November 26, 2024

Adani Energy Solutions Limited - Update on material event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Commercial paper programme	1,000.00	1,000.00	[ICRA]A1+
Total	**1,000.00**	**1,000.00**	

**Instrument details are provided in Annexure-1*

Description of material event

The United States Department of Justice (DoJ) and the United States Securities and Exchange Commission (US SEC) issued a criminal indictment and filed a civil complaint, respectively, on November 20, 2024 (the event), against Mr. Gautam S. Adani (Founder & Chairman of Adani Group), Mr. Sagar R. Adani {Executive Director of Adani Green Energy Limited (AGEL)} and Mr. Vneet S. Jaain {Managing Director of Adani Green Energy Limited, CEO of Adani New Energy Limited (ANIL)}. The indictment and the civil complaint were filed in the United States District Court for the Eastern District of New York, USA. The criminal indictment alleges that the accused formulated a scheme to bribe certain Indian officials for inducing their respective state distribution companies to enter into power purchase agreements (PPAs) with Solar Energy Corporation of India Limited (SECI, rated [ICRA]AAA(Stable)/[ICRA]A1+) for some of the solar capacities being set up by AGEL. The bribe amount has been indicated at close to $265 million. In its civil complaint, the US SEC has alleged false/misleading statements pertaining to the company's anti-corruption/anti-bribery efforts in some of the materials for the bond offerings in September 2021. In a formal response, the Adani Group has denied the allegations and any wrongdoing.

Impact of the Material Event

As a result of the events, the Group witnessed a surge in the bond yields and a decline in the market cap of the listed entities. The Group also withdrew a $600 million bond offering of AGEL after the event. ICRA derives comfort from the low level of pledged promoter holdings and the stabilisation of the market capitalization of various Adani Group entities, which aids the financial flexibility of the promoters. Additionally, according to the management, since the indictment has been served on the individuals, the same is not expected to materially impact the corporate entities of the Group. The management has also clarified that there are no event of default/acceleration covenants in any of the capital market instruments which can be triggered by the indictment. Additionally, as stated by the management, the indictment is only an accusation and start of a formal investigation. Thus, the investors cannot file a class action lawsuit until the charges are proven in a court of law.

While the Group's financial flexibility may get impacted in the near term as the financial institutions evaluate the impact of the event on the credit profile, the strong Group level liquidity of ~Rs. 53,000 crore as of September 2024 and the strong cash generation from existing operations will enable the Group to meet its near term debt servicing requirements comfortably. As disclosed by the Group nearly 70% of the EBITDA generation is contracted and thus has low downside risk. As per the Group, the total debt (excluding lease liabilities and inter-corporate deposits but including Holdco debt for Adani Cement Limited) on the books of the Adani Group was ~Rs. 2.6 lakh crores as on September 30, 2024, and the current Group level liquidity provides cover of ~20% of the debt on the books of the Group. ICRA also notes that the Group has largely completed its immediate refinancing requirements and thus ICRA does not foresee any major risk on this front. ICRA notes that the average maturity of the debt for the Group from the foreign banks and foreign capital markets is 4.4 years and 8.5 years respectively with a share of 27% and 23% respectively in the overall borrowings.

In a scenario of prolonged impact of the ongoing event and any adverse regulatory and judicial actions, the financial flexibility of the Group may be impacted. ICRA will continue to monitor especially the financial flexibility of the Group with key monitorables being access to international and domestic capital markets and banking channels, pricing of debt, tightening of debt covenants, any recall or acceleration of debt facilities, Group leverage levels, refinancing needs and progress on ongoing capex. ICRA will continue to monitor these and will appropriately factor in these developments in its credit view of the rated entities going forward.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position, rating sensitivities and key financials indicators: Click here.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Power Transmission
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of AESL. The entities considered for consolidation are enlisted in Annexure II

About the company

Adani Energy Solutions Limited (AESL) is engaged in developing and operating power transmission projects through its subsidiary companies. While AESL is the holding company for the transmission business of the Adani Group, it has several wholly-owned subsidiaries viz. Adani Transmission India Ltd (ATIL), Maharashtra Eastern Grid Power Transmission Co. Ltd (MEGPTCL), Western Transmission (Gujarat) Limited (WTGL) and Western Transco Power Limited (WTPL), Adani Transmission Bikaner Sikar Pvt Ltd (ATBSPL) acquired from KEC, etc. These and other subsidiaries are the operating companies under AESL and are engaged in the operation of a dedicated set of transmission projects.

