

February 01, 2023

Adani Total Gas Limited (erstwhile Adani Gas Limited): Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term: Fund-based limits – Term Loans	605.50	605.50	[ICRA]AA-(Stable); Outstanding
Long term: Fund-based limits – Cash Credit	105.00	105.00	[ICRA]AA-(Stable); Outstanding
Short term: Fund-based limits– BD/Short term loan	75.00	75.00	[ICRA]A1+; Outstanding
Short term: Non-fund based limits – LC/BG	1,850.00	1,850.00	[ICRA]A1+; Outstanding
Long Term/Short Term: Unallocated	165.50	165.50	[ICRA]AA-(Stable)/ [ICRA]A1+; Outstanding
Total	2,801.00	2,801.00	

*Instrument details are provided in Annexure-I

Rationale

On January 24, 2023, Hindenburg Research, a USA based research firm published a report, which had several adverse observations regarding accounting practices, related-party transactions, concentrated shares ownership by few overseas investments firms and share price movement of Adani group of companies including Adani Total Gas Limited (ATGL). Subsequent to the release of this report, the share prices of all the listed Adani group companies including ATGL have witnessed a steep decline. On January 29, 2023, Adani group released their detailed response to the observations made by Hindenburg, refuted the allegations and stating that most of the observations relate to matters that have been duly disclosed by the Adani portfolio companies in the past.

ICRA is monitoring the impact of these developments on its rated portfolio in Adani group, especially the financial flexibility of the group with key monitorables being access to domestic and international capital markets and banking channels, pricing of debt, tightening of debt covenants, recall or acceleration of debt facilities and refinancing. While the ICRA-rated Adani group entities do not have any immediate refinancing requirement, it is expected for some of the entities from FY2025 onwards. However, comfort is drawn from the high visibility on cashflows for these entities supported by the long tenure of the off-take contracts in case of Adani Transmission Limited (ATL), favorable demand prospects, dominant market position and long-term customer contracts for Adani Ports and Special Economic Zone Limited (APSEZL) and favourable economics of conversion in the CGD sector for ATGL and the strong liquidity position maintained by the group. While the large debt funded capex programme of the group remains a key challenge, ICRA notes that some of the planned capex is discretionary in nature and can be deferred depending on the liquidity position. ICRA also notes that the planned follow-on public offer (FPO) of Adani Enterprises Limited has been fully subscribed as per the disclosure on January 31, 2023. ICRA would continue to monitor and review the ratings based on the movement in credit metrics of the rated entities and impact of the latest events on their financial flexibility.

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 financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for City Gas Distribution Companies
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of ATGL.

About the company

Adani Total Gas Limited, incorporated in 2005, is in the CGD business, which involves marketing and distribution of natural gas (piped and compressed). At present, ATGL is one of the largest CGD player in India with presence in 33 GAs following receipt of authorisations to establish the CGD network in the 14 new GAs from the Eleventh-round bid. ATGL has also entered into a 50:50 JV with Indian Oil Corporation Limited, with the JV, IOAGPL, engaged in the implementation of the CGD network in several other GAs across India. IOAGPL also has presence in 19 GAs across the country.

Initially, the CGD operations of ATGL were with Adani Energy Limited (AEL). However, in November 2009, AEL approached the High Court of Gujarat for the approval of demerger of its existing operations into two divisions, namely gas trading business and gas distribution business catering to the marketing of gas to the end customers. The High Court of Gujarat had approved the scheme of demerger of AEL's city gas distribution into the Group company Adani Energy (U.P). Pvt Ltd [AEUL] by an order dated December 9, 2009. Accordingly, the existing company AEL (demerged company) retained the gas procurement division, while the gas distribution business (along with the related assets and liabilities) was transferred to a new company - Adani Energy (U.P) Private Limited [AEUL] {resulting company}. The name of the company was later changed to Adani Gas Private Limited in December 2009. Subsequently, the company was converted to a public limited company and consequently, its name was changed to Adani Gas Limited (AGL), which remained a wholly-owned subsidiary of AEL.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)				Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020	
				Feb 01, 2023	Aug 05, 2022			Sept 03, 2020	Dec 13,* 2019
1 Term Loans	Long term	605.50	456.4	[ICRA] AA-(Stable)	[ICRA] AA-(Stable)	[ICRA] AA-(Stable)	[ICRA] AA-(Stable)	[ICRA] A+%;	[ICRA] A+%;
2 Fund Based Limits - CC	Long-term	105.00		[ICRA] AA-(Stable)	[ICRA] AA-(Stable)	[ICRA] AA-(Stable)	[ICRA] AA-(Stable)	[ICRA] A+%;	[ICRA] A+%;
3 Non-Fund Based Limits – BG/LC	Short Term	1850.00		[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+%;	[ICRA] A1+%;
4 Fund Based Limits – BD/short term loan	Short Term	75.00		[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+%;	[ICRA] A1+%;

5 Unallocated	Long Term/ Short Term	165.50	[ICRA] AA- (Stable)/[ICRA] A1+	[ICRA] AA- (Stable)/[ICRA] A1+	[ICRA] AA- (Stable)/[ICRA]A1 +	[ICRA] AA- (Stable)/ [ICRA]A1+	[ICRA] A+%/ [ICRA]A1+%;	[ICRA] A+%/ [ICRA]A1+%;
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Note: *- %; Rating watch with positive implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term: Fund based limits – Term Loans	Simple
Long term: Fund based limits – Cash Credit	Simple
Short term: Fund-based limits– BD/Short term loan	Simple
Short term: Non-fund-based limits – LC/BG	Very Simple
Long Term/Short Term: Unallocated	NA

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 analysing 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 are 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
NA	Term Loan	FY2017	NA	FY2025	119.80	[ICRA]AA-(Stable)
NA	Term Loan	FY2017	NA	FY2025	71.40	[ICRA]AA-(Stable)
NA	Term Loan	FY2017	NA	FY2025	99.30	[ICRA]AA-(Stable)
NA	Term Loan	FY2022	NA	FY2025	315.00	[ICRA]AA-(Stable)
NA	Fund based – CC	NA	NA	NA	105.00	[ICRA]AA-(Stable)
NA	Non-fund based – BG/LC	NA	NA	NA	1850.00	[ICRA]A1+
NA	Fund based – BD/Short term loan	NA	NA	NA	75.00	[ICRA]A1+
NA	Long Term/Short Term Unallocated	NA	NA	NA	165.50	[ICRA]AA-(Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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Branches



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