CareEdge Global assigns Foreign Currency Rating of 'CareEdge BBB+/Stable' to the dollar bonds of Adani Electricity Mumbai Limited

USD 830.50 million Foreign Currency Bonds	CareEdge BBB+/Stable
USD 255.34 Foreign Currency Bonds	CareEdge BBB+/Stable

CareEdge Global has assigned a **'CareEdge BBB+/Stable'** rating to USD 1.09 billion foreign currency bonds of Adani Electricity Mumbai Limited (AEML).

Rating Rationale

The rating is driven by the high predictability of AEML's cash flows, underpinned by a well-established and mature regulatory framework, as well as an efficient electricity distribution network, a diversified customer base in its area of licence, and a consistent track record of timely collections. The rating also benefits from structural features embedded in the bond documents, including distribution lockups and a cash sweep mechanism. Furthermore, restrictions on additional indebtedness and/or liabilities at par with the bonds provide comfort.

These credit strengths are partially offset by exposure to refinancing risk over the medium term, relatively high (though improving) leverage, average interest cover, and exposure to risk related to fluctuation in foreign currency exchange rates. AEML's leverage is relatively high with debt to earnings before interest, tax, depreciation and amortisation (EBITDA) of 3.5x as of March 31, 2025, albeit an improvement from 4.5x as of March 31, 2024. Similarly, interest cover, though average, has also improved to 2.7x in FY25 from 2.4x in FY24. CareEdge Global expects the company's debt to EBITDA to improve further to less than 3.5x and interest cover to more than 3x by FY28. Similarly, AEML's fund flow from operations (FFO) to debt is expected to be above 15% over the medium term.

The refinancing risk is partly mitigated by a five-year tail period (until August 15, 2036), which extends beyond bond maturity (due in February 2030 and July 2031), as well as the track record of license renewal in the past. The management also plans to refinance the bonds sufficiently before maturity.

Outlook

The stable outlook reflects CareEdge Global's expectation that AEML's business risk profile will continue to remain steady, driven by its established position in a strong service area, as well as an evolved and stable regulatory regime in Mumbai with a track record of timely tariff orders enabling full recovery and predictable return on regulated asset base (RAB). The financial risk profile is expected to improve further on the back of funding capex by internal accruals and improvement in its debt coverage metrics such as FFO to Debt and Debt to RAB.

Rating Sensitivities

Upward factors

- Improvement in Debt to RAB ratio to around 0.60-0.70x on a sustained basis
- Significant improvement in operating performance leading to a sustained FFO to Debt ratio of more than 20%
- As well as an upward revision in India's credit rating (rated, 'CareEdge BBB+/ Stable Unsolicited') or rating outlook

Downward factors

- Downward revision in India's credit rating or rating outlook
- Higher than regulator-approved capex or sizeable increase in regulatory deferral account balance (RDAB) resulting in a Debt to RAB ratio of more than 0.90 times
- Any adverse outcome of pending regulatory investigations by the Department of Justice (United States) constraining AEML's refinancing ability

Analytical Approach

CareEdge Global has consolidated the business and financial risk profiles of AEML, its subsidiary Adani Electricity SEEPZ Limited (ASL), and an affiliate, Power Distribution Services Limited (PDSL). AEML and PDSL form the 'obligor group', which is the issuer of the dollar-denominated bond. ASL is also in the process of being added to the 'obligor group'. PDSL does not have meaningful operations as of date and is a subsidiary of AEML's parent, Adani Energy Solutions Limited (AESL). ASL distributes electricity in the SEEPZ (Santacruz Electronics Export Processing Zone), a Special Economic Zone (SEZ) located in Mumbai.

