company”)

Particulars

Facility / Instrument	Amt Rated (Rs. Cr)		Tenor	Previous Rating (November 2021)	Present Rating#
	Previous	Present			
NCD (1)	398	-	Long Term	BWR AA- (CE) (Stable)	Withdrawn on Redemption
NCD (1)	700	-	Long Term	BWR AA- (CE) (Stable)	
NCD (1)	265	-	Long Term	BWR AA- (CE) (Stable)	
NCD (1)	500	-	Long Term	BWR AA- (CE) (Stable)	
NCD (1)	500	500	Long Term	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable) (Reaffirmation)
Total	2363	500	INR Five Hundred Crore Only		

#Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I and Annexure-II

(1) CE rating is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ), Adani Transmission Ltd. (ATL) and Adani Enterprises Ltd. (AEL) with a security cover of 2.0x.

RATING ACTION AND OUTLOOK:

BWR Reaffirms the rating of BWR AA- (CE) (Stable) for the NCD issue of Rs.500 Cr and withdraws the rating of the NCD issues aggregating Rs.1863 Cr on redemption

Standalone Rating of the Company is reaffirmed at BWR BBB- (Stable)

Standalone unsupported rating factors the strategic importance of Adani Rail Infra Pvt. Ltd. (ARIPL) to the Adani Group for being investment arm of the group used for financing the operating companies of the group, strong parentage being part of the Adani Group which enjoys high financial flexibility in domestic as well as international markets, demonstrated track record of the Group which is a global integrated infrastructure player with businesses in key industry verticals – transport & logistics, and energy & utility, consistent improvement in performance of key business verticals and the significant role played by ARIPL supporting the planned achievement of the group’s vision.

The rating is however constrained by the fact that the ARIPL acts only as an investment arm of the Group wherein the debt raised by ARIPL is extended as loans to Group companies, and repayment for the same is expected from either refinancing or strategic equity raise or cash flows of the operating entities, as ARIPL does not have any operating cash flows of its own for debt servicing. Further, the increasing overall debt levels of the group without commensurate increase in the cash-flows will be a monitorable.



For the NCDs aggregating Rs.500 Cr, the rating factors strength of the underlying securities which is the listed equity shares of Adani Ports and Special Economic Zone Ltd. (APSEZ), Adani Transmission Ltd. (ATL) and Adani Enterprise Ltd. (AEL) and adequacy of promoter holding in each of these listed entities.

The “Stable” outlook indicates low-likelihood of rating change in the medium term considering the past trends and current activity level of the Company.

Adequacy of Credit Enhancement: The CE rating is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ), Adani Transmission Ltd. (ATL) and Adani Enterprises Ltd. (AEL) with a security cover of 2.0x and with T- structure of payment mechanism. For NCDs, scheduled interest and instalment payment is required to be made at T-15 days.

As of 30th June, 2022, the percentage of promoter pledge in APSEZ is at 13.07%, ATL at 5.9% and AEL at 3.79%. Further, the group has adequate liquidity as on 31st August, 2022 which is sufficient to timely servicing of the debt obligations. The management has confirmed that they are committed to keep share pledge indebtedness below 5% of the market capitalization of promoter holdings at all points of time. As on 30th June, 2022, share pledge indebtedness of the group is approximately 1.3% of the total market capitalization of promoter’s stake in six listed entities of the group. Taking all things into consideration, the security available is considered adequate for the credit enhancement.

KEY RATING DRIVERS

Credit Strengths:-

Part of the Reputed Group: ARIPL is a part of the Adani Group. The Adani Group, is one of India’s leading business houses with revenues of over USD 13 billion, employing over 10,000 people and exploring diverse interests in Transport & Logistics (including Port Development & Operations, Development of Industrial Clusters & Special Economic Zones & Logistics) and Energy & Utility (including thermal and renewable power generation, transmission & distribution, city gas distribution) and other strategic business interests like Solar Manufacturing, Integrated Resource Management & Mining Services, Roads and Real Estate. The biggest source of competitive advantage for the Adani Group is experienced and highly qualified professionals including technocrats of repute. The team has demonstrated capabilities in conceptualization and implementation of large projects, excellent records of establishing benchmarks in the industry. The group has a rich and extensive experience of execution, implementation and operating large infrastructure projects.

