

adani

Adani Portfolio - Response to recent news reports

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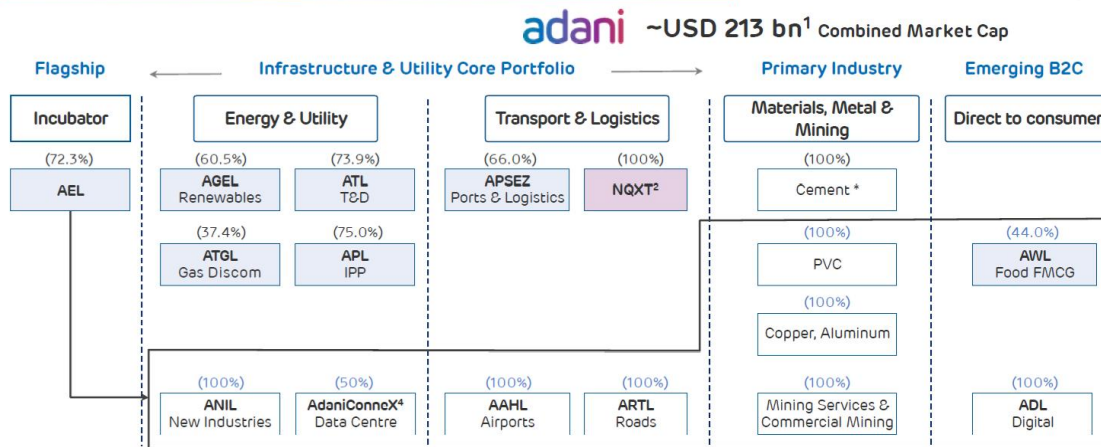
We have reviewed the Credit Sights report dated August 23, 2022 and have presented below our key observations, clarifications on the issues highlighted in the report.

## A. Adani Portfolio presence and business expansion

Adani Portfolio operates in four broad verticals

- The first two verticals are Energy and Utility Vertical, Transport and Logistics vertical, which together form the infrastructure sector businesses of Adani portfolio. The businesses are fully integrated in their respective sectors and present across the entire value chain.
- The third vertical is Primary Industries vertical, which feeds off the strengths of the portfolio across Energy and utility vertical and transport and logistics vertical. For example, the Cement manufacturing business has significant adjacencies to power, energy, resource and logistics businesses of the portfolio.
- The fourth vertical is direct to consumer (Emerging B2C), which includes consumer businesses such as Adani Digital Labs and Adani Wilmar Limited.

### Adani: A World Class Infrastructure & Utility Portfolio



(%): Promoter equity stake in Adani Portfolio companies (%): AEL equity stake in its subsidiaries

#### A multi-decade story of high growth centered around infrastructure & utility core

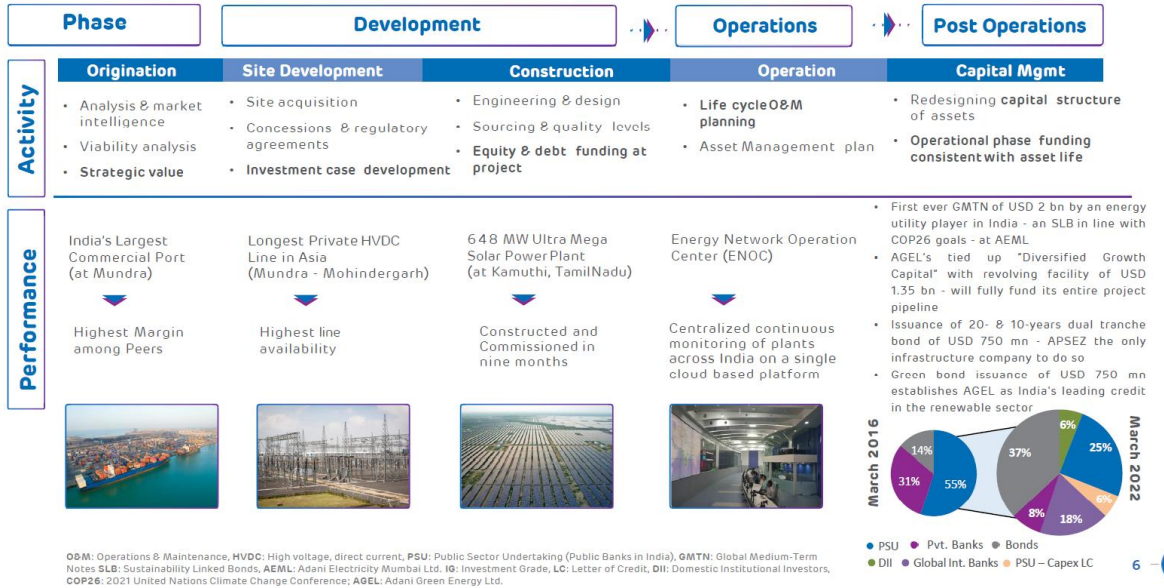
1. Combined market cap of all listed entities as on July 31, 2022, USD/INR – 79.34 | 2. NQXT: North Queensland Export Terminal | 3. ATGL: Adani Total Gas Ltd, JV with Total Energies | 4. Data center, JV with EdgeConnex. AEL: Adani Enterprises Limited; APSEZ: Adani Ports and Special Economic Zone Limited; ATL: Adani Transmission Limited; T&D: Transmission & Distribution; APL: Adani Power Limited; AGEL: Adani Green Energy Limited; AAHL: Adani Airport Holdings Limited; ARTL: Adani Roads Transport Limited; ANIL: Adani New Industries Limited; AWL: Adani Wilmar Limited; ADL: Adani Digital Limited; IPP: Independent Power Producer

