



Press Release

Adani Infrastructure Management Services Limited

January 12, 2021

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term - Bank Facilities	576.00	IVR AA- (CE)*/Stable Outlook (IVR Double A Minus (Credit Enhancement) with Stable Outlook)	Assigned
Total	576.00		

**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 aforesaid rating assigned to the bank facilities of Adani Infrastructure Management Services Limited (AIMSL) derives comfort from the strength of the defined structure by way of pledge of fully paid up equity shares of Adani Transmission Ltd (ATL) held by Promoter Group along with AIMSL's standalone credit profile coupled with the credit profile of the security provider Adani Transmission Ltd (ATL). 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)**. The structure stipulates asset cover for this debt is 1.5x of ATL shares pledged against the debt. The rating further takes into account standalone credit profile of AIMSL, which takes into account of experienced management, strategic importance for Operation and Maintenance (O & M) work for the group and its strong parentage being part of the Adani Group. The rating also takes into consideration the inherent volatility in the stock market along with leveraged capital structure and weak debt service coverage indicators of AIMSL.

Key Rating Sensitivities

Upward Factors:

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

Downward Factors:



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- ✓ Substantial deterioration in the top line and the overall performance from the current level.
- ✓ Security Cover deteriorating below 1.3 times for a considerable time frame during the entire tenor of the outstanding debt.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established, Reputed and Resourceful 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 market cap of Rs.424,289 crore and value of promoter's holding of Rs.291,309 crore as on December 31, 2020.

The rating is sensitive to the credit risk profile of the Adani group. Any material increase 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 monitorables.

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 stipulates 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. Currently, the promoter group owns 100 per cent stake in AIMS L as on Sep 30, 2020. 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 inadequate to service its debt obligation; the continuous support from the promoter group will be a key rating sensitivity factor. The rating also factors in the adherence to the



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security cover against pledge of shares to be maintained at all times. 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.

Highly leveraged capital structure and weak debt service coverage indicators of AIMSL:

As on 31st March, 2020, Tangible Net worth remains moderate at Rs.31.88 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 31.89 times and 38.25 times, respectively, as on March 31, 2020. Going forward, on the account of proposed debt repayment and improvement in the net worth due to regular accretion of profits, will result into gradual improvement in the capital structure. Although, due to moderate profitability margins against the high debt and interest servicing obligation, current debt service coverage indicators are weak.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Structure Debt Transaction (Non-securitization transaction)

Rating Methodology for Infrastructure Companies



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Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

As on March 31, 2020 the company had cash and cash equivalent of Rs.34.70 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 for the financing capex and others to the group companies. The company's ability to refinance the loan or through support from one or more of promoter group companies to meet its debt servicing will be a key rating sensitivity factor.

About the Company

Adani Infrastructure Management Services Limited:

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 and transmission of thermal and renewable power. 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 Sep 30, 2020, the Company is dealing with only group companies; although AIMSL 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, AIMSL is being managed by three directors namely Mr. Anil Gupta, Mr. Jigar Thakkar and Mr. Vineet S Jain.

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. ATL is one of the largest private-sector transmission companies with cumulative transmission lines of more than



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15,400+ckt kms ranging from 220 KV to 765 KV with a power transformation capacity of more than 27000+ MVA. ATL also operates a distribution business serving about 30+ lakhs customers in Mumbai, through its subsidiary Adani Electricity Mumbai Ltd.

Financials - Adani Infrastructure Management Services Limited (AIMSL)

(Rs. crore)

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	144.08	506.64
EBITDA	7.50	29.39
PAT	5.64	22.12
Total Debt	38.30	1016.60
Tangible Networth (Book TNW)	9.66	31.88
EBITDA Margin (%)	5.21	5.80
PAT Margin (%)	3.91	3.67
Overall Gearing Ratio (x)	3.96	31.89

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: N.A

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	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.	Long term – Fund Based Bank Facilities	Long Term	576.00	IVR AA-(CE)/Stable Outlook	-	-	-

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.

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About Infomerics:



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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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	576.00	IVR AA- (CE)/ Stable Outlook