As of September 2024, AESL had a portfolio of 34 transmission projects (including 9 lines under construction), Adani Electricity Mumbai Limited's (AEML) generation, transmission & distribution (GTD) business in Mumbai and transmission & distribution (TD) business in Mundra SEZ with presence in 14 states. Its network includes transmission lines with total length of 23,269 ckm, making it the largest privately operating transmission line company in India. Additionally, it also has distribution license for the Mumbai region with access to the integrated distribution network catering to over 3 million customers. The company has also forayed into smart metering business with under-construction pipeline of 22.8 million smart meters across 5 states as of September 2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Nov 26, 2024	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short Term	1000.00	[ICRA]A1+	29-FEB-2024	[ICRA]A1+	21-SEP-2022	[ICRA]A1+	31-JAN-2022	[ICRA]A1+
				-	-	19-JAN-2023	[ICRA]A1+	-	-
				-	-	01-FEB-2023	[ICRA]A1+	-	-
				-	-	24-FEB-2023	[ICRA]A1+	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial paper programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: Click Here

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Yet to be Placed	**Commercial paper**	NA	NA	NA	1,000.00	[ICRA]A1+

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Company Name	AESL Ownership	Consolidation Approach
Adani Energy Solutions Limited	100.0% (rated entity)	Full Consolidation
Adani Transmission (India) Ltd	100.0%	Full Consolidation
Maharashtra Eastern Grid Power Transmission Company Ltd	100.0% (step-down subsidiary)	Full Consolidation
Sipat Transmission Ltd	100.0%	Full Consolidation
Raipur-Rajnandgaon-Warora Transmission Ltd	100.0%	Full Consolidation
Chhattisgarh-WR Transmission Ltd	100.0%	Full Consolidation
Adani Transmission (Rajasthan) Ltd	100.0%	Full Consolidation
North Karanpura Transco Ltd	100.0%	Full Consolidation
Maru Transmission Service Company Ltd	100.0%	Full Consolidation
Aravali Transmission Service Company Ltd	100.0%	Full Consolidation
Hadoti Power Transmission Service Ltd	100.0%	Full Consolidation
Barmer Power Transmission Service Ltd	100.0%	Full Consolidation
Thar Power Transmission Service Ltd	100.0%	Full Consolidation
Western Transco Power Ltd	100.0%	Full Consolidation
Western Transmission (Gujarat) Ltd	100.0%	Full Consolidation
Fatehgarh-Bhadla Transmission Ltd	100.0%	Full Consolidation
Ghatampur Transmission Limited	100.0%	Full Consolidation
Adani Electricity Mumbai Limited	74.9%	Full Consolidation
Adani Electricity Navi Mumbai Limited (formerly known as AEML Infrastructure Limited)	100.0%	Full Consolidation
OBRA-C Badaun Transmission Limited	100.0%	Full Consolidation
Adani Transmission Bikaner Sikar Private Limited	99.99%	Full Consolidation
Bikaner Khetri Transmission Limited	100.0%	Full Consolidation
WRSS XXI (A) Transco Limited	100.0%	Full Consolidation
Arasan Infra Limited	100.0%	Full Consolidation
Sunrays Infra Space Private Limited	100.0%	Full Consolidation
Lakadia Banaskantha Transco Limited	100.0%	Full Consolidation
Jamkhambaliya Transco Limited	100.0%	Full Consolidation
Power Distribution Services Limited	74.9%	Full Consolidation
Adani Electricity Mumbai Infra Limited	100.0%	Full Consolidation
Kharghar Vikhroli Transmission Private Limited	100.0%	Full Consolidation
Alipurdar Transmission Limited	100.0%	Full Consolidation
Warora Kurnool Transmission Limited	100.0%	Full Consolidation
ATL HVDC Limited	100.0%	Full Consolidation
AEML Seepz Limited	100.0%	Full Consolidation
Adani Transmission Step-One Limited	100.0%	Full Consolidation
MP Power Transmission Package II Limited	100.0%	Full Consolidation
MPSEZ Utilities Limited	100.0%	Full Consolidation

