



**ADANI TOWNSHIP AND REAL ESTATE CO. PVT. LTD**

**Brickwork Ratings reviews the ratings for the Bank Facilities of Rs. 270 Crore of Adani Township and Real Estate Co. Pvt. Ltd. (ATRECO or “The Company”)**

**Particulars**

Facility	Amount Rated (Rs. Cr)		Tenor	Rating History with BWR*	Rating Assigned
	Previous	Present			
				<b>August 2019</b>	
<b>Drop Line Overdraft (Yes Bank)</b>	<b>270</b>	<b>140</b>	<b>Long Term</b>	<b>BWR A- (SO) (Stable)</b>	<b>BWR A- (CE) (Stable)</b>
<b>Term Loan</b>	<b>100</b>	<b>100</b>	<b>Long Term</b>	<b>BWR A- (SO) (Stable)</b>	<b>BWR A- (CE) (Stable)</b>
<b>Total</b>	<b>370</b>	<b>240</b>	<b>(Rupees Two Hundred and Seventy Crore Only)</b>		

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

**Rating Action:**

BWR has changed the approach to derive the credit enhancement for the bank loans of Adani Township and Real Estate Company Ltd. (ATRECO). Earlier, the SO rating was based on credit enhancement from an escrow mechanism and 3 months Interest Service Coverage Provision as per terms of the facility. As per extant SEBI regulations for credit enhanced ratings, BWR has removed the SO suffix from the outstanding ratings and has arrived at a CE suffix based on the unconditional and irrevocable Corporate Guarantee from Adani Properties Pvt. Ltd. (APPL – BWR A (Stable) / A1) for the said facility. Further, the standalone ratings of BBB+ (Stable) has been assigned.

The rating factors, *inter alia*, strong parentage, experienced promoters and professional management team, good location of the township, very advanced stage of construction and sales coupled with healthy booking status. However, the ratings are constrained by the limited track record of the group in developing large real estate projects, salability of unsold units in the



current macro-economic environment, inherent risk pertaining to the real estate segment after implementation of GST and RERA and increasing overall debt levels of the Adani Group.

BWR believes the ATRECO's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Negative' if the company is not able to achieve the targeted sales in the projected timeframe which could impact the repayment capability.

**Analytical Approach:** Though Adani Township and Real Estate Co. Pvt. Ltd. (ATRECO) has been analyzed on a standalone basis, additional credit comfort has been derived from an unconditional and irrevocable Corporate Guarantee from Adani Properties Pvt. Ltd. (APPL – BWR A (Stable)/ A1).

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

**Strong Parentage:** Adani Township and Real Estate Co. Pvt. Ltd. (ATRECO), incorporated in 2012, is an Adani Group Company which is engaged in development of a real estate project in Ahmedabad. It is held by Suyojan Realty Pvt. Ltd (25.5%) and Adani Land Developers Pvt. Ltd (74%). Suyojan Realty is 99% held by Adani Infrastructure and Developers Pvt. Ltd. Thus the company will benefit from the Group's infrastructure, support and financial flexibility.

**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. During financial year 2019-20, the Group has raised around USD 4 billion from global debt capital markets across various Group companies and further raised around USD 1.8 billion by entering into 3 strategic equity partnerships with international players like Total SA of France and Qatar Investment Authority across various Group companies.

**Corporate Guarantee from APPL:** ATRECO is a wholly owned step-down subsidiary of Adani Properties Pvt. Ltd. (APPL – BWR A (Stable) / A1). APPL, incorporated in May 1995, is the Group's holding company which holds the Group's strategic investments in various listed businesses as well as for the unlisted business like real estate, financial services and trading. The value of APPL's holding in the listed entities is around Rs.23000 Cr based on the current market prices of the listed equity shares..

**Advanced Stage of Project:** ATRECO is developing 4 residential apartment projects and 1 commercial building in around 100 acres of land in Shantigram, near Ahmedabad, Gujarat. The overall integrated township is around ~616 Acres. The phase I project is entirely completed at



the cost of Rs. 2019 Cr. Occupancy certificates have also been received for most of the towers. Till date, the company was able to sell 97% of the saleable area at the price of Rs.2500 Cr, of which Rs. 2157 Cr was received till date. Balance amount is expected to be received in the current year.

The company has started working in phase II of the project which is also constructed in similar lines as Phase I.

### **Credit Risks:**

**Limited Track record of the group in real estate segment:** Though Adani group has constructed around 70 lakhs square feet of area till date, the group does not have a long track record and experience in the segment. It is not a key focus area, and its contribution to the group's overall business is quite small.

