Renewables

Date: August 26, 2021

To

BSE Limited	The National Stock Exchange of India Limited
P J Towers,	"Exchange Plaza",
Dalal Street,	Bandra – Kurla Complex,
Mumbai – 400 001	Bandra (E), Mumbai – 400 051
Scrip Code: 541450	**Scrip Code: ADANIGREEN**

Dear Sir,

Sub: Intimation under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations")

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that S&P Global has taken rating actions for Restricted Group 1 (comprising of Adani Green Energy (UP) Limited, Parampujya Solar Energy Private Limited and Prayatna Developers Private Limited – Subsidiaries of the Company) and Restricted Group 2 (comprising of Adani Renewable Energy (RJ) Limited, Wardha Solar (Maharashtra) Private Limited and Kodangal Solar Parks Private Limited – Subsidiaries of the Company) bond issuances of the Company.

Please find attached herewith the clarification with respect to rating action taken by S&P Global.

Kindly take the same on your record.

Thanking you,

Yours faithfully,
For Adani Green Energy Limited

Pragnesh Darji
Digitally signed by Pragnesh Darji
Date: 2021.08.26 21:50:33 +05'30'

Pragnesh Darji
Company Secretary

Adani Green Energy Limited
Adani Corporate House, Shantigram,
Nr Vaishno Devi Circle, S G Highway
Khodiyar, Ahmedabad 382 421
Gujarat, India
CIN: L40106GJ2015PLC082007

Tel +91 79 2555 5555
Fax +91 79 2555 5500
investor.agel@adani.com
www.adanigreenenergy.com

Registered Office: Adani Corporate House, Shantigram, Nr. Vaishno Devi Circle,
S G Highway, Khodiyar, Ahmedabad – 382 421, Gujarat, India

Adani Green Energy Ltd. Restricted Group 1 (RG1) rating action by S&P to "BB-" after resolving credit watch

It may be noted that S&P vide their release dated 26 Aug 2021 has announced rating of RG1 by 2 notches from BB+ to BB- due to following reasons:

1. *Change in the methodology adopted by S&P in middle of the issued Bonds Tenure including the hedge criteria with respect to hedge cost and rollover of hedges.*
2. *Misapplications of Criteria pertaining to RGs*
3. *Disregarding the structural protection available in the Legal documentation*
4. *Counterparty risk linking to the credit profile of Uttar Pradesh Power Corp. Ltd. (UPPCL)*
5. *De-linking of PPA tariff for Punjab State Power Corp. Ltd. (PSPCL)*

However as per S&P, RG's strong reserving mechanism will allow it to meet the final principal payment and expect to maintain stable outlook due to steady operating performance, timely receivable collections, and "must dispatch" status which will allow the RGs to maintain minimum anticipated DSCR.

Further as per S&P, the rating downgrade is on account of weaker DSCR ratios than previously calculated after correcting errors in the previous application of its criteria by excluding certain reserves from the ratio and factoring in the hedge costs, and hedge rollover risks. S&P has revised their approach for the analysis of the underlying risks with respect to renewal of the hedging instruments. In addition, S&P has confirmed that the co-issuer structure is now based on its Principles of Credit Ratings criteria in conjunction with other specific criteria.

We would like to highlight the following changes in the S&P methodology and its application mid-way through the issuance, which has prompted this negative action:

1. **Change in the criteria in middle of the transaction:**
   - S&P has now created a SWAP related criteria, which details the methodology for deriving the Hedge cost/ SWAP Cost in case the hedge tenure is shorter than the issuance tenure. In the same criteria, it is mentioned that the hedge/ SWAP cost shall be accounted as higher of the following:
     a) Contracted hedge cost
     b) Average hedge cost for the past 20 years period for the hedge tenure

     However, while evaluating the issuance, S&P has pointed out a risk of hedges not being available for further roll overs. While in the past 20 years there has never been a situation that hedges are not available even for shorter tenure. Hence, the SWAP criteria have been mis-applied in this instance. It may be further noted that the SWAP criteria itself was introduced mid-way through the transaction.

