



## Rating Rationale

Adani Rail Infra Pvt. Ltd.

26 June 2018

Brickwork Ratings assigns Rating to the two NCD Issues of Rs. 430 Crore and Rs.480 Crore, respectively, of Adani Rail Infra Pvt. Ltd. and reaffirms the rating other instruments / facilities.

### Particulars

Instrument	Amount (Rs. Crs)	Tenor	Rating Assigned*
NCD	430 (Rs. Four Hundred Thirty Crore Only)	Short Term	BWR A1+ (SO) [Pronounced as BWR A One Plus (Structured Obligation)]
NCD	480 (Rs. Four Hundred Eighty Crore Only)	Long Term	BWR AA- (SO) [Pronounced as AA Minus (Structured Obligation)] Outlook – Stable
<b>Total</b>	<b>910</b> <b>(Rs. Nine Hundred Ten Crore)</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://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), Adani Transmission Ltd. (ATL – 0.3x) and Adani Enterprise Ltd. (AEL – 0.2x).

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

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating (June 20, 2018)	Current Rating
NCD	₹ 700 Cr	Yet to be issued	Zero Coupon with redemption premium	26-Apr-2020	NA	BWR A+ (SO) (Stable)	Reaffirmation of existing rating BWR A+ (SO) (Outlook: Stable)



**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 the shares of AGL are listed), 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 ( Crs)	Tenure	Previous Rating (June 20 2018)	Rating based on current review (Reaffirmation)
<b>Bank Term Loan</b>	500.00	500.00	<b>Long Term</b>	<b>BWR AA-(SO)</b> (Pronounced as Double A Minus) <b>Outlook - Stable</b>	<b>BWR AA-(SO)</b> (Pronounced as Double A Minus) <b>Outlook - Stable</b>

**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 FY17 and provisional financials of FY18 of the issuer - Adani Rail Infra Pvt. Ltd. (ARIPL), audited financial results of FY17 and FY18 of APSEZ, ATL and AEL, 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, ATL and AEL, 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, ATL and AEL shares, and the overall high debt levels of the Adani Group.

**Structure of the NCDs:**The Company has proposed to raise two separate NCDs of Rs.430 Cr and Rs.480 Cr, maturing in May 2019 and April 2020, respectively. Both the NCDs are secured 2.0x by the pledge of equity shares of APSEZ, ATL and AEL. Both are zero coupon NCDs.



Both the NCDs will require a top-up within 3 working days if the cover falls below 1.75 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 draft 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.

### **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**

<b>Rs. Crore</b>	<b>FY18 (Provisional)</b>	<b>FY17 (Audited)</b>	<b>FY16 (Audited)</b>
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	Short Term	430	BWR A1+ (SO)			
2.	NCD	Long Term	480	BWR AA- (SO) (Stable)			
3.	NCD	Long Term	700	BWR A+ (SO) (Stable)			
4.	Term Loan	Long Term	500	BWR AA-(SO) (Stable)			
	<b>Total</b>		<b>2110 (Rupees Two Thousand One Hundred and Ten Crore Only)</b>				

**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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.

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