

Adani Green Energy Limited

January 17, 2022

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Short-term Bank Facilities	200.00	CARE A1+ (A One Plus)	Assigned
Total Bank Facilities	200.00 (Rs. Two hundred crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Adani Green Energy Limited (AGEL) derives strength from its parentage of Adani group which has vast experience in diversified sectors, its experienced management, along with the presence of Total Energies S. E. (TotalEnergies) as a strategic partner. The rating is also underpinned by the established track record of AGEL in setting up and operating renewable energy projects across India with steady organic as well as inorganic growth and stable profitability on the back of healthy generation levels of its operational assets. The rating also derives strength from long-term off-take arrangement through power purchase agreements (PPA) at fixed tariffs yielding strong revenue visibility and its adequate liquidity profile.

The rating strengths are, however, constrained by inherent project execution risk associated with under-implementation projects though partially mitigated by the modular nature of capex. The rating strengths are also tempered by large-sized debt raising plans in AGEL during the construction phase of its assets along with reliance on debt upsizing and in firm revenue to meet the capital commitments, leading to moderate debt coverage indicators in the medium-term. The rating strengths are also constrained by interest rate fluctuation risk and dependence of power generation on climatic conditions and technological risks.

Rating Sensitivities

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Inordinate delays in the completion of under-construction projects.
- Total debt to PBILDT of more than 10x on a sustained basis.
- Delays in the tie-up of funding facilities including refinancing at either the special purpose vehicle (SPV) or the holding company (holdco) level.
- Lower-than-expected operating performance on a sustained basis, thus, impacting profitability and cash accruals.

Detailed description of the key rating drivers

Key Rating Strengths

Established track record of Adani Group and TotalEnergies in renewable and energy sector with strong financial risk profile

The promoters of AGEL have more than two decades of experience in various businesses along with an established relationship with global players. The Adani group has presence in diverse sectors, with primary interests in the ports and energy sector. Adani group's long-standing presence in the entire power chain, viz., generation, transmission and distribution, provides significant synergetic benefits. The group has operations ranging from domestic and overseas coal mining to ports, logistics, power generation, city gas distribution and power transmission and distribution through various group companies. Through AGEL, the group has expanded its presence in the renewable energy sector over the past five years at a compounded annual growth rate (CAGR) of 62% till FY21 (refers to the period April 01 to March 31) and is one of the largest renewable energy developers in India.

AGEL's promoters have high financial flexibility as reflected in the market value of unpledged promoter holding in listed Adani group entities.

In January 2021, TotalEnergies announced the acquisition of 20% stake in AGEL from Adani group promoters along with the acquisition of 50% stake in the operational solar portfolio of AGEL for a combined consideration of around US\$ 2.5 billion. TotalEnergies's portfolio on a consolidated basis also encompasses other solar, wind, hydro-electric and bio-methane power development projects with a total renewable installed capacity of 3.5 GW as on March 31, 2021 (including 20% interest in AGEL) and under development capacity of 6.2 GW to be executed by CY25 (refers to the period January 01 to December 31).

Successful track record of setting up and operating renewable energy projects

AGEL is one of the largest renewable energy developers in India and has a sizable presence in the global renewable energy landscape. As of September 30, 2021, AGEL had a portfolio of 20.28 GW, which is largely steered by under-implementation projects, which form around 73% of AGEL's total portfolio. Of the total capacity, around 76% is solar and the rest is wind (11%) and hybrid (14%), spread across eleven states including Rajasthan, Gujarat, Karnataka, Tamil Nadu and others. Over time, AGEL has augmented its operational capacity inorganically through the acquisition of stable projects having remunerative tariff. During H1FY22, AGEL's operational portfolio increased by 1.94 W, which was largely driven by the acquisition of 1.7 GW of operational assets from SB Energy Holdings Limited (SB Energy). AGEL completed the acquisition of SB Energy from Softbank Group Capital

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Limited and Bharti Global Limited in September 2021 at an enterprise value of US\$ 3.5 billion (around Rs.26,000 crore). The entire acquired portfolio of around 5 GW from SB Energy, including operational assets of 1.7 GW, is tied-up under long-term PPAs with strong counterparties.