<sup>4</sup> \* Acquisition of Adani Cement Limited and ACC Ltd for ~66MTPA of capacity is under regulatory approvals and with this acquisition, Adani is now India's second largest cement manufacturer

It may be further noted that all businesses which require shareholder support are housed under the incubator arm - Adani Enterprises Limited (AEL). These businesses continue under AEL till the time the business is self-sustaining post which they are listed separately creating value for AEL's shareholders. Further, all the listed businesses operate on a strict "no financial accommodation" policy and have independent boards and management.

The businesses operate on a simple yet robust and repeatable business model focused on development and origination, operations and management and capital management plan.

## Adani Portfolio: Repeatable, robust & proven transformative model of investment



## B. Portfolio credit highlights

Adani Portfolio companies have successfully and repeatedly executed an industry beating expansion plan over the past decade. While doing so, the companies have consistently de-levered with portfolio net debt to EBITDA ratio coming down from 7.6x to 3.2x (Please see Chart A below), EBITDA has grown 22% CAGR in the last 9 years and debt has only grown by 11% CAGR during the same period.

Please see below a table summarizing key financial metrics and ratios for Adani portfolio companies -

Table 1: Key Financial Metrics and Ratios

Particulars (INR Bn)	AEL	AGEL	APSEZ	APL	ATGL	ATL	Total
EBITDA <sup>(1)</sup>	50.00	39.55	120.99	138.69	8.15	54.93	412
Run Rate EBITDA (RR EBITDA <sup>(2)</sup> )	87.13	66.44	130.55	154.75	8.15	60.04	507
Unrestricted Cash	9.12	19.53	95.63	7.80	3.89	22.95	159
Restricted Cash (such as DSRA)	30.04	19.14	33.61	20.09	-	7.72	111
Total Cash for Netting off	39.16	38.67	129.24	27.89	3.89	30.67	270
Gross Debt <sup>(3)</sup>	284.83	443.90	456.37	414.18	9.95	274.91	1,884
Net Debt <sup>(4)</sup>	245.67	405.23	327.13	386.29	6.06	244.24	1,615
Gross Leverage (Gross Debt / EBITDA)	5.70x	11.22x	3.77x	2.99x	1.22x	5.01x	4.57x
Gross Debt / RR EBITDA	3.27x	6.68x	3.50x	2.68x	1.22x	4.58x	3.72x

Particulars (INR Bn)	AEL	AGEL	APSEZ	APL	ATGL	ATL	Total
Net Leverage (Net Debt / EBITDA)	4.91x	10.25x	2.70x	2.79x	0.74x	4.45x	3.92x
Net Debt / RR EBITDA	2.82x	6.10x	2.51x	2.50x	0.74x	4.07x	3.18x
EBITDA / Gross Interest <sup>(5)</sup>	1.98x	1.51x	4.73x	3.39x	15.37x	2.32x	2.90x

Note: AEL: Adani Enterprises Limited, AGEL: Adani Green Energy Limited, APSEZ: Adani Ports and Special Economic Zone Limited, APL: Adani Power Limited, ATGL: Adani Total Gas Limited, ATL: Adani Transmission Limited

Please refer Annexure 1 for references to above numbers from annual reports of respective companies

1. EBITDA: Earnings before interest, taxes, depreciation and amortization. EBITDA includes other income and is as per numbers reported in audit financials