Company Name	AESL Ownership	Consolidation Approach
Karur Transmission Limited	100.0%	Full Consolidation
Khavda-Bhuj Transmission Limited	100.0%	Full Consolidation
Adani Transmission Mahan Limited	100.0% (step-down subsidiary)	Full Consolidation
Adani Electricity Jewar Limited	100.0%	Full Consolidation
Adani Transmission Step Two Limited	100.0%	Full Consolidation
Adani Cooling Solutions Limited	100.0%	Full Consolidation
WRSR Power Transmission Limited	100.0%	Full Consolidation
Khavda II-A Transmission Limited	100.0%	Full Consolidation
Adani-LCC JV	Adani Enterprises -60%, Adani Energy Solutions Limited-20%, LCC-20%	Full Consolidation
Adani Electricity Nashik Limited	100.0%	Full Consolidation
BEST Smart Metering Limited	100%	Full Consolidation
Adani Transmission Step-Three Limited	100%	Full Consolidation
Adani Transmission Step-Four Limited	100%	Full Consolidation
Adani Transmission Step-Five Limited	100%	Full Consolidation
Adani Transmission Step-Six Limited	100%	Full Consolidation
Adani Transmission Step-Seven Limited	100%	Full Consolidation
Adani Transmission Step-Eight Limited	100.0%	Full Consolidation
Adani Transmission Step-Nine Limited	100.0%	Full Consolidation
Adani Electricity Aurangabad Limited	100.0%	Full Consolidation
Adani Green Energy Thirty Limited	100% (step-down subsidiary)	Full Consolidation

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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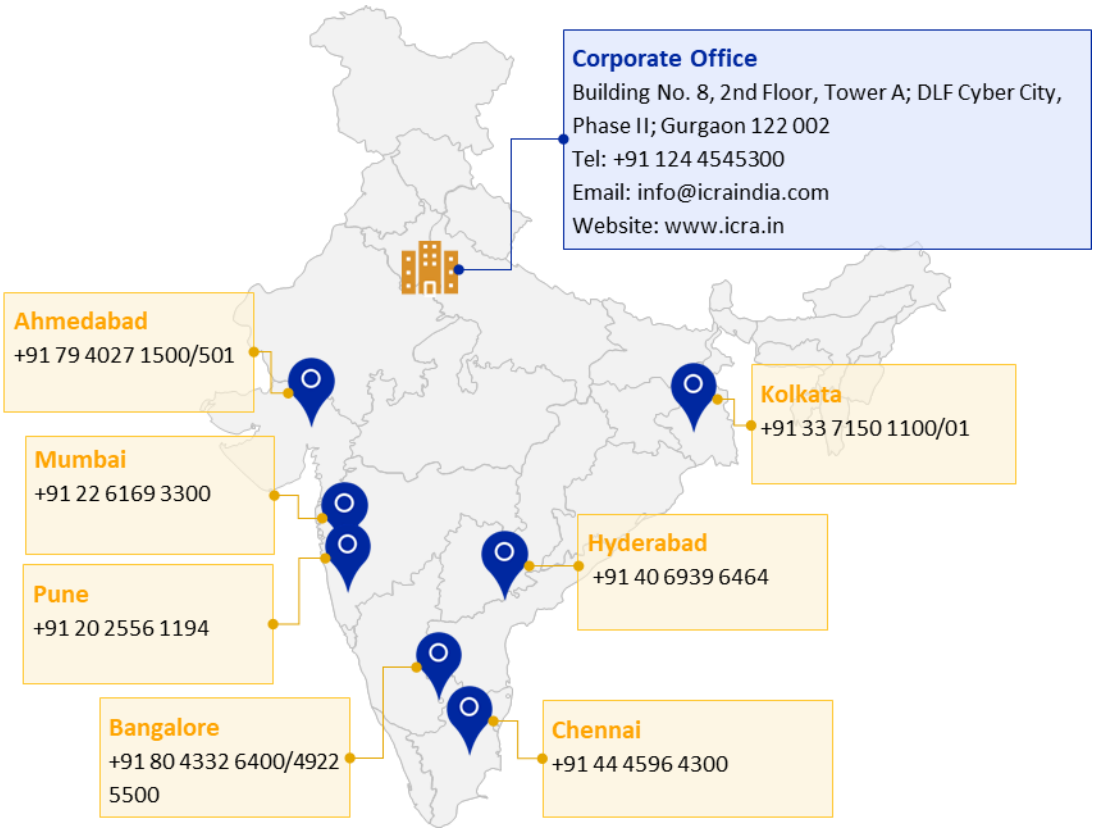

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