Adani Electricity Mumbai Limited's rating reaffirmed at 'CareEdge BBB+/Stable'

USD 830.50 million foreign currency bonds	**CareEdge BBB+/Stable (reaffirmed)**
USD 255.34 million foreign currency bonds	**CareEdge BBB+/Stable (reaffirmed)**

CareEdge Global Ratings has reaffirmed its **'CareEdge BBB+/Stable'** rating on USD 1.09 billion foreign currency bonds of Adani Electricity Mumbai Limited (AEML).

Rating rationale

The rating continues to be driven by the high predictability of AEML's cash flows, underpinned by a well-established and mature regulatory framework, an efficient electricity distribution network, a diversified customer base in its area of licence, and 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 strengths are partially offset by exposure to the refinancing risk over the medium term, relatively high (though improving) leverage, average interest cover, and exposure to forex risk. AEML's leverage is relatively high with debt-to-earnings before interest, tax, depreciation and amortisation (EBITDA) of 3.4x as of March 31, 2026 (PY: 3.3x), albeit an improvement from 4.4x as of March 31, 2024. 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. Interest cover at 2.7x in FY26 remained at a level similar to the previous year. AEML's fund flow from operations (FFO)-to-debt was 19.6% as of March 31, 2026 (PY: 21.4%) and is expected to remain above 15% in the near to 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 licence 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 remain steady, driven by its established position in a strong service area, as well as an evolved and stable regulatory regime 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 driven by funding of capital expenditure (capex) through internal accruals.

Rating sensitivities

Upward factors

- Sustained improvement in debt-to-RAB ratio to 0.60-0.70x
- Significant improvement in operating performance, leading to a sustained FFO-to-debt ratio of more than 20% and debt-to-EBITDA of less than 3x
- As well as an upward revision in India's credit rating ('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 0.90x
- Any adverse event that constrains 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 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. Further, AEMIL, implementing a high-voltage direct current (HVDC) transmission line, was spun off from AEML in February 2026. AEML's capital structure includes subordinated debt (sub-debt) of USD 150 million as of March 31, 2026, from its 25.1% shareholder, the Qatar Investment Authority (QIA). This sub-debt was treated as neither debt nor equity (NDNE), given that there is no fixed repayment schedule for the sub-debt, and any payment is subject to the availability of distributable surplus as per the cash flow waterfall. However, debt was fully repaid in the first quarter of this fiscal.

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 incurrence of additional debt. For calculating the ratios, we have considered debt at hedge rates and adjusted it with surplus cash.

Key rating drivers

Strengths

Predictable cash flow supported by a favourable regulatory framework

The rating factors in 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 recovery of all the costs along with a return on capital (debt and equity) for 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 the regulated equity.

As per regulations, tariffs are linked to the regulatory asset base rather than utilisation, thereby protecting AEML 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 build-up of RDAB. Timely release of mid-year tariff order in FY23 resulted in AEML's RDAB reducing from Rs 19.6 billion as of March 31, 2023, to a regulatory surplus of Rs 7.8 billion as of March 31, 2026 (excluding Rs 28 billion of assets prior to the business acquisition, which have been novated to AESL). While AEML's average realisation was marginally lower at Rs 9.01/kWh (including fuel adjustment charges) in fiscal 2026, as against Rs 9.22/kWh in fiscal 2025, it would be able to recover its costs and returns, driven by higher volume and declining average cost of supply.

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 3.27 million as of March 2026. Historically, the residential segment accounted for ~50% of total energy sales, followed by commercial and industrial consumers. AEML 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 (38.7%). The diversity and quality of its customer base contribute to low counterparty risk and support the company's consistently high collection efficiency. AEML's sales volume remained flat at 10,563 MUs in fiscal 2026 (PY:10,554 MUs), supported by stable power demand. New demand areas such as data centres and metro lines are likely to support demand growth over the medium-to-long term.

AEML competes with The Tata Power Company Ltd (Tata Power) in its licence 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 electricity provided by Tata Power to its consumers is carried on AEML's network, for which the latter is entitled to receive wheeling charges[1]. Despite a higher share of the residential segment, the company's distribution losses are low

[1] 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

and continue to decline further. The losses were 4.43% in fiscal 2026 (PY: 4.77%), well below the normative level of 5.40% prescribed by MERC. This reduction can be attributed to continued capex aimed at enhancing network quality and infrastructure. This is also reflected in AEML's high supply reliability of 99.99% in fiscal 2026. Strong operational profile is evidenced by an improvement in key reliability metrics over the years.