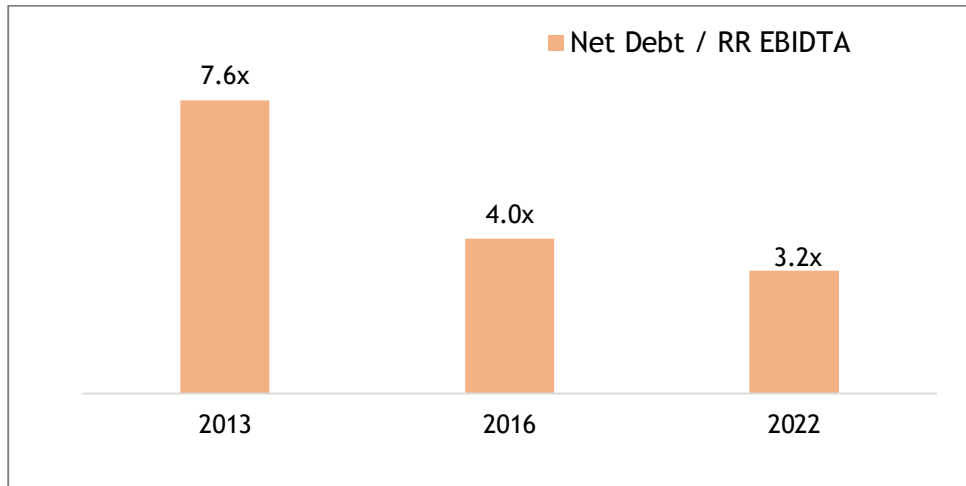
2. RR EBITDA: Run-rate EBITDA considers annualized EBITDA for assets commissioned after the start of the year. Run rate EBITDA includes other income. AEL Run-rate EBITDA includes annualized EBITDA for Road and Mining Assets which has been operational for partial Period. It also includes the ramp-up based EBITDA of Airport Assets. AGEL Run-rate EBITDA includes the annualized EBITDA for the Assets which has been operational for partial period and also the assets which have been commissioned but not achieved the COD as per PPA. APSEZ Run-rate EBITDA includes the Annual EBITDA of Gangavaram Port which will be consolidated fully post NCLT approval from 1st April 2021 onwards. APL Run-rate EBITDA includes the Annual EBITDA of Mahan Energen and Merchant Revenue being annualized basis market of Q4FY22

3. Gross debt includes term debt and working capital debt and excludes shareholder subordinated debt

4. Net debt = Gross debt less (Cash and cash equivalents). Both restricted and unrestricted cash and cash equivalents are considered

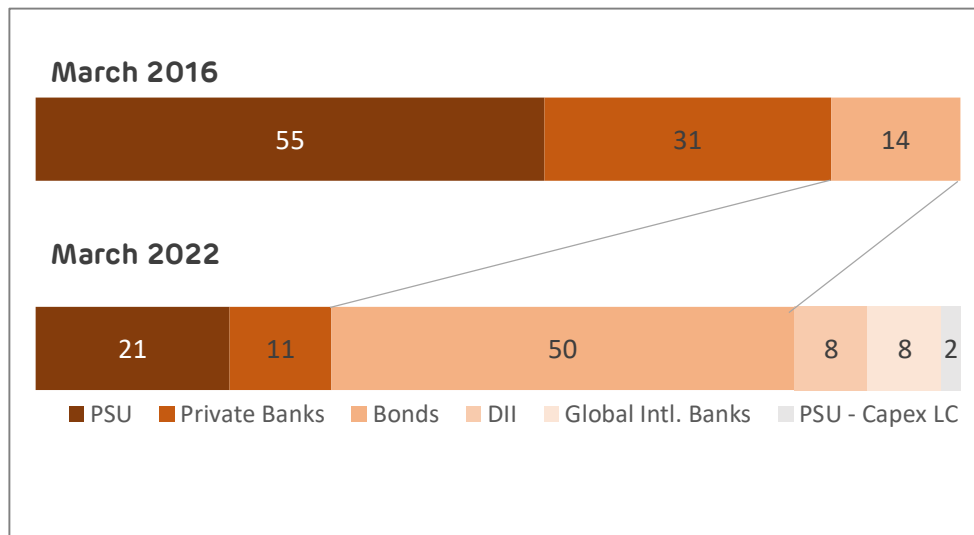
5. Gross interest includes interest corresponding to Gross debt

**Chart A: EBITDA growth is 2X the growth of debt over last 5 years**



The leverage ratios of Adani Portfolio companies continue to be healthy and are in line with the industry benchmarks of the respective sectors. Over the last 10 years we have actively worked to improve our debt-metrics through our capital management strategy. Please refer Chart B below for diversification of our long-term debt profile through our capital management strategy.

**Chart B: Diversifying long term debt profile towards higher share of bonds**



The portfolio companies have a full-fledged Capital Management Plan (CMP) which has all credit metrics inbuilt. The CMP of companies are set in a manner to automatically pushing it for deleveraging path. Further, please see below clarifications on credit ratios for certain Adani Portfolio companies referenced in the report.

**In the case of AEL - The Gross leverage is well within the stated credit thresholds of 6.0x. Out of the Gross Debt of INR 285 bn, INR 200 bn is towards the trading business which is fully backed by the regular business receivables. If exclude working capital debt for trading business, the real Gross leverage for AEL is less than 2.0x.**

Additionally, AEL has received primary equity infusion of USD 1 bn from IHC in the month of May 2022 which fully funds equity requirement for all incubating businesses except for Adani New Industries Limited (ANIL).

For, ANIL we have already entered into a 75:25 JV with TotalEnergies SE. The Equity requirement in these assets over next 3 years is only USD 1.5 bn which is fully funded through the consistent FCFE generation of INR 25 bn at AEL. Additionally, AEL is yet to dilute the stake of Adani Wilmar to the statutory level which is expected to yield another ~ INR 60-75 bn during FY23-24.

