Rating Rationale

Adani Rail Infra Pvt. Ltd.

4 Feb 2019

Brickwork Ratings assigns Rating to the NCD Issue of Rs. 940 Crore to be issued in two tranches, withdraws the rating of the NCD of Rs.390 Cr and reaffirms the rating other instruments / facilities of Adani Rail Infra Pvt. Ltd. (ARIPL)

Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD – Series A	890 (Rs. Eight Hundred and Ninety Crore Only)	Long Term	BWR AA- (SO) [Pronounced as AA Minus (Structured Obligation)] Outlook – Stable
NCD – Series B	50 (Rs. Fifty Crore Only)	Short Term	BWR A1+ (SO) [Pronounced as BWR A One Plus (Structured Obligation)]
Total	940 (Rs. Nine Hundred Forty Crore Only)		

*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 – 1.5x) and Adani Transmission Ltd. (ATL – 0.5x).

Details of NCD for which rating is withdrawn:

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating (MMYY)	Current Rating
NCD	₹390 Cr	1-Aug-2018	Zero Coupon with redemption premium	7-Apr-2019	INE00U207028	BWR A1+ (SO)	Withdrawn on account of Redemption

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	INE814H07059	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)*
Bank Term Loan	435.00	435.00	**Long Term**	**BWR AA- (SO)** (Pronounced as Double A Minus) **Outlook - Stable**	**BWR AA- (SO)** (Pronounced as Double A Minus) **Outlook - Stable**

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 draft term sheet outlining the structure of the deal, audited financial results upto FY18 of the issuer - Adani Rail Infra Pvt. Ltd. (ARIPL), audited financial results of FY17 and FY18 of APSEZ and ATL whose equity shares are provided as 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, 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 NCDs:
The Company has proposed to raise the Rated, Unlisted, Zero-Coupon, Redeemable, Non-Convertible Debentures ("NCDs" or "Debentures" or "Issue") of Rs.940 Cr, to be issued in two series – Series A – Rs.890 Cr and Series B- Rs.50 Cr. The NCDs are secured 2.0x by the pledge of listed equity shares of APSEZ and ATL As per the draft term sheet of the transaction, NCD will require a top-up if the cover falls below 1.8x times. The Company is required to deposit all amounts payable under the facility (including principal and interest) 7 days prior to maturity. 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.

Tenor of Series A will be 18 months with Put option at the end of every six months. Series B will be maturing on June 25, 2019. Redemption Premium for both the series are between 11.50% p.a. to 12.00% p.a. depending on Put Option or Maturity dates.

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 purpose.

Security Providers:
APSEZ and ATL are two 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. 338 (52 weeks H/L is Rs. 444 and Rs. 294 respectively).

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. 214 (52 weeks H/L is Rs. 256 and Rs. 115 respectively).
Any issues affecting 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.XX 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 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2017	Date in 2016	Date in 2015
1.	NCD	Long Term	1000	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
2.	NCD	Long Term	400	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
3.	NCD	Long Term	400	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
4.	NCD	Short Term	390	Withdrawn	BWR A1+ (SO)		
5.	NCD	Long Term	480	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
6.	NCD	Long Term	300	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)		
7.	NCD	Long Term	625	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable)		
8.	Term Loan	Long Term	435	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)		
9	NCD	Short Term	50	BWR A1+ (SO)			
10	NCD	Long Term	890	BWR AA- (SO) (Stable)			
	Total		**4580 (Four Thousand Five Hundred and Eighty 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:
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