The financials and debt of Adani Electricity Mumbai Infra Ltd (AEMIL), another subsidiary of AEML, have not been consolidated, given the management stance that AEMIL is directly supported by AESL, and that no funding or support will be provided by AEML on its own. AEMIL is implementing a high-voltage direct current (HVDC) transmission line in Mumbai. Its ownership is expected to be spun off from AEML, post commissioning of the HVDC line. This analytical treatment is in line with the bond documents, which exclude AEMIL from the obligor group.

AEML's capital structure includes subordinated debt (sub-debt) of USD 234 million as of March 31, 2025, from its 25.1% shareholder, the Qatar Investment Authority (QIA). This sub-debt has been treated as 'neither debt nor equity' (NDNE), given that there is no fixed repayment schedule for this sub-debt, and any payment is subject to the availability of distributable surplus as per the cashflow waterfall. AEML obligor group is largely insulated from its parent, AESL, and the Adani Group, given the regulated nature of its business, structural enhancements in the form of covenants with a defined waterfall mechanism, and restrictions on the incurrence of additional debt.

For calculations of our ratios, we have considered debt at hedge rates and adjusted it with sustainable surplus cash.

Key Rating Drivers

Strengths

Predictable cash flows supported by a favourable regulatory framework

The rating factors AEML's entire operations, comprising the transmission and distribution (T&D) segments, being under a defined cost-plus regulatory model. Both segments are regulated by the state regulator, Maharashtra Electricity Regulatory Commission (MERC). This framework ensures a recovery of all the costs along with a return on capital (debt and equity) for the RAB. MERC allows finance costs on the regulated debt on an actual basis along with a healthy fixed post tax return of 15.5% on regulated equity. Regulated debt and regulated equity (both approved by the regulator) together constitute a utility's RAB.

As per regulations, tariff revenues are linked to regulatory asset base rather than utilisation, thereby protecting AEML and the obligor group from volume risks, thus supporting high cash-flow visibility. The regulations allow for a regular review of tariffs, to ensure that any rate revision is timely, and to minimise any build-up of RDAB. The company's average realisations improved to Rs 9.22/kWh (including FAC) in fiscal 2025, as against Rs 8.13/kWh in fiscal 2024, led by the increase in tariff rates allowed as per the mid-year tariff order of March 2023. This also aided the company in reducing its RDAB from Rs 1,962 crore (~USD 222.6 million[1]) as of March 31, 2023, to Rs 285.6 crore (~USD 32.4 million) as of March 31, 2025, as the regulator allowed for true-up for prior year RDAB along with carrying costs. MERC has approved a tariff cut of ~10% across categories for fiscal 2026 in its March 2025 tariff order, despite that AEML would be able to recover its costs and returns, driven by higher volume and declining average cost of supply (ACS).

During FY25, AEML divested its power generation asset (500-MW thermal plant in Dahanu, Maharashtra) for a consideration of Rs 815 crore (~USD 92.5 million) as part of its stated plan. Given the book value of the asset was Rs 2,321 crore (~USD 263.5 million), AEML recognised exceptional loss on the sale of the asset. However, this book loss did not have any impact on AEML's cash flows as the utility's returns are computed based on its RAB. AEML's generation segment was having a RAB of Rs 806 crore (~USD 91.5 million) as of March 31, 2024.

[1] USD-INR exchange rate of 88.10 as of September 22, 2025

A diversified customer base with a track record of timely payments

AEML caters to various customer segments with a balanced mix of residential, commercial and industrial segments, with a total consumer base (number of connections) of 3.18 million as of March 2025. Historically, the residential segment accounted for nearly 50% of total energy sales, followed by commercial and industrial consumers. The company benefits from a strong consumer profile, characterised by exposure to a large base of urban consumers and a significant share of high-paying commercial customers. This diversity and quality of its customer base contribute to low counterparty risk and supporting the company's consistently high collection efficiency. AEML's sales volumes also increased to 10,558 million units (MUs) in fiscal 2025, as against 9,916 MUs in fiscal 2024, led by higher power demand and a stable consumer base. Over the longer term, new demand areas such as data centres and metro lines are likely to support demand growth.

