



## Press Release

**Adani Infrastructure Management Services Limited (AIMSL)**

**March 21, 2024**

### Ratings

Instrument / Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	283.02	IVR AA- (CE)* / Stable (IVR Double A Minus (Credit Enhancement) with Stable Outlook)	Reaffirmed	Complex
<b>Total</b>	<b>283.02 (Rupees Two hundred eighty-three crore and two lakhs only)</b>			

\*CE Rating based on corporate guarantee provided by Adani Properties Pvt. Ltd. (APPL).

<b>Unsupported Rating #</b>	Long Term Bank Facilities	IVR BBB /Stable (IVR Triple BBB with Stable Outlook)	Reaffirmed and Outlook revised from Positive to Stable
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# *Unsupported rating does not factor in the credit enhancement in the form of Corporate Guarantee from Adani Properties Pvt Ltd.*

### Details of Facilities are in Annexure 1

### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Adani Infrastructure Management Services Limited (AIMSL) is based on the corporate guarantee given by Adani Properties Pvt. Ltd. (APPL) (rated IVR A1+). The corporate guarantees provided by APPL is characterized inter alia by unconditionality, irrevocability, enforceability, entirety, and presence of a payment mechanism. This results in credit enhancement in the rating of the bank facilities to IVR AA- (CE)/Stable against the unsupported rating of IVR BBB/Stable. The rating continues to derive comfort from established, reputed and resourceful promoter group, and expectation of continued support from the Adani Group and increase in scale of operations. These strengths are partially offset by moderate capital structure, significant loans extended to group companies and insufficient operational cash flows for debt servicing.

### Key Rating Sensitivities:



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### Upward Factors

- Significant improvement in the credit profile of Adani Properties Pvt Ltd.
- Substantial and sustained improvement in revenue and profitability improving the debt protection metrics.

### Downward Factors

- Deterioration in the credit profile of Adani Properties Pvt Ltd.
- Decline in revenue and/or profitability leading to decline in debt protection metrics.
- Increase in loans extended to group companies further impacting debt protection metrics.

### Adequacy of Credit Enhancement Structure:

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by APPL in favour of lender who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The corporate guarantee results in an enhancement in the rating of the said facilities to IVR AA- [CE]/Stable against the unsupported rating of IVR BBB/ Stable. The adequacy of credit enhancement has been tested after considering guaranteed debt by APPL.

### Transaction Structure

In event of payment default, the following structure will be applicable:

1. T being date of payment default
2. The Security Trustee/Lender will invoke the Corporate Guarantee within T+7 business days.
3. Payment by the guarantor will be made by T+8 business days.

**Infomerics will consider T+8 business days as the legal maturity date.**

### List of Key Rating Drivers with Detailed Description

#### A. Key Rating Strengths



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### **Diversified Group with experienced and resourceful promoters**

The Adani group is a diversified conglomerate whose credit risk profile is underpinned by market leadership in the ports, power generation, transmission, and trading segments. It has strong operating efficiencies and execution track record in most of its businesses. The promoter holding companies have strong financial flexibility, driven by the high market value of their holdings in the listed operating companies with combined market cap of over Rs.16.22 lakh crore (as of February 22, 2024).

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. The Group has entered into strategic equity partnerships with international players like Total SA of France and Qatar Investment Authority.

### **Corporate Guarantee from parent and expectation of continued support from the Adani Group**

Adani Properties Pvt Ltd has extended an unconditional and irrevocable guarantee for the rated bank facilities of AIMSL. The promoter group owns 100 per cent stake in AIMSL as on December 31, 2023. Further, the rating also factors in expectation of continuous support by the Adani group for timely servicing of the debt obligations to the company. Since, the operational cash flows of AIMSL are currently inadequate to service its debt obligation; the continuous support from the promoters will be a key rating sensitivity factor. Infomerics believes that the promoter group will continue to support the debt servicing commitments of AIMSL.

