



## Rating Rationale

Adani Rail Infra Pvt. Ltd.

7 Aug 2018

Brickwork Ratings reviews and assigns Rating to various NCD Issues of Adani Rail Infra Pvt. Ltd. and reaffirms the existing ratings.

### Particulars

Instrument	Amt Rated (Rs Cr)		Tenor	Rating History with BWR	Rating Reaffirmed
	Previous	Present		(as on June 26, 2018)	
NCD <sup>(1)</sup>	700	950	Long Term	BWR A+ (SO) (Stable)	BWR A+ (SO) (Stable) [Pronounced as BWR A One (Structured Obligation)]
NCD <sup>(2)</sup>	430	390	Short Term	BWR A1+ (SO)	BWR A1+ (SO) [Pronounced as BWR A One Plus (Structured Obligations)]
	1130	1340			

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

- (1) In the [rating rationale dated June 20, 2018](#), BWR had assigned the rating to a proposed NCD issue of Rs.700 Cr of Adani Rail Infra Pvt. Ltd. (ARIPL). The amount under this proposed issuance has now been enhanced to Rs.950 Cr. The NCD is yet to be issued as on August 3, 2018. 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.
- (2) In the [rating rationale dated June 26, 2018](#), BWR had assigned the rating to the proposed short-term NCD issue of Rs.430 Cr of ARIPL. The amount under this proposed issuance has now been reduced to Rs.390 Cr. 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:**

Instrument	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating (June 2018)	Current Rating
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)

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.

**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	500.00	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, ATL, AEL and AGL 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 (1) – Rs.950 Cr:**

The Company is raising an NCD of Rs.950 Cr maturing in April 2020. This NCD is expected to be secured by 3.0x cover of listed shares of AGL, which is expected to be listed in Q3FY19. During the interim period, this NCD will be secured by 2.0x cover of listed equity shares of APSEZ (1.5x) and ATL (0.5x). APSEZ and ATL shares will be replaced with AGL shares post 30 days of its listing. Presently AGL is rated A+ by a Credit Rating Agency, and BWR expects this rating to hold post AGL’s listing. The rating on Rs.950cr NCDs is sensitive to the credit rating of all the companies, whose shares are pledged.

The rated facility will require a top-up if the cover falls below 1.75 times on any business day, in case of pre-substitution. After substitution of APSEZ and ATL shares with AGL shares (post listing), top-up will be required if the cover falls below 3.0x 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 issuances of this nature.

**Structure of NCD (2) – Rs.390 Cr:**

The Company has proposed to raise NCDs of Rs.390 Cr maturing in May 2019. This are zero coupon NCDs and are secured 2.0x by the pledge of equity shares of APSEZ, ATL and AEL

It 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

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	Short Term	390	BWR A1+ (SO)			
2.	NCD	Long Term	480	BWR AA- (SO) (Stable)			
3.	NCD	Long Term	950	BWR A+ (SO) (Stable)			
4.	Term Loan	Long Term	500	BWR AA-(SO) (Stable)			
	<b>Total</b>		<b>2320 (Rupees Two Thousand Three Hundred and Twenty 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:**

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