AEML competes with The Tata Power Company Ltd (Tata Power) in its license area. Over the years, the market share between the two utilities has largely stabilised and is unlikely to change materially. AEML has a market share of 55% considering the volume of electricity supplied. Moreover, a significant part of the electricity provided by Tata Power to its consumers is carried on AEML's network, for which the latter is entitled to receive wheeling charges[2].

Despite a higher share of the residential segment, the company's distribution losses are low and continue to decline further. The losses stood at 4.83% in fiscal 2025 (5.29% in fiscal 2024), well below the normative level of 6.55% prescribed by MERC. The reduction in losses can be attributed to continued capital expenditure (capex) aimed at enhancing network quality and infrastructure. This is also reflected in AEML's high supply reliability of 99.99% in fiscal 2025.

Support from the structural features of the bond documents

AEML has a well-defined cashflow waterfall and protection mechanism for bondholders in the form of a graded distribution linked to the debt service coverage ratio (DSCR) and adherence to financial covenants.

The rated bond has covenants with a maximum net debt-to-RAB ratio of 1.40x and a minimum PLCR of 1.80x. According to the bond documents, testing is conducted every six months, and 100% of the distributable surplus is available for distribution only if the DSCR exceeds 1.55x. If the DSCR falls below 1.55x, the maximum distribution allowed is restricted to 60% of the funds in the distribution account, further declining to 50% at a DSCR below 1.45x and to 0%

[2] Wheeling charges is the fees paid for transporting electricity through the transmission and distribution network from its point of generation to the last point of consumption

if the DSCR falls below 1.35x. Also, the obligor group is required to maintain a debt service reserve account (DSRA) equivalent to six months of ensuing debt obligations. We have provided a one-notch uplift to the core credit profile on account of these structural features.

Weaknesses

Exposure to inherent refinancing and currency risks

The rated external debt has bullet repayment in February 2030 (USD 830.50 million) and July 2031 (USD 255.34 million), resulting in no principal repayment in the near to medium term. It thus remains exposed to refinancing risk. A tail period of around five years beyond bond maturity, a track record of successful license rollovers in the past and consistent operating metrics above the normative levels would mitigate the risk to some extent. That said, any adverse outcome of pending regulatory investigations at the Adani Group level, constraining AEML's refinancing ability, will remain a monitorable.

AEML is also exposed to inherent currency risk, as its revenue is denominated in Indian rupees, while its debt is denominated in USD. These risks are partly mitigated by the issuers' commitment to fully hedge the currency risk (for both the principal and interest) throughout the tenure of the instruments. AEML has entered into five-year currency swaps and fully hedged USD 830.50 million senior debt and USD 100 million (of the USD 255.34 million debt) till maturity. The remaining USD 100 million and USD 55.34 million debt is hedged till July 2027 and July 2030 respectively. The management has committed to obtaining currency swaps forthwith at the time of hedge rollover. CareEdge Global views currency risk at a moderate level and has accorded a negative modifier of one-notch to recognise the residual currency and refinancing risk.

Relatively high leverage, though on an improving course

AEML's overall credit profile is constrained by its relatively high leverage and moderate debt protection metrics. AEML's external debt stood at Rs 9,082 crore (~USD 1.03 billion) as of March 31, 2025 (excluding sub-debt of USD 234 million from QIA). AEML's Debt to EBITDA improved to 3.5x for the year ending March 31, 2025 (PY: 4.6x) and is expected to remain less than 3.5x over the medium term.

The company's debt includes a portion of regulatory debt (Rs 4,536 crore [US$515 million] as of March 31, 2025) and the debt availed in 2018 for business acquisition from Reliance Infrastructure Limited (R-Infra). In the past years, AEML invested a part of its distributable surplus (available as per the waterfall mechanism) in related entities which was later recovered. The management has indicated that there would not be funding support to any group entity, prior to the distribution surplus. Any sizeable support to group entities going forward, however, would be a key monitorable.