**Inherent risks pertaining to real estate segment:** Implementation of GST and RERA in FY18 had a negative impact on the real estate market across the country, as also in Ahmedabad. In some cases prices have dropped, or sales are slow. Further, the economic slowdown during the last two years, which is topped by the current pandemic situation, has further worsened the situation. Ability of the Company to market the unsold units which are in the premium segment, will be the key rating sensitivity.

**Increasing overall debt levels of the Adani Group:** Overall debt level of the Adani Group has been increasing on account of new initiatives as well inorganic growth undertaken across businesses by the Group, given the significantly capital intensive infrastructure nature and long gestation periods of most of these businesses. However, at the overall Group level, the debt is adequately covered through committed cash-flows across the strong businesses. As on March 31, 2020, the net Debt to EBITDA for the Group (including unlisted businesses) was around 4.5x which is expected to increase in near future for higher capex requirements in new projects to be undertaken in AEL as well as AGEL. The Group has raised around Rs.8000cr of debt that is secured by pledge of listed equity shares of the group companies and the management has plans to repay this in full by December 2021. For the equity requirements of new businesses and support requirements for existing businesses, the promoters largely rely on dividends from strong businesses and raising additional funds through pledge of their equity shares in the listed companies. Servicing of some of this debt largely depends on refinancing options, given the growth that the group is undertaking. Over the last few months, the Group raised around USD 1.8 billion through strategic equity raise through dilution of shareholding in various assets like AGL, AGEL, and AEML.

**LIQUIDITY (Adequate):** As on date, the company had cash and cash equivalent of Rs. 3 Cr and net accruals of Rs. 3 Cr. The company has repayment of Rs.127.5 Cr during FY21. The



company expects Rs.300 Cr of inflows in the current year for the balance sale proceeds. As such, liquidity is considered to be adequate to service the debt obligations.

Further, Overall group has sufficient liquidity cushion wherein the existing cash and cash equivalents provide an average cover of 1.5x to the maturing debt obligations of all the group companies in the current year.

**RATING SENSITIVITIES:**

**Positive:** Timely receipt of balance proceeds from sales already achieved and sales of the balance unsold units during the projected timeline will be credit positive.

**Credit Negative:** Delays in receipt of balance proceeds of sales along with sale of unsold units will be credit Negative.

**About the Company**

Adani Township and Real Estate Co. Pvt. Ltd. (ATRECO), incorporated in 2012, is an Adani Group Company. ATRECO has been set up for developing Shantigram Township Project in Ahmedabad which includes residential, commercial, education, medical, entertainment, recreation and many more amenities. ATRECO is developing 4 Apartment Projects in around 100 acres of land in Shantigram, near Ahmedabad, Gujarat (Northwest part of SG Highway and ~25 KMs from Ahmedabad Airport). The overall integrated township is around ~616 Acres. Total initial project cost of phase I of the project of Rs.2029 Cr has been funded with debt of Rs.550 Cr, promoter contribution in the form of land cost of Rs.251 Cr and the balance from customer advances.

Brief financial details of the Company are provided below. Except for the bank drop-line overdraft of Rs.240 Cr (outstanding as on March 31, 2020 of the bank overdraft facility of Rs.450 Cr) and term loans of Rs.100 Cr, total debt are inter corporate deposits from related parties.

Particulars (Rs. Cr)	FY19	FY20
Net Sales	311	179
EBITDA	25.2	14.4
Net Profit	-0.9	2.72
Total Debt	1387	1227
Tangible Networkth	24	26

**Rating History for the last three years**

S. No	Instrument /Facility	Current Rating (2020)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	August 2019	June 2018	November 2016
1.	<b>Drop-Line Overdraft</b>	Long Term	140	<b>BWR A-(CE) (Stable)</b>	<b>BWR A-(SO) (Stable)</b>	<b>BWR A-(SO) (Stable)</b>	<b>BWR A-(SO) (Stable)</b>
2.	<b>Term Loan</b>	Long Term	100	<b>BWR A-(CE) (Stable)</b>	<b>BWR A-(SO) (Stable)</b>		
	<b>Total</b>		<b>240</b>	<b>₹ Two Hundred and Forty Crore Only</b>			

Status of non-cooperation with previous CRA (if applicable): ICRA BB+ Issuer Non-Cooperation

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

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

**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Infrastructure Sector**
- **Approach to Financial Ratios**
- **Credit Enhancement based on Corporate Guarantee**

For any other criteria obtain hyperlinks from website



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## ANNEXURE I

### Details of Bank Facilities rated by BWR

	Bank	Facility	Outstanding as on March 31, 2020 (Rs. Cr)
1	Yes Bank Ltd.	Term Loan	100
2.	Yes Bank Ltd.	Drop Line Overdraft	140
	<b>Total</b>		<b>240</b>

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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.

**DISCLAIMER** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.