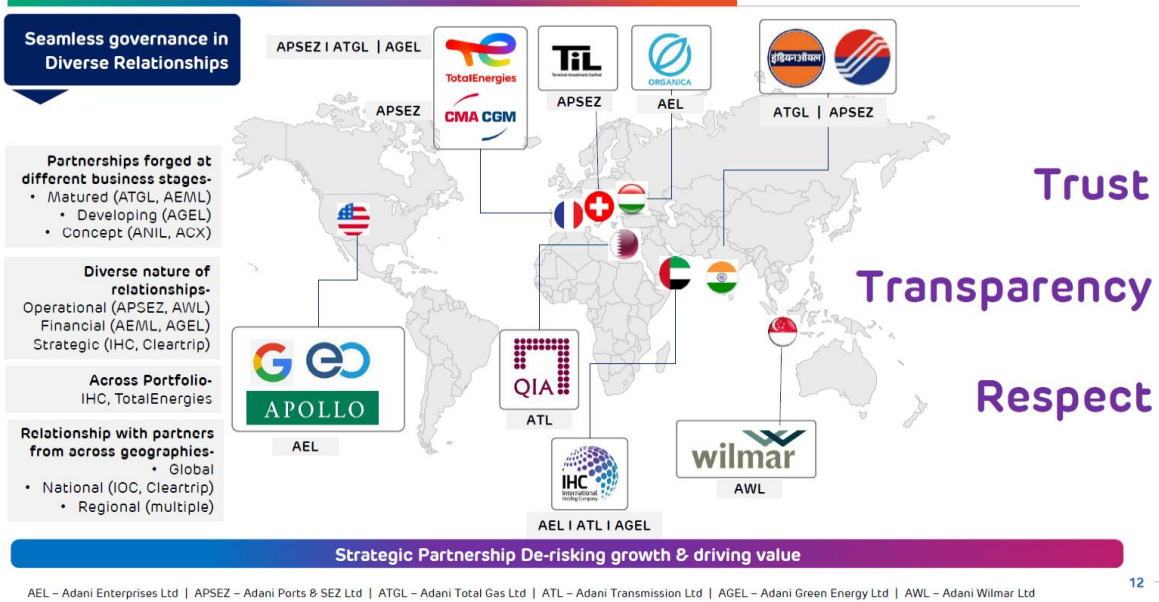
**AGEL - The company is currently at a transition phase from construction heavy portfolio to Operation heavy portfolio by FY24. If we take the RR EBITDA basis the projects which have generated revenue for only partial year than the Gross leverage will be 6.68x for FY22 and Net Leverage will stand at 6.10x. Further, the CMP of companies are set in a manner to automatically pushing it for deleveraging path. AGEL will be below 4.5x Net Debt to EBITDA in 10 years' time as per the current CMP.**

### **C. Equity Injection in the Adani Portfolio**

Adani Portfolio has raised USD 16 bn Equity under a systematic capital management plan for all the Portfolio companies over the last 3 years as a combination of primary, secondary and committed

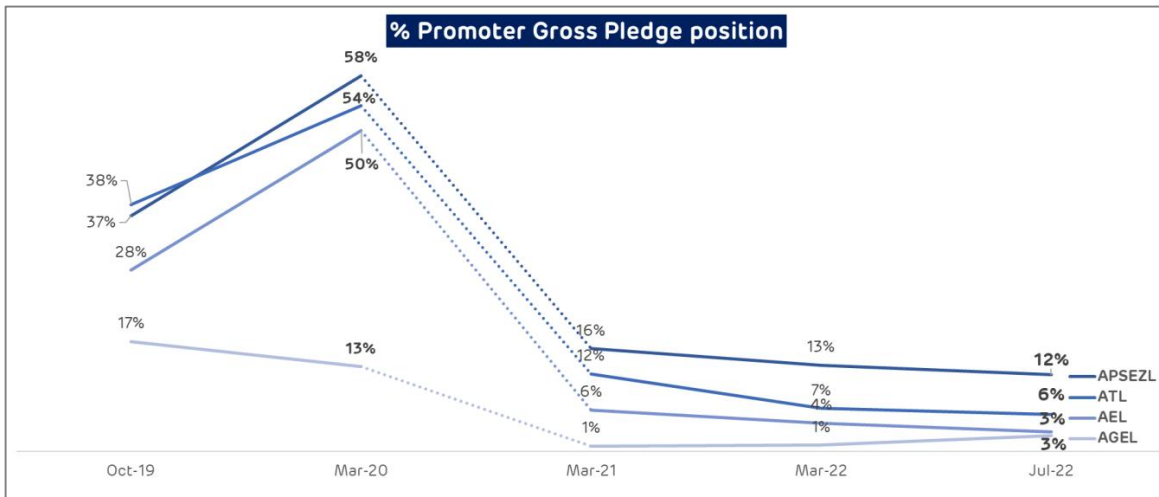
equity from marquee investors like TotalEnergies, IHC, QIA, Warburg Pincus etc. The overview of our partnership model is as presented below.

Adani Portfolio -Trusted steward of partners' capital



This has also resulted in the deleveraging of the Promoter level debt, allowing the reduction in the promoter stake pledge in the listed companies (Please refer Chart C below).

