

Press Release
Adani Enterprises Limited

June 11, 2020

Rating Reaffirmed



Commercial Paper Programme*	Rs.2000.00 Cr.
Short Term Rating	ACUITE A1+

* Refer Annexure 1 for details

Rating Rationale

Acuite has reaffirmed its short-term rating of '**ACUITE A1+** (read as **ACUITE A one plus**)' on the Rs.2000.00 Cr. Commercial Paper Programme of Adani Enterprise Limited (AEL).

Incorporated in 1993, AEL is a part of the Adani Group, and is promoted by Mr. Gautam Adani. AEL is a flagship company of the group and operates both as a holding and operating company. On a standalone basis, the company is primarily engaged in Integrated Resource Management (IRM) i.e. coal trading and logistic services, Mine Developer & Operator (MDO) business, solar PV cell and module manufacturing business. AEL also acts as an incubator for the group's foray into new businesses. On a consolidated basis, AEL has evolved into a diversified conglomerate engaged in businesses including agro-processing (including sale of edible oil under the brand name 'Fortune') & storage, Bunkering & Shipping, Defence & Aerospace, commodities trading and oil & gas exploration. AEL has further made an entry into businesses like road projects, water treatment plants, data center and airport operations.

Analytical Approach

Acuite has considered the consolidated financial and business risk profile for the rating of AEL. The entities consolidated include AEL (standalone) along-with all its subsidiaries & step-down subsidiaries*. Extent of consolidation within AEL: Full.

*Refer Annexure 2 for list of entities considered for consolidation.

Key Rating Drivers

Strengths

• **Established track record of the promoters over diverse business segments**

AEL is the flagship company of the Adani Group. The group is a diversified conglomerate with varied interests across resources (coal trading and MDO), logistics (ports and logistics, shipping and rail), energy (power generation, transmission and distribution) and ancillary activities. The major listed companies of the group are Adani Enterprises Limited (engaged in IRM, power trading, MDO, agri-processing & storage and Bunkering & Shipping among others), Adani Ports and SEZ Limited (engaged in port operations and logistics) Adani Power Limited (holds Group's thermal power projects), Adani Transmission Limited (holds group's transmission assets), Adani Gas limited (engaged in city gas distribution) and Adani Green Energy Limited (engaged in renewable energy generation).

AEL is promoted by Mr. Gautam Adani, the Chairman and Founder of the Adani Group. Under his leadership, the Group has emerged as a global integrated infrastructure player with interest across resources, logistics and energy verticals. The promoters are well supported by well qualified and experienced management team. The Group has consistently demonstrated the ability to nurture new businesses under the flagship company i.e. AEL and scale them to a level so that they can be spun off into separate entities to create value for stakeholders.

AEL is listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The promoters of Adani group hold over 60 per cent of shares in the Group's listed companies as on 31 March 2020 i.e. AEL (74.92 per cent), Adani Power Limited (APL – 74.97 per cent), Adani Ports and Special Economic Zone Limited (APSEZL – 62.79 per cent), Adani Transmission Limited (ATL - 74.92 per cent), Adani Gas Limited (AGL- 74.80 per cent) and Adani Green Energy Limited (AGEL- 74.92 per cent). The aggregate market cap of all these listed entities as on June 08, 2020 was Rs.1,82,110 Cr. The Adani group entities have demonstrated their ability to raise short term and long term funding through various capital market instruments in Indian as well as in foreign currency. The diversified lender and investor profile augments the

resource raising ability of the company/group.

- **Steady IRM and MDO business impart strength to the business risk profile**

AEL has been amongst the leading importer of non-coking coal catering to the requirements of both private clients and public-sector undertakings for over two decades. AEL imports coal from Indonesia, Australia and South Africa and sells across major power producers including sale to group company Adani Power Limited. Although the IRM revenues were stagnant at around Rs.30,914.91 Cr in FY2020 (contributes to around 71.20 per cent of the total revenues of FY2020), the division reported improvement in EBIT of Rs.1010.91 Cr in FY2020 as against Rs.743.98 Cr in FY2019. Apart from the back to back supply contracts, AEL maintains around 20-30 days inventory to meet the spot demand from its customers. Hence, it is exposed to short-term variation in imported coal prices under its stock-and-sale coal trading business. The regulatory change in India or other countries impacts the demand-supply dynamics of the coal trading segment resulting in volatility in volumes and price variations. However, Acuite believes that extensive experience of the group in coal trading and established market presence will help the group manage the commodity risk, forex risk and counterparty risk efficiently.