Support from the structural features of the bond documents

AEML has a well-defined cash flow 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 1.4x and a minimum PLCR of 1.8x. 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% 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 830.5 million) and July 2031 (USD 255.34 million), resulting in no principal repayment in the near to medium term. Hence, it is exposed to the refinancing risk. A tail period of around five years beyond bond maturity, a track record of successful licence rollovers in the past, and consistent operating metrics above the normative levels mitigate this risk to some extent. CareEdge Global also notes the dismissal of the indictment proceedings against the promoters of Adani Group by the United States Department of Justice. This removes uncertainty regarding the Adani Group's ability to access global capital markets for funding and refinancing purposes.

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 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 145.34 million (of the USD 255.34 million debt) till maturity. The remaining USD 110 million debt is hedged till July 2030. The management has committed to obtaining currency swaps forthwith at the time of hedge rollover. CareEdge Global views currency risk as moderate 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

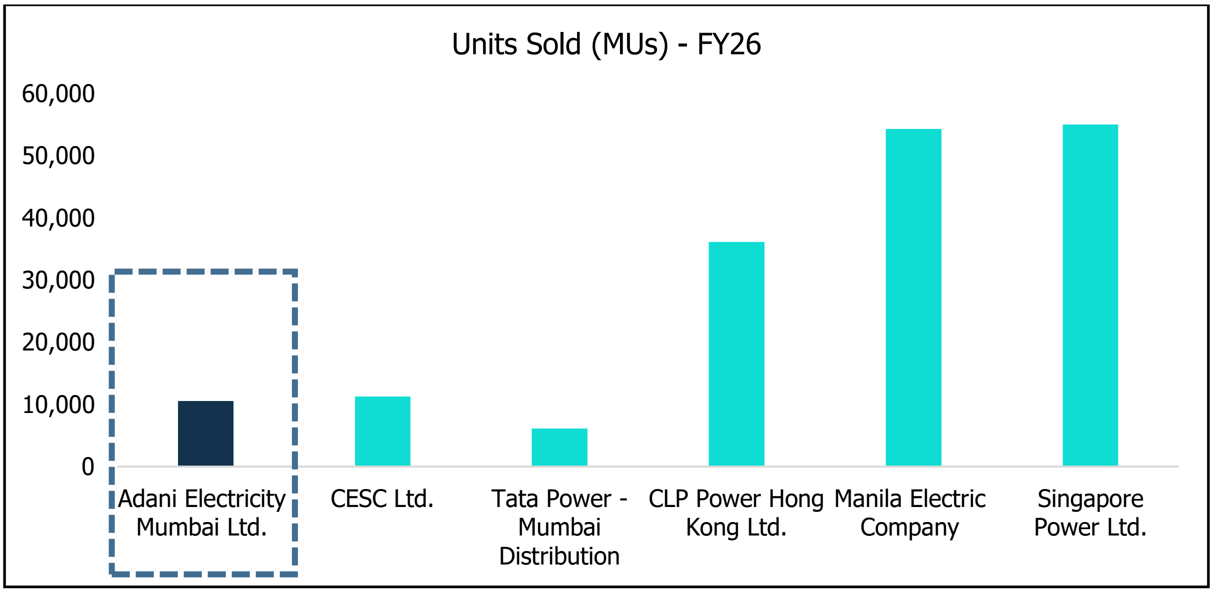
AEML's overall credit profile is constrained by its relatively high leverage and moderate debt protection metrics. AEML's external debt was Rs 89 billion as of March 31, 2026. AEML's debt-to-EBITDA was 3.6x as of March 31, 2026 (PY: 3.5x) and is expected to remain less than 3.5x over the medium term. The company's debt includes a portion of regulatory debt (Rs 50.3 billion as of March 31, 2026) and the debt availed in 2018 for business acquisition from Reliance Infrastructure Limited (R-Infra). In the past, 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 funding support will not be provided to group entities prior to the distribution surplus. Any sizeable support to group entities going forward, however, is a key monitorable.

