RATING RATIONALE

11 March 2022

Adani Infra (India) Ltd.

Brickwork Ratings reaffirms the rating of the NCD issues aggregating Rs.775 Cr and bank loan of Rs.117.5 Cr and withdraws the rating of the NCDs aggregating Rs.135 Cr on redemption of Adani Infra (India) Ltd. (AIIL or the "Company")

Particulars

Facility	Amt Rated (Rs. Cr)		Tenor	Previous Ratings	Present Rating
	Previous	Present		(March 5, 2021)	
NCD* (unlisted) (1)	135	-	Long Term	BWR AA- (CE) (Stable)	**Withdrawal on Redemption**
NCD* (unlisted) (1)	525	**525**	Long Term	BWR AA- (CE) (Stable)	**BWR AA- (CE) (Stable) Reaffirmation**
NCD* (unlisted)(1)	250	**250**	Long Term	BWR AA- (CE) (Stable)	**BWR AA- (CE) (Stable) Reaffirmation**
Bank Loans (2)	186.25	**117.5**	Long Term	BWR AA- (CE) (Stable)	**BWR AA- (CE) (Stable) Reaffirmation**
Unsupported Rating	-	-	Long Term	BWR BBB- (Stable)	**BWR BBB- (Stable) (Reaffirmation)**
Total	1096.25	**892.5**	**INR Eight Hundred Ninety Two Crore and Fifty Lakhs Only**		

#Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
* Details of Bank facilities/NCD is provided in Annexure-I and Annexure-II

(1) CE rating is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) with the security cover of 2.0x.
(2) CE rating is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) with the security cover of 1.5x.

RATING ACTION AND OUTLOOK:

1. BWR reaffirms the standalone unsupported rating at BWR BBB- (Stable)
2. BWR Reaffirms the rating for the NCD issues aggregating Rs.775 Cr and Bank Loan of Rs.117.5 Cr at BWR AA- (CE) with stable outlook.
3. BWR withdraws the rating of the NCDs aggregating Rs.135 Cr on redemption and confirmation from NSDL and Debenture Trustee for the same.

The standalone unsupported rating reaffirmation factors, inter alia, strong parentage being part of the Adani Group which enjoys financial flexibility in domestic as well as international market, demonstrated track record of the Group which is global integrated infrastructure player with businesses in key industry verticals – transport & logistics, and energy & utility, gradual pick of

the EPC activity by AIIL which is inherent part of the Group's activity and significance of the company to the Group.
The rating is however constrained by the fact that the company primarily acts as an investment arm of Adani Group wherein substantial amount of debt is raised in AIIL which in turn is extended onwards as loans to Group companies, cash-flows from operational activities which is EPC and PMC is relatively low as compared to the debt maturities. The ratings is also constrained by the overall high debt levels of the Group.

Reaffirmation of the rating of the NCDs and bank loans which are secured by the pledge of shares factors strength of the underlying securities which is the listed equity shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) and adequacy of promoter holding in each of these listed entities.
The "Stable" outlook indicates low-likelihood of rating change in the medium term considering the past trends and current activity level of the Company as well as the group.

Adequacy of Credit Enhancement: The CE ratings for NCDs and bank loan is based on the pledge of shares of Adani Ports and Special Economic Zone Ltd. (APSEZ) and Adani Transmission Ltd. (ATL) with a security cover of 2.0x and 1.5x, respectively with T- structure of payment mechanism. For NCDs, scheduled interest and instalment payment is required to be made at T-15 days and for bank loan it is T-2 days.
As on January 31, 2022, the percentage of promoter pledge in APSEZ at 15.01% and ATL at 7.05%. Further, the group has adequate liquidity as on date which is sufficient to timely servicing of the debt obligations. The management has confirmed that they are committed to keep share pledge indebtedness below 5% at all points of time. As on date, share pledge indebtedness of the group is approximately 1.5% of the total market capitalization of promoter's stake in six listed entities of the group. Taking all things into consideration, the security available is considered adequate for the credit enhancement.

