

January 06, 2023

Amplus Energy Solutions Private Limited: [ICRA]AA-(CE) (Stable) withdrawn and [ICRA]AA-(Stable) assigned/reaffirmed simultaneously

Summary of rating action

Instrument*	Previous rated amount (Rs. Crore)	Current Rated amount (Rs. crore)	Rating action
Fund-based term loans	79.76	75.95	[ICRA]AA-(CE) (Stable) withdrawn and [ICRA]AA-(Stable) assigned simultaneously
Non-fund based facilities	15.00	15.00	[ICRA]AA-(Stable); reaffirmed
Total	94.76	90.95	

*Instrument details are provided in Annexure-1

Rationale

ICRA has withdrawn its rating of [ICRA]AA-(CE) (Stable) for the bank facilities of Amplus Energy Solutions Private Limited (AESPL) and has simultaneously assigned a fresh rating of [ICRA]AA-(Stable) for its fund-based term loan facilities. The rating action follows the Guidance Note and the FAQ document issued by the Reserve Bank of India (RBI) to the credit rating agencies on April 22, 2022, and July 26, 2022, respectively, guiding that the benefit of a co-obligor structure is not to be considered for assigning credit enhancement ratings. Among other considerations, the [ICRA]AA-(CE) rating drew comfort from the presence of a co-obligor structure which bound all SPVs viz., AESPL, Amplus Andhra Power Private Limited (AAPPL), Sunterrace Energy One Private Limited (SEOPL), Ananth Solar Power Maharashtra Private Limited (ASPMPL), Amplus Jyotimangal Energy Private Limited (AJEPL) and Amplus Superior Solar Private Limited (ASSPL), wherein shortfall in meeting debt servicing obligations in any special purpose vehicle (SPVs) will be met from surplus cash available in the other SPVs that are a part of the structure.

Also, ICRA has changed the rating approach and the rating for AESPL has been arrived at by following the analytical steps given below:

1. An assessment of the credit profile of AESPL consolidated.
2. An assessment of the co-obligor Group's (AESPL, SEOPL, ASPMPL, AJEPL, AAPPL and ASSPL) credit profile.
3. The final rating for AESPL (i.e., [ICRA]AA-) is arrived at by suitably notching up the standalone rating on the basis of the implicit support from the co-obligor group's credit profile as well as PETRONAS's consolidated credit profile (the ultimate parent).

The approach is described in fuller details in ICRA's methodology viz., [Rating Approach - Implicit Support from Parent or Group](#)

The assigned rating continues to favourably factor in the operational status of the entire solar capacity in the co-obligor pool portfolio with diversification benefits as the solar assets are located across different geographies as well as the limited offtake risk due to the long-term PPAs signed for the entire portfolio with the respective offtakers. While the weighted average PPA tariff for the portfolio is relatively high, the termination/buyout clause in such PPAs and the economics of such tariff against the grid tariff for the respective offtakers remain the mitigating factors. On a consolidated basis, AESPL has acquired ~7.2MW of operating rooftop projects in one of its subsidiaries during CY2022 which has a weighted average operational track record of over three years. Further, the other projects of the consolidated portfolio continue to derive benefit in terms of healthy revenue visibility and low offtake risk with a firm long-term PPA at competitive tariff.

The rating also factors in the benefits arising from the Amplus Group's technical experience and strategic focus in developing and operating rooftop and ground-mounted solar PV projects for commercial and industrial segments. The rating also draws comfort from the company's adequate debt coverage metrics, stipulated cash sweep clause in case of any breach of the specified DSCR level and the DSRA of two quarters (principal and interest). In addition, the company maintains a liquidity buffer equivalent to one quarter of operating expense and debt servicing along with two quarters of DSRA requirement. ICRA also

takes comfort from the fact that the co-obligor projects' cash flows will not be utilised for funding any expenses over and above the approved O&M expenses (as per loan agreement) or for any investments in projects/SPVs outside the co-obligor arrangement.

The rating, however, is constrained by the sensitivity of generation to solar irradiation levels, given that the revenues are linked to the actual units generated and exported in view of the single-part tariff structure of the PPA. Also, the ability of the Amplus Group to ensure proper O&M of the solar assets of the project, in line with the stipulated performance parameters in the O&M agreements, remains crucial for the company.

The company remains exposed to the regulatory risk pertaining to changes in open access charges for captive/onsite solar assets by the respective state electricity regulatory commissions (SERCs). Levy of these charges in future, while payable by the customer, will bring down the tariff competitiveness of the project and will be a key rating sensitivity. The attractive PPA tariff and the economics of such tariff vis-à-vis the grid tariff, the strong financial profile of the offtaker and the presence of termination/buyout clause in such PPAs act as the risk mitigants. The ability of the projects to demonstrate a satisfactory operational performance against the base case assumptions and timely payments from the counterparty shall remain the key rating monitorables.

