



## Rating Rationale

30 Jan 2019

### Adani Properties Pvt. Ltd.

Brickwork Ratings assigns Rating to the bank loan of Rs.900 Crore and reaffirms the rating of other instruments / bank loan facilities of Adani Properties Pvt. Ltd.

#### Particulars

Facility	Amount (Rs. Crs)	Tenor	Rating Assigned*
Term Loan	900 (Rs. Nine Hundred Crore Only)	Long Term	BWR AA- (SO) [Pronounced as BWR Double A Minus (Structured Obligation)] Outlook - Stable

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

\*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 Adani Properties Pvt. Ltd. which are reaffirmed are:

#### NCD

Instruments	Amount	Issue Date	Coupon	Maturity	ISIN	Existing Rating (Dec 2018)	Current Rating
NCD	Rs.400 Cr	16-Jul-2018	Zero Coupon with redemption premium	16-Jul-2021	INE382G07042	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)
NCD	Rs.750 Cr	28-Sep-2018	Zero Coupon with redemption premium	27-Apr-2021	INE382G07059	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)
NCD	Rs.250 Cr	31-Dec-2018	Zero Coupon with redemption premium	31-Dec-2021	INE382G07067	BWR AA-(SO) (Stable)	BWR AA-(SO) (Stable)



### Bank Loan

Instruments	Amount	Present Rating	Assigned/ Reaffirmed	Issue Date	Rating History (December 2018)
Fund Based – Short Term Loan	₹ 1050 Cr	BWR A1	Reaffirmed	Mar 2018	BWR A1 Reaffirmed

BWR has essentially relied upon the audited financial results upto FY18 of the issuer Adani Properties Pvt. Ltd., 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 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 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 Properties Pvt. 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 AT and market value of shares pledged.

### Background - APPL

APPL, belonging to the Adani Group of companies, was incorporated in May 1995. APPL is mainly engaged in the business of let-out and/or lease of immovable properties and wholesale trading of commodities. APPL is a part of promoter and promoter group of all the listed entities of Adani Group and holds strategic investments in Adani Enterprise Ltd., Adani Ports and SEZ Ltd., Adani Power Ltd., Adani Green Energy Ltd & Adani Transmission Ltd through LLPs. APPL has also invested in unlisted group companies which are mainly engaged in real estate, and financial services businesses.

Mr. Karan Adani (Son of Mr. Gautam Adani) and Mr. Pranav Adani (nephew of Mr. Gautam Adani) are members of the Board of Directors of APPL. They are supported by a highly qualified and professional management team. Brief financial details are given below:

### Financial Performance of the Issuer - APPL

Rs. Cr	FY16	FY17	FY18
	(Audited)	(Audited)	(Audited)
Total Operating Income	207.2	367.26	346.25
OPBDIT	-4.6	200.01	172.22
PAT	42.3	4.7	-10.56
Total Debt	1382.1	2179.3	3145
Networth	6330.3	3419.2	3405
Total Debt to Equity (Excluding Contingent Liabilities)	0.2	0.6	0.9
Contingent Liabilities (Corporate Guarantees)	5498.0	4950.0	3029
Total Debt to Equity (Including Contingent Liabilities)	1.1	2.1	2.0

### 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	2018	2017	2016
1.	Bank Loan	Long Term	900	BWR AA- (SO) (Stable)			
2.	NCD	Long Term	250	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	-	
3.	NCD	Long Term	750	BWR AA- (SO) (Stable)	BWR AA- (SO) (Stable)	-	
4.	NCD	Long Term	400	BWR AA- (SO) (Stable)	BWR AA-(SO) (Stable)	-	
5	Bank Loan	Short Term	1050	BWR A1	BWR A1	-	-
<b>Total</b>			<b>3350</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:**

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**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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**

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