Chart C: Promoter Gross Pledge position



The equity contribution includes the platform level investments made by IHC across 3 of its portfolio companies AEL (USD 1 bn), AGEL (USD 500 mn) and ATL (USD 500 mn) totaling to USD 2 bn which was settled in May 2022.





**GCC's most valued firm with a clear objective of enhancing its portfolio through acquisitions, strategic investments and business combinations.**



**Embedding Strategic & Intergenerational relationship with India's largest trading partner**

AEL – Adani Enterprises Ltd| AGEL – Adani Green Energy Ltd | ATL – Adani Transmission Ltd | Bn- Billion| Mn – Million | IHC – International Holding Company | GCC – Gulf Cooperation Council

TotalEnergies, one of the leading integrated energy players globally, has strategic alliance with the Adani portfolio across its four verticals, namely LNG Terminal (Adani Total Private Limited), City Gas Distribution (Adani Total Gas Limited), Renewable Power Generation (Adani Green Energy Limited) and Green Hydrogen ecosystem (Adani New Industries Limited) with committed investments of USD 7.3 bn over past 3 years.



**TotalEnergies**

**One of the largest Energy players in the world with presence across 130 countries**



**Showcasing Intergeneration Partnership between Adani & TotalEnergies across Adani Portfolio**

APSEZ – Adani Ports & SEZ Ltd | ATGL – Adani Total Gas Ltd | AGEL – Adani Green Energy Ltd | ANIL – Adani New Industries Ltd | AGEL – Adani Green Energy Twenty Three Ltd | Bn- Billion | Yr – Year | GW – Giga watt | MTPA – Metric Ton Per Annum | LNG – Liquefied Natural Gas | Mn – Million | CGD – City Gas Distribution | \* Equity Commitment in initial phase

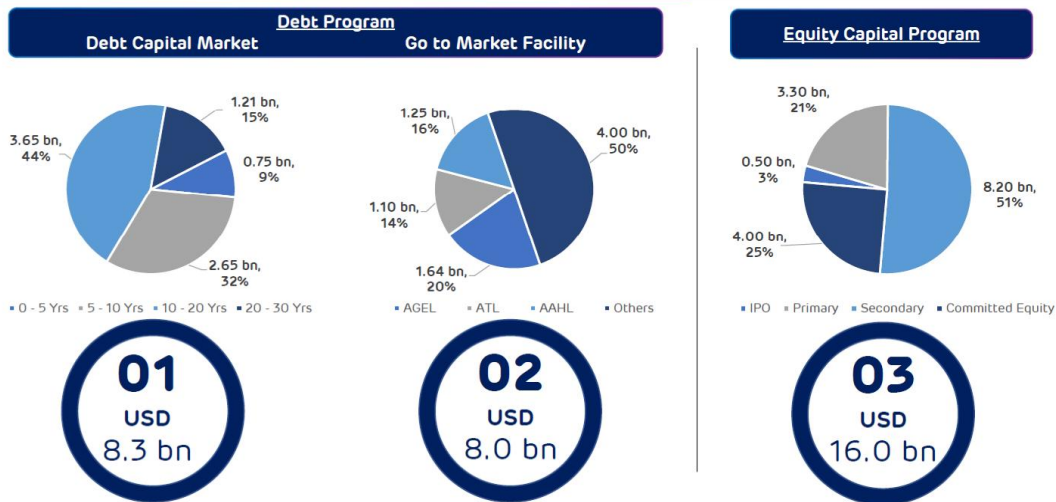
Adani has also successfully concluded the IPO of portfolio FMCG company AWL (Adani Wilmar Limited) amounting to INR 36 bn (USD 450 mn) during the month of February 2022.



Adani portfolio companies have a strong track record of delivering value to shareholders attracting equity investors. For example, INR 150 invested in Adani Enterprises Limited, which was the first IPO out of the portfolio, has generated a market valuation of INR 9,00,000 in the past 28 years that is a 6,000x multiple.

Over the past three years, the portfolio has raised USD 32.3bn capital, which is split into USD 8.3bn in DCM issuances, USD 8bn in Go To market facilities and USD 16bn in Equity Capital program, which is the largest program by any group in India

