



Rating_Action: **Moody's takes ratings actions on 8 Adani Group entities**

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Singapore, February 10, 2023 – Moody's Investors Service has today affirmed the ratings on eight Adani Group companies.

At the same time, Moody's has changed the outlook on four issuers to negative from stable, while maintaining the stable outlook on other four companies.

The eight companies affected are:

1. Adani Green Energy Limited (AGEL) - Ba3 ratings affirmed; outlook changed to negative from stable
2. Adani Green Energy Restricted Group (AGEL RG-1) comprising Adani Green Energy (UP) Limited; Parampujya Solar Energy Private Limited; Prayatna Developers Private Limited - Ba2 ratings affirmed; outlook changed to negative from stable
3. Adani Transmission Step-One Limited (ATSOL) - Baa3 ratings affirmed; outlook changed to negative from stable
4. Adani Electricity Mumbai Limited (AEML) - Baa3 ratings affirmed; outlook changed to negative from stable
5. Adani Ports and Special Economic Zone Limited (APSEZ) - Baa3 ratings affirmed; outlook remains stable
6. Adani International Container Terminal Private Ltd (AICTPL) - Baa3 ratings affirmed; outlook remains stable
7. Adani Green Energy Restricted Group (AGEL RG-2) comprising Wardha Solar (Maharashtra) Private Limited, Kodangal Solar Parks Private Limited and Adani Renewable Energy (Rj) Limited - Ba1 ratings affirmed; outlook remains stable
8. Adani Transmission Restricted Group 1 (ATL RG1) comprising Barmer Power Transmission Service Limited; Raipur-Rajnandgaon-Warora Transmission Ltd; Sipat Transmission Limited; Thar Power Transmission Service Limited; Hadoti Power Transmission Service Limited; Chhattisgarh-WR Transmission Limited - Baa3 ratings affirmed; outlook remains stable

These rating actions follow the significant and rapid decline in the market equity values of the Adani Group companies following the recent release of a report from a short-seller highlighting governance concerns in the Group.

Please click on this link <https://www.moodys.com/viewresearchdoc.aspx?>

[docid=PBC_ARFTL473656](#) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

AFFIRMATION OF RATINGS AND CHANGE IN OUTLOOK TO NEGATIVE FROM STABLE FOR AGEL, AGEL RG-1, ATSOL and AEML

The affirmation of AGEL's senior secured bond rating reflects its predictable cash flow backed by long-term power purchase agreements (PPAs), its large and diversified portfolio of solar and wind generation projects, and its very high financial leverage.

The change in the outlook to negative on AGEL considers the company's large capital spending program and dependence on sponsor support, potentially in the form of subordinated debt or shareholder loans, which will likely be less certain in the current environment. The negative outlook also factors in the company's significant refinancing needs of around \$2.7 billion in fiscal year ending March 2025 (fiscal 2025) and limited headroom in its credit metrics to manage any material increase in funding costs.

The affirmation of AGEL RG-1's senior secured bond rating considers its predictable revenues from a diversified set of projects in India, operating under long-term PPAs with fixed tariffs. The AGEL RG-1's underlying credit quality also reflects the uneven past performance of the restricted subsidiaries' projects, and its high financial leverage.

The change in the outlook on AGEL RG-1 to negative factors in the refinancing risk associated with \$500 million of bonds maturing in December 2024. Moody's recognizes that the project finance structure of AGEL RG-1 provides protection from any contagion risk from the broader Adani Group.

The affirmation of ATSOL's senior secured bond ratings reflects the company's close credit linkage with its wholly-owned parent, Adani Transmission Limited (ATL), owing to the parental guarantee provided by ATL over the rated bonds and the event of default provisions linked to ATL's solvency. ATL's credit profile, in turn, reflects the predictable revenue from its diversified portfolio of quality regulated or contracted transmission and distribution assets, as well as the group's aggressive growth strategy and the incremental debt required to fund its capital spending.

The change in the outlook on ATSOL to negative considers the modest headroom in ATL's credit metrics relative to the minimum tolerance level under Moody's base case scenario, which limits the group's ability to withstand a material increase in funding cost or reduced funding access.

The affirmation of AEML's senior secured bond ratings reflects the predictable revenue from its integrated utility business in Mumbai, all of which are regulated. At the same time, the rating affirmation considers AEML's elevated financial leverage partly due to its large capital spending in recent years. The change in outlook to negative reflects the likely reduction in its funding access and reduced ability to manage any material increase in funding costs given the limited headroom in its credit metrics under Moody's base case scenario.

AFFIRMATION OF RATINGS AND STABLE OUTLOOK MAINTAINED FOR APSEZ, AICTPL, AGEL RG-2 and ATL RG1

The affirmation of APSEZ's issuer ratings considers the company's strong market position as the largest port developer and operator in India by cargo volume and its strong liquidity and financial

profile. The stable outlook on the ratings reflects Moody's expectation that APSEZ would continue to generate relatively steady cash flow over the next 12-18 months and would be able to realign its capital spending plans in the event of a liquidity squeeze.

The affirmation of AITCPL's senior secured bond ratings considers the company's strategic location and access to a large catchment area that generates strong origin-destination cargo demand. It also reflects the fully amortizing fixed-cost debt structure that helps to improve the company's credit profile, its strong operating history and strong and committed shareholders. The stable outlook on the ratings reflects the project finance features of the senior secured bonds including restrictions on debt incurrence and distributions, and the reserving of cash which supports debt servicing, which provide a ring fence from any contagion risk from the broader Adani Group.