The Stable outlook on the [ICRA]AA- rating reflects the revenue visibility provided by the operational status of the projects with a long-term PPA in place as well as timely cash collections expected from the offtaker.

Key rating drivers and their description

Credit strengths

Strong parent support: AESPL is a part of the Amplus Group, which is backed by PETRONAS, post its acquisition of the Amplus Group from the erstwhile promoter—I Squared Capital—in April 2019. The rating factors in the benefits of a strong parentage by virtue of the 100% ownership by PETRONAS in the holding company of the Amplus Group, Amplus Energy Solutions Pte Limited. PETRONAS has segregated its new energy business from the earlier gas and new energy business and formed a separate vertical, named GENTARI, which will focus on three core-areas - renewable energy, hydrogen and green mobility solutions. Given that the Amplus Group is a strategically important business segment which aligns with PETRONAS' strategic focus on renewable energy, ICRA expects timely support from PETRONAS in the event of any potential shortfall in debt servicing of the company, led by weak generation or delayed payments from the counterparties.

Geographic diversification of projects – The projects in the co-obligor portfolio (120 projects with aggregate 48.8 MW capacity) as well as under AESPL on a consolidated basis (138 projects with ~70 MW capacity) are spread across various states in the country, which leads to geographical diversification and reduces the asset concentration risk. The co-obligor structure of the term loan provides additional comfort in terms of partly insulating against PLF variations and counterparty credit risks, given the geographical diversification of the assets.

Low offtake risk and strong collection efficiency– The PPAs are signed with commercial and industrial customers with strong financial profiles for a large proportion of the project capacity. The termination/buyout clause in most of the PPAs, competitive tariff against the grid tariff rate and the highly diversified counterparties remains the mitigating factors. The payment from the counterparties is typically received within 30–45 days from the date of billing.

Entire capacity is operational – The entire capacity is operational with the weighted average operational track record nearing five years for the co-obligor portfolio and more than four years for the consolidated portfolio under AESPL.

Strong liquidity backed by upfront creation of DSRA – The liquidity is strong, backed by DSRA for two quarters of debt servicing for the individual SPVs. Additionally, the long-term PPAs signed with assured offtake (in most PPAs) at remunerative tariffs are likely to keep the cash flows comfortable. The liquidity is further supported by the presence of PETRONAS, which is expected to support the operations of the portfolio/SPVs against any debt servicing shortfall.

Credit challenges

Vulnerability of cash flows to solar irradiation – Variability in solar irradiation may affect generation, which may impact the revenues and the cash flow of the projects as the revenues are directly linked to the actual generation. The risk is mitigated to some extent by the geographically diversified asset base of the portfolio.

Moderate operational performance – The generation performance of the co-obligor pool of projects as well as the consolidated projects under AESPL has remained below the P-90 estimates, partly attributable to a large proportion of distributed rooftop capacities within the overall portfolio, coupled with lower generation during the monsoons. Nevertheless, ICRA expects the coverage metrics to remain superior, aided by relatively low external leverage, long tenure of project debt, stabilisation of most capacity and a satisfactory generation track record.

Moderate tariff competitiveness and exposure to regulatory risk – The blended tariff for the co-obligor projects is above Rs 5 per unit (lower than Rs. 4.5 per unit for AESPL consolidated portfolio). Given that the entire capacity has been contracted with commercial & industrial consumers where the grid tariff is one of the highest among all user categories, these tariffs although not competitive, are bearable. Loss of revenue for state distribution utilities from these customers exposes these projects to significant regulatory risks. However, majority of the capacity is onsite, wherein the PPA clause covers the pass-through of regulatory charges under change-in-law to a large extent and the ground-mounted open-access-based capacity constitutes only ~5% of the co-obligor and ~3.0% of AESPL's consolidated capacity.

Exposure to interest rate risk – The tariff for the projects is single part in nature and the projects remain exposed to interest rate risk as the interest rate is floating in nature.

Liquidity position: Strong

AESPL's liquidity is strong, aided by DSRA of two quarters and timely payments from counterparties on a standalone and consolidated basis. The entire capacity is commissioned and the revenues from the operational solar power projects are expected to adequately meet the debt servicing requirement and operational expenses. In addition to the DSRA of Rs 7.1 crore (standalone), the cash and liquid funds stood at Rs 10.1 crore (standalone) as on December 31, 2021. The liquidity is further supported by the presence of a strong parent, PETRONAS, which is expected to support the operations of the portfolio against any debt servicing shortfall.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the projects demonstrate a sustained improvement in generation. Timely payments from the counterparties will also support an upgrade. The ratings may also be revised upwards if the credit profile of PETRONAS improves.