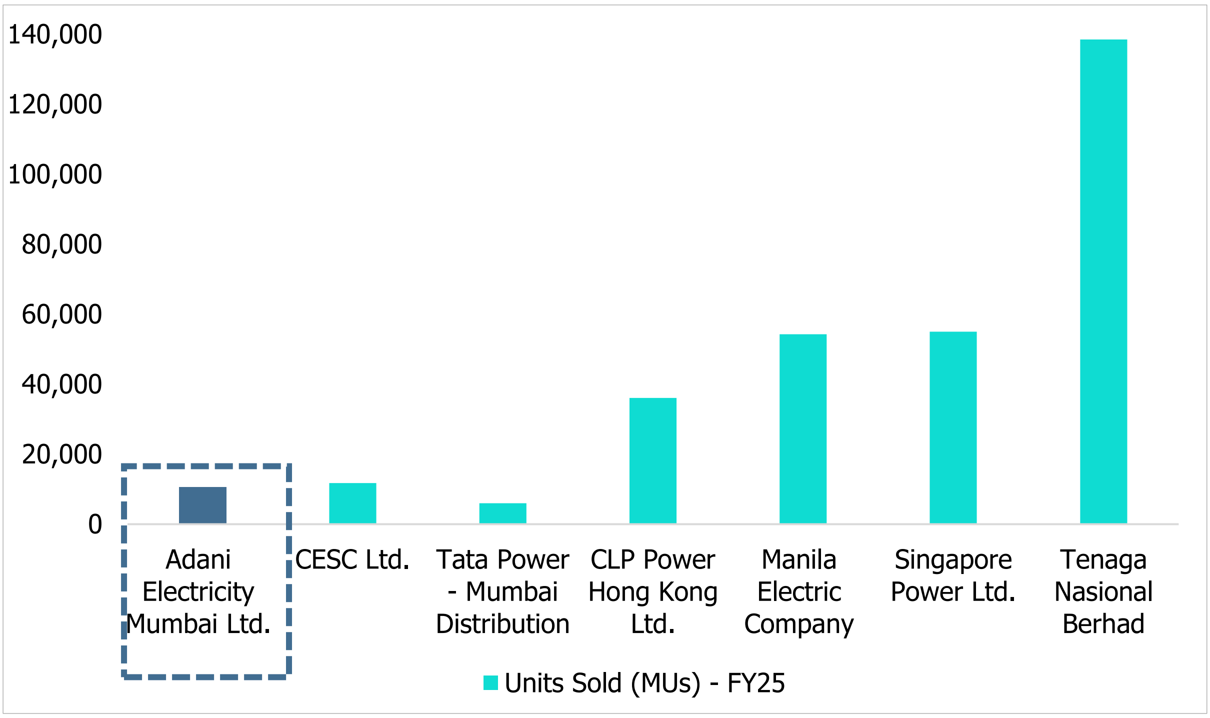
In our base case scenario, AEML's FFO to Debt is likely to sustain above 15% over the medium term. Debt to RAB is also expected to improve to 0.8x over the medium term, considering higher capex approved by MERC and AEML funding the entire capex from internal accruals without incurring additional debt.