The rating is sensitive to the credit risk profile of APPL. Any material increases in the groups consolidated leverage levels or significant enhancement in debt in the promoter holding companies' vis-a-vis the market value of their investments in the operating companies will remain key monitorable.

### **Strategic importance of APPL, the Corporate Guarantor to the Group**

APPL, incorporated in May 1995, is the Group's holding company which holds Group's strategic investments in all listed businesses as well as unlisted businesses like real estate,



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financial services, and trading. The value of APPL's holding in the listed entities through its subsidiaries stood at over Rs.1,56,664.40 crores based on the market price of the listed equity shares on March 13, 2024.

### **Increase in scale of operations in FY23**

Through AIMSL, the group undertakes O&M activity for the group companies and 100% of the revenues are generated from services provided to the group. Around 66% is from thermal, 23% is from renewable and 11% is from transmission. During FY23 the total operating income grew by ~19% from Rs.593.73 crore to Rs.704.42 crore on account of an increase in the O&M activity undertaken for new capacities being added in the group. Other income also increased from Rs.93.71 crore in FY22 to Rs.135.86 crore in FY23 and includes interest income from loans extended to related parties. The company has registered total operating income of Rs.613 crores in 9MFY24 (Unaudited).

### **B. Key Rating Weaknesses**

#### **Moderate capital structure**

The tangible networth (TNW) of the company as on March 31, 2023, stood at Rs.925 crores. TNW had improved considerably to Rs.860 crores in FY22 from Rs.52 crores in FY21 as the company had issued Compulsory Convertible Debentures (CCDs) of Rs.1196.44 crores, of which Rs.780.63 crore was treated as equity component and Rs.415.81 crore was considered as debt component. Increase in TNW resulted in a significant improvement in overall gearing ratio to 1.51x as on March 31, 2022, from 19.53x as on March 31, 2021, and TOL/TNW to 1.74x in FY22 from 23.38x in FY21. However, in FY23 the parent company, APPL has extended unsecured loan of ~Rs.2000 crores to AIMSL which has led to moderation of overall gearing and TOL/TNW to 2.96x and 3.26x respectively as on March 31, 2023.

#### **Insufficient cash flows for debt servicing**

Profitability has improved in FY23 with increase in revenues. EBITDA margin improved to 7.06% (PY: 5.61%) and PAT margin to 7.76% (PY: 4.12%). However, profitability is moderate against the high debt and interest servicing obligation, thus debt service coverage indicators are considered weak. Interest coverage and DSCR is below unity. AIMSL undertakes O&M activity for the group companies, cashflows generated from operations are not sufficient for servicing the debt obligations in this Company at a standalone level. Rated debt raised in



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AIMSL has been extended as loans to Group companies. Repayment of these loans is expected to be done through support from one or more of these Group companies. Thus, timely repayments from group companies will remain key rating factor to strengthen the debt protection metrics of the company. Further, the expectation of continuous support by the Adani group for timely servicing of the debt obligations of the company reduces the risk to some extent.

### **Significant loans extended to group companies.**

The rating strengths are also tempered by the fact that the company has extended the debt raised by AIMSL as loans to Group companies. Loans extended to group companies stood at Rs.2081.09 crores as on March 31, 2023. The cash-flows from operational activities of AIMSL is relatively low compared to the debt servicing requirements of the company on a standalone basis and repayment is done from the cash flow from group companies. Any further increase in loans to group companies will be a key rating monitorable.

### **Analytical Approach: Standalone and credit enhancement**

**Credit Enhancement:** Credit Enhancement Rating based on unconditional and irrevocable guarantee given by Adani Properties Pvt Ltd (Rated IVR A1+) to the bank facilities of AIMSL. Standalone rating is after considering the parent linkages.

### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Default Recognition](#)

[Rating Methodology for Structured Debt Transaction \(Non-Securitisation Transaction\)](#)

### **Liquidity: Adequate**

AIMSL's liquidity will be driven by support from the promoter group of AIMSL. On standalone basis, AIMSL's operational cash flows are currently inadequate to service its debt obligation; the continuous support from the promoters will be crucial to meet its debt servicing as borrowed debt is extended to the group companies. The overall liquidity at group level is





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adequate to service the repayment obligations of AIMSL. As on December 31, 2023, the company had cash and cash equivalent of Rs. 42.96 crores.

### About the company

Adani Infrastructure Management Services Limited incorporated on June 9, 2017, and headquartered at Ahmedabad, Gujarat provides Operation and Maintenance (O&M) services to infrastructure development companies of the Adani Group in generation (thermal and renewable), transmission and distribution and roads and ports. Apart from O&M Service, AIMSL provides performance consulting services, inspection and testing service, commissioning services etc. AIMSL is a wholly owned subsidiary of Adani Properties Pvt Ltd.

### About the Corporate Guarantor, APPL

Adani Properties Private Limited was incorporated on May 25, 1995. APPL along with its subsidiaries and other group companies main object is to let-out and/or lease immovable properties, wholesale trading of commodities and also engage in the business of construction, development and lease of properties. APPL is also a part of promoter group company that holds strategic investments in listed entities of Adani Group (Adani Enterprises Ltd., Adani Ports and Special Economic Zone Ltd., Adani Power Ltd., Adani Green Energy Ltd & Adani Energy Solutions Ltd) by itself and/or through various Companies / LLPs. APPL also holds investments in various other businesses like real estate and financial services. Mr. Jeet Gautam Adani and Mr. Pranav Vinod Adani are Directors of APPL.

### Financials (Standalone):

(Rs. Crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	593.73	704.42
EBITDA	33.30	49.71
PAT	28.35	65.21
Total Debt	1294.53	2736.25
Tangible Net worth	860.00	925.61
<b>Ratios</b>		
EBITDA Margin (%)	5.61	7.06
PAT Margin (%)	4.12	7.76
Overall Gearing Ratio (x)	1.51	2.96

\*Classification as per Infomerics' standards

### Financials of the Corporate Guarantor APPL:

(Rs. crore)



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For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	3798.20	4947.78
EBITDA	254.02	240.09
PAT	320.78	-10.13
Total Debt	19979.71	19104.37
Adjusted Tangible Net worth	10409.96	19734.22
<b>Ratios</b>		
EBITDA Margin (%)	6.69	4.85
PAT Margin (%)	5.57	-0.13
Adjusted Overall Gearing Ratio (x)	1.28	0.45

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating (s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Bank Facilities- Term Loan	Long Term	283.02	IVR AA-(CE)/ Stable  Unsupported: IVR BBB/ Stable	<b>(February 02,2023)</b> IVR AA-(CE)/ Stable  Unsupported: IVR BBB/ Positive  <b>(January 24,2023)</b> IVR AA-(CE)/ Stable  Unsupported: IVR BBB/ Positive  <b>(April 11,2022)</b> IVR AA-(CE)/ Stable  Unsupported: IVR BBB-/ Stable	-	<b>(January 12,2021)</b> IVR AA-(CE)/ Stable  Unsupported: IVR BBB-/ Stable

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy, or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term fund-based facility – Term Loan	-	-	May 2026	283.02	IVR AA-(CE)/ Stable Unsupported:





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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
					IVR BBB/ Stable

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Adani-Infrastructure-mar24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:**

List of covenants:

- Unconditional and irrevocable Corporate Guarantee of Adani Properties Private Limited.
- Pledge of shares of Adani Energy Solution Limited (AESL) (erstwhile Adani Transmission Ltd) providing a security cover of 1.5 time the outstanding amount.
- Pledge of 30% of equity shares and Non-Disclosure Undertaking over balance 70% equity shares of the borrower in Favor of rupee term loan lenders.

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).