

RATING RATIONALE

06 March 2020

Adani Infra (India) Ltd.

Brickwork Ratings assigns ratings for the Bank Loan Facilities of ₹ 500 Cr Crores and reaffirms the existing NCD and Bank Loan Ratings of Adani Infra (India) Ltd. (AAIL or the Company)

Particulars

Facility/ Instrument**	Amount (₹ Cr)	Tenure	Rating*
Fund based: Working Capital Demand Loan	200	Short Term	BWR A3
Non Fund Based: Performance Bank Guarantee	38	Long Term	BWR BBB- (Stable)
Proposed Bank Loans	262	Long Term / Short Term	BWR BBB- (Stable) /A3
Total	500	Rupees Five Hundred Crore Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

Following Bank Loans Ratings are reaffirmed:

Instruments	Previous Amount	Present Amount	Rating History (Nov 2019)	Present Rating
Fund Based – Short term Loan	₹ 250 Cr	₹ 250 Cr	BWR A1 (CE)	BWR A1 (CE) (Reaffirmed)
Fund Based – Long Term Loan	₹ 250 Cr	₹ 250 Cr	BWR AA- (CE)	BWR AA- (CE) Reaffirmed
Total	₹ 500 Cr	₹ 500 Cr		

Details of the other outstanding NCD ratings:

Instrument s	Amt	Issue Date	Coupon	Maturity	ISIN	Existing Rating	Current Rating
NCD	250	25-Sep-19	Zero Coupon with redemption premium	22-Apr-23	INE701Q07141	BWR AA-(CE)	Reaffirmation of existing rating BWR AA-(CE) (Outlook: Stable)
NCD	₹ 300 Cr	21-Jul-17	Zero Coupon with redemption premium	21-Jul-21	INE701Q07026	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA-(CE) (Outlook: Stable)
NCD	135	28-Mar-19	Zero Coupon with redemption premium	30-Apr-21	INE701Q07125	BWR AA-(CE) (Stable)	Reaffirmation of existing rating BWR AA-(CE) (Outlook: Stable)
NCD	215			30-Apr-20	INE701Q07117		
NCD	525			30-Apr-22	INE701Q07133		
Total	₹ 1425 Cr						

The rating 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 majorly acts as an investment arm of Adani Group wherein substantial amount of debt is parked as on date which in turn is extended onwards as loans to Group companies, cash-flows from operational activities which is EPC and PMC is relatively low and as on date majorly derived from Group companies and increasing overall debt levels of the Group.

KEY RATING DRIVERS

Credit Strengths:

Part of the Reputed Group: AAIL is 100% subsidiary of Adani Properties Pvt. Ltd. (APPL – BWR A1). APPL is 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 the leading business houses in India 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 working with government agencies, imports and funding 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 last 12 months, the Group has raised around USD 4 billion from global debt capital markets and closed a couple of equity issuances with strategic international investors like Total SA of France and Qatar Investment Authority.

Strategic 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 in-house EPC arm of Adani Group and grown as full-fledged EPC company to take up open market contracts. AAIL 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, 660 MW thermal Power Plant at Tiroda, Maharashtra, 40 MW Solar Power Plant at Bitta – Gujarat. At the present, the company has following contracts under execution:

Bilaspur Road project: AAIL has been awarded contract Engineering, procurement and construction works by Bilaspur Pathrapali Road Private Limited (BPRPL) which is Joint Venture Company of Adani Enterprises Limited (AEL) (76%) and Asphaltting and Toll Highway Limited (24%) for 4-lane with paved shoulder configuration of Bilapur-Pathrapali (53.30 Kms) section NH-111 in the state of Chattisgarh under Bharat Mala. Contract value of AAIL is Rs. 988 crs, project is to be executed within 24 months from the date of award. As on 31st Dec – 2019 AAIL has already executed work of Rs. 307 crs.

Prayagraj Water Project: AAIL has on hand contract from Adani Water Limited amounting to Rs. 191.09 crs, the project duration is from 6 months to 21 months.