Long-term off-take arrangements yielding strong revenue visibility

AGEL currently has an operational portfolio of 5.41 GW as on September 30, 2021, which is entirely contracted under 25-year power purchase agreements (PPAs) at fixed tariffs, with 65% capacity tied-up with stronger counter-parties including Solar Energy Corporation of India Ltd (SECI) and NTPC Ltd (rated: 'CARE AAA; Stable / CARE A1+'). Additionally, the operational capacity of 1.7 GW acquired from SB Energy is also fully tied-up under 25 years PPAs with strong counterparties. The same provides strong revenue visibility for AGEL's entire portfolio supported by a must-run status of operations for renewable projects and healthy generation levels of AGEL's assets.

Furthermore, the average tariff for AGEL's portfolio is competitive compared to the prevailing tariffs in the renewable energy sector, which reduces the risk of any potential PPA renegotiation.

Healthy operating parameters resulting in healthy profitability

During FY21, AGEL reported healthy operational parameters with better-than P-90 level CUF for majority of its portfolio, backed by improvement in plant availability, healthy grid availability and consistent solar irradiation.

Particulars	PAF (%)			GAF (%)			CUF (%)		
	FY20	FY21	Q1FY22	FY20	FY21	Q1FY22	FY20	FY21	Q1FY22
Solar	98.90	99.50	99.60	98.30	96.80	98.00	22.60	22.50	25.00
Wind	89.70	95.10	94.60	100.00	99.70	98.90	26.70	26.80	38.50

PAF: Plant Availability Factor; GAF: Grid Availability Factor; CUF: Capacity Utilisation Factor

Strong operating parameters have led to a healthy financial profile for AGEL. The company reported total operating income (TOI) of Rs.3,520 crore during FY21, CAGR of around 45% over the last three years ended FY21. During H1FY22, AGEL reported TOI of Rs.1,914 crore, marking a growth of around 21% on y-o-y basis. AGEL has also maintained PBILDT margin of around 90% consistently over the last three years. Furthermore, better O&M practices of AGEL, along with regular capex to arrest degradation, are expected to sustain the generation at healthy levels over the long term.

Key Rating Weaknesses

Large portfolio of under-construction assets resulting in execution risk, albeit majority of incremental capacities expected to be contracted with stronger counterparties

Around 73% of AGEL's total portfolio of around 20 GW is under-implementation, marked by operational to under-construction assets ratio of 0.36:1. AGEL expects to commission projects of over 4 GW each, in FY22 and FY23, and 2 GW each, thereafter till FY26. Large under-construction portfolio entails high project execution risk as any delay in project completion would lead to time and cost overrun and its associated financing risks. However, given the modular nature of the operations of AGEL with integration with its group entities for procurement of solar modules and construction of power evacuation infrastructure, along with its strong execution capabilities and demonstrated track record of early commissioning of certain assets, mitigate the execution risk to an extent. Furthermore, the expected commissioning of large capacities ahead of its schedule entails an infirm revenue, which is part of overall capital budgeting. Any delay in commissioning of capacities beyond the envisaged timelines would increase the reliance on internal accruals for project financing.

State discoms currently constitute around 51% of AGEL's operational portfolio. However, with tie-up of 8 GW of assets with SECI and acquisition of SB Energy Assets, AGEL's counterparty profile is expected to improve significantly, whereby, around 90% of the total portfolio would be contracted with strong counterparties.

