RATING RATIONALE

30 November 2021

Adani Rail Infra Pvt. Ltd.

**Brickwork Ratings reaffirms the rating to the NCD issue aggregating Rs.2363 Cr of Adani Rail Infra Pvt. Ltd. (ARIPL or the "Company")**

**Particulars**

| Facility / Instrument | Amt Rated (Rs. Cr) | | Tenor | Rating History with BWR# (November 2020) | Present Rating# (Reaffirmation) |
|---|---|---|---|---|---|
| | Previous | Present | | | |
| NCD (1) | 398 | **398** | Long Term | BWR AA- (CE) (Stable) | **BWR AA- (CE) (Stable)** |
| NCD (1) | 700 | **700** | Long Term | BWR AA- (CE) (Stable) | **BWR AA- (CE) (Stable)** |
| NCD (1) | 265 | **265** | Long Term | BWR AA- (CE) (Stable) | **BWR AA- (CE) (Stable)** |
| NCD (1) | 500 | **500** | Long Term | BWR AA- (CE) (Stable) | **BWR AA- (CE) (Stable)** |
| NCD (1) | 500 | **500** | Long Term | BWR AA- (CE) (Stable) | **BWR AA- (CE) (Stable)** |
| **Total** | 2363 | **2363** | **INR Two Thousand Three Hundred Sixty Three 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 the security cover of 2.0x.

**RATING ACTION AND OUTLOOK:**
**BWR Reaffirms the rating for the NCD issues aggregating Rs.2363 Cr at BWR AA- (CE) with stable outlook.**

**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.2363 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. As on date, the percentage of promoter pledge in APSEZ at 15.33%, ATL at 8.15% and AEL at 4.52%. Further, the group has adequate liquidity as on date which is sufficient to timely servicing of the debt obligations. The management has confirmed that they are planning to reduce the share pledge debt level substantially by CY2022. 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. The Group has demonstrated strong capabilities in International Debt markets by mobilising around USD 9 Bn from public and private market debt, raised over the last 3 years. Furthermore, the Group has six listed entities with promoters having majority equity stakes, providing significant financial flexibility to raise resources on a need basis. The aggregate market capitalisation of all the six listed entities was Rs.869,825 Cr, of which market value of promoter holdings was Rs.550,257 Cr as on October 31, 2021.

**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 A (Positive). 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. ARIPL redeemed around Rs. 2590 Cr NCDs mrated by Brickworks in FY21 through funds infused by Group companies including promoters.

**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):

As on September 30, 2021, the Company had cash and cash equivalent of Rs.0.1 Cr. This being an investment arm of the group, debt servicing is dependent on cash flows from operating companies or strategic refinancing. Further, at a group level, an overall liquidity at the promoter level is adequate to service the debt obligations in a timely manner.

**STRUCTURE OF THE NCDs aggregating Rs.2363 Cr:**
The NCDs raised are Rated, Unlisted & Listed, 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 A (Positive).

**Security Providers-:**

**Adani Transmission Ltd. (ATL):**
Adani Transmission Limited (ATL) is the transmission and distribution business arm of the Adani Group, one of India's largest business conglomerates. ATL is the country's largest private transmission company with a cumulative transmission network of ~18,300 ckm, out of which ~13,700 ckm is operational and ~4,600 ckm is at various stages of construction. ATL also operates a distribution business serving about 3 million+ customers in Mumbai.
CMP of its shares is Rs. 1993.85 (52 weeks H/L is Rs. 2045 and Rs. 344.55 respectively). As on date, promoters are holding 74.92% of shares of which 8.15% are pledged.

**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. 717.15 (52 weeks H/L is Rs. 901 and Rs. 384.4 respectively). As on date, promoters are holding 63.83% of shares of which 9.78% are pledged.

