

## Mundra Port Pty Limited

April 13, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (US\$ million)	Current Rated Amount(US\$ million)	Rating Action
Fund based-Term Loan	453	288	[ICRA]AA-(SO) (Stable); Reaffirmed
<b>Total</b>	<b>453</b>	<b>288</b>	

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has reaffirmed the [ICRA]AA-(SO) (pronounced ICRA double A minus SO) rating with Stable outlook on the US\$288 million (reduced from US\$453 million) term loan facility of Mundra Port Pty Limited (MPPL). The letters SO in parenthesis suffixed to a rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms and structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. The rated instrument does not involve a structured payment mechanism.

### Rationale

MPPL's rating is based on the corporate guarantee provided by Adani Ports and Special Economic Zone Limited (APSEZL) (rated [ICRA]AA+ (Stable)/ [ICRA]A1+) for due payment of the captioned facility to the Bank. While APSEZL has provided the unconditional and irrevocable guarantee on the sanctioned term loan of Mundra Port Pty Ltd as part of the facility, ICRA notes that in 2013-14, APSEZL received a counter indemnity guarantee from the new holding company of Mundra Port Pty Ltd - Abbot Point Port Holdings Pte Ltd (Singapore) – owned directly by the promoters of the Adani Group, which relieves APSEZL of the immediate contingency towards this loan. In case of any shortfall for debt servicing requirements at MPPL, the counter indemnity will be invoked first. The rating addresses the servicing of the loan to happen as per the terms of the underlying loan and the guarantee arrangement and assumes that the guarantee will be duly invoked, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower.

### Outlook: Stable

The outlook may be revised to 'Positive' or 'Negative' if there is a change in the outlook on the ratings of APSEZL.

### Key rating drivers

### Credit Strengths

**Strong profile of the ultimate guarantor** - MPPL's rating is based on the corporate guarantee provided by Adani Ports and Special Economic Zone Limited (APSEZL), APSEZL's strong business risk profile is characterised by its favorable operating characteristics, geographically spread out footprint, diversified cargo / geographic mix and long-term customer tie-ups. Consolidated cargo growth would be supported by growth in share of container volumes, especially with the addition of volumes at new ports and terminals in the cargo mix going forward. Further, proceeds from the monetisation of assets should result in improvement of coverage indicators and debt protection metrics. APSEZL's ratings continue to factor in the robust profitability metrics and large cash accruals of APSEZL which enable it to maintain a comfortable liquidity position.

## Credit Challenges

**Modest financial risk profile of MPPL; financial support required from promoters** - MPPL is a company setup for the Adani group's Australian port assets. Its cash flows are dependent on the up-streaming of surplus cash flows from its operational asset companies which it holds. Up-streaming of cash flows from the operational companies has been inadequate to meet the repayment obligations of MPPL in the past and the cash gap has been met through loans from promoter group. Going forward as well, MPPL will require financial support from its promoters to meet the scheduled repayments in FY 2019 and timely receipt of the same will be a rating sensitivity.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

## About the company

Mundra Port Pty Ltd. (MPPL) was incorporated on April 18, 2011 as an intermediate company for the purpose of acquiring the Abbot Point Coal Terminal in Australia. The company was earlier a subsidiary of APSEZL. W.e.f. March 2013, as per an agreement, the shareholding of APSEZL in MPPL has been taken over by an entity directly owned by the promoters of the Adani group.

## About the Guarantor

Adani Ports and SEZ Limited (APSEZL) is the developer and operator of the Mundra port located in the Kutch district of Gujarat on the west coast of India, under a 30-year Concession Agreement with the Gujarat Maritime Board (GMB), valid till February 2031. As per a group reorganisation initiated in FY2015, the majority equity holding in APSEZL, earlier held by Adani Enterprises Limited has been replaced by direct holding of the Gautam Adani family, while the balance continues to remain with the public.

APSEZL commenced trial operations at Mundra port in 1998 and commercial operations in 2001. Since then, it has grown to become the largest port in the country by cargo handling capacity and actual cargo volumes handled. The port offers handling services for all kinds of cargoes viz. bulk- dry and liquid, crude and containers. Apart from its port operations, APSEZL is also the approved developer of a multi-product SEZ at Mundra and its surrounding areas. Further through its majority/wholly owned SPVs, APSEZL has a presence in the logistics business (container trains and ICDs), port/terminal and infrastructure operations in Dahej(Gujarat), Hazira (Gujarat), Mormugao (Goa), Dhamra (Orissa), Kandla (Gujarat), Vizag (Andhra Pradesh), Ennore (Tamil Nadu) and Vizhinjam (Kerala) ports. It is also the operator for the Kattupalli (Tamil Nadu) port.

During FY2017, at a consolidated level, the company had handled 168.9 million tonnes of cargo and reported operating income (OI) of Rs 8,439 crore and profit after tax (PAT) of Rs 3,892 crore. In 9M FY 2018 the company handled 134.6 million tonnes of cargo and reported an OI of Rs 8,140 crore with a PAT of Rs 2,745 crore.

### Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (AUS\$ Million)	22	150
PAT (AUS\$ Million)	-42	85
OPBDIT/ OI (%)	99.1%	100.0%
RoCE (%)	4.1%	28.4%
Total Debt/ TNW (times)	-2.1	-2.6
Total Debt/ OPBDIT (times)	40.8	6.1
Interest coverage (times)	0.4	2.4
NWC/ OI (%)	20%	-13%

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for last three years:

Instrument	Type	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Amount Rated (US\$ Million)	Amount Outstanding (US\$ Million)	Date & Rating April 2018	Date & Rating in FY2017 January 2017	Date & Rating in FY2016 January 2016	Date & Rating in FY2015 January 2015
1 Term Loans	Long Term	288	288	[ICRA]AA-(SO) (Stable)	[ICRA]AA-(SO)(Stable)	[ICRA]AA-(SO)(Stable)	[ICRA]AA-(SO)(Stable)

### 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 [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (US\$ Million)	Current Rating and Outlook
-	Term Loans	January 2012	-	March 2019	288	[ICRA]AA-(SO) (Stable)

Source: Mundra Port Pty Ltd.

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