KEY RATING DRIVERS

Credit Strengths-:
Part of the Reputed Group: AIIL is 100% subsidiary of Adani Properties Pvt. Ltd. (APPL – BWR A (Stable) / A1). APPL is one of Group's holding company which holds Group's strategic investments in all listed businesses as well as for the unlisted business like real estate, financial services and trading.
The Adani Group, is one of India's leading business houses with revenues of over USD 13 billion, employing over 10,000 people and exploring diverse interests in Transport & Logistics (including Port Development & Operations, Development of Industrial Clusters & Special Economic Zones & Logistics) and Energy & Utility (including thermal and renewable power generation, transmission & distribution, city gas distribution) and other business interests like Solar Manufacturing, Real Estate, Coal Trading & Mining, Roads, Power Trading and Edible Oil Refining & Agro based infrastructure development. The biggest source of competitive advantage

for the Adani Group is experienced and highly qualified professionals including technocrats of repute. The team has demonstrated capabilities in conceptualization and implementation of large projects, excellent records of establishing benchmarks in the industry. The group has a rich and extensive experience of execution, implementation and operating large infrastructure projects

Financial Flexibility: The Group has a demonstrated track-record of successfully tapping global as well as domestic market for raising debt as well as equity capital across various businesses. Over the last 18 months, the Group has raised around USD 5.3 billion from global debt capital markets and around USD 1.9 billion of equity by entering into 3 strategic equity partnerships with international players like Total SA of France and Qatar Investment Authority.

Strategic Importance of APPL to the Group: AIIL is 100% subsidiary of Adani Properties Pvt. Ltd. (APPL – BWR A1). APPL, incorporated in May 1995, is one of Group's holding companies which holds sizeable investments in all listed as well as unlisted business of the Group. Value of APPL's holding in the listed entities was Rs. 111,402 Cr based on the market price of the listed equity shares on December 31, 2021.

Importance of the line of activity of AIIL to the Group: AIIL is engaged in executing various types of infrastructure projects wherein it provides EPC and PMC services for Infrastructure Projects. Since incorporation AIIL took shape as the in-house EPC arm of Adani Group and grew as full-fledged EPC company to take up open market contracts. AIIL has successfully executed various contracts with value of around Rs. 3700 Cr which includes 648 MW Solar Power Plant at Kamuthi, 4620 MW Thermal Power Plant at Mundra, 2*660 MW thermal Power Plant at Kawai, Rajasthan, 5*660 MW thermal Power Plant at Tiroda, Maharashtra, 40 MW Solar Power Plant at Bitta – Gujarat. At the present, the company has various contacts under execution. The Company is currently executing four projects with the total value of Rs.3148 Cr with inhouse as well as open market clientele like NTPC Ltd., Bilaspur Patharapali Road Pvt. Ltd, (Grp Company), Singareni Collieries Ltd. And Adani Water Ltd. Of this, work of Rs. 2571 Cr is already executed and balance is to be executed within next 6-7 months.

Credit Risks-:

Investment arm of the Group: AIIL also acts as investment arm of the Group wherein it raises funds from the market in the form of NCDs and Bank Loans and lends it to other operating entities of Group companies in the form of interest bearing loans and advances. So, another major source of income of AIIL is interest income received from these loans and advances. As on date, EPC forms a very small percentage of total operating income. However, the company has plans to gradually focus on its operating activity by providing support to the group as well as others and subsequently increase the share of the operating income. This is evident by the order book of the company as mentioned above.

