



Rating Rationale

Adani Rail Infra Pvt. Ltd.

13 Aug 2018

Brickwork Ratings reviews and assigns Rating to the NCD Issue of Rs.1200 Cr of Adani Rail Infra Pvt. Ltd. and reaffirms the existing ratings.

Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	1200 (Rs. Twelve Hundred Crore Only)	Long Term	Provisional BWR AA- (SO) [Pronounced as Provisional BWR Double A Minus (Structured Obligation)] Outlook – Stable

*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). Provisional rating assigned will be confirmed once the issuer shares with BWR executed legal documents including, but not limited to, the Deed of Novation referred below.

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

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating (August 7, 2018)	Current Rating
NCD ⁽¹⁾	₹ 480 Cr	18-Jul-2018	Zero Coupon with redemption premium	16-Apr-2020	INE00U2070 10	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA- (SO) (Outlook: Stable)

NCD ⁽²⁾	₹ 390 Cr	1-Aug-2018	Zero Coupon with redemption premium	7-Apr-2019	INE00U207028	BWR A1+ (SO)	Reaffirmation of existing rating BWR A1+ (SO)
NCD ⁽³⁾	₹ 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 ⁽³⁾	₹ 650 Cr	Yet to be issued	Zero Coupon with redemption premium	-	-	BWR A+(SO) (Stable)	Reaffirmation of existing rating BWR A+ (SO) (Outlook: Stable)

- (1) SO refers to Structured Obligation which indicates credit enhancement derived from the security cover of 2.0x by the pledge of listed equity shares of APSEZ – 1.5x, ATL – 0.3x and AEL – 0.2x.
- (2) 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), Adani Transmission Ltd. (ATL – 0.3x) and Adani Enterprise Ltd. (AEL – 0.2x).
- (3) SO refers to Structured Obligation which indicates credit enhancement derived from the security cover of 3.0x by the prospective pledge of listed equity shares of Adani Gas Ltd. (AGL) within 30 days of its listing. During the interim period (from the date of issue till 30 days after the listing of AGL shares), the NCDs are secured 2.0x by the pledge of listed equity shares of APSEZ – 1.5x and ATL – 0.5x.

Outstanding Bank Loan Rating which is reaffirmed, is as follows:

Facility*	Previous Limits	Limits (Cr)	Tenure	Previous Rating (June 20 2018)	Rating based on current review (Reaffirmation)
Bank Term Loan	500.00	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 deals, audited financial results upto FY17 and provisional financials of FY18 of the issuer - Adani Rail Infra Pvt. Ltd. (ARIPL), audited financial results of FY17 and FY18 of APSEZ 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, 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 the overall high debt levels of the Adani Group.

Structure of the NCD – Rs.1200 Cr:

The NCDs are transferred from another entity of Adani Group and is not a fresh issue. The transfer is based on a Deed of Novation to be executed between ARIPL, the earlier Issuer and the Investor. Maturing in April 2019, this NCD carries a redemption premium. It is secured 2.0x by the pledge of equity shares of APSEZ, a listed company.

It will require a top-up within 3 working days if the cover falls below 1.8 times on any business day. The Company is required to deposit all amounts payable under the facility (including principal and interest) 15 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.

As per the novation term sheet, the company is expected to utilize the proceeds of the NCDs towards refinancing of debt, towards capex / opex of the issuer, investment in equity of group companies, onward lending to group companies and for general corporate purpose.

BWR will confirm the Provisional Rating assigned, on production of executed documents, including the Deed of Novation referred above.

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). It also raises funds and lends to/invests in group companies.

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 (Provisional)	FY17 (Audited)	FY16 (Audited)
Revenue	138.17	142.48	23.98
Operating profit	55.28	49.37	9.07
PAT	-5.97	0.13	-0.01
Total Debt	648.00	629.88	253.62
TNW	52.52	58.49	58.36
Gearing	12.3	10.8	4.3

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	1200	Provisional BWR AA- (SO) (Stable)			
2.	NCD	Short Term	390	BWR A1+ (SO)			
3.	NCD	Long Term	480	BWR AA- (SO) (Stable)			
4.	NCD	Long Term	300	BWR A+ (SO) (Stable)			



5.	NCD	Long Term	650	BWR A+ (SO) (Stable)			
6.	Term Loan	Long Term	435	BWR AA-(SO) (Stable)			
Total				3455 (Three 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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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