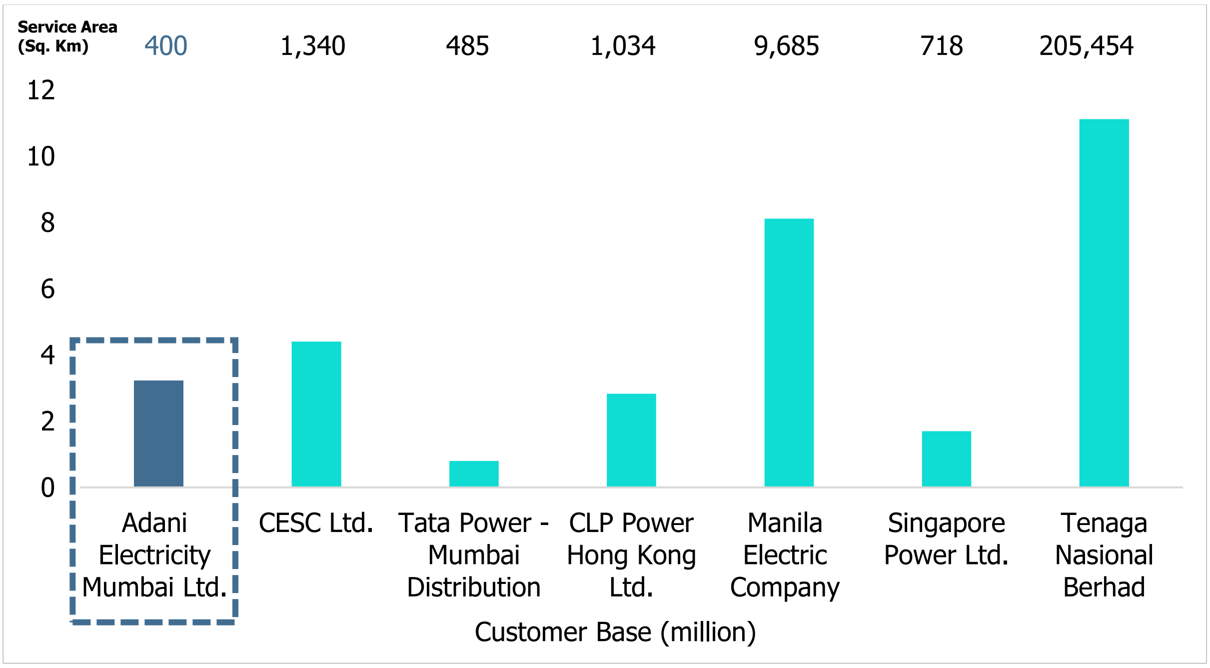
CareEdge Global has noted AEML's recognition of Rs 2,802 crore (~USD 318.2 million) liability towards AESL during FY25 pertaining to Regulatory Assets Under Approval (RAUA), matched by a corresponding recognition of asset under RDAB. We understand that the liability is pass-through and will only be paid once corresponding receivables are collected/notified to be collected, keeping AEML's cash flows unaffected. AESL acquired RAUA assets (currently under various litigations) from R-Infra in 2024 for Rs 2,802 crore vs their estimated value of Rs 3,596 crore (~USD 408.2 million), based on legal precedents, growing certainty, and to prevent third-party involvement. These assets were housed under AEML to ensure stability of power tariffs and operational flexibility. Upon approval, AEML will collect and remit funds to AESL using established mechanisms, acting purely as a conduit.