As on 31st Dec – 2019 AAIL has completed work of around Rs. 4.31 crs.

SECI Solar project: AAIL has also been awarded contract by Singareni Collieries Company Limited (SCCL) a subsidiary of Coal India Ltd. based on the NIT floated by Solar Energy Corporation of India for Design, Engineering, Supply, Construction, Erection, Testing, commissioning and O&M of 99 MW (DC) Solar PV Power Plant for different packages at Singareni Collieries Company Limited (SCCL), Telangana.

Value of the Contract is Rs. 406.53 crs which is to be executed within 9 months from the date of award.



AAIL is participating in Solar PV tenders from various govt. organizations such as CIL, NTPC and SECI etc. for providing EPC services. Based on government's target of adding more than 15,000 MW of solar projects every year till 2022, AAIL will be at the forefront in participating in these projects as EPC player.

Total order book of AAIL as on 31st Dec – 2019 is Rs. 1593.54 Crs.

Credit Risks:

Investment arm of the Group: AAIL 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 AAIL is interest income received from this loans and advances. As on date, EPC forms 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 initiatives as well inorganic growth undertaken across 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 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 last few months, the Group has also undertaken some equity raise through dilution of shareholding in various assets like AGL, AGEL, and AEML.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the sanction letter of the bank loan, audited financial results upto of FY19, 1HFY20 unaudited financials, projections of the borrower Adani Infra (India) Ltd. (AAIL), and information and clarifications provided by the issuer.

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 will be credit negative.

LIQUIDITY POSITION (Adequate):

As on September 30, 2019 the company had cash and cash equivalent of Rs. 14.3 Cr. This being investment arm of the group, servicing of debt is done by the cashflows 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. This is demonstrated by the fact that promoters have infused equity of Rs. 2250 Cr in the form of Compulsorily Convertible Debentures (CCDs) in FY19 and further Rs. 700 Crs in the form of Compulsorily Convertible Debentures in 1HFY20.

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 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.

KEY FINANCIAL INDICATORS (in INR Cr)

AIIL (Rs Crs)	FY18	FY19
	(Audited)	(Audited)
Net worth	84.87	2338.74
Total Debt	8925.18	7432.97
Long Term Loans & Adv.	1848.63	3754.03
Short term Loans and Adv.	7226.69	646.52
Non-Current Investments	0	5801.18
Total Income (Op + Non Op)	659	2033.15
PBT	5.23	6.86
PAT	3.2	4.58

During FY19, promoters infused equity in AIIL in the form of CCDs of Rs.2250 Cr. Out of the total debt of Rs.7432.97 Cr as on March 31, 2019, Rs. 1660 Cr is from related parties.

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

RATING HISTORY

Sl. No.	Instrument/Facility	Current Rating (2020)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Sep 2019	Oct 2018	Oct 3, 2017
1.	Fund based: Working Capital Demand Loan	Short Term	200	BWR A3			
2.	Non Fund Based: Performance Bank Guarantee	Long Term	38	BWR BBB- (Stable)			
3.	Proposed Bank Loans	Long Term / Short Term	262	BWR BBB (Stable) / A3			
4.	NCD	Long Term	250	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
5	NCD	Long term	215	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
6	NCD	Long term	135	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
7.	NCD	Long term	525	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
8.	Term Loan	Long Term	250	BWR AA- (CE) (Stable)	BWR AA- (CE) (Stable)		
9.	Term Loan	Short Term	250	BWR A1 (CE) (Stable)	BWR A1 (CE) (Stable)	BWR A1 (CE) (Stable)	



10.	NCD	Long Term	300	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)	BWR AA-(CE) (Stable)
Total			2425 (Rupees Two Thousand Four Hundred Twenty Five Crore Only)				

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

Analytical Contacts	Investor and Media Relations
[Forum Parekh] Primary Analyst [Board: Ext:] [Email Address] [Vidya Shankar] [Assoc. Director / Director/ Sr. Director – Ratings] Board: [Email Address]	Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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 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