Financial Flexibility of the Group: The Group has a demonstrated track-record of successfully tapping global as well as domestic markets for raising debt as well as equity capital across various businesses. Over the last 18 months, the Group has raised around USD 5.3 billion from global debt capital markets and around USD 1.9 billion of equity by entering into 3 strategic equity partnerships with international players like Total SA of France and Qatar Investment Authority. Further, the Group received equity investments of Rs.15000 Cr from International Holding Company, Abu Dhabi for stake sale in Adani Enterprises Ltd., Adani Transmission Ltd. And Adani Green Energy Ltd.

Strategic Importance of ARIPL to the Group: 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 and is the holding Company of “Sarguja Rail Corridor Pvt. Ltd. – Rated BWR A1+. ARIPL also acts as an investment arm of Adani Group without any significant cash-flows of its own and raises debt through pledge of promoter’s shares and infuses these funds into other group companies. The repayment of these loans is dependent on the cash-flows of the operating entities of the group, dividend or interest payouts, or refinancing.

Credit Risks-:

Insufficient cash flows for debt servicing: ARIPL only acts as a holding Company without any operations of its own. Rated debts raised in ARIPL have been used for refinancing as well to extend loans to Group companies. Repayment of these loans is expected to be done through support from one or more of these Group companies or refinancing or strategic equity raise by the holding companies.

Increasing debt levels of the Adani Group: Overall debt level of the Adani Group has been increasing on account of new business initiatives as well organic and inorganic growth undertaken across stabilized businesses by the Group, given the significantly capital intensive infrastructure nature and long gestation period of most of these businesses. However, at an overall Group level, the debt is adequately covered through committed cash-flows across the strong businesses. For the equity requirements of new businesses and support requirements for existing businesses, the promoters largely rely on dividends from strong businesses and raising of additional funds through undertaking strategic equity sales across businesses. Over the last few months, the Group has undertaken some strategic equity raise through dilution of its shareholding in various assets like ATGL, AGEL, and AEML by entering into strategic equity partnerships with international players like Total SA of France and Qatar Investment Authority.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

Unsupported rating of ARIPL is based on taking into account the Group support. The rating of the NCDs are ‘CE’ ratings, based on the security cover of the in the form of listed equity shares of the group companies.

For arriving at the ratings, BWR has factored group support for servicing the rated facilities, for reasons mentioned above. Please refer to the applicable rating criteria at the end.

RATING SENSITIVITIES

Positive: Reduction in share pledge debt with improvement in promoter pledge position for each of the listed entities will be credit positive.

Negative: Increase in promoter pledge in any listed entity by more than 40% will be credit negative.

LIQUIDITY POSITION (WEAK):

The company does not have any liquidity of its own. The repayment of NCDs is expected out of the operating cash flows of the group companies and the continued support. The company has paid four of the NCDs during the past six months. The group is committed to the liquidity of approximately USD 1 Bn (equivalent to Rs.8000 CR) at any point in time as confirmed by the management.

STRUCTURE OF THE NCDs aggregating Rs.500 Cr:



The NCD raised are Rated, Unlisted, Zero-Coupon, Redeemable, Non-Convertible Debentures (“NCDs” or “Debentures” or “Issue”) for the strategic purposes. The NCDs have initial security cover of 2.0x by the pledge of listed equity shares of APSEZ, ATL and AEL. 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.

Company PROFILE

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 A1+.

Underlying Security :

Adani Transmission Ltd. (ATL):

Adani Transmission Ltd (ATL), incorporated in 2015, is the flagship company of Adani Group in the power transmission and distribution sectors. ATL is a holding company created to house the power transmission and distribution business of Adani Group. Through its SPVs and subsidiaries, ATL owns, operates and maintains 18,875 Ckt kms (14,279 ckm is operational and 4,596 ckm is at various stages of construction) of transmission lines ranging from 220 KV to 765 KV. During 2018, the company also ventured into the power distribution business by acquiring Mumbai’s generation, transmission and distribution business, which is housed under Adani Electricity Mumbai Ltd..

CMP of its shares is Rs. 3,960.70 (52 weeks H/L is Rs. 4,048.00 and Rs. 1,870.55 respectively). As on 31st August, 2022, promoters are holding 73.9% of shares of which 5.9% are pledged as of 30th June, 2022.

Adani Ports and Special Economic Zone Ltd (APSEZ):

Adani Ports and Special Economic Zone Ltd (APSEZ), a part of the globally diversified Adani Group has evolved from a port company to a Ports & Logistics Platform. It is the largest port developer and operator in India with 12 strategically located ports and terminals — Mundra, Dahej, Tuna and Hazira in Gujarat, Dhamra in Odisha, Mormugao in Goa, Gangavaram, Visakhapatnam and Krishnapatnam in Andhra Pradesh, Dighi in Maharashtra and Kattupalli and Ennore in Chennai — representing 24% of the country's total port capacity, handling vast amounts of cargo from both coastal areas and the hinterland. The company is also developing a transshipment port at Vizhinjam, Kerala.