MDO business involves mining, processing, acquisition, exploration and development of mining assets. AEL has been acting as a mine developer and operator on behalf of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) for its coal requirements. AEL reported EBIT of Rs.422.56 Cr on a turnover of Rs.1838.51 Cr in FY2020. The deterioration in profitability in MDO business is on account of one-time write-off of around Rs.290 Cr on account of compensation cess. Apart from the existing Parsa East and Kente Basan Coal blocks, AEL has successfully entered into long term MDO contracts of Gare Pelma Sector III, Talabira II & III coal blocks allocated to Chhattisgarh State Power Generation Company Limited and NLC India Limited respectively wherein Gare Pelma Sector III has commenced its operations in FY2020. Acuite believes, AEL will benefit from steady cashflows from its MDO business on account of long-term contracts with reputed counterparties. Acuite also notes that the recent regulatory changes by government, which includes ending monopoly in coal mining by allowing private companies on a revenue-sharing mechanism is likely to improve the prospects of AEL's MDO business over the medium term.

While AEL's IRM and MDO businesses are the major contributors both in terms of revenue and profitability, some other segments such as solar PV cell & module manufacturing, shipping, bunkering are lagging behind in terms of overall profitability. In FY2020, the total revenue generated from IRM and MDO stood at Rs.32,753.42 Cr and EBIT at Rs. 1,433.47 Cr whereas total revenue from other segments stood at Rs.12,113.21 Cr and EBIT at Rs.378.78 Cr.

The solar PV cell & module manufacturing division of AEL is operated through Mundra Solar PV Limited (MSPL). MSPL is largest integrated cell and module manufacturer in India with an installed capacity of 1,200 MW each for solar cell and solar modules. For FY2020, the division shown improvement in its operations over FY2019 with revenues of ~Rs.2600 Cr and EBITDA of ~Rs.300 Cr in FY2020. The ability of the company to sustain the growth in this segment will be critical.

Due to impact of Covid-19, there is a slight disruption in the operations of IRM and MDO segment on account of lack of labour availability, which is likely to have an impact on the revenues of and profitability of the company in FY2020 as these segments combined contributed to around 73 percent of the total revenues of FY2020.

Acuite believes that the IRM and MDO business will continue to be the major drivers of growth in the near to medium term till the other segments scale-up significantly.

Weaknesses

- **Significant capex plans likely to result in elevated debt levels**

AEL has followed an aggressive leverage policy in the past, with its external debt (excluding debt from group companies) to operating EBITDA of 4.22 times for FY2020 as against 4.74 times for FY2019. Total adjusted debt as on March 31, 2020 stood at around Rs.12,420 Cr (against Rs.10,500.76 Cr in P. Y.) which consists of Rs.3,641 Cr of long term debt, unsecured inter corporate loans of Rs.2,581 Cr and short term borrowings of Rs.6,198 Cr.

AEL has large size capex plans with focus towards the infrastructure segment. Adani Transport Limited a wholly owned subsidiary of AEL has been awarded three Hybrid Annuity Models (HAM) projects with a project cost of Rs.4,600 Cr over three years. As part of the Government of India's (GOI's) Clean Ganga mission, AEL has received the right for development and maintenance of new and existing Sewage Treatment Plant (STP) and associated infrastructure in Allahabad. As part of the GOI's privatization programme for the bids invited for operation and maintenance of six domestic airports viz. Ahmedabad, Jaipur, Lucknow, Trivandrum, Mangaluru and Guwahati, AEL has emerged as the L1 bidder. AEL is

expected to incur capex of ~Rs.3,500 Cr over next two years in Airport segment. The other projects include setting up green data center parks upto 5GW in and around Visakhapatnam with an investment outlay of over Rs.70,000 Cr over next 20 years. Due to impact of Covid-19, some capex plans are likely to be postponed to FY 2022, which might result in lower-than-expected debt burden in the near to medium term. Acuite further believes that on account of large basket of high gestation projects, company's credit profile will be exposed to pace of project implementation and execution risk over the near to medium term.