### Adani Portfolio: Track record past 3 Years



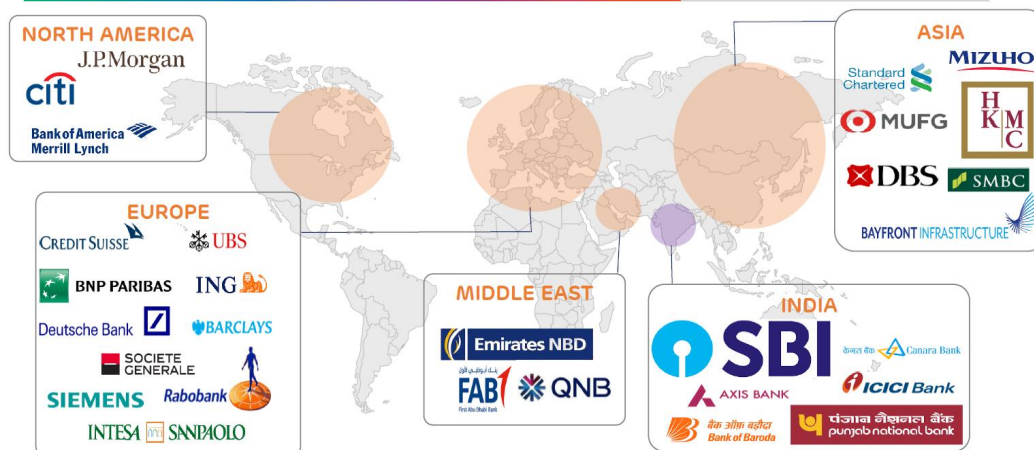
Fully funded growth supported by largest Equity Program in India

\*Note – ATL Go to Market Facility of \$ 700 Mn is to serve the debt requirement of \$ 1.1 Bn | Bn – Billion | AGEL – Adani Green Energy Ltd. | ATL – Adani Transmission Ltd. | AAHL – Adani Airport Holdings Ltd. | ANIL – Adani New Industries Ltd.

### D. Banking Relationships

The portfolio has developed deep domestic and international bank relationships, which is outlined below. This has strengthened access to diverse funding sources and structures.

#### Adani Portfolio: Strong domestic relationships supported by global participation



Powered by transparent, timely & detailed disclosure policies supported by excellence in compliance

Further, Adani Portfolio companies have demonstrated successful syndication of the banking transactions, resulting in de-risking of the banks in volatile markets. Case in point being Holcim Acquisition to international banks, Navi Mumbai Airport and Kutch Copper refinery to domestic banks.

### Case Study: Syndication success in volatile market



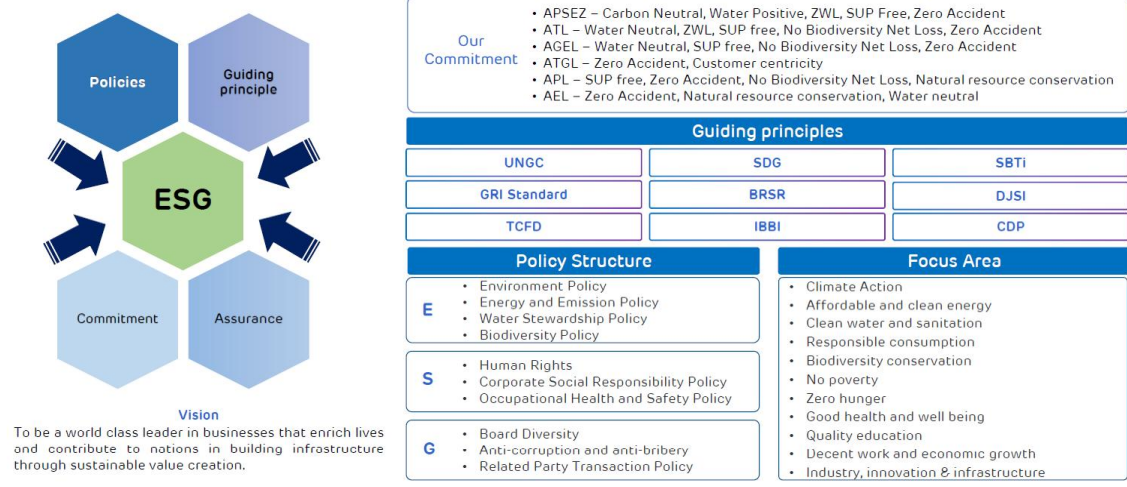
1 Navi Mumbai		2 Kutch Copper Refinery		3 Holcim Acquisition	
Underwriter SBI - INR 12,770 Cr.		Underwriter SBI - INR 6,071 Cr.		Underwriter Barclays, DB & SCB - INR 42,000 Cr.	
SBI Hold Portion	5,000	SBI Hold Portion	1,846	Underwriter Hold	8,100
PNB	2,550	PNB	1,750	DBS	6,000
UBI	1,500	UBI	1,000	MUFG	4,800
BOM	1,300	BOM	500	Intesa	3,600
Central	1,000	Central	500	SMBC	2,800
IIFCL	1,000	IIFCL	250	FAB	2,800
Others	1,470	Others	225	Mizuho & others	13,900

Low risk, high credit quality portfolio supported by global access driving institutional support

It may be noted that Adani Portfolio has issued 30Yr bonds (USPP - Adani Transmission Portfolio), 20 Yr Bonds (APSEZ 2041) and 20 Yr Amortiser Bonds (AGEL, RG2), which outlines deep access to international bond markets and infrastructure investors.

### E. ESG Highlights

Adani Portfolio companies are fully committed to ESG aspects and have a robust ESG framework and glide path in place, which is focused on assurance framework.



