Investor letter

Sent to executives at the following companies that are invested in Adani Green bonds: Allianz, PIMCO, Lombard Odier, Blackrock, Aegon, AllianceBernstein, BNP Paribas AM, Canadian Imperial Bank of Commerce, Fidelity, HSBC AM, Legal & General, Manulife, Robeco, SEI, State Street, VanEck, Credit Agricole, Credit Suisse, Fisch, Goldman Sachs, Hartford, Invesco, JP Morgan AM, Jupiter, Mediolanum, NN Group, Prudential Financial, Prudential plc, Sumitomo Mitsui, Teachers Retirement State of Illinois, UBS, Wellington Management

30 May 2024

Dear [INVESTOR NAME],

On behalf of the Toxic Bonds Network, we are writing to bring to your attention the critical developments surrounding Adani Group and Adani Green Energy Ltd. (AGEL), in particular, which pose significant risks to your business. In light of these developments, we are again reiterating our call for [INVESTOR NAME] to cease investing in new bond issuance for all Adani Group entities, including Adani Green.

A new financial analysis from activist investor Snowcap exposes AGEL as a company that is misleading banks and investors about its deep financial trouble. They find that AGEL is extremely overleveraged, employing dubious accounting tricks and engaging in suspicious transactions with related entities to inflate its earnings, making its bonds appear far less risky than they truly are. This is a form of investor fraud, which raises significant questions for its banks and investors, particularly those who took part in the firm's latest green bond issuance. The report finds that:

- **Adani is committing a form of investor fraud by inflating its key financial metrics**. Investors are being misled to the extent of Adani Green Energy's financial troubles. AGEL has one of the highest debt to equity ratios in Asia. It has produced limited free cash flow in recent periods due to its high debt servicing burden and falling project returns and has failed to include expenses such as related party loans and trade credits in its net debt. AGEL's key run-rate EBITDA is inflated by inappropriate accounting add-backs and aggressive load factor forecasts. It is inflating its earnings for self-reported run-rate EBITDA and gross PP&E. Snowcap estimates that AGEL's run-rate EBITDA is as much as 10-20% lower than reported. AGEL only achieved an average Return on Capital of just 11-12% in the past 3 years - which is well below the company's reported 17% and barely above its cost of debt of 9.5%, drawing into question its aggressive use of leverage to finance projects.
- **Adani Green is overleveraged.** After including trade credits and related party loans, and adjusting for AGEL's convertible debentures with TotalEnergies, Snowcap estimates that AGEL's leverage is as much as 1.5-2x higher than reported.
- **Adani Green is unable to fund its renewable energy target of 50GW despite claims it is "fully funded".** As a result of its heavy debt burden, AGEL is producing little to no free cash flow to equity which is required to fund its growth pipeline. Even with the recent equity injection by the Adani family, AGEL can fund – at most – just 50% of its 50GW target by 2030. In comparison, AGEL's Indian peers such as ReNew and TaTa have robust cash flows and are able to meet their growth targets.
- **Adani Green Energy's stock value is overpriced and unstable.** AGEL trades at more than 34x EV/EBITDA, compared to its renewable peers which trade at c. 8-9x, implying as much as 90% downside to AGEL's equity value. This inflated share price may impede its ability to raise its needed equity.
- **AGEL has hidden potential US bond covenant breaches and underperformance of its key solar assets.** Footnotes reveal that AGEL's key solar assets for its recently refinanced RG1 bond have repeatedly failed to achieve even their most conservative generation forecasts.

Supposed EBITDA outperformance and bond covenant compliance for these assets has instead been propped up by AGEL's bizarre inclusion of interest income from treasuries and related party loans in its EBITDA numbers.

This financial analysis finds that Adani's renewable energy targets are a fantasy, designed to distract attention away from its enormous coal expansion. The Adani Group is using Adani Green to bring in money for expanding coal mining and other fossil fuel infrastructure with the acquisition of numerous coal mines, including a new mine acquisition just weeks after the issuance of AGEL's green bond in March 2024.

