

March 01, 2024

Apraava Smart Meter Private Limited: [ICRA]A+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based - Others	262.58	[ICRA]A+ (Stable); assigned
Long term - Unallocated	0.42	[ICRA]A+ (Stable); assigned
Total	263.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating for Apraava Smart Meter Private Limited (ASMPL) factors in the availability of a long-term contract with Assam Power Distribution Company Limited (APDCL) for installing and operating advanced metering infrastructure (AMI). The company is responsible for installing 693,077 smart meters in pre-paid mode along with the associated infrastructure within 27 months of signing the contract. As per the contract, the company will receive fixed monthly service charges for the operational meters through the operating period of 93 months, subject to meeting the stipulated operating parameters, thereby providing long-term revenue visibility. The company would also receive a lumpsum grant, after achieving operational go-live for the smart meters.

The rating also factors in the availability of a fixed EPC and O&M contract with Anvil Cables Private Limited, thereby mitigating the cost variation risk for the project. The company has availed an invoice discounting facility to fund the capex for the smart meters, which shall be refinanced at the end of two years from drawdown. Post refinancing, ICRA expects the company to achieve adequate debt coverage metrics with a cumulative DSCR of 1.2 times. Further, the rating factors in the presence of a strong parent - Apraava Energy Private Limited - who is expected to provide the necessary funding support to ASMPL.

The rating is, however, constrained by project execution risk, given that 77% of the meters are yet to be installed as of January 2024 and as these projects have a limited track record in India. Nevertheless, the company has demonstrated healthy progress in installations till date, with the cumulative installations remaining ahead of the contractual timeline. As per the contract, there are milestones identified under which liquidated damages (LDs) are applicable and any delays pursuant to those milestones for reasons attributable to the company would attract LDs from APDCL. However, meters not installed at the end of the execution period due to non-availability of access to the site or other issues attributable to APDCL would be descoped and the debt would not be drawn for these meters.

While the presence of a single counterparty exposes the company to credit risk, comfort is drawn from the presence of a direct debit facility (DDF), wherein online payments made by the consumers of APDCL will be deposited into the DDF and shall be first used to clear the payments to ASMPL; thereafter, the funds will flow to APDCL. This in turn reduces the risks associated with the credit profile of APDCL. However, the DDF mechanism has a limited track record and the timeliness of payments will have to be monitored over a longer period. Also, the timeliness of lumpsum payments remains to be seen, considering certain delays observed after the go-live for the first set of meters. This apart, the company's ability to demonstrate compliance with the service level thresholds (SLA) as per the contract, related to meter availability, data collection and delivery of recharge, among others, remains a key monitorable, given that there are provisions for penalty in case of under-performance against these SLAs.

The Stable outlook on the rating derives comfort from the satisfactory progress in project execution so far and ICRA's opinion that the company will benefit from its long-term advanced metering infrastructure service provider (AMISP) contract with APDCL.

Key rating drivers and their description

Credit strengths

Strong parentage - The rating draws comfort from the strong parentage of ASMPL, a wholly-owned subsidiary of AEPL. AEPL has an established track record of owning and operating renewable power, thermal power and power transmission assets in India with an aggregate operational generation capacity of 2.63 gigawatt (GW) and transmission lines of 494 kilometres (KMs), its healthy financial profile and the strong profile of the ultimate shareholders – CLP Holdings Limited {rated Moody's A2 (Stable); with 50% shareholding} and Caisse de dépôt et placement du Québec {CDPQ; rated Moody's Aaa (Stable); remaining 50% shareholding}. CLP Holdings divested its 10% stake in AEPL to CDPQ in December 2022, making it a 50:50 JV between the shareholders from the 60:40 ownership earlier. ICRA draws comfort from the superior financial flexibility derived by AEPL from the presence of strong shareholders and the high commitment from the shareholders to support its growth requirements. AEPL is expected to provide funding support to ASMPL in case of any requirement.

Long-term AMISP contract provides revenue visibility – ASMPL has signed a long-term contract with APDCL for installing and operating 693,077 smart meters along with the associated infrastructure. The contract tenure includes installation period of 27 months for all the meters and operating period of 93 months for each meter. The company will receive a one-time lumpsum amount per meter operationalised and service charge per meter per month over the operating period. This provides long-term revenue visibility for the company. Also, the company has entered into back-to-back arrangements for the supply, installation and O&M of the smart meters, which will aid ASMPL in safeguarding the project returns.