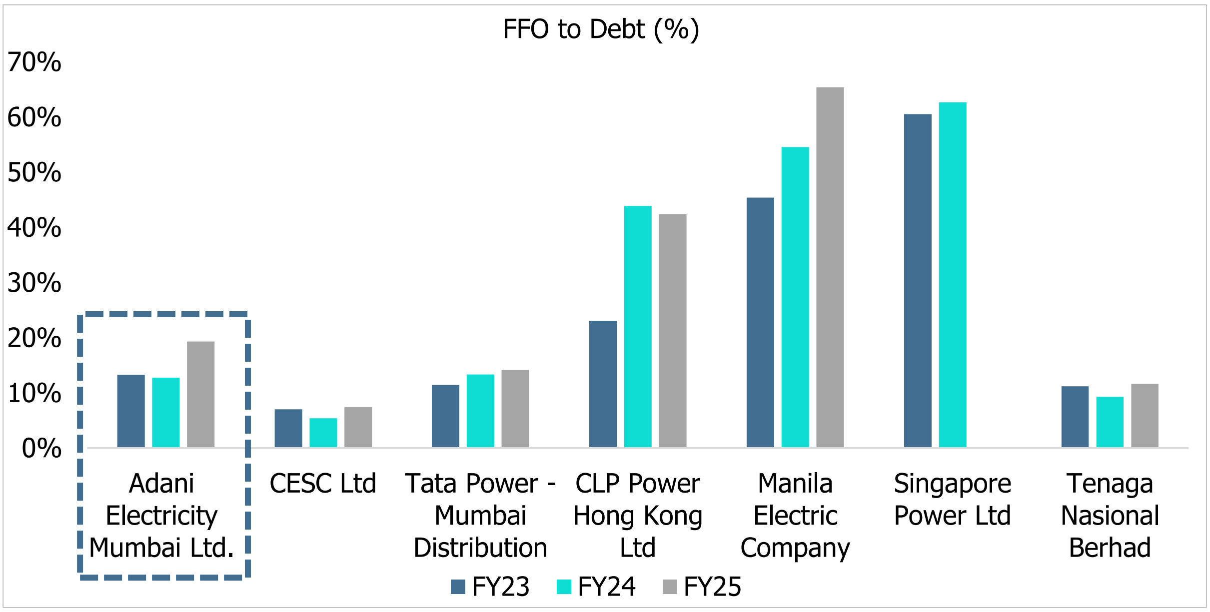
Liquidity

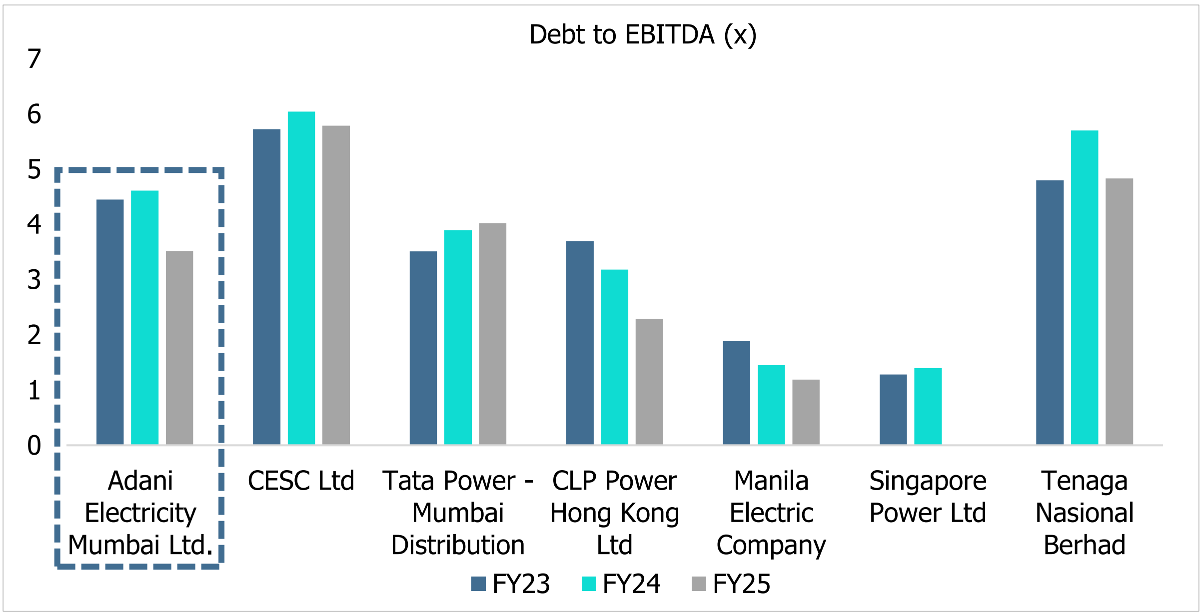
AEML's liquidity profile is expected to remain strong over the next 12-18 months. As of June 30, 2025, the company's liquidity position stood at Rs 2,264 crore (~USD 257 million), including a free cash of Rs 1,177 crore (~USD 133.6 million), reserves of Rs 884 crore (~USD 100.3 million), and Debt Service Reserve Account (DSRA) of Rs 204 crore (~USD 23.2 million). The available liquidity and operating cash flow would be adequate to meet most of its requirements, including capex plans, which are expected to be funded from internal accruals. Further, the company does not have any major debt maturities until 2030.

