



CREDIT UPDATE

3 February 2023

Credit update - Adani Group entities Material events update

Hindenburg Research, a USA based research firm, published a report on the Adani group on 24 January 2023, raising several adverse observations on the group's functioning including corporate governance, accounting practices, related party transactions, elevated levels of debt, share price movements of certain Adani group listed companies, complicated group structures amidst others. The Adani Group has provided detailed responses to the points in the Hindenburg report and refuted the allegations, stating that it complies with all laws and disclosure requirements. BWR has taken note of the Hindenburg report and that the Adani group has been under heightened scrutiny and selloff after the publication of this report.

Adani Enterprises Limited (AEL), the flagship company of the Adani Group of companies, announced a Follow-on Public Offering (FPO) of Rs. 20000 Crs, commencing from 27 January 2023 till 31 January 2023. The FPO was fully subscribed on 31 January 2023 but was called off a day later by the Adani Group citing the unprecedented situation and ongoing market volatility and stating that the aim is to protect the interest of its investing community.

The Adani Group stocks have lost more than USD 110 Bn in Market Capitalisation since the report was published and the slide in prices continues. The selloff in Adani group stocks has intensified after Credit Suisse and Citigroup have stopped accepting bonds of Adani companies as collateral for margin loans. RBI has called for details of the borrowings of the Group from the lending banks. BWR also notes that three Adani Group companies, including Adani Enterprises Limited, have come under short-term additional surveillance measure (ASM) framework of the BSE and NSE on account of market surveillance. It is also reported that AEL would be moved out of the Dow-Jones Sustainability Index shortly.

BWR has rated AEL - the flagship Company and incubator of the Group, various power generation companies which are subsidiaries of Adani Power Ltd and also the investment Companies of the Group - Adani Rail Infra Pvt. Ltd. (ARIPL) and Adani Properties Pvt. Ltd. (APPL). In respect of the investment companies, BWR has rated the Non-Convertible Debentures (NCD) which are secured by the pledge of the equity shares of some of the listed group companies. The ratings for all the Adani group entities factored the Adani group support and the strengths of their credit risk profiles, while also noting the high debt levels, large debt funded capex plans of AEL and increasing reliance on short term debt of AEL as credit constraints.

BWR is in discussions with the Adani group to understand the impact of the recent developments on the group's financial flexibility, the group's strategy to address the various issues, including



current liquidity to meet its short term maturing debt obligations, ability to raise funds for committed capex, leverage and ability to meet rated debt covenants and refinance maturing debt. The steep decline in prices, the consequent impact on the share pledge backed rated debt (NCD) of Adani Rail Infra Private Limited (ARIPL) and Adani Properties Private Limited (APPL) and adequacy of unencumbered shares to provide adequate security cover are being closely monitored by BWR. Confirmation regarding the timely top-up and availability of security cover in excess of stipulated levels has been received from the Debenture Trustees of these rated NCDs as well as the rated entities.

BWR keeps all its outstanding ratings under continuous surveillance. Any unfavourable regulatory/legal/governmental action, impact on the rated entities' access to financing or cost of financing from domestic and international lenders/investors/capital markets on a medium to long-term basis and performance of the rated Adani group entities shall be the key rating sensitivities. BWR will continuously monitor the developments and review the ratings once there is additional clarity.

List of Entities Rated by BWR:

	Companies	Link to Latest Rating Rationale
1	Adani Enterprise Ltd.	Click Here
2	Adani Power (Mundra) Ltd.	Click Here
3	Adani Power Jharkhand Ltd	Click Here
4	Adani Power Maharashtra Ltd	Click Here
5	Adani Properties Pvt Ltd	Click Here
6	Adani Rail Infra Pvt. Ltd.	Click Here
7	Raipur Energen Ltd	Click Here
8	Raigarh Energy Generation Ltd	Click Here
9	Smartmeter Technologies Pvt. Ltd.	Click Here

Hyperlink to the Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Commercial Paper](#)

[Criteria for Credit Enhanced Debt](#)

[Criteria for Consolidation of Companies](#)

[Infrastructure Sector](#)

[Power Generation Projects](#)

[Rating Based on Group Support](#)

[Short Term Debt](#)

[Trading Entities](#)



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