Credit challenges

Project execution risk – The company is exposed to project execution risk, given that 77% of the meters are yet to be installed as of January 2024. The execution risk can mainly arise due to inability to access the identified sites for meter installation. Nevertheless, the company has demonstrated a healthy progress in installations till date, with the cumulative installations remaining ahead of the contractual timeline. Moreover, the meters not installed at the end of the execution period due to non-availability of access to the site or other issues attributable to APDCL would be descope and the debt would not be drawn for these meters.

Limited track record of DDF arrangement – The company achieved operational go-live status for more than 5% of the meters in October 2023. As per the contract, the company started billing for the month of October 2023 onwards. The service charges are being received through the DDF arrangement. Under this arrangement, online payments made by the consumers of APDCL will be deposited into the DDF and shall be first used to clear the payments to ASMPL and thereafter the funds will flow to APDCL. This in turn reduces the risks associated with the credit profile of APDCL. The utility has to ensure at least five times cover on the monthly service charges payable to ASMPL in the DDF account. The company has received monthly service charges within the timelines so far. However, delays were witnessed in receiving the lumpsum amount for the meters operationalised. Going forward, a sustained track record of timely recovery of grant payments and monthly service charges, in line with DDF arrangement, will be a key credit monitorable.

Compliance with service level agreement requirements – As per the contract, the company must meet the stipulated SLAs related to meter availability, data collection and delivery of recharge among others for the operational meters. In case of non-compliance with the SLAs, penalties will be imposed on the company. During the initial months of operations, the company under-performed against certain SLAs due to the initial stabilisation phase and attracted minor penalties. However, the penalties have reduced between Oct'23 and Dec'23. Any sustained underperformance of the operating parameters may adversely impact the profitability and will remain a key rating sensitivity.

Liquidity position: Adequate

The liquidity of the company is expected to remain adequate with the available debt financing and equity funding from the sponsor sufficient to fund the capital investments for completing the smart metering installation. Further, the company is expected to receive the monthly service charges for the operational meters in a timely manner. The one-time lumpsum payments for the operationalised meters shall be predominantly used to reduce the debt requirement for the project. Also, the liquidity is supported by the funding support available from the parent, AEPL, on need basis.

Rating sensitivities

Positive factors – Timely progress in smart meter installation and commissioning the project and meeting the stipulated operating parameters under the AMISP contract after the go-live, along with a sustained track record of timely recovery of grant payments and monthly service charges in line with DDF arrangement will be the key monitorables for an upgrade.

Negative factors – Lower-than-estimated debt coverage metrics owing to underperformance on the SLA parameters and/or stretch in the receivable cycle weakening the liquidity position could lead to a rating downgrade. Deterioration in the credit profile of the parent, AEPL, including by way of further dilution of shareholding by CLP Holdings Limited, may also trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent: AEPL The assigned rating for ASMPL factors in the implicit support from the parent, AEPL.
Consolidation/Standalone	Standalone

About the company

Apraava Smart Meter Private Limited (ASMPL), incorporated in February 2023, is a subsidiary of Apraava Energy Private Limited (AEPL). ASMPL is the advanced metering infrastructure service provider (AMISP) for the smart prepaid metering project in part of Assam on DBFOOT (design, build, finance, own, operate & transfer) basis, winning the Package-1 (Bongaigaon and Kokrajhar Electrical Circles) under the Revamped Distribution Sector Scheme (RDSS). The company has signed AMISP contract with Assam Power Distribution Company Limited (APDCL) in March 2023 with installation period of 27 months for all the meters and operating period of 93 months for each meter.

Key financial indicators - Not applicable as the company's operations commenced from FY2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024 Mar 1, 2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
1 Fund-based – Others*	Long term	262.58	28.14	[ICRA]A+ (Stable)	-	-	-
2 Unallocated	Long term	0.42	-	[ICRA]A+ (Stable)	-	-	-

* Purchase invoice financing facility

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based - Others	Simple
Long term - Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Fund based – Others [^]	NA	NA	NA	262.58	[ICRA]A+ (Stable)
NA	Unallocated	NA	NA	NA	0.42	[ICRA]A+ (Stable)

Source: Company ^ Purchase invoice financing facility

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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