



Rating Rationale

Adani Rail Infra Pvt. Ltd.

30 July 2019

Brickwork Ratings affirms the Rating of the NCD Issue aggregating Rs.700 Cr (which previously had a 'Provisional' rating), withdraws the rating of the bank loan of Rs.335 Cr and NCD of Rs.400 Cr and reaffirms the rating of existing instruments / facilities of Adani Rail Infra Pvt. Ltd.

Particulars

Instruments	Issue Amount Rs Cr	Revised Amts	ISIN	Issue Date	Previous Maturity Date	Previous Rating (April 2019)	Rating based on current review
Zero Coupon Secured Unlisted Rated Redeemable NCDs	700	700	INE00U207101	05/07/2019	05/05/2023	Provisional BWR AA-(SO) (Stable)	BWR AA- (SO) (pronounced as BWR Double A Minus) (Structured Obligation) Outlook: Stable Affirmation

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

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).

As per rating rationale dated [April 17, 2019](#), provisional rating was assigned to the proposed NCDs aggregating Rs.700 Cr of ARIPL based on the draft term sheet. Information Memorandum executed on 04 July 2019 and Debenture Trust Deed executed on 14 June 2019 for these NCD issues and based on the same the provisional rating is affirmed.

Outstanding Bank Loan Rating which is withdrawn is:

Facility*	Previous Limits	Limits (` Crs)	Tenure	Previous Rating	Rating based on current review
Bank Term Loan	335.00	435.00	Long Term	BWR AA- (SO) (Pronounced as Double A Minus) Outlook Stable	Withdrawal on account of Repayment

Details of the NCD for which the rating is withdrawn

Instrument s	Amt (rs. Cr)	Issue Date	Coupon	Maturity	ISIN	Existing Rating (January, 2019)	Current Rating
NCD	400	14-Oct-15	10.50%	30-Apr-19	INE814H07067	BWR AA-(SO) (Stable)	Withdrawal on Redemption

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

Amt (Rs. Cr)	Issue Date	Coupon	Maturity	ISIN	Existing Rating (April 2019)	Current Rating
480	18-Jul-18	Zero Coupon with redemption premium	16-Apr-20	INE00U207010	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA- (SO) (Stable)
300	6-Aug-18	Zero Coupon with redemption premium	27-Apr-20	INE00U207036	BWR A+(SO) (Stable)	Reaffirmation of existing rating BWR A+ (SO) (Stable)
625	23-Aug-18	Zero Coupon with redemption premium	27-Apr-20	INE00U207044	BWR A+(SO) (Stable)	Reaffirmation of existing rating BWR A+ (SO) (Stable)
1000	28-Sep-18	Zero Coupon with redemption premium	20-Apr-23	INE00U207051	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA- (SO) (Stable)
85	29-Mar-19	Zero Coupon with redemption premium	22-Apr-20	INE00U207085	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA- (SO) (Stable)
265	29-Mar-19	Zero Coupon with redemption premium	22-Apr-22	INE00U207077	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA- (SO) (Stable)
500	29-Mar-19	Zero Coupon with redemption premium	29-Apr-23	INE00U207069	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA- (SO) (Stable)
500	29-Mar-19	Zero Coupon with redemption premium	29-Apr-23	INE00U207093	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA- (SO) (Stable)
3755						

*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.



Rationale / Description of Key rating drivers / Rating Sensitivities:

BWR has essentially relied upon the executed Trust Deed and Information Memorandum for the NCD issue of Rs.700 Cr, audited financial results upto FY18 of the issuer Adani Rail Infra Pvt Ltd. (ARIPL), key financials for 9MFY19, 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 26% to 50% 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, AEL.

Structure of the NCD:

The Company has raised the Rated, Unlisted, Zero-Coupon, Redeemable, Non-Convertible Debentures (“NCDs” or “Debentures” or “Issue”) of Rs. 700 Cr. The NCD has the tenor of 46 months with PUT / CALL option after 37 months. The NCDs are secured 2.0x till maturity by the pledge of listed equity shares of APSEZ, AEL and ATL. As per the executed term sheet of the transaction, NCD will require a top-up if the cover falls below 1.70x. 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, 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. 390 (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 involved in setting up and operating power transmission lines through its subsidiary companies. CMP of its shares is Rs. 217 (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 50.17% are pledged.

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. 132 (52 weeks H/L is Rs. 237 and Rs. 113 respectively). As on June 30, 2019, promoters are holding 74.92% of shares of which 25.93% are pledged.

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

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	700	BWR AA-(SO) (Stable)			
1.	NCD	Long Term	500	BWR AA-(SO) (Stable)			
2.	NCD	Long Term	500	BWR AA-(SO) (Stable)			
3.	NCD	Long Term	265	BWR AA-(SO) (Stable)			
4.	NCD	Long Term	85	BWR AA-(SO) (Stable)			
6	NCD	Long Term	1000	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	335	Withdrawn	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	



11.	NCD	Long Term	400	Withdrawn	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	
	Total		4455 (Four Thousand Four Hundred and Fifty Five Crore Only)				

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:

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

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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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