

State Bank of India (potential) Carmichael loan: Key financing transaction parties

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Given recent controversy around the possible USD650mn loan from State Bank of India to Adani Enterprises and the Carmichael project,¹ we have reviewed stakeholders in the financing process of SBI and other Adani Carmichael related entities.²

We do this out of concern that if SBI proceeds with the loan, it puts remaining parts of previous, outstanding funding transactions (such as issued deals or bilateral lending) into clear risk of funding the new coal mine. Also, we would advise that in the case the loan is executed, any *future* SBI bond deals will clearly be helping towards funding situation for Carmichael. Going forward, the AFII will provide statements in advance of SBI bond deals to make investors/syndicates aware of such material ESG risks. We collect some information of current exposures to SBI and Adani Group Carmichael financing transactions in Figure 1. Some conclusions:

- **MUFG (Mitsubishi Financial Group)** has been the most supportive banking group for various SBI and Adani related transactions (deal flow of USD5.1bn), including the benchmark SBI green bond. From ESG credibility perspective, this indicates that MUFG has the most absolute exposure to SBI potentially lending massive amounts to Carmichael, and the mine actually commencing operations.
- **HSBC** has been the dominant transaction provider out of the more important global financial institutions for SBI specifically. Besides the green bond, the bank has also arranged a EUR loan in green format. We believe HSBC's credentials in providing green bond transactions could be at risk if the SBI Carmichael loan goes through and thus making the bank look like it is enabling Carmichael financing solutions.
- From the top tier banks, Barclays, JPMorgan and Citi have all been equally active in earlier SBI bonds as well as the post-Carmichael decision Adani Group hard-currency deluge, but neither of them in the SBI green bond specifically. **We believe these institutions could (and should) play a pro-active role in discussing the future funding situation with SBI in case of the Carmichael loan being given.** Bank of America-ML and Standard Chartered could tag on, as good runners up in SBI+Adani league table.

¹ See e.g. "[Should SBI Green Bond Investors be Suspicious?](#)", NordSIP, 20 Nov 2020.

² Our earlier analysis of investors in the SBI green bond and general thoughts of a potential Carmichael loan is available in "[State Bank of India + Coal Mega-Mine? Not so fast please](#)", 18 Nov, 2020. AFII analysis on other Carmichael related funding in the Adani Group, as well as a general overview of the climate metrics of the project in "[Global investors and Carmichael mega-mine](#)", 1 Sep, 2020, and "[Top coal, top ESG?](#)", 29 Jul 2020.

Historically, from a bond portfolio management perspective, we would have considered putting banks “in the box” (ie. not allow them bond deal flow in primary market transaction) if shown to be key transactional enablers of massive coal developments. For institutional investors, it is very low cost to do so and the reputational leverage versus the transgression transaction providers can be material.

Figure 1. Carmichael hard currency “league-table.” State of India and Adani Group Carmichael related subsidiaries, select recent hard-currency funding deals. Bonds/loans in green format highlighted in green. Participants in SBI green funding deals in boxes. Total nominal refers to SBI+ADANEM+ADSEZ. Please note that the table reflects information available to us at the time of writing and we make no assurance that it is complete. SBICap is the investment bank arm of SBI. All amounts in USDmn. Source: Bloomberg, AFII calculations.

Bank	Bond ticker	SBI Issued	SBI 4	SBI 4.375	SBI G4.5	SBI G4.35	SBI GFrn	SBI TL 1L	ADANEM	ADSEZ 3.375	ADSEZ 4.2	ADSEZ 4.375
			01/22	01/24	09/23	07/23	03/22	EUR	3.494 02/30	07/24	08/27	07/29
			2019-01-16	2019-01-16	2018-09-19	2018-07-24	2020-03-26	202-10-30	2020-05-02	2019-07-16	2020-07-28	2019-06-26
	Nominal SBI	(Total) Nominal	400	850	650	50	100	60	1000	650	750	750
MUFG	2,000	5,150	1	1	1		1		1	1	1	1
HSBC	1,950	1,950	1	1	1	1						
SBICap	1,900	1,900	1	1	1							
Barclays	1,250	4,400	1	1					1	1	1	1
Citi	1,250	4,400	1	1					1	1	1	1
JPMorgan	1,250	4,400	1	1					1	1	1	1
Standard Chartered	1,250	3,650	1	1					1	1	1	
BofA-ML	1,250	3,400	1	1						1	1	1
Mizuho	1,250	3,400	1	1						1	1	1
DBS	650	3,150			1				1		1	1
First Abu Dhabi Bank	650	650			1							
Credit Agricole	60	60					1					
Deutsche	-	2,400							1	1	1	
Emirates	-	1,750							1			1
Credit Suisse	-	750									1	

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