2. **Misapplication of Criteria**:
   - We noted a total misapplication of the criteria while evaluating the DSCR calculation. Even though, in the structure the amount being transferred into the amortization account is regularly

used to run down the debt as per the amortization/ background amortization schedule, the same cash flow has been removed from CFADS calculation for DSCR purposes. In this extant case, the amount being transferred to Senior Debt Restricted Amortization Account (SDRAA) is not just being created as reserve but also is being used as part of amortization of debt in every semi-annual period. By ignoring these amounts in DSCR calculation, S&P has misapplied its own published Project Finance Methodology. This has resulted in a hypothetical DSCR which is much lower than the actual DSCR. We have been publishing our calculation of DSCR with full transparency and thus we fail to reconcile with such a hypothetical DSCR computation while the actual DSCR is much higher and proven in the past 4 compliance certificates available in the public domain. Hence, this misapplication is a complete disregard of the Project Account Deed (cash flow waterfall covenant). Thus, the rationale provided could only be applied if the Project Account Deed is not in place.

3. **Misapplication of Legal documents:**
   a. **Auto debt sizing criteria has been ignored:**
      - The rationale has completely ignored the PLCR (Project Life Cycle Ratio) covenant provided in the legal documents, which can auto correct any foreseeable future for the impact on the EBIDTA of Business including any exchange rate movements. The PLCR is reported/calculated every six months. Thus, the worst-case situation is hedging by way of cash collateralization or a more efficient way of part cash and hedge instrument as per Note Trust Deed.

   b. **Actual amortization payment has been considered as reserve instead of cash outflow:**
      - The covenants of note trust deed and Project Account Deed mandate the Senior Debt redemption reserve greater than payment. Entire amount is available in the senior debt redemption account in time. Again, the S&P rating rationale is based on Note Trust Deed and Project Account Deed being non-operational or non-existent.

   c. **The cost of debt used for the Agency Model is not as per factual documents:**
      - As per our Working Capital documents currently the drawl is capped at receivable levels, while Agency is assuming the full drawl of INR 2 Bn even though actual Working Capital drawl is only ~INR 1 Bn.
      - Various Debt cost used for Agency Base Case is not inline with the executed documents for the facilities INR Facility and Working Capital Facility.

4. **Counterparty risk linking to credit profile of UPPCL:**
   - The S&P has now linked UPPCL's weaker credit profile acting as a constraint and applying a one-notch insulation to revenue counterparty rating due to regulatory and legal precedence whereas the same was not the case at the time of initial rating.
   - However, while evaluating the issuance, S&P weighted on pool of well diversified solar assets spread across sites in India, and the presence of stronger counterparties such as NTPC and SECI, given around 60% of the receivables from these stronger counterparties which should limit volatility in operating performance.

5. De-linking of PPA tariff for PSPCL:

- S&P have de-linked the project from PSPCL due to its weaker credit profile and considered 100MW capacity project being exposed to market prices over the life of the PPA term. The S&P have assumed that the power be dispatch and sell at a discount to the market rate of INR 2.50/kWh.

We would also like to communicate that in case the misapplications are not resolved, we will be forced to withdraw the ratings provided by S&P Ratings.

Adani Green Energy Ltd. Restricted Group 2 (RG2) rating action by S&P to “BB” after resolving credit watch

It may be noted that S&P vide their release dated 26 Aug 2021 has announced rating of RG2 by 2 notches from BBB- to BB due to following reasons:

1. *Change in the methodology adopted by S&P in middle of the issued Bonds Tenure including the hedge criteria with respect to hedge cost and rollover of hedges.*
2. *Misapplications of Criteria pertaining to RGs*
3. *Disregarding the structural protection available in the Legal documentation*

However as per S&P, RG's strong reserving mechanism will allow it to meet the final principal payment and expect to maintain stable outlook due to steady operating performance, timely receivable collections, and "must dispatch" status which will allow the RGs to maintain minimum anticipated DSCR.

