Adani New Industries Limited

Facilities/Instruments	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	1,480.00	CARE A; Stable	Assigned
Long-term / short-term bank facilities	1,100.00	CARE A; Stable / CARE A1	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has assigned long term and short-term ratings of CARE A; Stable and CARE A1, respectively, to the bank facilities of Adani New Industries Limited.

For arriving at the ratings, CARE Ratings has adopted a combined approach, combining Adani New Industries Limited, Mundra Solar Energy Limited (MSEL), Mundra Solar PV Limited (MSPVL), and Mundra Solar Technology Limited (MSTL, rated CARE A; Stable). All four entities are integral parts of the green hydrogen ecosystem and are collectively referred to as ANIL. These entities are directly or indirectly held by Adani Enterprises Limited (AEL, rated CARE A+; Positive / CARE A1+).

The ratings assigned to bank facilities take into consideration operational facility for manufacturing 4 GW of solar PV modules with backward integration capacity of 4 GW of solar PV cells and 2 GW of ingot and wafer, and the wind turbine generator (WTG) manufacturing facility under the wind segment. The presence of glass and other solar module accessories manufacturing units in the vicinity of ANIL's manufacturing facilities offers it a competitive edge over peers. ANIL's total operating income (TOI) grew from ₹3,571 crore in FY23 to ₹8,771 crore in FY24 due to the benefit of capex completion in solar and wind segments. The ratings also factor in ANIL's healthy profitability and moderate leverage of. The ratings further note a healthy outstanding order book and good export demand for solar PV modules the medium term, owing to barriers on imports from China in the USA. CARE Ratings expects moderation in the export demand and consequent decline in sales prices of solar modules in the medium-term post-commissioning capacities in the USA and Europe. Nevertheless, integrated nature of ANIL's operations and the favorable capex outlook of renewable energy in India and Adani Group's captive demand shall protect revenues and profitability. While the Government of India is focused on building domestic manufacturing capabilities, promoting domestic components required in solar modules, and safeguarding the industry from imports, adverse regulatory changes, which reduce the competitiveness of domestic manufacturers, would be a key rating sensitivity.

The ratings also derive strength from parentage of AEL, its demonstrated need-based support and ANIL entities being part of AEL, and their strategic importance to AEL's green hydrogen ecosystem.

The above strengths are, however, tempered by vulnerability of solar segment's operating profitability to raw material price fluctuations, intense competition, and significant project risk related to future capex for the green hydrogen ecosystem. Nevertheless, CARE Ratings notes that capex for the green hydrogen ecosystem shall be executed in a modular fashion over the next 3-5 years and will be subject to techno-economic viability, mainly in the electrolyser ecosystem. Furthermore, AEL is committed to infusing required equity for these large-sized projects, which mitigates the funding risk to an extent.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial growth in the scale of operations and profitability, while efficiently managing its working capital cycle and leverage

Negative factors

- Any large debt-funded capex, leading to sustained deterioration in total combined external debt/total combined PBILDT to more than six times
- Adverse regulatory changes reducing competitiveness for domestic players
- Deterioration in the credit profile of the ultimate parent - AEL

Analytical approach: Combined while factoring linkages with AEL

CARE Ratings has combined financials of Adani New Industries Limited, MSEL, MSPVL and MSTL. All four entities are integral parts of the green hydrogen ecosystem and are directly or indirectly held by AEL. MSTL is also in the process of being merged with Adani New Industries Limited.

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

Outlook: Stable

The outlook is expected to remain stable, supported by favourable sector outlook and integrated nature of the manufacturing facility. Need-based support from AEL is also expected for funding of large sized capex and meeting exigencies.

Detailed description of the key rating drivers:

Parentage of AEL

Adani New Industries Limited is a wholly owned subsidiary of AEL, the flagship company of the Adani Group. MSTL is a wholly owned subsidiary of Adani Infrastructure Private Limited (AIPL), which is a wholly owned subsidiary of Adani New Industries Limited. MSEL is majorly (74%) held by Adani Tradecom Limited (ATL), which is a wholly owned subsidiary of AEL. MSPVL is majorly (51%) held by Adani Green Technology Limited (AGTL), which is a wholly owned subsidiary of ATL.