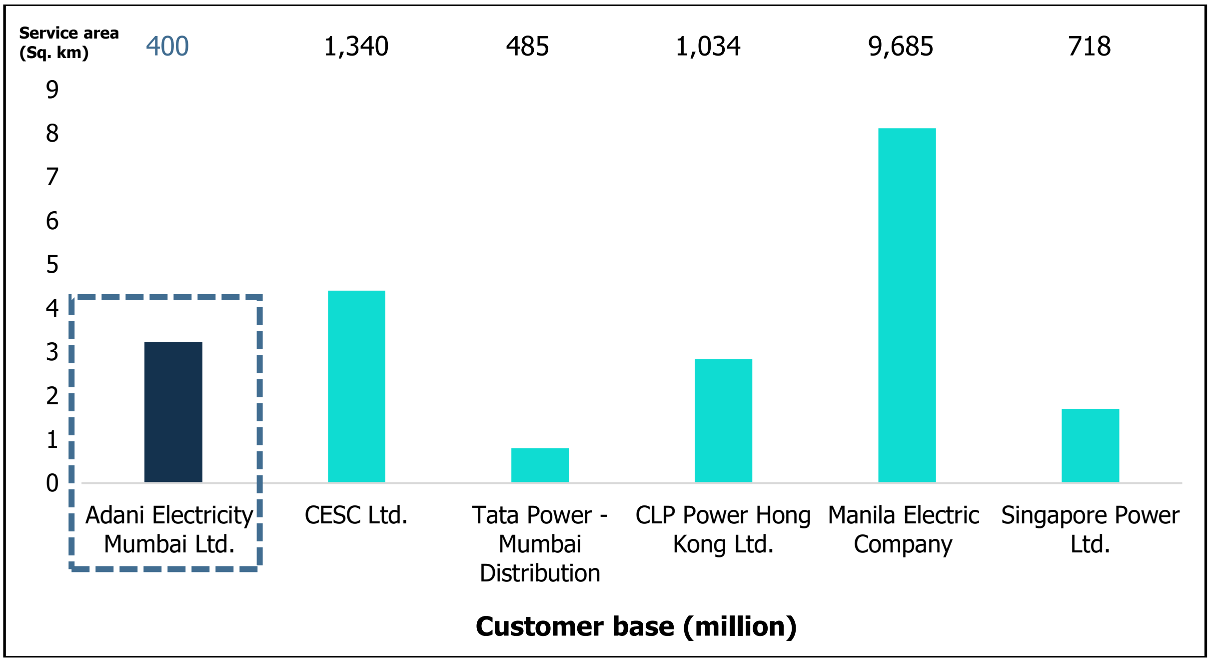
In our base case scenario, AEML's FFO-to-debt is likely to sustain above 15% over the medium term. Debt-to-RAB is also expected to improve to 0.7x over the medium term, considering higher capex approved by MERC and AEML funding the entire capex from internal accruals without incurring additional debt. Regulatory assets under approval (RAUA)-related recoveries of Rs 28 billion continue as status quo, as the court hearing is yet to commence. Furthermore, no material impact on AEML's cash flows is expected given the pass-through nature of RAUA liabilities.

