

November 26, 2024

Ocean Sparkle Limited: Update on material event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term – Fund based - Others	4.00	4.00	[ICRA]AA (Stable)
Short-term - Non-Fund Based	65.00	65.00	[ICRA]A1+
Long-term/Short-term – Unallocated Limits	115.00	115.00	[ICRA]AA (Stable)/[ICRA]A1+
Total	184.00	184.00	

*Instrument details are provided in Annexure-1

Ocean Sparkle Limited is a step-down subsidiary of Adani Ports and Special Economic Zone Limited (APSEZ).

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, 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 setup 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 of the company in some of the materials for the bond offerings in September 2021. In its formal response, the Adani Group has denied the allegations and any wrongdoings.

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 defaults/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
Parent/Group support	Parent/Group Company: Adani Ports and Special Economic Zone Limited (rated [ICRA]AAA(Stable)/[ICRA]A1+). The ratings draw comfort from the likelihood of support from the ultimate parent company for the rated entity, should there be a need in future, given the strategic importance of the rated entity to the parent group
Consolidation/Standalone	While arriving at the ratings, ICRA has taken a consolidated view of Ocean Sparkle Limited (OSL) and its subsidiaries- Sparkle Port Services Limited (SPSL), Sparkle Terminal and Towage Services Limited (STTSL). As on March 31, 2023, the company had four subsidiaries and a joint venture, which are all enlisted in Annexure II

About the company

Ocean Sparkle Limited (OSL), its subsidiary and its joint venture (JV) companies, collectively referred to as the OSL Group, are engaged in the provision of marine vessels and comprehensive port management services across various major, non-major and captive ports in India and abroad. Adani Ports and Special Economic Zone Limited (APSEZ), through its subsidiary Adani Harbour Services Limited (AHSL), acquired a majority stake in the company in May 2022. Accordingly, from May 2022, AHSL has become the holding company and APSEZ has become the ultimate holding company. AHSL, directly or indirectly, held 98.52% in OSL as on December 31, 2023.

Status of non-cooperation with previous CRA: Not applicable

Any other information: A Member of the Board of Directors of ICRA Limited is also an Independent Director on the Board of Directors of Adani Ports & Special Economic Zone Limited (APSEZL) which is the ultimate parent of Ocean Sparkle Limited. This Director was not involved in any of the discussions and processes related to the rating of the instrument(s) mentioned herein.

Rating history for past three years

Instrument	Current (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD 1	Long Term	-	Nov 26, 2024	-	Mar 28, 2024	-	Apr 29, 2022	[ICRA]AA-%	Apr 08, 2021	[ICRA]AA-(stable)
							Mar 13, 2023	[ICRA]AA-(Stable); Withdrawn		
NCD 2	Long Term	-	Nov 26, 2024	-	Mar 28, 2024	-	Apr 29, 2022	[ICRA]AA-%	Apr 08, 2021	[ICRA]AA-(stable)
							Mar 13, 2023	[ICRA]AA-(Stable); Withdrawn		
Term Loans	Long Term	-	Nov 26, 2024	-	Mar 28, 2024	-	Apr 29, 2022	[ICRA]AA-%	Apr 08, 2021	[ICRA]AA-(stable)
							Mar 13, 2023	-		
Fund based – Working capital facilities	Long Term	4.00	Nov 26, 2024	[ICRA]AA (Stable)	Mar 28, 2024	[ICRA]AA (Stable)	Apr 29, 2022	[ICRA]AA-%	Apr 08, 2021	[ICRA]AA-(stable)
							Mar 13, 2023	[ICRA]AA-(stable)		
Non-Fund based	Short Term	65.00	Nov 26, 2024	[ICRA]A1+	Mar 28, 2024	[ICRA]A1+	Apr 29, 2022	[ICRA]A1+	Apr 08, 2021	[ICRA]A1+
							Mar 13, 2023	[ICRA]A1+		
Unallocated Limits	Long Term/Short Term	-	Nov 26, 2024	-	Mar 28, 2024	-	Apr 29, 2022	[ICRA]AA-%/[ICRA]A1+	Apr 08, 2021	[ICRA]AA-(Stable)/[ICRA]A1+
							Mar 13, 2023	-		
Unallocated Limits	Long Term/Short Term	115.00	Nov 26, 2024	[ICRA]AA (Stable)/[ICRA]A1+	Mar 28, 2024	[ICRA]AA (Stable)/[ICRA]A1+	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Fund based - Others	Simple
Short-term - Non-Fund Based	Very Simple
Long-term/Short-term – Unallocated Limits	Not Applicable

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
NA	Long-term – Fund based – Others	-	-	-	4.00	[ICRA]AA (Stable)
NA	Short-term - Non-Fund Based	-	-	-	65.00	[ICRA]A1+
NA	Long-term/Short-term – Unallocated Limits	-	-	-	115.00	[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

Company Name	OSL Ownership	Consolidation Approach
Ocean Sparkle Limited	100.0% (rated entity)	Full Consolidation
Sparkle Port Services Limited	100.0%	Full Consolidation
Sparkle Terminal and Towage Services Limited	100.0%	Full Consolidation
Sparkle Overseas Pte. Ltd	100.0%	Full Consolidation
Sea Sparkle Harbour Services Limited	100.0%	Full Consolidation
Khimji's Sparkle Marine Services Co SOAC	49.0%	Equity Method

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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.

For more information, visit www.icra.in

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Branches



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