**Policy framework backed by robust assurance program**

APSEZ: Adani Ports and Special Economic Zone Limited; ATL: Adani Transmission Limited; AGEL: Adani Green Energy Limited; ATGL: Adani Total Gas Limited; APL: Adani Power Limited; AEL: Adani Enterprises Limited; ZWL: Zero Waste to Landfills; SUP: Single-Use Plastics; UNGC: United Nations Global Compact; SDG: Sustainable Development Goals; SBTi: Science Based Targets; GRI: Global Reporting Initiative; BRSR: Business Responsibility and Sustainability Report; DJSI: Dow Jones Sustainability Indices; TCFD: Task Force on Climate-Related Financial Disclosures; IBBI: India Business and Biodiversity Initiatives

We have identified key ESG risks and adopted multiple mitigation measures which are business specific for e.g. Mangrove Afforestation in Adani Ports and Increasing Renewable mix in power procurement from 3% in FY21 to 30% FY23 and 60% by FY27 in Adani Electricity Mumbai, part of Adani Transmission Limited.







The portfolio companies have adopted best-in-class global disclosures and standards like TCFD, SBTi, CDP, SDGs. The portfolio companies are on track to achieve the following:

- Water neutral
- Zero Waste to Landfill
- SUP free sites
- Mangrove Afforestation
- Zero Biodiversity Net Loss
- Carbon Neutrality

Additionally, we have improved our Governance standards to align it with Global Best practices. We have already constituted a Corporate Responsibility Committee (100% independent board committee) in all of our portfolio companies which does the review of the ESG progress and framework alignment with progress of the same.


Most of the Board Committees in the portfolio companies have majority representation from independent directors. All committee’s Terms of References (TOR) has to be reviewed by the board on periodic basis.

Below is a short summary of the ESG credentials and environmental commitments of Adani Portfolio companies

						
	APSEZ	APL	ATL	AGEL	ATGL	AEL
TCFD Supporter	✓	✓	✓	✓	Not applied	Not applied
SBTi Commitment	✓	Not applied	✓	✓		
UNGC Member	✓	✓	Not applied	✓		
IBBI Member	✓	✓	✓	✓		
DJSI (2021 Score)	✓ (57/100)	✓ (64/100)	✓ (63/100)	✓ (66/100)		
CDP – CC (2021 Score)	✓ (B-)	✓ (C)	✓ (D)	✓ (B)		
CDP – WS (2021 Score)	✓ (B)	✓ (B-)	Not applied	Not applied		
Sustainalytics	13.71 (Low Risk)	32.4	32.5	20.5 (Med. Risk)	25 (Med. Risk)	-
MSCI	CCC	CCC	BBB	A	BBB	CCC

APSEZ: Adani Ports and Special Economic Zone Limited; ATL: Adani Transmission Limited; APL: Adani Power Limited; AGEL: Adani Green Energy Limited; ATGL: Adani Total Gas Ltd. JV with Total Energies; AEL: Adani Enterprises Ltd.

### Key Environmental commitments of Adani Portfolio companies

							
	APSEZ	APL	ATL	AGEL	ATGL	AEL	
Carbon Neutrality	✓	NA	NA	NA	NA	NA	
Water Neutrality	✓		✓	✓			
Zero Waste to Landfill	✓		✓	✓			
SUP Free Sites	✓		✓	✓			
Mangrove / Terrestrial Afforestation	✓		✓	NA			NA
Zero Biodiversity Net Loss	NA		✓	✓			✓

NA: No stated commitment currently

Note: TCFD: Task Force on Climate-Related Financial Disclosures, SBTi: Science Based Targets initiative, UNGC: United Nations Global Compact, DJSI: Dow Jones Sustainability Indices

## Annexure 1: Page references for Table 1 from Annual Reports of the listed businesses

### EBITDA - FY22

	AEL	AGEL	APSEZ	APL	ATGL	ATL
Reference page number from FY22 Annual Report [PAT, Tax, Deferred Tax, Depreciation, Finance Cost, Exception items]	347	375	512	275	309	395
Reference page number - FY22 Annual Report [Unrealised FX Loss / (Gain)]	407 (Note 38)	-	512	-	-	-
PAT	4.75	4.89	47.95	49.12	5.05	12.64
[+] Tax	3.91	(0.04)	7.46	7.68	1.47	2.44
[+] Deferred Tax	0.85	0.68	-	9.76	0.27	1.92
[+] Depreciation	12.48	8.49	27.40	31.18	0.83	14.27
[+] Finance Cost	25.26	26.17	25.41	40.95	0.53	23.65
[+] Unrealised FX Loss / (Gain)	2.75	-	8.72	-	-	-
[+] Exceptional item	-	(0.64)	4.05	-	-	-
<b>EBIDTA</b>	<b>50.00</b>	<b>39.55</b>	<b>120.99</b>	<b>138.69</b>	<b>8.15</b>	<b>54.93</b>

### Cash and cash equivalents - As on 31 Mar 22

#### AEL

Particulars	INR bn	AEL FY22 Annual Report reference
Cash & Cash Equivalents	9.12	Page 346
[+] Bank Balances	30.04	Page 346
<b>Total</b>	<b>39.16</b>	