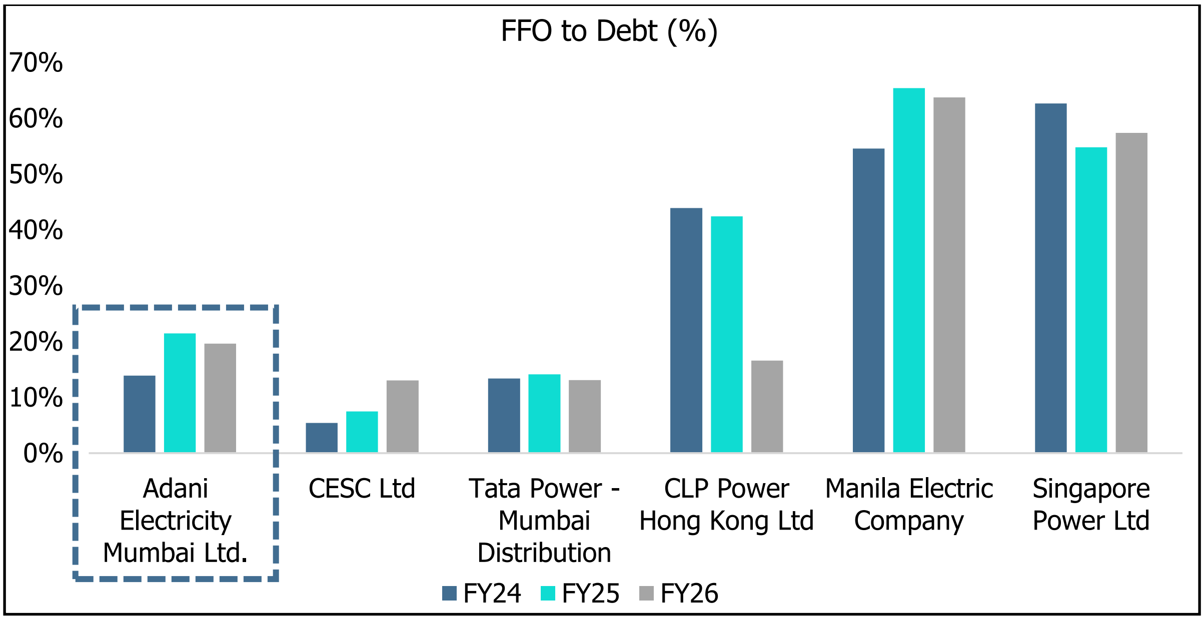
Liquidity

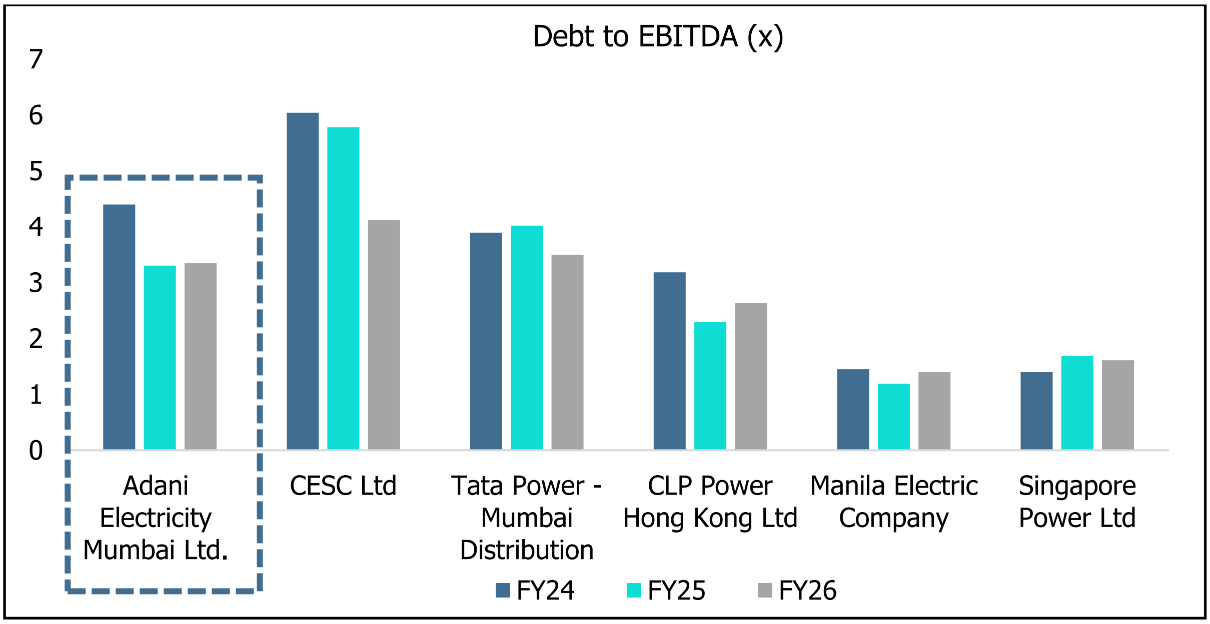
AEML's liquidity profile is expected to remain strong over the next 12-18 months. As of June 30, 2026, the company's liquidity amounted to Rs 17.8 billion, including free cash of Rs 10.2 billion, capex reserve of Rs 6 billion, and DSRA of Rs 1.5 billion. The available liquidity and operating cash flow are adequate to meet most of its requirements, including capex, which is 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









Extrapolated interim financial numbers for CLP Power Hong Kong Ltd, Manila Electric Company

FY represents the period ending in December of the previous calendar year for CLP Power Hong Kong Ltd and Manila Electric Company

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 37.53% as of March 31, 2026. 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 licence for an integrated power distribution, transmission, and generation business that currently serves more than 3.27 million consumers across a licensed area of approximately 400 sq. km in and around the city of Mumbai. AESL holds 74.9% equity in AEML and QIA the balance. AEML was formed and started operating in Mumbai after the acquisition of R-Infra's integrated generation, transmission, and distribution businesses effective August 29, 2018. The distribution and transmission 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 33.3 billion in the quarter ended June 2026, marginally higher than Rs 33.1 billion for the same period of the previous year. The number of units sold during this period rose to 3,260 MUs (PY: 2,939 MUs) due to higher demand on account of a severe and extended summer.

AEML's operational performance has improved in the first quarter on a sequential basis. The distribution loss increased to 5.16% in the first quarter of fiscal 2027 (PY: 4.24%) owing to extreme heatwave conditions resulting in higher energy consumption. Its customer base increased to 3.29 million as of June 2026 from 3.24 million a year ago with new customer additions. AEML's RAB was Rs 103.5 billion as of June 30, 2026.

Key summary financial metrics

Particulars	Unit	March 31, 2024	March 31, 2025	March 31, 2026
Revenue	Rs billion	95.1	114.3	112.4
EBITDA	Rs billion	20.2	22.8	20.6
PAT	Rs billion	2.3	-5.6	4.4
Total debt	Rs billion	97.3	90.8	89.0
FFO-to-debt	%	13.9%	21.4%	19.6%
Debt-to-RAB[2]	times	1.00	0.74	0.63

Solicitation status

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

[2] For computation of this ratio, 90% of capital work-in-progress is included in RAB

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	August 14, 2026
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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CIN-U66190GJ2024PLC151103