AEL over the past has demonstrated propensity towards incubating businesses by significantly leveraging its balance sheet. Although, the peak leverage (External Debt/ operating EBITDA) was high at around 5.7 times in FY2018, it has sequentially improved to around 4.22 times in FY2020. Acuite expects that the targeted external debt to operating EBITDA is likely to remain in the range of 5.50 - 6.50 times and the gearing levels are expected to in the range of 1.00- 1.40 times over the medium term.

AEL through its wholly owned step-down subsidiaries in Australia had acquired Carmichael Coal Mine in the Galilee Basin in Queensland. As a part of this project company decided to develop the mine and lay down a railway line from the mine to Abbot Point Port terminal (held directly by Adani Group's promoters). The project had faced delays in the past because of environmental clearance issues, for which the company has now received the major clearances and government approvals. Further, AEL is still in the process of achieving financial closure as a result of which the project has been delayed significantly. The company is expecting to complete the project by end of FY2022. As on 31 December 2019, the total equity investment made in the project was USD 1248 Million. AEL is in process to raise \$ 1 Billion through a two-tier SBLC structure, in which the SBLC Facility would be raised by AEL in two tranches- for mine project (\$ 400 Million) and for rail project (\$600 Million). Acuite believes that ability of AEL to achieve the financial tie-up and to complete the project within specified timelines will be a key monitorable.

Liquidity position: Adequate

On a consolidated basis, AEL's cash accruals for FY2020 stood at Rs.1,270.06 Cr. The unencumbered cash and cash equivalent stood at Rs.2814.81 Cr as on 31 March 2020. The company's operations are however, working capital intensive marked by Gross Current Assets (GCA) days of 189 in FY2020, which are mainly dominated by receivables of 111 days. AEL majorly uses Non Fund- Based Limits (LC and BG) which were 70 percent utilized for last 12 months ended March 2020. The CP outstanding as on May 2020 was Rs.85 Cr as compared to the rated programme of Rs.2000 Cr, which provides adequate cushion for any short-term working capital requirements.

Rating Sensitivities

- Consolidated external Debt to operating EBITDA to remain below 6 times for FY2021
- Timely completion of the proposed capex plans without major time and cost overruns

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	43,421.67	40,392.45
PAT	Rs. Cr.	798.00	505.91
PAT Margin	(%)	1.84	1.25
Total Debt/Tangible Net Worth	Times	0.88	0.88
PBDIT/Interest	Times	2.01	1.64

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Commercial Paper - <https://www.acuite.in/view-rating-criteria-54.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
12-Jun-19	Commercial Paper	Short term	2000.00	ACUITE A1+ (Reaffirmed)
12-Jun-18	Commercial Paper	Short term	2000.00	ACUITE A1+ (Reaffirmed)
06- Jun- 17	Proposed Commercial Paper	Short term	2000.00	ACUITE A1+ (Assigned)

***Annexure 1– Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Commercial Paper	Not Applicable	Not Applicable	Not Applicable	2000.00	ACUITE A1+ (Reaffirmed)

***Annexure 2– List of subsidiaries and associates that have been considered for consolidation:**

Sr. No.	Name of Company / Firm	Relationship
1	Adani Global Ltd	Subsidiary
2	Adani Global FZE	Subsidiary
3	Adani Global DMCC	Subsidiary
4	Adani Global Pte Ltd	Subsidiary
5	PT Adani Global	Subsidiary
6	PT Adani Global Coal Trading	Subsidiary
7	PT Coal Indonesia	Subsidiary
8	PT Sumber Bara	Subsidiary
9	PT Energy Resources	Subsidiary
10	PT Niaga Antar Bangsa	Subsidiary
11	PT Niaga Lintas Samudra	Subsidiary
12	PT Gemilang Pusaka Pertiwi	Subsidiary
13	PT Hasta Mundra	Subsidiary
14	PT Lamindo Inter Multikon	Subsidiary
15	PT Suar Harapan Bangsa	Subsidiary
16	PT Tambang Sejahtera Bersama	Subsidiary
17	Adani Agri Fresh Ltd	Subsidiary
18	Natural Growers Pvt. Ltd	Subsidiary
19	Parsa Kente Collieries Ltd	Subsidiary
20	Chendipada Collieries Pvt. Ltd	Subsidiary
21	Adani Resources Pvt. Ltd	Subsidiary
22	Surguja Power Pvt. Ltd	Subsidiary
23	Rajasthan Collieries Ltd	Subsidiary
24	Talabira (Odisha) Mining Pvt. Ltd	Subsidiary
25	Gare Pelma III Collieries Ltd.	Subsidiary
26	Bailadila Iron Ore Mining Private Limited	Subsidiary
27	Gidhmuri Paturia Collieries Private Limited	Subsidiary
28	Adani Welspun Exploration Ltd	Subsidiary
29	Mahaguj Power LLP	Subsidiary
30	Mundra Synenergy Ltd	Subsidiary
31	Adani Shipping Pte Ltd	Subsidiary
32	Adani Shipping (India) Pvt. Ltd	Subsidiary
33	Aanya Maritime Inc	Subsidiary