CMP of its shares is Rs. 842.15 (52 weeks H/L is Rs. 924.65 and Rs. 651.95 respectively). As on 31st August, 2022, promoters are holding 66% of shares of which 13.07% are pledged as of 30th June, 2022.

Adani Enterprises Ltd. (AEL):

Incorporated in 1993, AEL is a part of the Adani Group, promoted by Mr. Gautam Adani.

On a standalone basis, the Company is primarily engaged in Integrated Resource Management (IRM) i.e coal trading and logistic services, Mining services business and power trading business. AEL has diverse interests through its direct and step-down subsidiaries. On a consolidated basis AEL has evolved into a diversified company engaged in other businesses including Green Hydrogen business including Solar PV cell and module manufacturing business, agro-processing (including sale of edible oil under the brand name `Fortune') &

storage, commodities trading and oil & gas exploration. AEL is also entering new businesses like road development projects, water treatment plants, data centers and airports.

CMP of its shares is Rs. 3,194.35 (52 weeks H/L is Rs. 3,263.10 and Rs. 1367.7 respectively). As on 31st August, 2022 the promoters are holding 72.3% of shares of which 3.79% are pledged as of 30th June, 2022.

KEY FINANCIAL INDICATORS (in INR Crs) –

Borrower - ARIPL

ARIPL	FY21	FY22
Rs. Cr	Audited	Audited
Total Income	1567	1744
Operating Profit	686	835
Net Profit	-154	110
Total Debt	7577	4706
TNW	1798	7274

Underlying Security – ATL

Adani Transmission Ltd. (Rs. Cr)	FY21	FY22
Total Income	10459	11861
EBITDA	4483	4810
Net Profit	1290	1236
Tangible Networkth	8187	8640
Total Debt	26961	29815
Gearing	3.3	3.5
Debt to EBITDA	6.0	6.2

Underlying Security – APSEZ

Adani Ports and Special Economic Zone Ltd. (Rs. Cr)	FY21	FY22
Total Income	14520	18089
EBITDA	10669	11034
Net Profit	5049	4795
Tangible Networkth	20574	21409
Total Debt	34401	45453
Gearing (x)	1.7	2.1
Debt to EBITDA (x)	3.2	4.1

Underlying Security – AEL

Adani Enterprises Ltd. Rs. Crore	Consolidated	
	FY21	FY22
Total Income	40291	70433
EBITDA	3259	4726
Net Profit	1046	788
Total Debt	16001	41024
Tangible Net Worth	13108	12471
Gearing	1.2	3.3
Current Ratio	0.9	0.7

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY FOR LAST THREE YEARS (including Suspended / Withdrawn Ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2022)			2021		2020		2019		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	30-Nov-21	27-Nov-20	5-May-20	28-Nov-19	23-Sep-19	26-Mar-19	
1	NCD	Long Term	398	Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
2	NCD	Long Term	700	Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
3	NCD	Long Term	500	Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
4	NCD	Long Term	500	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
5	NCD	Long Term	265	Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
6	NCD	Long Term	54				Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
7	NCD	Long Term	48				Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
8	NCD	Long Term	85				Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
9	NCD	Long Term	1000				Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
10	NCD	Long Term	480				Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
11	NCD	Long Term	299				Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
12	NCD	Long Term	624				Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
	Total		500		Rupees Five Hundred Crore Only						

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [Approach to Financial Ratios](#)
- [General CriteriaCriteria on Credit Enhancement](#)
- [Ratings Based on Group Support](#)
- [General Criteria](#)
- [BWR's policy for withdrawal of rating](#)

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Annexure I
Details of the NCDs rated by BWR

Instrument	ISIN	Amt (Rs. Cr)	Pay-in Date	Maturity	Coupon
NCD*	INE00U207127	398	26-Sep-19	29-Apr-22	Zero Coupon with Premium Redemption
NCD*	INE00U207133	700	05-Jul-19	05-May-23	Zero Coupon with Premium Redemption
NCD*	INE00U207077	265	29-Mar-19	07-Apr-22	Zero Coupon with Premium Redemption
NCD*	INE00U207069	500	29-Mar-19	29-Apr-23	Zero Coupon with Premium Redemption
NCD	INE00U207093	500	29-Mar-19	29-Apr-23	Zero Coupon with Premium Redemption
Total		2363			

*Redeemed



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