All four entities Adani New Industries Limited, MSTL, MSPVL, and MSEL are ultimately held by AEL and are parts of the green hydrogen ecosystem. Given significant plans of AEL in the green hydrogen space, these entities are strategically important to AEL.

Backward integration in the solar segment leading to competitive edge and better pricing control

The solar segment has an operational module and cell manufacturing capacity of 4 GW, with MSEL operating a 2 GW mono-passivated emitter and rear contact (mono-PERC) technology and MSPVL operating a 2 GW tunnel oxide passivated contact (Topcon) technology. Module manufacturing and cell manufacturing under MSEL commenced operations in July 2022 and March 2023, respectively. The module and cell manufacturing facility for MSPVL was upgraded from multi-crystalline to Topcon technology and became operational in April 2023 and March 2024, respectively. The solar segment commissioned a 2 GW ingot and wafer plant under MSTL in March 2024, and the plant is presently under stabilisation phase. MSTL can also provide wafers to MSEL and MSPVL, which will aid in reducing costs and achieving better pricing control. The presence of glass and other solar module accessories manufacturing units in the vicinity of ANIL's manufacturing facilities offers it a competitive edge.

Long-term technology tie-up for the wind segment

ANIL is a relatively new entrant in WTG manufacturing space as the 1.5 GW WTG manufacturing project was commissioned in June 2023. However, the company has tied-up with renowned technology providers, mitigating technology risk. For nacelle and hub, ANIL has signed a technology license agreement with Wind to Energy GmbH (W2E), which has design experience for WTG capacities up to 9 MW. For rotor blades, ANIL has entered into an agreement with WINDnovation Engineering Solutions GmbH (WINDnovation), a Berlin-based renowned design house for designing blades for large onshore and offshore capacities. The WTG manufactured has a high capacity of 5.2 MW and can generate power even at low wind speeds.

Healthy outstanding order book position providing medium-term revenue visibility

The solar segment has a healthy order book position of solar PV modules as on March 31, 2024, providing medium-term revenue visibility to ANIL. Till now, MSEL and MSPVL were importing wafers; however, post-commissioning of the ingot and wafer plant under MSTL, they can procure wafers from MSTL up to 2 GW.

The wind segment has an outstanding order book of 204 WTGs, providing healthy medium-term revenue visibility to the company. The wind segment sold 44 WTGs in FY24. In the medium-term, ANIL plans to sell most of WTGs to Adani Group companies, providing further revenue visibility.

Growth in the scale of operations, healthy profitability and moderate leverage

On a combined basis, ANIL reported growth in total operating income (TOI) from ₹3,571 crore in FY23 to ₹8,771 crore in FY24. The growth in the scale of operations was driven by the ramp-up of production post-expansion of the solar module capacity and commencement of operations of the WTG manufacturing unit. Profitability at the combined level also improved, with PBILDT margins of 24% in FY24, up from 10% in FY23. Improved margins are due to commencement of the cell line under MSEL in March 2023 and the first year of profitable operations of the wind segment. Margins are expected to remain healthy owing to commencement of cell line under MSPVL and wafer production under MSTL. On a combined basis, ANIL had a total debt of ₹4,507 crore as on March 31, 2024, against a net worth of ₹4,153 crore as on March 31, 2024, indicating an overall gearing of 1.09x as on March 31, 2024. Total debt to PBILDT stood moderate at 2.12x as on March 31, 2024. The term debt is expected to increase in FY25 due to ongoing expansion in the wind segment.

Favourable demand outlook for domestic module manufacturers

The demand outlook for domestic module manufacturers is favourable due to reimposition of the approved list of module manufacturers (ALMM) from April 1, 2024. In FY24, despite ALMM remaining in abeyance, the company benefitted from its healthy order book from overseas geographies, particularly the USA, which has disincentivised Chinese imports, improving the competitive position of non-Chinese manufacturers. Furthermore, to promote solar module manufacturing in India and reduce dependence on imports, the Government of India has introduced policy measures to benefit domestic manufacturers in the last two years. Among these measures, the imposition of a basic custom duty (BCD) of 40% and 25% on imported solar modules and solar cells, respectively, from April 1, 2022, is expected to be a key growth driver for domestic manufacturers. Additionally, introduction of a production-linked incentive (PLI) scheme to promote backward integrated plants is also expected to benefit domestic module manufacturers over the medium to long term. Going forward, CARE Ratings expects the demand prospects for ANIL to remain strong in the domestic market, given the favourable policy support by the government and large capex planned in renewable energy. The USA market is expected to remain attractive in the medium-term, as domestic capacities being set-up in the USA as part of the Inflation Protection Act may take a similar time to stream.