Increasing overall debt levels of the Adani Group: Overall debt level of the Adani Group has been increasing on account of new business initiatives as well organic and inorganic growth undertaken across stabilized businesses by the Group, given the significantly capital intensive infrastructure nature and long gestation period of most of these businesses. However, at an overall Group level, the debt is adequately covered through committed cash-flows across the strong businesses. For the equity requirements of new businesses and support requirements for existing businesses, the promoters largely rely on dividends from strong businesses and raising of additional funds through undertaking strategic equity sales across businesses. Over the last few months, the Group has undertaken some strategic equity raise through dilution of its shareholding in various assets like ATGL, AGEL, and AEML by entering into strategic equity partnerships with international players like Total SA of France and Qatar Investment Authority.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

Unsupported rating of AIIL is based taking into account Group support. The rating of the NCDs and bank loan are 'CE' ratings, based on the security cover of the in the form of listed equity shares of the group companies.

For arriving at the ratings, BWR has factored group support for servicing the rated facilities, for reasons mentioned above. Please refer to the applicable rating criteria at the end.

RATING SENSITIVITIES

Positive: Reduction of debt levels and improvement in operating performance of the company with increase in operating income leading to higher cash-flows will be credit positive.

Negative: Increase in leverage with increase in debt without any corresponding improvement in cash flows will be credit negative.

LIQUIDITY POSITION (Adequate):

As on March 31, 2021 the company had cash and cash equivalent of Rs. 36.25 Cr. AIIL being investment arm of the group, servicing of debt is done by the cash flows of the operating entities. Further, AIIL being part of the Group, it has access to support from the Group on a need basis in addition to equity infusions in a timely manner. The management confirmed that at any point in time the group maintains the liquidity of USD 1 bn (Rs.7500 Cr) which is as per the group's risk management policy. This is sufficient to pay upcoming maturities.

COMPANY PROFILE

Adani Infra (India) Ltd. (AIIL), established in 2010, is a 100% subsidiary of Adani Properties Pvt. Ltd. (APPL). It is an infrastructure development company with specialization in comprehensive engineering, project management and construction (EPC) services for power generation and transmission sector, and mainly caters to requirements of the Group companies. It is also involved in trading in various commodities. Board of Directors and senior employees comprises professionals from Adani group.

The company is also used as a vehicle to raise debt and bank loans against various third party securities, and in turn lend to Adani group entities.

Underlying Securities:

Adani Transmission Ltd. (ATL):

Adani Transmission Limited (ATL) is the transmission and distribution business arm of the Adani Group, one of India's largest business conglomerates. ATL is the country's largest private transmission company with a cumulative transmission network of ~18,300 ckm, out of which ~13,700 ckm is operational and ~4,600 ckm is at various stages of construction. ATL also operates a distribution business serving about 3 million+ customers in Mumbai.

CMP of its shares is Rs. 2032.85 (52 weeks H/L is Rs. 2141 and Rs. 687 respectively). As on date, promoters are holding 74.92% of shares of which **7.05** % are pledged.

Adani Ports and Special Economic Zone Ltd (APSEZ):

Adani Ports and Special Economic Zone Ltd (APSEZ), a part of the globally diversified Adani Group has evolved from a port company to a Ports & Logistics Platform. It is the largest port developer and operator in India with 12 strategically located ports and terminals — Mundra, Dahej, Tuna and Hazira in Gujarat, Dhamra in Odisha, Mormugao in Goa, Gangavaram, Visakhapatnam and Krishnapatnam in Andhra Pradesh, Dighi in Maharashtra and Kattupalli and Ennore in Chennai — representing 24% of the country's total port capacity, handling vast amounts of cargo from both coastal areas and the hinterland. The company is also developing a transshipment port at Vizhinjam, Kerala.

CMP of its shares is Rs. 695.15 (52 weeks H/L is Rs. 901 and Rs. 638 respectively). As on date, promoters are holding 63.83% of shares of which 15.01% are pledged.

