

# Adani Green/Ports and Carmichael funding exposures

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As reported by Reuters in “[Adani group firms pledge additional shares for key lender](#)”, 11 Feb 2023, stocks from Adani Green, Adani Ports and Adani Transmission are being posted as collateral for a credit facility provided by State Bank of India (SBI). The Financial Express further explains this:

*“Adani Enterprises' flagship project in Australia is the Carmichael mine and rail project, which aims to produce 10 million tonne per annum in coal, combined with a 200-km narrow gauge rail line through several locations in the country. A fresh pledge of shares of three companies - Adani Ports & SEZ, Adani Transmission and Adani Green Energy - was reported by SBICAP Trustee last week. With the latest pledge, a total of 1.06% stake of Adani Green, 1% stake of Adani Ports and 0.55% of Adani Transmission of the three companies is encumbered to SBICAP Trustee. SBI has issued a standby letter of credit facility of \$300 million for Adani Group's Carmichael project in Australia. “*

*[Adani Group firms' fresh share pledge for Australia project: SBI](#), Financial Express, 14 Feb 2023.*

This highlights how capital in some Adani entities is being redirected, through collateralisation, for Adani Group's thermal coal mining activities, in particular the Carmichael mine in Australia. It appears Adani Group is using some of its other holdings (possibly where the Group can raise finance more cheaply) as security to obtain financing for exposures that end-investors are less likely to be willing to fund directly.

For example, Total Energies' (TTEFP) 19.75% stake (partly funded by cheap ECB CSPP loans<sup>1</sup>) in Adani Green forms part of the capital stack that is now being used as collateral to enable State Bank of India to provide credit for the buildout of Carmichael, a greenfield thermal coal mine that has been called “[the world's most insane energy project](#).”<sup>2</sup> Investments in other parts of the Adani Group are arguably leaking into the funding of Carmichael, with SBI as a conduit. It is surprising to see SBI's engagement in this, after the pushback by investors like BlackRock and the Norwegian Oil Fund in earlier discussions around the mine.<sup>3</sup>

**Consequently, investors who have restrictions on funding greenfield thermal coal mining should revisit potential exposures across the whole of Adani Group, including the two important USD bond issuing entities Adani Green (ADANIGR) and Adani Ports (ADSEZ).**

Note that normally when a shareholder pledges their shares as collateral for something, this should not necessarily implicate the other shareholders' in the stock. But the Adani Group situation can be argued to be atypical due to the high concentration of stock ownership and other interrelationships. A simple hypothetical test is this: does an investment in an Adani Green stock

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<sup>1</sup> For an overview of ECB lending to carbon-intensive activities and the changes to that policy, refer to “[ECB climate police and EUR bond dynamics](#)”, AFII, 11 Jan 2023, and earlier AFII work.

<sup>2</sup> For earlier coverage of the topic, see “[Adani Enterprises and passive ESG index investors](#)”, AFII, 10 Feb 2023, as well as the recent “[Adani Shock Rips Through ESG Funds as Strategy Fails Test](#)”, Bloomberg, 13 Feb 2023.

<sup>3</sup> E.g. “[BNY Mellon cuts ties with controversial Adani coal mine](#)”, Financial Times, 5 Nov 2021; “[BlackRock, Storebrand Pressure Indian Bank Over Coal Mining Loan](#)”, Bloomberg, 4 Dec 2022.

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today have effect on capital costs for Carmichael? We would argue that due to the purchase, a higher price/value on Adani Green stocks increases the value of SBI's collateral. A higher valuation of the collateral increases the credit quality and lowers the credit risk for SBI and thus the bank's required spread for the Carmichael credit facility. This then, hypothetically, materializes in the bank being able to offer a lower interest rate for Carmichael.

See earlier AFII work and additional articles on SBI involvement in the Carmichael mine:

[“Having State Bank Carmichael coal exposure?”](#), AFII, 10 Dec 2020.

[“SBI \(potential\) Carmichael loan: Key financing transaction parties”](#), AFII, 23 Nov 2020.

[“State Bank of India + Coal Mega-Mine? Not so fast please”](#), AFII, 18 Nov 2020.

“Biggest bank in India torn between BlackRock and funding coal”, Economic Times, 3 Jun 2021.

“Carmichael coal mine furore heralds next wave of market evolution”, Environmental Finance, 31 Dec 2020.

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