

## Rating Rationale

Adani Infra (India) Ltd.

30 Jan 2019

Brickwork Ratings assigns Rating to the bank loan of Rs.250 Cr and reaffirms the existing ratings of Adani Infra (India) Ltd. (AAIL)

### Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
Term Loan	250 (Rs. Two Hundred and Fifty Crore Only)	Long Term	<b>BWR AA- (SO) <sup>(1)</sup></b> <b>[Pronounced as BWR Double A Minus (Structured Obligation)]</b> <b>Outlook - Stable</b>

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

(1) SO refers to ‘Structured Obligation’ rating, which indicates credit enhancement derived from the security cover of 1.5x by the pledge of listed equity shares of Adani Transmission Ltd. (ATL).

**Other Outstanding Ratings of AAIL which are reaffirmed are:**

### Bank Loans:

Instruments	Previous Amount	Present Amount	Rating History (Oct 2018)	Present Rating
Fund Based – Short term Loan	₹ 900 Cr	₹ 717 Cr	BWR A1+ (SO)	BWR A1+ (SO) (Reaffirmed)
Fund Based – Short term Loan	₹ 675 Cr	₹ 537 Cr	BWR A3 (SO)	BWR A3 (SO) (Reaffirmed)
Fund Based – Short term Loan	₹ 250 Cr	₹ 250 Cr	BWR A1 (SO)	BWR A1 (SO) (Reaffirmed)
Fund Based – Long Term Loan	₹ 800 Cr	₹ 800 Cr	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable) Reaffirmed
Fund Based – Long Term Loan	₹ 200 Cr	₹ 200 Cr	BWR BBB- (SO) (Stable)	BWR BBB- (SO) (Stable)

				Reaffirmed
Fund Based – Short Term Loan	₹ 950 Cr	₹ 950 Cr	BWR A3+ (SO)	BWR A3+ (SO) Reaffirmed
<b>Total</b>	<b>₹ 3775 Cr</b>	<b>₹ 3454 Cr</b>		

**Other outstanding NCD ratings of Adani Infra (India) Ltd are:**

Instruments	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	₹ 490 Cr	11-Jan-2019	Zero Coupon with redemption premium	25-Apr-2020	INE701Q07109	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 175 Cr	26-Mar-2018	Zero Coupon with redemption premium	4-Apr-2019	INE701Q07091	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 500 Cr (Reduced from Rs.1000 Cr)	22-Feb-2018	Zero Coupon with redemption premium	27-Apr-2019	INE701Q07083	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 1000 Cr	5-Feb-2018	Zero Coupon with redemption premium	20-Apr-2019	INE701Q07075	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 500 Cr	1-Feb-2018	Zero Coupon with redemption premium	20-Apr-2020	INE701Q07067	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)

NCD	₹ 250 Cr	12-Oct-2017	Zero Coupon with redemption premium	3-Apr-2020	INE701Q07059	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 170 Cr	28-Sep-2017	Zero Coupon with redemption premium	20-Apr-2020	INE701Q07042	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
NCD	₹ 300 Cr	21-July-2017	Zero Coupon with redemption premium	21-July-2021	INE701Q07026	BWR AA-(SO) (Stable)	Reaffirmation of existing rating BWR AA-(SO) (Outlook: Stable)
<b>Total</b>	<b>₹ 3385 Cr</b>						

BWR has essentially relied upon the audited financial results upto FY18 of the issuer Adani Infra (India) Ltd. (AAIL), 1HFY19 financials, terms of sanction letters from the bank, as well as audited financials of the listed company - Adani Transmission Ltd (ATL), whose equity shares are provided as collateral security, and information and clarifications provided by the issuer.

**Rationale for Bank Loan Rating:**

Term loan from bank have been assigned Structured Obligation ratings based on the specific credit enhancement derived from the underlying security in the form of pledge of equity shares of Adani Transmission Ltd.

The rating factors, *inter alia*, the strength of underlying security in the form of pledge of listed equity shares of ATL, 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 loan, market volatility in the price of equity shares of ATL shares, and the overall high debt levels of the Adani Group.



**Structure of Term Loan:**

The facility rated is a long term bank loan for the purpose of refinancing. The facility has a quarterly repayment starting June 2019 and the same is ballooning over 12 quarters ending June 2022. Interest is to be serviced on a monthly basis. The facility is primarily secured by a charge on loans and advances of the borrower with minimum 1.0x cover of facility amount besides collateral security of 1.5x by the pledge of shares of Adani Transmission Ltd. (BWR AA+), with a T-2 days funding structure for both principal as well as interest payments. Promoter shareholders of ATL will be pledging the shares. Top-up will be required when the cover falls below 1.3x.

**Rating Outlook: Stable**

BWR believes the Adani Infra (India). Ltd’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 stand-alone financial risk profile of the company deteriorates, or the ‘structure’ based on which the credit enhancement is derived weakens. This includes, and not limited to revenues and profitability of ATL, market value of shares pledged,

**Background**

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 of 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.

**AAIL: Financial Performance**

<b>Rs. Cr</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
	(Audited)	(Audited)	(Audited)
Operating Revenues	1143	646	674
Operating Profit	212	211	263
PAT	13	6	3.20
Total Debt	1550	1435	8925
Tangible Networth	81.14	77.15	85
Current Ratio	1.03	1.07	1.7



AIIL's debt for during FY18 is backed by pledge of listed shares held by the promoters, and the same is raised for providing loans and advances to Group companies, or investing in their equity or instruments. As such, repayment of the debt will be out of the cash flows of the Group's operating companies.

**Adani Transmission Ltd.:**

Adani Transmission Ltd. (ATL – BWR AA+ (Stable)) is involved in setting up and operating power transmission lines through its subsidiary companies. Mr. Gautam Adani is the Chairman and Mr. Anil Sardana is Managing Director and Chief Executive Officer of the company. CMP of its shares is Rs. 210 (52 weeks H/L is Rs. 256 and Rs. 115 respectively).

**Rating History for the last three years (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	Current Rating (Year 2019)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Oct 2018	Oct 3, 2017	Date in 2016
1.	Term Loan	Long Term	250	BWR AA- (SO) (Stable)			
2.	Proposed NCD	Long Term	490	BWR AA- (SO) (Stable)			
3.	Term Loan	Short Term	717	BWR A1+ (SO)	BWR A1+ (SO)		
4.	Term Loan	Short Term	537	BWR A3 (SO)	BWR A3 (SO)		
5.	Term Loan	Short Term	250	BWR A1 (SO) (Stable)	BWR A1 (SO) (Stable)		
6.	NCD	Long Term	175	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)		
7.	Term Loan	Short term	950	BWR A3+ (SO)	BWR A3+ (SO)		
8.	Term Loan	Short term	800	BWR AA- (SO)	BWR AA- (SO)		

9.	Term Loan	Long Term	200	BWR BBB-(SO) (Stable)	BWR BBB-(SO) (Stable)		
10.	NCD	Long Term	500	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)		
11.	NCD	Long Term	1000	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)		
12.	NCD	Long Term	500	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)		
13.	NCD	Long Term	170	Withdrawn	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-
14.	NCD	Long Term	250	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	
15.	NCD	Long Term	300	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)	-
<b>Total</b>			<b>7089 (Rupees Seven Thousand Eight Eighty Nine Crore Only)</b>				

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Structured Obligation Ratings](#)



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.

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