This report not only amplifies scrutiny on AGEL's precarious financial manoeuvres but also casts a long shadow over the fraudulent business practices of the entire Adani Group, especially at a time when the conglomerate is already facing a legal investigation by the US Department of Justice into anti-corruption law violations.

These findings come amidst Adani's plans to raise more than $1.2 billion in new debt by June through Adani Green Energy and associated firms. The mounting evidence of Adani's fraudulent business from the Hindenburg report, OCCRP and now Snowcap removes any room for doubt that investments in Adani are not just being funnelled into its coal pipeline, but are bad business. The Toxic Bonds Network considers that any financial institution continuing to invest in or facilitate Adani's access to global markets is exposing themselves to considerable reputational, financial and legal risk, and is complicit in its deception.

We note that [INVESTOR NAME] has at least $XX invested in bonds issued by Adani Green Energy, including investments from its first bond issuance post-Hindenburg in March. This exposes you to a high level of financial and reputational risk, and should be cause for extreme concern for your company. Given the charges levelled at Adani, we ask [INVESTOR NAME] to publicly announce a commitment to deny new debt ahead of Adani's planned $1.2 billion in 'green' bond issuance this June, and fully divest from all Adani Group entities, including Adani Green Energy.

We kindly request your response by **10 June 2024** in relation to your investments in Adani Green. We will be publishing the response and lack thereof to this letter.

Sincerely,

Nick Haines
Campaign Manager, Ekō
Member of the Toxic Bonds Initiative

Frances McGuire
Coordinator
Toxic Bonds Network

Bank letter

Sent to executives at the following banks that have underwrote outstanding USD Adani Green bonds: Barclays, DBS, Deutsche Bank, ING, Intesa Sanpaolo, MUFG, Mizuho, SMBC, Societe Generale, Standard Chartered, Axis, BNP Paribas, Citi, JP Morgan, Yes Bank

30 May 2024

Dear [BANK NAME],

On behalf of the Toxic Bonds Network, we are writing to bring to your attention the critical developments surrounding Adani Group and Adani Green Energy Ltd. (AGEL), in particular, which pose significant risks to your business. In light of these developments, we are again reiterating our call for [BANK NAME] to stop facilitating new bond issuance for all Adani Group entities, including Adani Green.

A new financial analysis from activist investor Snowcap exposes AGEL as a company that is misleading banks and investors about its deep financial trouble. They find that AGEL is extremely overleveraged, employing dubious accounting tricks and engaging in suspicious transactions with related entities to inflate its earnings, making its bonds appear far less risky than they truly are. This is a form of investor fraud, which raises significant questions for its banks and investors, particularly those who took part in the firm's latest green bond issuance. The report finds that:

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These findings come amidst Adani's plans to raise more than $1.2 billion in new debt by June through Adani Green Energy and associated firms. The mounting evidence of Adani's fraudulent business from the Hindenburg report, OCCRP and now Snowcap removes any room for doubt that investments in Adani are not just being funnelled into its coal pipeline, but are bad business. The Toxic Bonds Network considers that any financial institution continuing to invest in or facilitate Adani's access to global markets is exposing themselves to considerable reputational, financial and legal risk, and is complicit in its deception.

We note that [BANK NAME] has facilitated XXX outstanding bonds for Adani Green Energy, including its first bond issuance post-Hindenburg in March. [BANK NAME] has also facilitated XXX outstanding USD bonds for other Adani Group companies. This reveals a misalignment between your stated climate goals and financing practices.

We are asking that [BANK NAME] does not provide any new finance, including facilitation of capital market activities, to all Adani Group companies, starting with Adani Green's planned June issuance.

We kindly request your response by **10 June 2024** concerning your involvement in the facilitation of capital markets activities for Adani. We will be publishing your response, or lack thereof, to this letter.

Sincerely,

Nick Haines
Campaign Manager, Ekō
Member of the Toxic Bonds Initiative

Frances McGuire
Coordinator
Toxic Bonds Network