#### AGEL

Particulars	INR bn	AGEL FY22 Annual Report reference
Cash & Cash Equivalents	5.67	Page 374
[+] Bank Balances	10.26	Page 374
[+] Fixed Deposits with Original Maturity more than 12 months	0.01	Page 426, Note 8
[+] Balances held as Margin Money or security against borrowings	17.72	Page 426, Note 8
[+] Financial Assets: Investments	5.01	Page 425, Note 6
<b>Total</b>	<b>38.67</b>	

#### ATL

Particulars	INR bn	ATL FY22 Annual Report reference
Cash & Cash Equivalents	1.89	Page 394
[+] Bank Balances	13.04	Page 394
[+] Investments	2.97	Page 394
[+] Balances held as Margin Money or security against borrowings	5.08	Page 431 Note 8
[+] Fixed Deposits with maturity over 12 months	5.24	Page 430 Note 8
[+] Aggregate market value of Quoted Investments	2.46	Page 430 Note 6
<b>Total</b>	<b>30.67</b>	

**APSEZ**

Particulars	INR bn	APSEZ FY22 Annual Report reference
Cash & Cash Equivalents	85.97	Page 511
[+] Bank Balances	18.95	Page 511
[+] Investments	4.78	Page 511
[+] Bank Deposits having maturity over twelve months	19.54	Page 511
<b>Total</b>	<b>129.24</b>	

**APL**

Particulars	INR bn	APL FY22 Annual Report reference
Cash & Cash Equivalents	7.82	Page 274
[+] Bank Balances	15.82	Page 274
[+] Bank balances held as Margin money (security against borrowings and others)	4.24	Page 306 Note 6
<b>Total</b>	<b>27.89</b>	

**ATGL**

Particulars	INR bn	ATGL FY22 Annual Report reference
Cash & Cash Equivalents	0.31	Page 308
[+] Bank Balances	0.03	Page 308
[+] Balances held as Margin Money or security against Credit facilities	3.15	Page 328 Note 6
[+] Fixed Deposits with Original Maturity more than 12 months	0.40	Page 328 Note 6
<b>Total</b>	<b>3.89</b>	

**Debt - As on 31 Mar 22****AGEL**

Particulars	INR bn	AGEL FY22 Annual Report reference
Non Current Debt	427.17	Page 435, Note 19A
Shareholders sub debt	(70.78)	Page 435, Note 19A
<b>Net Long term Debt</b>	<b>356.39</b>	
Current Debt	34.63	Page 446, Note 19B
Shareholders sub debt	(7.20)	Page 446, Note 19B
Trade Credit	60.08	Page 446, Note 19B
<b>Short term Debt</b>	<b>87.51</b>	
<b>Total</b>	<b>443.90</b>	

**ATGL**

Particulars	INR bn	ATGL FY22 Annual Report reference
<b>Non Current Debt</b>	<b>3.52</b>	<b>Page 333, Note 18</b>
Current Debt	4.64	Page 335, Note 23
Trade Credit	1.79	Page 335, Note 23
<b>Short term Debt</b>	<b>6.43</b>	

<b>Total</b>	<b>9.95</b>
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#### APL

Particulars	INR bn	APL FY22 Annual Report reference
Non Current Debt	378.71	Page 312, Note 20
Shareholders sub debt	(68.28)	Page 312, Note 20
<b>Net Long term Debt</b>	<b>310.43</b>	
Current Debt	78.73	Page 318, Note 26
Shareholders sub debt	(5.49)	Page 318, Note 26
Trade Credit	30.51	Page 318, Note 26
<b>Short term Debt</b>	<b>103.75</b>	
<b>Total</b>	<b>414.18</b>	

#### ATL

Particulars	INR bn	ATL FY22 Annual Report reference
Non Current Debt	277.74	Page 439, Note 22
Shareholders sub debt	(23.24)	Page 439, Note 22
<b>Net Long term Debt</b>	<b>254.51</b>	
Current Debt	20.41	Page 445, Note 29
<b>Short term Debt</b>	<b>20.41</b>	
<b>Total</b>	<b>274.91</b>	

#### AEL

Particulars	INR bn	AEL FY22 Annual Report reference
Non Current Debt	208.03	Page 397, Note 22
Shareholders sub debt	(61.62)	Page 419, Note 42
<b>Net Long term Debt</b>	<b>146.41</b>	
Current Debt	202.20	Page 402, Note 27
Shareholders sub debt	(63.79)	Page 419, Note 42
<b>Short term Debt</b>	<b>138.41</b>	
<b>Total</b>	<b>284.83</b>	

#### APSEZ

Particulars	INR bn	APSEZ FY22 Annual Report reference
Non Current Debt	396.91	Page 563, Note 14
Shareholders sub debt	(1.15)	Page 563, Note 14
<b>Net Long term Debt</b>	<b>395.76</b>	
Current Debt	51.61	Page 570, Note 18
Trade Credit	9.00	Page 570, Note 18
<b>Short term Debt</b>	<b>60.61</b>	
<b>Total</b>	<b>456.37</b>	