**Adani Enterprises Ltd. (AEL):**
Incorporated in 1993, AEL is a flagship Company of the Adani Group, promoted by Mr. Gautam Adani.
On a standalone basis, the Company is primarily engaged in Integrated Coal Management (ICM) i.e coal trading and logistic services, Coal Mine Developer & Operator (MDO) business and power trading business. AEL has diverse interests through its direct and stepdown subsidiaries. On a consolidated basis AEL has evolved into a diversified Company engaged in other businesses 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.

The next-generation of its strategic business investments are centered around airport management, roads, data center and water infrastructure which has significant scope for value unlocking.
CMP of its shares is Rs. 1669.55 (52 weeks H/L is Rs. 1788.9 and Rs. 393 respectively). As on date the promoters are holding 74.92% of shares of which 4.52% are pledged.

**KEY FINANCIAL INDICATORS (in INR Crs) –**

**Borrower - ARIPL**

| ARIPL | FY19 | FY20 |
|---|---|---|
| Rs. Cr | Audited | Audited |
| Total Income | 1643 | 1567 |
| Operating Profit | 818 | 686 |
| Net Profit | -75 | -154 |
| Total Debt | 7380 | 7577 |
| TNW | -48 | -1798 |

**Security Provider – ATL**

| | Consolidated | | | |
|---|---|---|---|---|
| Rs. Cr | FY20 | FY21 | 1HFY21 | 1HFY22 |
| | Audited | Audited | | |
| Total Operating income | 11681 | 9926.33 | 4602 | 5371 |
| EBITDA | 4503.88 | 3950.36 | 2119 | 2360 |
| PAT | 706 | 1288 | 570 | 722 |
| Tangible Networth | 7974 | 8405 | 7827 | 9140 |
| Total Debt | 23526 | 25775 | 21782 | 28752 |
| Gearing | 3 | 3 | 3 | 3 |

**Security Provider – APSEZ**

| | FY20 | FY21 | 1HFY21 | 1HFY22 |
|---|---|---|---|---|
| Total Operating Income | 13734 | 14519 | 6173 | 9005 |
| **EBITDA** | 7801 | 10254 | 4186 | 5742 |
| Net Profit | 3785 | 5049 | 2151 | 2235 |
| Total Debt | 29462 | 34401 | 34367 | 44996 |
| Tangible Networth | 20577 | 22493 | 22840 | 21421 |
| **Gearing** | 1.4 | 1.5 | 1.5 | 2.1 |

**Security Provider – AEL**

| Adani Enterprises Ltd. | Consolidated | | | |
|---|---|---|---|---|
| Rs. Crore | FY20 | FY21 | 1HFY21 | 1HFY22 |
| Total Income | 44086 | 40291 | 14814 | 26328 |
| EBITDA | 2968 | 3312 | 1252 | 2210 |
| Net Profit | 1138 | 1046 | 370 | 460 |
| Total Debt | 12419 | 16001 | 12419 | 32190 |
| Tangible Net Worth | 14212 | 13612 | 13594 | 11112 |
| Gearing | 0.7 | 1.2 | 0.9 | 2.9 |
| Current Ratio | 1 | 1 | 1.01 | 0.8 |

## NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

## RATING HISTORY (including Suspended / Withdrawn Ratings)

| Sl. No. | Instrument/Facility | Current Rating (Year 2021) | | | Nov-20 | Apr-20 | Nov-19 | Sep-19 | Mar-19 | Sep-18 | Jun-18 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Type (Long Term/Short Term) | Amount (Rs Crs) | Rating | | | | | | | |
| 1 | NCD | Long Term | 398 | 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 | 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 | 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) | | |
| 5 | NCD | Long Term | 265 | 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) | BWR AA- (CE) (Stable) | |
| 10 | NCD | Long Term | 480 | | | Withdrawn | BWR AA- (CE) (Stable) | BWR AA- (CE) (Stable) | 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) | 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) | BWR AA- (CE) (Stable) | BWR AA- (CE) (Stable) |
| | Total | | 2363 | Rupees Two Thousand Three Hundred Sixty Three Crore Only) | | | | | | | |

## COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

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



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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** | | | |



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