Vulnerability of operating profitability due to volatile raw-material prices

The solar segment's operating profitability remains vulnerable to volatile raw material prices. The company enters into fixed price sales contracts, making it susceptible to rise in input prices. Key raw materials such as polysilicon and wafers are imported from China, Vietnam, and Malaysia. However, the company's indigenisation efforts, such as procuring aluminium frames and glass from units near ANIL's manufacturing facilities at Mundra and the start of the solar wafer facility, are expected to provide cost benefits. The company still has to rely on polysilicon imports due to lack of domestic supply.

Project risk related to future capex related to green hydrogen

ANIL plans to set-up an end-to-end manufacturing facility for one million metric tonnes per annum (MMTPA) of green hydrogen production by 2030. Establishing a green hydrogen ecosystem will entail significant capex. To control the cost of green hydrogen production, the ANIL ecosystem aims to be fully integrated along the value chain, from manufacturing components and equipment required for generating renewable energy to producing downstream products from green hydrogen. However, the entire capex will be implemented in a phased manner. Moreover, technology for manufacturing cost-efficient electrolysers is still evolving.

While technological risks and achieving lower cost of green hydrogen production are key concerns, ANIL has the flexibility to limit the capex to manufacturing facilities and the renewable energy park. The capex is proposed to be executed over 3-5 years and is subject to techno-economic viability, mainly in the electrolyser ecosystem. AEL is committed to infusing required equity for these large-sized projects, which mitigates the funding risk to an extent. Going forward, large debt-funded capex leading to sustained deterioration in total combined external debt/total combined PBILDT to over 6x will be closely monitored.

Highly competitive industry

As on FY24-end, the annual production capacity of domestic WTG original equipment manufacturers (OEMs) is approximately 15 GW. WTG technology has evolved, and state-of-the-art technologies are available in the country for manufacturing WTGs. ~70-80% indigenisation has been achieved with strong domestic manufacturing in the wind sector. Major global players in this field have a presence in the country, with over 12 different companies. However, outstanding orders from group companies mitigate demand risk to some extent for ANIL's wind segment.

The solar segment faces intense competition in the solar module business from other domestic manufacturers and international players, exposing it to demand-related risks. ~80-85% of solar modules used in India were imported until the end of FY22, given the competitive advantage of imported modules over indigenous modules. However, with BCD imposed on imported solar modules and cells and applied ALMM, cost competitiveness of domestic module manufacturers has improved. While the government remains focused on building domestic manufacturing capabilities, adverse regulatory or policy changes that reduce competitiveness of domestic manufacturers will be a key monitorable.

Liquidity: Adequate

At a combined level, the company had free cash and cash equivalents of ₹1,022 crore as on March 31, 2024. Operations are working capital intensive due to the higher lead time in procurement of raw materials, leading to higher inventory days of about 100-120 days. All the companies have sanctioned working capital limits. The average fund-based utilisation of working capital limits remained nil for 12 months ended May 2024. The combined generated cash accruals will be sufficient for debt repayment of ₹259 crore in FY25 and ₹553 crore in FY26.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria
Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry
Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

Incorporated in June 2021, Adani New Industries Limited is the green hydrogen arm of Adani Group. Adani New Industries Limited is a 100% subsidiary of the Adani Enterprises Limited. Adani New Industries Limited was incorporated by the name Mundra Windtech Limited (MWL) and was renamed to its present name on June 24, 2023. The WTG manufacturing facility of the ANIL ecosystem is housed under Adani New Industries Limited.

