

April 13, 2021

Adani Ports and Special Economic Zone Limited: Update on Entity

Summary of ratings outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Non Convertible Debentures	7,000	7,000	[ICRA]AA+(Stable)
Bank Facilities	10,020	10,020	[ICRA]AA+(Stable)
Commercial Paper Programme	6,700	6,700	[ICRA]A1+
Total	23,720	23,720	

- *Instrument details are provided in Annexure-1

Rationale

Adani Ports and Special Economic Zone Limited (APSEZL) signed an agreement with Vishwa Samudra Holdings Pvt. Ltd. on April 1, 2021, to acquire residual 25% stake in Adani Krishnapatnam Port Limited (Krishnapatnam Port). ICRA notes that APSEZL completed acquisition of 75% majority stake in Krishnapatnam Port in October 2020 and with the acquisition of this residual stake, Krishnapatnam Port will become a wholly owned subsidiary of APSEZL.

This acquisition is valued at Rs. 2,800 crore and is subject to approvals under applicable laws, including approval of the Competition Commission of India. The consideration will be in the form of cash payout. While this could result in a marginal increase in the company's net leverage (net debt/OPBDITA) in the near-term, the operational synergies remain significant as noted during the acquisition of 75% stake earlier and incremental EBITDA generation will result in reversal of net-leverage levels to below 3x by FY2023. The ratings remain unchanged at [ICRA]AA+(Stable)/A1+ as ICRA does not expect this transaction to materially impact the company's credit profile over the medium-term. However, any further significant acquisitions that result in an increase in net leverage or further postponement of de-leveraging would reduce the rating cushion and will be a monitorable.

Krishnapatnam Port is an all-weather, deep water port with the capability of handling containers, coal, liquid and other bulk cargo. ICRA expects the acquisition of Krishnapatnam Port to have resulted in diversification of the target hinterland and cargo mix, increase in market share, improved volume parity between east and west coast along with other operational synergies for APSEZL. Krishnapatnam Port has registered a volume of 9.8 million MT in Q3 FY2021 since the acquisition of majority stake.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Ports Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of APSEZL. As on March 31, 2020, the company had 30 direct subsidiaries, 38 step-down subsidiaries and six JVs that are enlisted in Annexure-2.

About the company

APSEZL is the largest private sector developer and operator of ports in India with 10 operational ports/terminals. It commenced commercial operations at Mundra port in 2001 under a 30-year concession agreement with the Gujarat Maritime Board, valid till February 2031. Since then, the company has grown rapidly in terms of cargo handling capacity with operational ports/terminals at Mundra, Dahej, Hazira, Dhamra, Kattupalli, Krishnapatnam, Mormugao, Kandla, Vizag and Ennore. The ports offer handling services for all kinds of cargoes viz. dry bulk, liquid bulk, crude and containers. Apart from its port operations, APSEZL is the approved developer of a multi-product SEZ at Mundra, Dhamra and Kattupalli and its surrounding areas. Further, through its majority/wholly-owned SPVs, the company has a presence in the logistics business (container trains and inland container depots).

Key financial indicators (audited)

APSEZL Consolidated	FY2019	FY2020
Operating Income (Rs. crore)	10,925	11,873
PAT (Rs. crore)	4,045	3,789
OPBDIT/OI (%)	64.7%	63.7%
RoCE (%)	15.4%	12.3%
Total Outside Liabilities/Tangible Net Worth (times)	1.2	1.4
Total Debt/OPBDIT (times)	3.9	4.0
Interest Coverage (times)	5.1	4.2

- PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)			Chronology of Rating History for the past 3 years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2020 (Rs. crore)	Date & Rating		Date & Rating in FY2021		Date & Rating in FY2020		Date & Rating in FY2019
					April 13, 2021	April 1, 2021	Mar 12, 2021	Nov 13, 2020	Jan 14, 2020	Aug 23, 2019	May 27, 2019
1	Non Convertible Debentures	Long Term	7,000	6,626	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+@; rating on watch with negative implications	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	
2	Bank Facilities	Long Term	10,020	3,849	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+@; rating on watch with negative implications	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	
3	Commercial Paper	Short Term	6,700	294	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

- @= Under watch with negative implications

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE742F07171	Non Convertible Debentures	30-06-2016	10.50%	Three annual equal instalments commencing from February 25, 2021	494	[ICRA]AA+(Stable)
INE742F07361	Non Convertible Debentures	26-05-2016	9.35%	Redeemable on July 4, 2026	252	[ICRA]AA+(Stable)
INE742F07346 & INE742F07353	Non Convertible Debentures	23-03-2016	9.35%	Two annual instalments of Rs. 100 crore on May 26, 2023 and May 27, 2026 respectively	200	[ICRA]AA+(Stable)
INE742F07411	Non Convertible Debentures	27-02-2013	8.24%	Three annual equal instalments commencing from November 29, 2024	1300	[ICRA]AA+(Stable)
INE742F07429	Non Convertible Debentures	08-03-2017	8.22%	Redeemable at three annual equal instalments commencing from March 7, 2025	1000	[ICRA]AA+(Stable)
INE742F07437	Non Convertible Debentures	30-10-2017	7.65%	Redeemable in three equal instalments in October 2025, October 2026 and October 2027	1600	[ICRA]AA+(Stable)
INE742F07445 & INE742F074552	Non Convertible Debentures	28-02-2020	7.5%	Rs. 70 crore redeemable on April 23, 2021 and Rs. 85 crore redeemable on June 15, 2021	155	[ICRA]AA+(Stable)
INE742F07478	Non Convertible Debentures	20-03-2020	7.5%	Redeemable on June 15, 2021	125	[ICRA]AA+(Stable)
INE742F07460	Non Convertible Debentures	13-04-2020	8.5%	Redeemable on April 13, 2030	1500	[ICRA]AA+(Stable)
NA	Non Convertible Debentures (Proposed)	-	NA	-	374	[ICRA]AA+(Stable)
NA	Bank Facilities	April 2014	NA	February 2022	10020	[ICRA]AA+(Stable)
Not placed	Commercial Paper	-	NA	1-365 days	6700	[ICRA]A1+