Large-sized debt raising plans at holdco level along with reliance on debt upsizing

AGEL has under-construction capacity of around 15 GW (including SB Energy assets) to be commissioned over the next five years, thus entailing an envisaged capex of over Rs.65,000 crore. This is expected to be funded by raising debt of around Rs.60,000 crore and equity contribution of around Rs.5,000 crore. The total debt to EBIDTA, which was around 6.86x in FY21, is expected to increase to 10.75x in FY22 and 9.05x in FY23, based on the present debt-funded capacity addition plans.

As informed by the management, AGEL has a construction stage financing system in place for all its SPVs, under which, AGEL opens a letter of credit (LC) facility for procuring equipment for the SPVs, which is then repaid by raising construction debt in the SPVs. AGEL has also secured a construction debt of US\$ 1.35 billion in the form of revolving credit facility along with utilising the working capital limits available at holdco level to fund the SPVs during the construction phase. However, for financing the equity component, AGEL plans to raise another debt at the holdco level.

Interest rate and foreign exchange fluctuation risk

The majority of the term debt availed by the company currently are at floating rate loans. AGEL plans to mitigate the interest rate risk by refinancing the current outstanding debt of SPVs with fixed rate USD bonds. Furthermore, the stapled instruments subscribed by TotalEnergies have a fixed annual interest layout.

The presence of USD-denominated debt and the debt refinancing strategy with foreign currency bonds exposes the company to foreign exchange fluctuation risk as its earnings are in INR. However, AGEL has a formal risk management policy in place for managing forex exposure risk and interest rate risk.

Susceptibility of operating performance to variability in wind patterns and climatic conditions

Poly-crystalline technology has a proven history worldwide, suffers relatively lower degradation and requires lesser land, leading to reduction in the Balance of Systems (BoS) cost, however, there is still a moderate track record of the performance of the solar modules in Indian conditions, though the track record of poly-crystalline modules has been satisfactory so far in India. AGEL also has exposure in the wind power segment. Wind projects are exposed to inherent risk of weather fluctuations, leading to variations in the wind patterns, which affect the PLF (as seen in FY21). Also, wind generation is seasonal in nature and generally experience the maximum generation from April till mid-September; while during the offseason stretching from mid-September to March, wind generation dips significantly, contributing the remaining 5-15% of the wind generation. Achievement of desired CUF going forward would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks.

Liquidity: Adequate

AGEL's liquidity position remains adequate, backed by free cash and cash equivalents of Rs.670 crore as on March 31, 2021 on a consolidated level. The company has been sanctioned fund-based limits of Rs.1,288 crore and non-fund-based limits of Rs.7,959 crore, both at consolidated level. AGEL is also expected to generate GCA of over Rs.1,000 crore annually, which will be adequate to meet the repayment and interest obligations at the holdco.

The availability of adequate DSRA balance in each of the SPVs, aggregating around Rs.700 crore as on March 31, 2021, and sanctioned fund-based working capital limits in certain SPVs, also provide cushion to the liquidity of AGEL.

Analytical Approach: Consolidated

List of all the entities getting consolidated under AGEL is as per Annexure-5

Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Infrastructure Sector Ratings](#)

[Power Generation Projects](#)

[Solar Power Projects](#)

[Wind Power Projects](#)

About the company

Incorporated in January 2015, Adani Green Energy Ltd (AGEL) is promoted by the Adani Group for foraying into renewable energy projects. Until May 2018, AGEL was owned by Adani Enterprises Limited (51%) and Adani Properties Pvt Ltd (49%). However, through a Scheme of Arrangement announced by AEL in October 2017, AEL's holding in AGEL was transferred to the existing shareholders of AEL through a share swap, and on June 18, 2018, AGEL got listed on BSE under group index B. Post its stock exchange listing in June 2018, AGEL was promoted by the Adani Family Trust (76%) and the balance by public (24%). However, in January 2021, TotalEnergies S.E. acquired 20% stake in AGEL.

