



Press Release

Adani Infrastructure Management Services Limited

April 11, 2022

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	473.45	IVR AA- (CE)*/ Stable (IVR Double A Minus/Stable)	IVR AA- (CE)*/ Stable (IVR Double A Minus/Stable)	Reaffirm	Simple
	Total	473.45				

**CE Rating based on the security provided by way of pledge of fully paid up equity shares of Adani Transmission Ltd (ATL) held by Promoter Group. The stipulated asset cover for this debt is 1.5x of ATL shares pledged against the debt.*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Adani Infrastructure Management Services Limited continues to derive comfort from established, reputed and resourceful promoter group, pledge of shares of Adani Transmission Ltd and expectation of continued support from the Adani Group. The loan structure stipulates asset cover for this debt is 1.5x of ATL shares pledged against the debt. This results in credit enhancement in the rating of the bank facilities to **IVR AA- (CE)/Stable Outlook (IVR Double A Minus (Credit Enhancement) with Stable Outlook)** against the unsupported rating of **IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)**. However, these factors are offset by risk arising from adverse movement in stock prices, moderate probability margin and weak debt protection metrics and highly leveraged capital structure.

Key Rating Sensitivities:

Upward Factors

- The revenues and profit show sustained improvement and the company continues to provide the stipulated security cover.



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Downward Factors

- Substantial deterioration in the top line and the overall performance from the current level.
- Sharp and continuous decline in share price of ATL.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established, Reputed and Resourceful promoter group:

The Adani group is a diversified conglomerate whose credit risk profile is strengthened 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 \$164.49 billion (as on 25th Mar 2022).

The rating is sensitive to the credit risk profile of the Adani group. 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.

Rating driven by pledge of shares of Adani Transmission Ltd and expectation of continued support from the Adani Group:

The rated bank facilities of AIMS L are secured by way of pledge equity shares of ATL. The pledge of shares shall provide a security cover of 1.50 times during the entire tenor of the facility. Apart from the asset coverage, the sanction terms also stipulate other covenants such as the timelines for top up in case of shortfall in collateral cover below 1.30 times, ceiling on the maximum amount of pledge in respect of promoter holding etc. Further, APPL has also extended unconditional and irrevocable guarantee for AIMS L. Currently, the promoter group owns 100 per cent stake in AIMS L as on Sep 30, 2021. 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 AIMS L are currently



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inadequate to service its debt obligation; the continuous support from the promoters will be a key rating sensitivity factor. The rating also factors in the adherence to the security cover against pledge of shares to be always maintained. IVR believes that the promoter group will continue to support the debt servicing commitments of AIMSL. The financial flexibility of the promoters (in terms of value of unencumbered shares in ATL viz-a-viz pledge based borrowings) will be a key credit monitorable.

Key Rating Weaknesses

Risk arising from adverse movement in stock prices:

The rating is based on the structured payment mechanism and pledge of shares of Adani Transmission Ltd. As per the sanctioned terms, the borrower has to maintain minimum asset cover of 1.5x times of the facility amount. The ability of the promoters to maintain the share pledge asset coverage at all points in time is the key to rating. Since the stock market is prone to volatility, occurrence of events such as slowdown in FII flows, sharp depreciation in domestic currency, Inflation outlook and other such macroeconomic events, political events, can cause decline in stock prices. Additionally, the company specific factors can also influence movements in stock prices. Any sharp and continuous decline in share prices could potentially lead to challenges in adhering to the covenants. However, at present the security cover is adequate at 2.35x on Mar 10, 2022.

Moderate profitability margins and weak debt protection metrics:

Due to moderate profitability margins as evidenced by EBITDA margin of 5.64% and PAT margin of 3.30% against the high debt and interest servicing obligation, current debt service coverage indicators are considered weak. 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 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.



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Highly leveraged capital structure of AIMSL:

Net worth remains moderate at Rs. 51.91 crore, in comparison to the scale of operations. The capital structure was weak, as indicated by high gearing and total outside liabilities to tangible networth ratios of 19.53x and 23.38 times, respectively, as on March 31, 2021. On the account of proposed debt repayment and regular accretion of profits, Net worth and capital structure are expected to gradually improve, going forward.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Structure Debt Transaction \(Non-Securitization transaction\)](#)

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity – Adequate

As on March 31, 2021 the company had cash and cash equivalent of Rs. 10.32 Cr with nil liquid investments. 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 adequate to service the repayment obligations of AIMSL.

About the Company

A part of Adani Group, Adani Infrastructure Management Services Limited (AIMSL) was incorporated on 09 June, 2017 and headquartered to Ahmedabad, Gujarat. The company provides operation and maintenance (O&M) services to Infrastructure development companies like - generation, transmission and distribution of thermal and renewable power and roads and ports developers. Apart from Operation & Maintenance Service, AIMSL provides Performance Consulting Services, Inspection and Testing Service, Commissioning Services etc. All the above businesses are part of the Group. As on Mar 31, 2022, the Company is dealing with only



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group companies; although AIMSIL is planning to target business at outside of the Group as well considering strong credentials for providing operations & management services.

Adani Infrastructure Management Services Limited (AIMSL) is a wholly owned subsidiary of Adani Properties Pvt. Ltd. (APPL). At present, AIMSIL is being managed by four directors namely Mr. Anil Gupta, Mr. Jigar Thakkar, Mr. Vineet S Jain and Ms. Maitri Kirankumar Mehta.

About the security provider- Adani Transmission Ltd:

Adani Transmission Ltd (ATL), incorporated in 2015, is the transmission and distribution (T&D) business arm of the Adani Group. The shareholding is held 74.92% by the Promoters and promoter group and balance 25.08% by the general public. It is country's largest private-sector transmission company with a cumulative transmission line of more than 18,801 circuit kilometres of transmission lines and 36,766 MVA of power transformation capacity that range from 132 to 765 kilovolts of HVAC systems and +/- 500 kilovolts of HVDC system. ATL also operates a distribution business serving about 30+ lakhs customers in Mumbai, through its subsidiary Adani Electricity Mumbai Ltd.

Financials (Standalone Basis):

For the year ended*	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	506.64	531.28
EBITDA	29.39	29.94
PAT	22.12	20.76
Total Debt	1016.60	1013.79
Tangible Net worth	31.88	51.91
EBITDA Margin (%)	5.80	5.64
PAT Margin (%)	3.67	3.30
Overall Gearing Ratio (x)	31.89	19.53

* Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years			
		Type	Amount (Rs. Crore)	Rating (April 11, 2022)	Date(s) & Rating(s) assigned in 2020-21 Jan 12, 2021)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Bank Facilities-Term Loan	Long Term	473.45	IVR AA-(CE)/Stable	IVR AA-(CE)/Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com



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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 Bank Facilities- Term Loan	-	-	May, 2026	473.45	IVR AA-(CE)/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-Infra-Apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.