Further as per S&P, the rating downgrade is on account of weaker DSCR ratios than previously calculated after correcting errors in the previous application of its criteria by excluding certain reserves from the ratio and factoring in the hedge costs, and hedge rollover risks. S&P has revised their approach for the analysis of the underlying risks with respect to renewal of the hedging instruments. In addition, S&P has confirmed that the co-issuer structure is now based on its Principles of Credit Ratings criteria in conjunction with other specific criteria.

We would like to highlight the following changes in the S&P methodology and its application mid-way through the issuance, which has prompted this negative action:

1. **Change in the criteria in middle of the transaction:**
   - S&P has now created a SWAP related criteria, which details the methodology for deriving the Hedge cost/ SWAP Cost in case the hedge tenure is shorter than the issuance tenure. In the same criteria, it is mentioned that the hedge/ SWAP cost shall be accounted as higher of the following:
     a) Contracted hedge cost
     b) Average hedge cost for the past 20 years period for the hedge tenure

   However, while evaluating the issuance, S&P has pointed out a risk of hedges not being available for further roll overs. While in the past 20 years there has never been a situation that hedges are not available even for shorter tenure. Hence, the SWAP criteria have been misapplied in this instance. It may be further noted that the SWAP criteria itself was introduced mid-way through the transaction.

2. **Misapplication of Criteria**:
   - We noted a total misapplication of the criteria while evaluating the DSCR calculation. Even-though in the structure the amount being transferred into the amortization account is regularly used to run down the debt as per the amortization schedule, the same cash flow has been removed from CFADS calculation for DSCR purposes. In this extant case, the amount being

transferred to Senior Debt Restricted Amortization Account (SDRAA) is not just being created as reserve but also is being used as part of amortization of debt in every semi-annual period. By ignoring these amounts in DSCR calculation, S&P has misapplied its own published Project Finance Methodology. This has resulted in a hypothetical DSCR which is much lower than the actual DSCR. We have been publishing our calculation of DSCR with full transparency and thus we fail to reconcile with such a hypothetical DSCR computation while the actual DSCR is much higher and proven in the past 3 compliance certificates available in the public domain. Hence, this misapplication is a complete disregard of the Project Account Deed (cash flow waterfall covenant). Thus, the rationale provided could only be applied if the Project Account Deed is not in place.

3. **Misapplication of Legal documents:**
   a. **Auto debt sizing criteria has been ignored:**
      - The rationale has completely ignored the PLCR (Project Life Cycle Ratio) covenant provided in the legal documents, which can auto correct any foreseeable future for the impact on the EBIDTA of Business including any exchange rate movements. The PLCR is reported/calculated every six months. Thus, the worst-case situation is hedging by way of cash collateralization or a more efficient way of part cash and hedge instrument as per Note Trust Deed.

   b. **Actual amortization payment has been considered as reserve instead of cash outflow:**
      - The covenants of note trust deed and Project Account Deed mandates the Senior Debt redemption reserve greater than payment. Entire amount is available in the senior debt redemption account in time. Again, the S&P rating rationale is based on Note Trust Deed and Project Account Deed being non-operational or non-existent.

   c. **The cost of debt used for the Agency Model is not as per factual documents:**
      - As per our Working Capital documents currently the drawl is capped at receivable levels, while Agency is assuming the full drawl of INR 2 Bn even though actual Working Capital drawl is only ~INR 500 Mn.
      - Various Debt cost used for Agency Base Case is not in line with the executed documents for the facilities INR Facility and Working Capital Facility.

We would also like to communicate that in case the misapplications are not resolved, we will be forced to withdraw the ratings provided by S&P Ratings.