AGEL initially developed a 12-MW wind energy plant in Madhya Pradesh along with Inox Wind Limited. However, since then, the company has grown multi-folds, while making regular acquisitions. In September 2021, AGEL acquired a portfolio of around 5 GW of SB Energy, and with the acquisition, AGEL's total portfolio has now reached 20.28 GW as on September 30, 2021, of which around 27% is operational and the remaining is under various stages of execution, to be fully commissioned by 2025. Of the total capacity, around 76% is solar and the rest is wind (11%) and hybrid (14%), spread across eleven states.

Brief Financials (Rs. crore) (AGEL – Consolidated)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	2,234	3,205	1,914
PBILDT	1,950	2,946	1,785
PAT	-68	182	319
Overall gearing (times)	6.45	9.88	16.56
Interest coverage (times)	1.96	1.51	1.57

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4
Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Short-term	-	-	-	180 days from the date of disbursement	200.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (21-Aug-18)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (21-Aug-18)
3	Term Loan-Short Term	ST	200.00	CARE A1+				

* Long-term/Short-term

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable
Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Term Loan-Short-term	Simple

Annexure 5: List of subsidiaries getting consolidated at AGEL level as on March 31, 2021

Sr No.	Name of Entity	Subsidiary / Joint Venture / Associate	% Shareholding by AGEL as on March 31, 2021
1	Adani Green Energy (Tamil Nadu) Limited	Subsidiary	100
2	Adani Green Energy (UP) Limited	Subsidiary	100
3	Adani Wind Energy Kutchh One Limited	Subsidiary	100
4	Adani Wind Energy (Gujarat) Private Limited	Subsidiary	100
5	Parampujya Solar Energy Private Limited	Subsidiary	100
6	Prayatna Developers Private Limited	Subsidiary	100
7	Rosepetal Solar Energy Private Limited	Subsidiary	100
8	Mahoba Solar (UP) Private Limited	Subsidiary	100
9	Gaya Solar (Bihar) Private Limited	Subsidiary	100
10	Kodangal Solar Parks Private Limited	Subsidiary	100
11	Adani Renewable Power LLP	Subsidiary	100
12	Adani Renewable Energy (MH) Limited	Subsidiary	100
13	Adani Renewable Energy (KA) Limited	Subsidiary	100
14	Adani Renewable Energy Park Limited	Subsidiary	100
15	Adani Wind Energy (GJ) Limited	Subsidiary	100
16	Adani Renewable Energy Park (Gujarat) Limited	Subsidiary	100
17	Adani Green Energy Two Limited	Subsidiary	100
18	Adani Green Energy Four Limited	Subsidiary	100
19	Adani Green Energy Ten Limited	Subsidiary	100
20	Adani Green Energy Eleven Limited	Subsidiary	100
21	Adani Green Energy Twelve Limited	Subsidiary	100
22	Adani Green Energy Fourteen Limited	Subsidiary	100
23	Adani Green Energy Twenty Limited	Subsidiary	100
24	Adani Green Energy Twenty One Limited	Subsidiary	100
25	Adani Green Energy Twenty Three Limited	Subsidiary	100
26	Ramnad Solar Power Limited	Step-own subsidiary	100
27	Kamuthi Solar Power Limited	Step-down subsidiary	100