Negative factors – Pressure on the ratings could arise if there is a deterioration in the operational performance of the company's projects, or if there are delays in payments from counterparties. A weakening of linkage with PETRONAS and/or a deterioration in the latter's credit profile will affect the ratings. Also, deterioration in the operational performance, causing the cumulative DSCR (for external debt) to fall below 1.25 times, will be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Power Producers Implicit of parent or group on an Issuer's credit rating Policy on withdrawal of credit ratings
Parent/Group Support	Parent/Group Company: Amplus Energy Solutions Private Limited, which is owned by Amplus Energy Solutions Pte Limited (a 100% subsidiary of PETRONAS); ICRA expects PETRONAS to be willing to extend financial support to the company, should there be a need in case of cash flow mismatches.
Consolidation/Standalone	The rating is based on the consolidated financial statements of the rated entity

About the company

AESPL, incorporated in 2013 as Avant Garde Power Solutions Private Limited, is a wholly-owned subsidiary of Amplus Energy Solutions Pte Ltd (Amplus Singapore), which has a portfolio of distributed renewable energy assets in Asia. In April 2019, Petroliaam Nasional Berhad (PETRONAS) acquired a 100% stake in Amplus Singapore from I Squared Capital.

AESPL, along with five SPVs of the Amplus Group, has entered into a common loan agreement (amended in September 2020 to include AAPPL) for project financing of 120 rooftop and ground-mounted solar PV projects with an aggregate capacity of 48.81 MW. The current installed solar PV capacity of AESPL is 31.28 MW (26.68 MW part of co-obligor structure, 4.6 MW separate).

Key financial indicators

AESPL Consolidated	CY2020 (Audited)	CY2021 (Audited)
Operating income (Rs. crore)	29.3	41.9
PAT (Rs. Crore)	-43.9	-30.9
OPBDIT/OI (%)	58.6%	76.4%
PAT/OI (%)	-150.1%	-73.6%
Total outside liabilities/Tangible net worth (times)	32.6	- 38.8
Total debt/OPBDIT (times)	22.4	11.8
Interest coverage (times)	0.6	0.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Note: Amount in Rs. crore; All calculations are as per ICRA Research

Source: Annual Reports and ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instru ment	Current rating (FY2023)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstandi ng as on October 17, 2022 (Rs. crore)	Date & rating on	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020	
					January 06, 2023	Feb 28, 2022	Nov 23, 2020	Dec 05, 2019	June 04, 2019
1	Fund based term loan	Long - term	75.95	75.95	[ICRA]AA-(CE) (Stable) withdrawn and [ICRA]AA-(Stable) assigned simultaneously	[ICRA]AA-(CE) (Stable)	[ICRA]AA-(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A-(SO)%
2	Non-fund based facilities	Long - term	15.00	15.00	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	Provisional [ICRA]A- (S)%

% Rating watch with positive implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based term loan	Simple
Non-based facilities	Very Simple

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-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund based term loan	Jan 2019	NA	Mar 2023	75.95	[ICRA]AA-(CE) (Stable) withdrawn and [ICRA]AA-(Stable) assigned simultaneously
NA	Non-fund based facilities	NA	NA	NA	15.00	[ICRA]AA-(Stable)

Source: Company

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

Annexure-2: List of entities considered for consolidated analysis of co-obligor portfolio:

Company Name	AESPL ownership	Consolidation approach
Amplus Energy Solutions Private Limited	100.00%	Full Consolidation
Amplus Andhra Power Private Limited	Nil	Full Consolidation
Sunterrace Energy One Private Limited	74.00%	Full Consolidation
Ananth Solar Power Maharashtra Private Limited	100.00%	Full Consolidation
Amplus Jyotimangal Energy Private Limited	100.00%	Full Consolidation
Amplus Superior Solar Private Limited	100.00%	Full Consolidation

Annexure-3: List of entities considered for consolidated analysis of AESPL:

Company Name	AESPL Ownership	Consolidation Approach
Amplus Energy Solutions Private Limited	100.00% (rated entity)	Full Consolidation
Sunterrace Energy One Private Limited	74.00%	Full Consolidation
Ananth Solar Power Maharashtra Private Limited	100.00%	Full Consolidation
Amplus Jyotimangal Energy Private Limited	100.00%	Full Consolidation
Amplus Superior Solar Private Limited	100.00%	Full Consolidation
Amplus Sunshine Private Limited	65.00%	Full consolidation
Fourvolt Solar Private Limited	60.00%	Full consolidation
Wattvolt Energy Private Limited	100.00%	Full consolidation
Sungaze Power Private Limited	65.00%	Full consolidation
Wednesday Solar Private Limited	100.00%	Full consolidation

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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