34	Aashna Maritime Inc	Subsidiary
35	Rahi Shipping Pte Ltd	Subsidiary
36	Vanshi Shipping Pte Ltd	Subsidiary
37	Urja Maritime Inc	Subsidiary
38	Adani Bunkering Pvt. Ltd	Subsidiary
39	Adani Minerals Pty Ltd	Subsidiary
40	Adani Mining Pty Ltd	Subsidiary
41	Adani Infrastructure Pty Ltd	Subsidiary
42	Galilee Transmission Holdings Pty Ltd	Subsidiary
43	Galilee Transmission Pty Ltd	Subsidiary
44	Galilee Transmission Holdings Trust	Subsidiary
45	Galilee Biodiversity Company Pty Ltd	Subsidiary
46	Adani Renewable Asset Holdings Pty Ltd	Subsidiary
47	Adani Renewable Asset Holdings Trust	Subsidiary
48	Adani Renewable Asset Pty Ltd.	Subsidiary
49	Adani Renewable Asset Trust	Subsidiary
50	Adani Rugby Run Trust	Subsidiary
51	Adani Rugby Run Pty Ltd	Subsidiary
52	Adani Global Royal Holding Pte	Subsidiary
53	Queensland RIPA Holdings Trust	Subsidiary
54	Queensland RIPA Holdings Pty Ltd	Subsidiary
55	Queensland RIPA Pty Ltd	Subsidiary
56	Queensland RIPA Trust	Subsidiary
57	Queensland RIPA Finance Pty Ltd	Subsidiary
58	Adani Rugby Run Finance Pty Ltd	Subsidiary
59	Whyalla Renewable Holdings Pty Ltd	Subsidiary
60	Whyalla Renewable Holdings Trust	Subsidiary
61	Whyalla Renewables Pty Ltd	Subsidiary
62	Whyalla Renewables Trust	Subsidiary
63	Adani Australia Pty Ltd	Subsidiary
64	Adani Green Technology Ltd	Subsidiary
65	Adani Tradex LLP	Subsidiary
66	Adani Tradecom LLP	Subsidiary
67	Adani Tradewing LLP	Subsidiary
68	Adani Commodities LLP	Subsidiary
69	Mundra Solar Ltd	Subsidiary
70	Mundra Solar PV Ltd	Subsidiary
71	Mundra Solar Technopark Pvt. Ltd	Subsidiary
72	Adani Defence Systems and Technologies Ltd	Subsidiary
73	Adani Land Defence Systems and Technologies Ltd	Subsidiary
74	Adani Aerospace and Defence Ltd	Subsidiary
75	Adani Naval Defence Systems and Technologies Ltd	Subsidiary
76	Adani Rave Gears India Limited	Subsidiary
77	Adani Road Transport Ltd	Subsidiary
78	Bilaspur Pathrapali Road Pvt Ltd.	Subsidiary
79	Adani Water Ltd	Subsidiary
80	Prayagraj Water Private Limited	Subsidiary
81	Mundra Copper Ltd	Subsidiary
82	Adani Cementation Ltd	Subsidiary
83	Adani North America Inc	Subsidiary
84	Adani Infrastructure Pvt. Ltd	Subsidiary
85	Alpha Design Technologies Pvt Ltd	Subsidiary
86	Mancherial Repallewada Road Pvt Limited	Subsidiary
87	Galilee Basin Conservation And Research Fund	Subsidiary
88	Suryapet Khammam Road Pvt Limited	Subsidiary
89	NW Rail Operations Pte Limited	Subsidiary
90	North West Rail Holdings Pty Limited	Subsidiary