The affirmation of AGEL RG-2's ratings considers the group's predictable revenues from a diversified set of projects in India, operating under long-term PPAs with fixed tariffs, and the group's dependence on sovereign-owned entities, such as Solar Energy Corporation of India, for more than 70% of the offtake from its power projects. The stable outlook on the ratings reflects the project finance features of the senior secured bonds including restrictions on debt incurrence and distributions, the absence of growth capital spending requirement, the reserving of cash which supports debt servicing, which provide a ring fence from any contagion risk from the broader Adani Group.

The affirmation of ATL RG1's ratings factors in the group's predictable revenues from a portfolio of transmission projects in India, operating under long-term transmission service agreements with fixed tariffs, the essential nature of the transmission grid as part of India's decarbonization plans, and the group's moderate financial leverage. The stable outlook reflects ATL RG1's full amortization structure and absence of growth capital spending requirements, which minimize the need for additional funding from its shareholders or the capital markets. It further recognizes the ring-fencing in place to reduce potential contagion risk from the Adani Group.

The stable outlook on APSEZ, AICTPL, AGEL RG-2 and ATL RG1 further assumes that there will be no material adverse effect from any potential regulatory or legal investigations or increase in related party transactions to provide funding support to other group entities.

Please click on this link https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL473656 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

Principal Methodologies and Models Used

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

AGEL, AGEL RG-1, ATSOL and AEML

Given the negative outlook on AGEL, AGEL RG-1, ATSOL and AEML, an upgrade of the ratings is unlikely in the near term.

However, Moody's could change the rating outlook to stable, if the entities can demonstrate their access to the capital markets to meet their growth funding and refinancing requirements; and if their management can effectively implement timely and effective countermeasures to preserve the companies' credit metrics – including a reduction in capital spending or financial leverage with support from the promoter. A revision in the outlook to stable is further predicated on there

being no material increase in related party transactions to provide funding support to other group entities. The stable outlook further assumes that there will be no material adverse effect from any potential regulatory or legal investigations.

For AGEL, Moody's could downgrade its rating if (1) it becomes clear that the company is facing challenges in refinancing its large maturing debt in a timely manner; (2) its credit profile deteriorates, such that its cash flow from operation pre-working capital / debt declines below 3% or its interest coverage falls below 1.25x on a sustained basis, potentially because of weaker operational performance, a delay in the commissioning of new projects, aggressive acquisitions and capital spending beyond our expectations; and (3) support from its shareholders, Adani Group and TotalEnergies SE (Total, A1 stable), - weakens.

AGEL RG-1's rating could come under downward pressure if it becomes clear that it is facing challenges in refinancing its maturing debt in a timely manner; if its funds from operations (FFO)/debt falls below 5% on a consistent basis; and/or if Moody's assessment of the credit profile of the off-taker of AGEL RG-1's assets changes.

Moody's could downgrade ATSOL's or AEML's ratings if the companies face sustained challenges in accessing funding. Moreover, the ratings could be downgraded if the companies' credit metrics deteriorate beyond the respective minimum rating tolerance levels, namely FFO/net debt below 7.5% on a sustained basis for ATL, and cash flow from operations pre working capital/debt below 9% on a sustained basis for AEML. Such weakening could stem from deterioration in the companies' underlying operations, or a potential increase in related party transactions with ATSOL or AEML providing funding support to other Adani Group entities.

APSEZ, AICTPL, AGEL RG-2 and ATL RG1

Moody's could upgrade APSEZ's rating if the sovereign rating is upgraded; the company continues to improve its operating performance and business mix; and it undertakes permanent leverage reduction, with its FFO/debt above 22% on a sustained basis.

Conversely, Moody's could downgrade APSEZ's rating if the sovereign rating is downgraded; or its cargo volumes decline, resulting in its financial metrics deteriorating beyond the parameters of the Baa3 rating category. In particular, Moody's would consider downgrading APSEZ's rating if the company's FFO/debt falls below 14% on a sustained basis and cash interest coverage remains below 2.75x-3.00x. A reinstatement of related-party loans could also strain the rating.

Moody's could upgrade AICTPL's rating if the sovereign rating is upgraded, and the company improves its financial profile such that its average DSCR exceeds 3.0x.

However, Moody's could downgrade AICTPL's senior secured bonds ratings if India's sovereign rating is downgraded; the company's average DSCR declines below 1.7x over the next 3-5 years or FFO/debt falls below 12% on a sustained forward-looking basis; its ability to retain sufficient cash to meet the last three years' debt servicing is severely compromised; and/or support from its shareholders weakens to the extent that it affects its operations.

Moody's could upgrade AGEL RG-2's rating if the sovereign rating is upgraded and the restricted group's and AGEL's underlying credit profiles do not significantly deteriorate.

Conversely, Moody's could downgrade AGEL RG-2's bond ratings if the sovereign rating is downgraded, the company's DSCR deteriorates toward 1.30x on a sustained basis, and/or Moody's view on the off-taker credit profile of restricted group assets changes.

An upgrade of ATL RG1's bonds is unlikely in the absence of a sovereign rating upgrade, because of the restricted subsidiaries' domestically focused operations.

On the other hand, Moody's will downgrade ATL RG1's rating if the sovereign rating is downgraded. Furthermore, downward pressure could develop on the bond ratings if the RG's average DSCR remains below 1.30x on a consistent basis or there are signs that the essentiality of the RG's lines as part of the transmission grid has declined.

REGULATORY DISCLOSURES

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