

# Adani Ports and Special Economic Zone Ltd.'s USD\$750 Million Senior Unsecured Notes Assigned 'BBB-' Rating

June 21, 2019

SINGAPORE (S&P Global Ratings) June 21, 2019--S&P Global Ratings today assigned its 'BBB-' long-term issue rating to proposed senior unsecured notes by Adani Ports and Special Economic Zone Ltd. (APSEZ; BBB-/Stable/--). The US\$750 million issuance will be used to fund capital expenditure (capex), and is within our base case at the current rating level on the company.

We expect the India-based port operator to maintain a ratio of funds from operations (FFO) to debt of 15%-20% over the next two to three years, despite its aggressive growth appetite and shareholder distributions. The company is significantly scaling up its capex to about Indian rupee (INR) 40 billion annually over the next two years from INR25 billion previously. Earlier this month, APSEZ also announced an INR20 billion share buyback for fiscal (ending March) 2020. The proceeds of the bond issuance will help fund the company's capital spending plans of up to INR80 billion over the next two years.

We believe that APSEZ's earnings profile is supported by its strategically located origin and destination ports, long-term contracted revenues, tariff flexibility, and good operating efficiency. Nevertheless, these strengths are offset by the company's moderate size, high asset concentration risk on the Mundra port, and a less-protected competitive market position relative to peers in Asia Pacific.

The stable outlook on the issuer credit rating reflects our expectation that APSEZ's improved operating performance is sustainable and that its capital structure can accommodate the company's growth aspirations, shareholder distributions, and sustained investments. We expect the company's ratio of adjusted net debt to EBITDA to stay well below 4x over the next 12-18 months. In addition, we expect APSEZ to refrain from significant related-party transactions outside the normal course of business.

The issue-level rating is subject to our review of the final issuance documentation.

## Related Criteria

- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014

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- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Industrials: Key Credit Factors For The Transportation Infrastructure Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria | Insurance | General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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