



Press Release

Revised Press Release

Adani Infrastructure Management Services Limited

January 24, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank facilities	457.50	IVR AA- (CE)#/ Stable [IVR Double A Minus (Credit Enhancement) with Stable Outlook]	IVR AA- (CE)*/ Stable [IVR Double A Minus (Credit Enhancement) with Stable Outlook]	Reaffirmed	Complex
Total	457.50 (Rupees Four hundred fifty-seven crore and fifty lakh only)				

*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.

CE Rating based on the corporate guarantee provided by Adani Properties Pvt. Ltd. for the debt of Adani Infrastructure Management Services Ltd.

Unsupported Rating*	Long Term Bank Facilities	IVR BBB/Positive (IVR Triple B with Positive Outlook)
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*Unsupported rating does not factor in the Corporate Guarantee from Adani Properties Pvt. Ltd

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed the rating assigned to the long-term bank facilities of Adani Infrastructure Management Services Limited (AIMSL). The credit enhancement for this debt has changed from pledge of shares of ATL to corporate guarantee provided by Adani Properties Pvt. Ltd (APPL). This has been done by AIMSL to comply with RBI's guidance note



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on CE ratings issued on April 22, 2022. 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 Outlook (IVR Double A Minus (Credit Enhancement) with Stable Outlook) against the unsupported rating of IVR BBB/Positive (IVR Triple B with Positive Outlook). The positive outlook on the unsupported rating reflects expected improvement in the revenues of AIMSL on account of increased capacity under various verticals that will get commissioned in future for which AIMSL shall carry out O&M work, improved earnings are expected to lead to improvement in capital structure. The rating continues to derive comfort from established, reputed and resourceful promoter group, and expectation of continued support from the Adani Group. These strengths are partially offset by moderate debt protection metrics due to increased advances to group companies and insufficient operational cash flows for debt servicing.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue and EBITDA margin while improving the debt protection metrics.
- Improvement in the credit rating of APPL.

Downward Factors:

- Decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.
- Increase in loans extended to group companies further impacting debt protection metrics.
- Downgrade in credit rating assigned to APPL.

Adequacy of Credit Enhancement Structure: For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by APPL in favour of the lender who has 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



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guarantee results in an enhancement in the rating of the said facilities to IVR AA- (CE)/ Stable against the unsupported rating of IVR BBB/ Positive. The adequacy of credit enhancement has been tested after considering consolidated debt of APPL. The capital structure and debt protection metrics of APPL remain adequate.

Transaction Structure

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

1. T being scheduled due date of payment
2. The Security Trustee/Lender will invoke the corporate guarantee within T+7 business days.
3. Payment by the guarantor will be made within (T+7) +1 business days.

Infomerics will consider T+8 as its legal final maturity for the purpose of recognition of default.

List of Key Rating Drivers with Detailed Description:

Key Rating Strengths

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 US \$240 billion (as of November 2022).

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 (APPL) 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



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on December 31, 2022. 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 for the unlisted business-like real estate, financial services, and trading. The value of APPL's holding in the listed entities through its subsidiaries stood at Rs.1,90,521 crore based on the market price of the listed equity shares as on October 31, 2022

Improvement in capital structure

The Tangible Networth (TNW) of the company has improved considerably in FY22 as the company has issued Compulsory Convertible Debentures (CCDs) of Rs.1196.44 crores, of which Rs.780.63 crores is treated as equity component and Rs.415.81 crores has been considered as debt component. Increase in TNW has resulted in a significant improvement in long term debt equity ratio to 1.51x as on March 31, 2022, from 13.54x as on March 31, 2021, and TOL/TNW to 1.74x in FY22 from 23.38x in FY21.

Key Rating Weaknesses

Insufficient cash flows for debt servicing

Due to moderate profitability margins as evidenced by EBITDA margin of 5.64% and PAT margin of 3.30% in FY22 against the high debt and interest servicing obligation, current debt service coverage indicators are weak. AIMSL undertakes O&M activity for the group



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companies, cashflows generated from operations are currently not sufficient for servicing the debt obligations of the 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.

Increased 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. The cash-flows from operational activities (O & M) 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 is based on the unconditional and irrevocable corporate guarantee provided by Adani Properties Pvt Ltd (APPL, rated by Infomerics at Supported: IVR AA(CE)/ Stable; Unsupported: IVR AA-/ Stable) to the bank facilities of AIMSL.

Standalone rating is after considering the parent linkages.

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology – Infrastructure Companies](#)

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

[Criteria on Default Recognition](#)

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

Liquidity –Adequate

As on November 30, 2022, the company had cash and cash equivalent of Rs. 25.64 crores. 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 obligations; the continuous support from the promoters will be crucial to



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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 was incorporated on June 9, 2017, and headquartered at Ahmedabad, Gujarat. The company provides Operation and Maintenance (O&M) services to infrastructure development companies of the Adani Group like - generation, transmission and distribution of thermal and renewable power and roads and ports developers. 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:

Adani Properties Private Limited, a holding/investment company of the Adani Group, was incorporated in May 1995. It is mainly engaged in the business of let-out and/or lease of immovable properties and wholesale trading of commodities and is also a part of promoter group company that holds strategic investments in listed entities of Adani Group (Adani Enterprise Ltd., Adani Ports and SEZ Ltd., Adani Power Ltd., Adani Green Energy Ltd & Adani Transmission Ltd) through various LLPs. APPL also holds investments in various other businesses like real estate and financial services. Mr. Jeet Adani (Son of Mr. Gautam Adani) and Mr. Pranav Adani (nephew of Mr. Gautam Adani) are members of the Board of Directors of APPL.

Financials (Standalone basis):

(In Crore)

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Income	531.28	593.73
PAT	20.76	28.35
Total Debt	1013.79	1294.53
Tangible Net Worth	51.91	860.00
PAT margin (%)	3.30	4.12
Overall Gearing Ratio (x)	19.53	1.51

* Classification as per Infomerics' standards



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Financials of the Corporate Guarantor, Adani Properties Pvt Ltd (Consolidated) (In Crore)

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Income	11144.39	5758.33
PAT	4793.26	320.78
Total Debt	28617.59	27667.13
Tangible Net Worth	41058.34	71337.54
PAT margin (%)	43.01	5.57
Overall Gearing Ratio (x)	0.70	0.39

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Date(s) & Rating(s) assigned in 2022-23	Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Fund Based Bank Facilities- Term Loan	Long Term	457.50	IVR AA-(CE)/ Stable Unsupported: IVR BBB/ Positive	IVR AA-(CE)/ Stable Unsupported: IVR BBB-/ Stable (11/04/22)	-	IVR AA-(CE)/ Stable Unsupported: IVR BBB-/ Stable (12/01/21)	-

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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



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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.

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 Bank Facilities - Term Loan	-	-	May, 2026	457.50	IVR AA- (CE)/Stable [IVR Double A Minus (Credit Enhancement) with Stable Outlook]

Annexure 2: List of companies considered for consolidated analysis: Not applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-AIMSL-jan23.pdf>



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

- Pledge of shares of Adani Transmission providing a security cover of 1.5 times the outstanding amounts under the facilities.
- Unconditional and irrevocable corporate guarantee of APPL.
- 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.

Link to earlier press release [click here.](#)

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