

S&P Global revises outlook of five Adani entities to negative

TAKING A HIT. US indictment could affect investor confidence in other Group entities

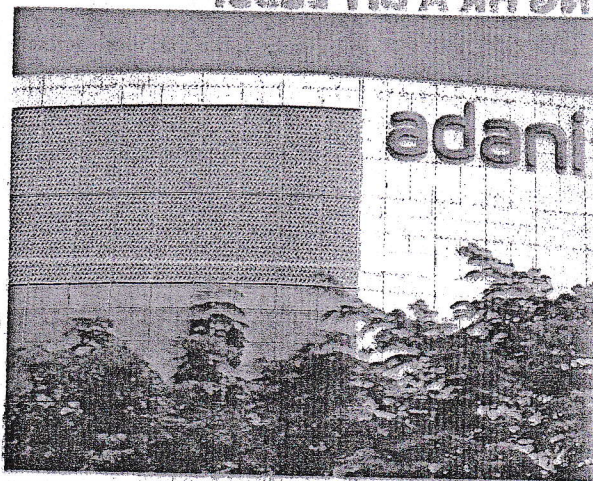
Our Bureau
Mumbai

Following the indictment by US authorities of Gautam Adani and other officials, S&P Global Ratings has revised to negative the outlook on Adani Electricity Mumbai, and Adani Ports and Special Economic Zone while affirming the 'BBB-' ratings on these entities.

The global rating agency said that it has also revised the outlook on Adani Green Energy Restricted Group 2 to negative, though it was ringfenced from the parent, Adani Green Energy, which was linked to the indictment. It said it affirmed the BB+ rating.

\$35 BILLION CAPEX

"The negative outlook on these entities indicates that, in our view, their cash flows could be materially affected if their funding access weakens, their funding costs rise significantly, or the allegations are proven, in addition to our assessment of their governance and business



IN TROUBLE. The global rating agency said it has also revised the outlook on Adani Green Energy Restricted Group 2 to negative, though it was ringfenced from the parent, Adani Green Energy, which was linked to the indictment. BLOOMBERG

profiles," it said. A US indictment of three board representatives of an unrated Adani group entity could affect investor confidence in other Adani group entities (because the founder is on the board of multiple entities within the group), thereby potentially impairing their funding access and increasing their funding costs, the

rating agency said. "In our view, this could further raise questions regarding the management and governance of various Adani group entities, S&P said, adding the rider that the indictment is independent of, but follows, a short seller report that led to investigation by Indian Supreme Court and India's capital market

regulator," it added.

The funding concerns raised by the rating agency are justified. Following the indictment, Adani Green scrapped a \$500-600 million bond issuance plan, which was supposed to repay foreign currency loans. It has around \$2 billion of debt in short-term project loans, some of which are up for refinancing.

FUNDING PROGRAMME

Also at risk is the company's funding programme.

In an industry event this week, Sagar Adani, executive director of Adani Green Energy and one of the officials named in the indictment, had said that the company had a planned capex of \$35 billion over the next five years to reach its stated target of \$50 GW by the end of the decade.

Most of the funding by the company, as also the group, comes from overseas bond issuances, specifically US dollar denominated bonds. Adani Green is critical to the group as it is one of its engines of growth.