Financial performance (Combined)

(₹ crore)

For the period ended/as on March 31	2022 (A)	2023 (A)	2024 (A)
Working results			
Net sales	2,424	3,548	8,655
TOI	2,457	3,571	8,771
PBILDT	335	353	2,121
Interest	141	168	387
Depreciation	116	136	197
PBT	124	(193)	1,622
PAT (after deferred tax)	93	(132)	1,325
Adjusted GCA	240	252	1,733
Financial position			
Equity capital	441	441	1,139
Net worth	1,165	1,590	4,153
Total capital employed	3,309	4,484	8,801
Key ratios			
Growth			
Growth in total income (%)	-	45.33	145.63
Growth in PAT (after deferred tax) (%)	-	(241.14)	1,104.72
Profitability			
PBILDT/TOI (%)	13.61	9.90	24.18
PAT (after deferred tax)/total Income (%)	3.80	(3.69)	15.10
ROCE (%)	-	7.28	31.37
Solvency			
Debt equity ratio (times)	1.01	1.36	0.94
Overall gearing ratio (times)	1.81	1.84	1.09
Interest coverage (times)	2.37	2.10	5.49
Term debt/GCA (years)	4.89	8.57	2.25
Total debt/GCA (years)	8.81	11.59	2.60
Liquidity			
Current ratio (times)	1.09	0.74	0.93
Quick ratio (times)	0.74	0.39	0.40
Turnover			
Average collection period (days)	-	80	39
Average inventory period (days)	-	113	142
Average creditors period (days)	-	34	32
Operating cycle (days)	-	159	149

^Combined financials of Adani New Industries Limited, MSEL, MSPVL and MSTL
A: Audited.; Note: these are latest available financial results; The financials have been classified per CARE Ratings' criteria

Financial performance (Standalone)

(₹ crore)

For the period ended/as on March 31	2022 (A)	2023 (A)	2024 (A)
Working results			
Net sales	-	-	843
TOI	-	-	846
PBILDT	(0)	(0)	118
Interest	-	-	53
Depreciation	-	-	35
PBT	(0)	(0)	31
PAT (after deferred tax)	(0)	(0)	23
Adjusted GCA	(0)	(0)	65
Financial position			
Equity capital	0	0	80
Net worth	(0)	(0)	270
Total capital employed	1	260	845
Key ratios			
Growth			
Growth in total income (%)	NM	NM	NM
Growth in PAT (after deferred tax) (%)	NM	NM	NM
Profitability			
PBILDT/TOI (%)	NM	NM	13.89
PAT (after deferred tax)/total Income (%)	NM	NM	2.74
ROCE (%)	NM	NM	15.17
Solvency			
Debt equity ratio (times)	NM	NM	1.92
Overall gearing ratio (times)	NM	NM	1.93
Interest coverage (times)	NM	NM	2.23
Term debt/GCA (years)	NM	NM	7.92
Total debt/GCA (years)	NM	NM	7.98
Liquidity			
Current ratio (times)	NM	NM	1.27
Quick ratio (times)	NM	NM	0.87
Turnover			
Average collection period (days)	NM	NM	49
Average inventory period (days)	NM	NM	51
Average creditors period (days)	NM	NM	109
Operating cycle (days)	NM	NM	(9)

A: Audited.; NM: Not meaningful as the company was in project stage; Note: these are latest available financial results; The financials have been classified as per CARE Ratings' criteria

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Details of the rated facilities: Annexure-3

Complexity level of various instruments rated: Annexure-4

Covenants of rated instrument / facility: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	1,100.00	CARE A; Stable / CARE A1
Term Loan-Long Term	-	-	-	15-06-2031	1,480.00	CARE A; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term Loan-Long Term	LT	1,480.00	CARE A; Stable				
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	1,100.00	CARE A; Stable / CARE A1				

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Details of facilities

1. Long-term facilities

1.A. Term loans

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)	Debt Repayment Terms
1.	Power Finance Corporation	680.00	Repayment in structured monthly instalments commencing from July 15, 2024 and ending on June 15, 2031
2.	Proposed	800.00	
	Total	**1,480.00**	

Total long-term facilities: ₹1,480.00 crore

2. Long-term / Short-term facilities

2.A. Fund-based /Non Fund-based limits

Sr. No.	Name of Bank / Lender	Rated Amount (₹ crore)	Remarks
1.	Central Bank of India	450.00	CC/OD/LC/BG
2.	Proposed	650.00	
	Total	**1,100.00**	

Total Long-term / Short-term facilities: ₹1,100.00 crore

Total facilities (1. A+2.A): ₹2,580.00 crore

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Detailed explanation of covenants of rated instruments/facilities – Not applicable

Note on the complexity levels of the rated instruments: CARE Ratings 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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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

(This follows our brief rationale for entity published on July 03, 2024)

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For the detailed Rationale Report and subscription information,
please visit www.careedge.in

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