Comparison with other Electricity Distribution utilities









FY25 details are not available for Singapore Power Ltd

FY represents the period ending in December of the previous calendar year for CLP Power Hong Kong Ltd, Manila Electric Company & Tenaga Nasional Berhad

Environmental, Social and Governance (ESG) considerations

AEML benefits from its stated commitment towards increasing the use of renewable power to 60% by fiscal 2027, as part of its sustainability-linked bonds. The share of renewable energy has increased from 3% in fiscal 2019 to 36% as of March 31, 2025. Further, AEML hived off its 500 MW thermal power plant last fiscal to reduce its carbon footprint.

AEML's social consideration is neutral owing to relatively low risks to health and safety and the company's impact in creating social change through skill development.

Governance risk is moderate, driven by the ringfenced structure of the AEML obligor group. All material RPTs are approved by the company's Audit Committee, which comprises two-thirds of independent directors.

About the company

AEML holds a license for an integrated power distribution, transmission and generation business that currently serves more than 3.24 million consumers across a licensed area of approximately 400 sq. kms. in and around the city of Mumbai. AESL holds 74.9% equity in AEML, with the balance being held by QIA. AEML was formed and started operating in Mumbai post-acquisition of R-Infra's integrated generation, transmission and distribution businesses from August 29, 2018. The distribution licence, that was last renewed in 2011, was also transferred as part of the transaction. Further, the service area has an 85-year history of successful licence renewals/extensions.

Recent Updates and Financial Summary

AEML posted revenue of Rs 3,309 crore for the quarter ended June 2025, marginally higher than Rs 3,279 crore for the same period of the previous year. The number of units sold during this period witnessed a marginal decline to 2,939 MUs (PY: 2,962 MUs) due to lower average temperatures owing to the early onset of the monsoon.

AEML's operational performance has improved in the first quarter on a sequential basis. The distribution loss reduced from 4.83% in fiscal 2025 to 4.24% in the first quarter of fiscal 2026. The customer base increased to 3.24 million as of June 2025 from 3.18 million (March 2025) due to new customer additions. AEML's RAB stood at Rs 9,433 crore as of June 2025 increasing 13% on a y-o-y basis.

Key Summary Financial Metrics

Particulars	Unit	March 31, 2023	March 31, 2024	March 31, 2025
Revenue	Rs crore	8,151	9,512	11,433
EBITDA	Rs crore	2,066	2,015	2,282
PAT	Rs crore	95	230	-555
Total debt	Rs crore	10,159	9,732	9,082
FFO to Debt	%	13.9%	13.2%	20.1%
Debt to RAB	Times	1.15	1.10	0.84

Solicitation Status

These ratings are solicited. The management has provided information and meetings to the CareEdge Global analytical team for the rating.

Details of Instruments

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Issue Size	Rating
Foreign Currency Bonds	XS2109438205	February 12, 2020	3.949%	February 12, 2030	USD 830.5 million	CareEdge BBB+/Stable
Foreign Currency Bonds	US00654GAB95	July 22, 2021	3.867%	July 22, 2031	USD 255.34 million	CareEdge BBB+/Stable

Rating History

Instrument	Type	Rating	Date
Foreign Currency Bonds	Long-Term Foreign Currency (Solicited)	CareEdge BBB+/Stable	September 23, 2025

Criteria Applied

CareEdge Global's Corporate Sector Rating Methodology

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About Us
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