Sr No.	Name of Entity	Subsidiary / Joint Venture / Associate	% Shareholding by AGEL as on March 31, 2021
28	Ramnad Renewable Energy Limited	Step-down subsidiary	100
29	Kamuthi Renewable Energy Limited	Step-down subsidiary	100
30	Wardha Solar (Maharashtra) Private Limited	Step-down subsidiary	100
31	Kilaj Solar (Maharashtra) Private Limited	Step-down subsidiary	100
32	Adani Renewable Energy (TN) Limited	Step-down subsidiary	100
33	Adani Renewable Energy (GJ) Limited	Step-down subsidiary	100
34	Adani Renewable Energy (RJ) Limited	Step-down subsidiary	100
35	Adani Saur Urja (KA) Limited	Step-down subsidiary	100
36	Adani Wind Energy (TN) Limited	Step-down subsidiary	100
37	Adani Green Energy One Limited	Step-down subsidiary	100
38	Adani Green Energy Three Limited	Step-down subsidiary	100
39	Adani Green Energy Five Limited	Step-down subsidiary	100
40	Adani Green Energy Six Limited	Step-down subsidiary	100
41	Adani Green Energy Seven Limited	Step-down subsidiary	100
42	Adani Green Energy Eight Limited	Step-down subsidiary	100
43	Adani Green Energy Nine Limited	Step-down subsidiary	100
44	Adani Green Energy Fifteen Limited	Step-down subsidiary	100
45	Adani Green Energy Sixteen Limited	Step-down subsidiary	100
46	RSEPL Hybrid Power One Limited	Step-down subsidiary	100
47	RSEPL Renewable Energy One Limited	Step-down subsidiary	100
48	Adani Green Energy Eighteen Limited	Step-down subsidiary	100
49	Adani Green Energy Nineteen Limited	Step-down subsidiary	100
50	Adani Green Energy Twenty Two Limited	Step-down subsidiary	100
51	Mundra Solar Energy Limited	Step-down subsidiary	100
52	Adani Green Energy Twenty Four Limited	Step-down subsidiary	100
53	Adani Green Energy Twenty Five Limited	Step-down subsidiary	100
54	Adani Green Energy Twenty Six Limited	Step-down subsidiary	100
55	Adani Green Energy Twenty Seven Limited	Step-down subsidiary	100
56	Adani Green Energy Twenty Eight Limited	Step-down subsidiary	100
57	Adani Green Energy Twenty Nine Limited	Step-down subsidiary	100
58	Adani Green Energy Thirty Limited	Step-down subsidiary	100
59	Adani Green Energy Thirty One Limited	Step-down subsidiary	100
60	Adani Green Energy Thirty Two Limited	Step-down subsidiary	100
61	Adani Renewable Energy Park Rajasthan Limited	Joint Venture	50
62	Adani Green Energy Pte Limited	Subsidiary	100
63	Adani Phuoc Minh Wind Power Company Limited	Subsidiary	80
64	Adani Solar USA Inc.	Subsidiary	51
65	Adani Phuoc Minh Solar Power Company Limited	Subsidiary	80
66	Adani Green Energy (Australia) Pte Limited	Step-down subsidiary	100
67	Adani Green Energy (US) Pte Limited	Step-down subsidiary	100
68	Adani Green Energy (Vietnam) Pte Limited	Step-down subsidiary	100
69	Adani Phuoc Minh Renewables Pte Ltd	Step-down subsidiary	100
70	Adani Renewable Pte Ltd	Step-down subsidiary	100
71	Adani Solar USA LLC	Step-down subsidiary	100
72	Midlands Parents LLC	Step-down subsidiary	100
73	Hertsel Solar LLC	Step-down subsidiary	100
74	Oakwood Construction INC	Step-down subsidiary	100
75	Sigurd Solar LLC	Step-down subsidiary	100
76	TN Urja Private Limited	Step-down subsidiary	100
77	KN Sindagi Solar Energy Private Limited	Step-down subsidiary	100
78	KN Indi Vijayapura Solar Energy Private Limited	Step-down subsidiary	100
79	KN Bijapura Solar Energy Private Limited	Step-down subsidiary	100
80	KN Muddebihal Solar Energy Private Limited	Step-down subsidiary	100
81	Essel Gulbarga Solar Power Private Limited	Step-down subsidiary	100
82	Essel Bagalkot Solar Power Private Limited	Step-down subsidiary	100
83	Essel Urja Private Limited	Step-down subsidiary	100
84	PN Clean Energy Limited	Step-down subsidiary	100
85	PN Renewable Energy Limited	Step-down subsidiary	100

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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