91	North West Rail Pty Limited	Subsidiary
92	Gare Pelma II Mining Private Limited	Subsidiary
93	Adani Airport Holdings Limited	Subsidiary
94	Adani Lucknow International Airport Limited	Subsidiary
95	Flaire Unmanned Systems Private Limited	Subsidiary
96	Kurmitar Mining Private Limited	Subsidiary
97	Adani Guwahati International Airport Limited	Subsidiary
98	Adani Thiruvananthapuram International Airport Limited	Subsidiary
99	Adani Mangaluru International Airport Limited	Subsidiary
100	Adani Ahmedabad International Airport Limited	Subsidiary
101	Adani Jaipur International Airport Limited	Subsidiary
102	Stratatech Mineral Resources Pvt Limited	Subsidiary
103	Adani Metro Transport Limited	Subsidiary
104	Mundra Solar Energy Limited	Subsidiary
105	Kurmitar Iron Ore Mining Private Limited	Subsidiary
106	Adani Iron Ore Mining Private Limited	Subsidiary
107	Adani Railways Transport Limited	Subsidiary
108	Gare Palma II Collieries Pvt Limited	Subsidiary
109	Sabarmati Infrastructure Services Limited	Subsidiary
110	Vijaynagara Smart Solutions Limited	Subsidiary
111	Gomti Metropolis Solutions Limited	Subsidiary
112	Periyar Infrastructure Services Limited	Subsidiary
113	Brahmaputra Metropolis Solutions Limited	Subsidiary
114	Agneya Systems Limited	Subsidiary
115	Carroballista Systems Limited	Subsidiary
116	Rajputana Smart Solutions Limited	Subsidiary
117	Adani Chendipada Mining Pvt. Ltd	Jointly Controlled Entity
118	Jhar Mining Infra Pvt. Ltd	Jointly Controlled Entity
119	Adani Wilmar Pte Ltd - Consolidated	Jointly Controlled Entity
120	CSPGCL AEL Parsa Collieries Ltd	Associate
121	Adani Wilmar Ltd	Jointly Controlled Entity
122	Vishakha Polyfab Pvt. Ltd	Jointly Controlled Entity
123	KTV Health and Foods Pvt. Ltd	Jointly Controlled Entity
124	KOG KTV Food Products (India) Pvt. Ltd	Jointly Controlled Entity
125	Golden Valley Agrotech Pvt. Ltd	Jointly Controlled Entity
126	AWN Agro Pvt. Ltd	Jointly Controlled Entity
127	AWL Edible Oils and Foods Private Limited	Jointly Controlled Entity
128	Adani-Elbit Advance Systems India Ltd	Jointly Controlled Entity
129	GSPC LNG Ltd	Associate
130	Vishakha Industries Pvt. Ltd	Associate
131	Adani Global Resources Pte Ltd	Jointly Controlled Entity
132	Carmichael Rail Network Holdings Pty Ltd	Jointly Controlled Entity
133	Carmichael Rail Network Pty Ltd	Jointly Controlled Entity
134	Carmichael Rail Network Trust	Jointly Controlled Entity
135	Carmichael Rail Asset Holdings Trust	Jointly Controlled Entity
136	Autotec Systems Pvt Ltd	Associate
137	Comprotech Engineering Pvt Ltd	Associate
138	Adani Solar USA Inc	Associate
139	Adani Solar USA LLC	Associate
140	Hartsel Solar LLC	Associate
141	Oakwood Construction Services Inc	Associate
142	Sigurd Solar LLC	Associate
143	Adani Finance LLC	Associate
144	Midland Solar LLC	Associate
145	Midlands Managing Member LLC	Associate
146	Midlands Lessor Parent LLC	Associate
147	Midlands Holding LLC	Associate

148	Midlands Lessee LLC	Associate
149	Adani Development LLC	Associate
150	Adani Land LLC	Associate
151	Oakstream Holdings Inc	Associate
152	Midlands Parent LLC	Associate
153	Adani Total LNG Singapore Pte Ltd	Jointly Controlled Entity
154	Adani Power Resources Ltd	Associate

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