KEY FINANCIAL INDICATORS of the Issuer - AIIL (in INR Cr)

AIIL (Rs Crs)	**FY20**	**FY21**
	Audited	**Audited**
Net worth	**3658**	**2756**
Total Debt	3041	7436
Long Term Loans & Adv.	221	2425
Short term Loans and Adv.	333	1377
Non-Current Investments	6287	6238
Total Income (Op + Non Op)	1790	2638
PBT	7	16
PAT	5	12

- During FY21, CCDs of Rs.700 Cr which was earlier considered as quasi equity was converted into NCD by changing the terms of CCD agreement which was subscribed by related party and the same was redeemed within the period of three months. As such, there has been decline in networth.
- Long term borrowings includes three NCDs – Rs.135 Cr, Rs. 525 Cr and Rs. 250 Cr apart from Yes Bank term loan and other term loans from FIIs. NCD of Rs.135 Cr was repaid in April 2021 as per the scheduled repayment. Apart from that the company issued CCDs of Rs. 5145.15 Cr through private placement which in turn was advanced to group companies. As per the terms, CCDs shall be converted into equity shares of Rs.10 each based on Fair MV of equity shares. Debentures shall be compulsorily convertible any time after 5 years period from the date of issue but on or before 10 years from the date of allotment.
- Non-current investments includes investments of Rs. 2100 Cr and Rs. 3408 Cr in perpetual securities of Adani Power Ltd. and Adani Transmission Ltd., respectively.

Underlying Security – ATL

	Consolidated			
Rs. Cr	**FY19**	**FY20**	**1HFY20**	**1HFY21**
	Audited	**Audited**		
Total Operating income	7561	11681	5446	4602
EBITDA	3017	4751	2120	2071
PAT	559	706	444	570
Tangible Networth	6468	7974		7827
Total Debt	20137	23526		21782
Gearing	3	3		3

Underlying Security – APSEZ

	FY19	**FY20**	**1HFY20**	**1HFY21**
Total Operating Income	12288	13734	5616	5195
EBITDA	7954	7801	4561	4186
Net Profit	4045	3785	2088	2151
Total Debt	27188	29462		34367
Loan from Promoters				
Net Debt	27188	29562		34367
Tangible Networth	19408	20577		22840
Gearing	1.4	1.4		1.5

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA

RATING HISTORY

	Current Ratings						
Instrument / Facility	Tenor	Amt (Rs. Cr)	Mar-22	Rating History			
	Long term / short term			Mar-21	Mar-20	Sep-19	Oct-18
NCD	Long Term	250	BWR AA- (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
NCD	Long Term	135	Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
NCD	Long Term	525	BWR AA- (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
Bank Loans	Long Term	117.5	BWR AA- (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)
Bank Loans	Short term	200		Withdrawn	BWR A3		
Bank Loans	Long Term	38		Withdrawn	BWR BBB- (Stable)		
Proposed Bank Loans	Long term / short term	262		Withdrawn	BWR BBB- (Stable)/A3		
NCD	Long term	215		Withdrawn	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)	
Bank Loans	Short term	250		Withdrawn	BWR A1 (CE)	BWR A1 (CE)	BWR A1 (CE)
NCD	Long Term	300		Withdrawn	BWR A1 (CE)	BWR A1 (CE)	BWR A1 (CE)
Total		**892.5 Cr**					

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COMPLEXITY LEVELS OF THE INSTRUMENTS - Complex
For more information, visit **www.brickworkratings.com/download/ComplexityLevels.pdf**

Hyperlink/Reference to applicable Criteria

- **Approach to Financial Ratios**
- **General Criteria**
- **Criteria on Credit Enhancement**
- **Ratings Based on Group Support**
- **BWR’s policy on withdrawal of Ratings**

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Annexure I
Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Yes Bank Ltd	Term Loan	117.5	-	117.5

Annexure II
Details of the NCDs rated by BWR

Instruments	Amt (Rs. Cr)	Issue Date	Coupon	Maturity	ISIN
NCD**	250	25-Sep-19	Zero Coupon with redemption premium	22-Apr-23	INE701Q07141
NCD*	135	28-Mar-19	Zero Coupon with redemption premium	30-Apr-21	INE701Q07125
NCD**	525	28-Mar-19	Zero Coupon with redemption premium	30-Apr-22	INE701Q07133

***Redeemed**
****Bullet repayment at maturity**

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