

RATING RATIONALE

21 Oct 2022

Adani Infra (India) Ltd.

Brickwork Ratings reaffirms the rating of the NCD issue of Rs.250 Cr and withdraws the rating of the NCD of Rs.525 Cr on redemption and bank loan of Rs.117.5 Cr on full repayment of Adani Infra (India) Ltd. (AAIL or the “Company”)

Particulars

Facility	Amt Rated (Rs. Cr)		Tenor	Previous Ratings (March 11, 2022)	Present Rating
	Previous	Present			
NCD* (unlisted) (1)	525	-	Long Term	BWR AA- (CE) (Stable)	Withdrawn on Redemption
NCD* (unlisted)(1)	250	250	Long Term	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable) Reaffirmation
Bank Loans (2)	117.25	-	Long Term	BWR AA- (CE) (Stable)	Withdrawn on Repayment
Unsupported Rating	-	-	Long term	BWR BBB- (Stable)	BWR BBB- (Stable) (Reaffirmation)
Total	892.5	250	INR Two Hundred Fifty Crore 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 a 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 issue of Rs250 Cr at BWR AA- (CE) with stable outlook.
3. BWR withdraws the rating of the NCD of Rs.525 Cr on redemption and bank loan of Rs.117.5 Cr on full repayment. The necessary Redemption Certificates and Repayment documents have been furnished to BWR by the Company.

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 AAIL 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 AAIL which in turn is extended onwards as loans to Group companies, cash-flows from operating activities which is EPC and PMC is relatively low as compared to the debt maturities. The ratings are also constrained by the overall high debt levels of the Group.

Reaffirmation of the rating of the NCD 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 installment payment is required to be made at T-15 days and for bank loans it is T-2 days.

As of 30th June, 2022, the percentage of promoter pledge in APSEZ is at 13.07%, ATL at 5.9% and AEL at 3.79%. Further, the group has adequate liquidity as on 31st August, 2022 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% of the market capitalization of promoter holdings at all points of time. As on 30th June, 2022, share pledge indebtedness of the group was approximately 1.3% of the total market capitalization of promoter's stake in six listed entities of the group. Based on the above facts, the security available is considered adequate for the credit enhancement.

KEY RATING DRIVERS

Credit Strengths:-

Part of the Reputed Group: AAIL 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 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. 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. Further, the Group received equity investments of Rs.15000 Cr from International Holding Company, Abu Dhabi for stake sale in Adani Enterprises Ltd., Adani Transmission Ltd. And Adani Green Energy Ltd.

Strategic Importance of APPL to the Group: AAIL is 100% subsidiary of Adani Properties Pvt. Ltd. (APPL – BWR A (Stable)). 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.213480 Cr based on the market price of the listed equity shares on August 31, 2022.

Importance of the line of activity of AAIL to the Group: AAIL is engaged in executing various types of infrastructure projects wherein it provides EPC and PMC services for Infrastructure Projects. Since incorporation AAIL took shape as the in-house EPC arm of Adani Group and grew as full-fledged EPC company to take up open market contracts.

Credit Risks:-

Insufficient cash flow for debt servicing: AAIL 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 AAIL 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 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 Adani Transmission Ltd., Adani Enterprises Ltd. Adani Green Energy and Adani Total Gas Ltd. by entering into strategic equity partnerships with international players like Total SA of France, International Holding Company, Abu Dhabi and Qatar Investment Authority.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

Unsupported rating of AAIL is based taking into account Group support. The rating of the NCDs and bank loans are 'CE' ratings, based on the security cover 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, 2022 the company had cash and cash equivalent of Rs. 30 Cr. This being investment arm of the group, servicing of debt is done by the cash flows of the operating entities. Further, AAIL being part of the Group, has access to support from the Group on a need basis in addition to equity infusions in a timely manner. The company has confirmed in an email that at any point in time the group maintains the liquidity of USD 1 bn (Rs.8000 Cr) which is as the group's risk management policy. This is sufficient to pay upcoming maturities.

COMPANY PROFILE

Adani Infra (India) Ltd. (AAIL), 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 Ltd (ATL), incorporated in 2015, is the flagship company of Adani Group in the power transmission and distribution sectors. ATL is a holding company created to house the power transmission and distribution business of Adani Group. Through its SPVs and subsidiaries, ATL owns, operates and maintains 18,875 Ckt kms (14,279 ckm is operational and

4,596 ckm is at various stages of construction) of transmission lines ranging from 220 KV to 765 KV. During 2018, the company also ventured into the power distribution business by acquiring Mumbai's generation, transmission and distribution business, which is housed under Adani Electricity Mumbai Ltd..

CMP of its shares is Rs. 3072.05 (52 weeks H/L is Rs. 4236.75 and Rs. 1870.55 respectively). As on 30th June, 2022, promoters are holding 73.9% of shares of which 5.9 % 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. 787 (52 weeks H/L is Rs. 987.85 and Rs. 651.95 respectively). As on 30th June, 2022, promoters are holding 66% of shares of which 13.07% are pledged.

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

AAIL (Rs Crs)	FY21	FY22
	Audited	Audited
Net worth	2756	3365
Total Debt	7436	6893
Long Term Loans & Adv.	2425	2554
Short term Loans and Adv.	1377	726
Non-Current Investments	6238	7068
Total Income (Op + Non Op)	2638	1236
PBT	16	12
PAT	12	9

Underlying Security – ATL

Rs. Cr	Consolidated	
	FY21	FY22
	Audited	Audited
Total Operating income	10459	11861
EBITDA	4483	4810
PAT	1290	1236
Tangible Net Worth	8187	8640
Total Debt	26961	29815
Gearing	3.3	3.5

Underlying Security – APSEZ

Rs. Cr	Consolidated	
	FY21	FY22
	Audited	Audited
Total Operating Income	14520	18089
EBITDA	10669	11034
Net Profit	5049	4795
Total Debt	20574	21409
Tangible Networkth	34401	45453
Gearing	1.7	2.1

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

RATING HISTORY

Instrument / Facility	Tenor	Amt (Rs. Cr)	2022		Rating History		
			19-Oct-22	11-Mar-22	5-Mar-21	6-Mar-20	23-Sep-19
NCD	Long Term	250	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)
NCD	Long Term			Withdrawn	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)
NCD	Long Term		Withdrawn	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)
Bank Loans	Long Term		Withdrawn	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)
Bank Loans	Short term				Withdrawn	BWR A3	
Bank Loans	Long Term				Withdrawn	BWR BBB-(Stable)	
Proposed Bank Loans	Long term / short term				Withdrawn	BWR BBB-(Stable)/A3	
NCD	Long term				Withdrawn	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)
Bank Loans	Short term				Withdrawn	BWR A1 (CE)	BWR A1 (CE)
NCD	Long Term				Withdrawn	BWR A1 (CE)	BWR A1 (CE)
Total		250	Rupees Two Hundred Fifty Crore Only				

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

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

*Redeemed



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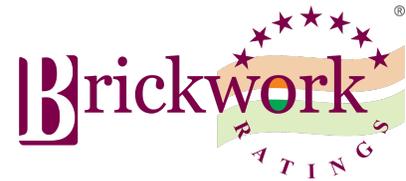
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