• *Source: Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Adani Ports and Special Economic Zone Limited	Rated Entity	Full Consolidation
Adani Logistics Limited	100.00%	Full Consolidation
MPSEZ Utilities Private Limited	100.00%	Full Consolidation
Mundra SEZ Textile and Apparel Park Private Limited	55.28%	Full Consolidation
Karnavati Aviation Private Limited	100.00%	Full Consolidation
Adani Petronet (Dahej) Port Private Limited	74.00%	Full Consolidation
Adani Murmugao Port Terminal Private Limited	100.00%	Full Consolidation
Mundra International Airport Private Limited	100.00%	Full Consolidation
Adani Hazira Port Private Limited	100.00%	Full Consolidation
Madurai Infrastructure Private Limited	100.00%	Full Consolidation
AdinathPolyfills Private Limited	100.00%	Full Consolidation
Adani Vizag Coal Terminal Private Limited	100.00%	Full Consolidation
Adani Kandla Bulk Terminal Private Limited	100.00%	Full Consolidation
Adani Warehousing Services Private Limited	100.00%	Full Consolidation
Adani Ennore Container Terminal Private Limited	100.00%	Full Consolidation
Adani Hospitals Mundra Private Limited	100.00%	Full Consolidation
The Dhamra Port Company Limited	100.00%	Full Consolidation
Shanti Sagar International Dredging Private Limited	100.00%	Full Consolidation
Adani Harbour Services Private Limited	100.00%	Full Consolidation
Adani Vizhinjam Port Private Limited	100.00%	Full Consolidation
Adani Kattupalli Port Private Limited	100.00%	Full Consolidation
Dholera Infrastructure Private Limited	49.00%	Full Consolidation
Abbot Point Operations Pty Limited	100.00%	Full Consolidation
Mundra International Gateway Terminal Private Limited	100.00%	Full Consolidation
Adani International Terminals Pte Ltd	100.00%	Full Consolidation
Adani Bhavanapadu Port Private Limited	100.00%	Full Consolidation
Marine Infrastructure Developer Private Limited	97.00%	Full Consolidation
Adani Mundra Port Holding Pte. Limited	100.00%	Full Consolidation
Adani Tracks Management Services Private Limited	100.00%	Full Consolidation
Adani Pipelines Private Limited	100.00%	Full Consolidation
Adani Bangladesh Ports Private Limited	100.00%	Full Consolidation
Abbot Point Bulkcoal Pty Limited	Step-down subsidiary (100.00%)	Full Consolidation
Dholera Port and Special Economic Zone Limited	Step-down subsidiary (100.00%)	Full Consolidation
Hazira Infrastructure Private Limited	Step-down subsidiary (100.00%)	Full Consolidation
Blue Star Realtors Private Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Mundra Port Pte. Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Abbot Port Pte. Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Yangon International Terminal Company Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (MP) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Harda) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Hoshangabad) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Satna) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Ujjain) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Dewas) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Katihar) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Kotkapura) Limited	Step-down subsidiary (100.00%)	Full Consolidation

Company Name	Ownership	Consolidation Approach
Adani Agri Logistics (Kannauj) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Panipat) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Raman) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Nakodar) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Barnala) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Bathinda) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Mansa) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Moga) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Borivali) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Dahod) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Dhamora) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Samastipur) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Agri Logistics (Darbhanga) Limited	Step-down subsidiary (100.00%)	Full Consolidation
Dermot Infracon Private Limited	Step-down subsidiary (100.00%)	Full Consolidation
Dhamra Infrastructure Private Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani Logistics Services Private Limited	Step-down subsidiary (98.29%)	Full Consolidation
Adani Noble Private Limited	Step-down subsidiary (98.29%)	Full Consolidation
Adani Forwarding Agent Private Limited	Step-down subsidiary (98.29%)	Full Consolidation
Adani Cargo Logistics Private Limited	Step-down subsidiary (98.29%)	Full Consolidation
Adani Logistics Infrastructure Private Limited	Step-down subsidiary (98.29%)	Full Consolidation
Bowen Rail Operations Pte Limited	Step-down subsidiary (100.00%)	Full Consolidation
Bowen Rail Company Pty Limited	Step-down subsidiary (100.00%)	Full Consolidation
Adani International Container Terminal Private Limited	Joint Venture (50.00%)	Equity Method
Adani CMA Mundra Terminal Private Limited	Joint Venture (50.00%)	Equity Method
Adani NYK Auto Logistics Solutions Private Limited	Joint Venture (51.00%)	Equity Method
Dhamra LNG Terminal Private Limited	Joint Venture (50.00%)	Equity Method
Adani Total Private Limited	Joint Venture (50.00%)	Equity Method
Total Adani Fuels Marketing Private Limited	Joint Venture (50.00%)	Equity Method

- **Source:** APSEZL annual report
- **Note:** ICRA has taken a consolidated view of the parent (APSEZL), its subsidiaries and associates while assigning the ratings.

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