December 08, 2023

Fourvolt Solar Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	11.16	10.60	[ICRA]AA- (Stable); reaffirmed
Total	**11.16**	**10.60**	

Instrument details are provided in Annexure-I

Rationale

ICRA's rating for the bank facilities of Fourvolt Solar Private Limited (FSPL) takes a standalone view of the business and financial risk profile of FSPL along with an implicit support of the ultimate parent i.e. PETRONAS. The strong focus of PETRONAS towards scaling up the renewable capacities, coupled with the demonstration of consistent financial and operational support to its Indian SPVs, strengthens the credit profile of the company. PETRONAS, through its dedicated clean energy solutions platform, Gentari, intends to build a renewable energy capacity of 30-40GW by 2030. At present, Gentari has over 1.5-GW installed renewable energy capacity and is expected to add more.

The rating considers the benefits arising from the Amplus Group's technical experience and strategic focus on the development and operations of rooftop and ground-mounted solar photovoltaic projects for commercial and industrial segments. The rating also factors in the healthy revenue visibility and low offtake risk with a firm long-term power purchase agreement (PPA) at a competitive tariff. Further, the strong financial risk profile of the offtaker and a track record of timely payments mitigate the counterparty credit risks. The project remains attractive for the customer due to its tariff competitiveness.

The rating also draws comfort from the adequate debt protection metrics, stipulated cash sweep clause in case of any breach of the specified debt service coverage ratio (DSCR) level as well as a debt service reserve account (DSRA) of two quarters (principal and interest). The company also maintains a liquidity buffer equivalent to one quarter of operating expense and debt servicing. There is an additional comfort with a defined utilisation mechanism for DSRA, as per the trust & retention agreement (TRA) (prior to default). In addition, ICRA notes that the cash flows of the project will not be utilised for funding any expenses over and above the budgeted/approved operations and maintenance (O&M) expenses, or for any investments in other projects/SPVs.

The rating for the term loan, 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). The 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 the PPA are the risk mitigants. The ability of the project 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 project with a long-term PPA in place as well as the timely cash collections expected from the offtaker.

Key rating drivers and their description

Credit strengths

Strong parent support – FSPL 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 through Gentari, a 100% owned subsidiary of PETRONAS. 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. The Amplus Group is a strategically important business segment which aligns with PETRONAS' strategic focus towards renewable energy. Hence, ICRA expects PETRONAS to continue to provide financial support to the company, if required.

Healthy revenue visibility with firm PPA at competitive tariff – The company has signed a long-term PPA for 23 years with Asahi India Glass Limited (AIGL) at a tariff of Rs. 4.40 per unit with an annual escalation of 1.5%. This provides revenue visibility and mitigates the demand risk. The remaining PPA tenor is higher than the debt tenor, leading to tail period. Further, the presence of termination/buyout clause in the PPA and the favourable economics of the PPA tariff vis-à-vis the grid tariff for the offtaker are the mitigating factors.

Low counterparty credit risk – The counterparty credit risk for the portfolio is low on account of the offtaker's strong financial profile. The collection period for each month has been 15 days since March 2021 (in line with its PPA terms). The PPA has termination/buyback clauses, which further mitigate the counterparty credit risk.

Strong liquidity backed by upfront creation of DSRA – A DSRA for two quarters of debt servicing is in place which is created from the external debt disbursement. Additionally, a debt service payment account equivalent to one quarter of debt servicing is maintained to safeguard against cash shortfall, if any, before the actual payment due dates. The long-term PPA and assured offtake (deemed generation present in PPA) at a remunerative tariff should result in comfortable cash flows. The liquidity is further supported by the presence of PETRONAS, which will continue to provide financial support to the company, if required.

Credit challenges

Single-asset operations; cash flow vulnerable to variability in solar irradiance – FSPL is entirely dependent on power generation for its revenues and cash accruals. Given the single-part tariff, the company may lose revenues and profits if the power generation declines due to variability in solar irradiance. The single location and single-asset operations exacerbate this risk. The generation remained in line with the P-90 estimates in CY2022.

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

Liquidity position: Strong

FSPL's liquidity is strong, aided by the presence of a two-quarter DSRA and timely payment from the counterparty. The project has been commissioned and the revenue is expected to adequately meet the company's debt servicing requirement and operational expenses. The liquidity is further supported by the presence of PETRONAS, which is expected to provide financial support to the company, if required.

Rating sensitivities

Positive factors – ICRA could upgrade FSPL's rating if the generation is in line with the P-90 PLF estimates on a sustained basis, or if there is a material reduction in the debt levels and improvement in the debt coverage metrics of the company. The rating may also be upgraded if the credit profile of the ultimate parent, PETRONAS, improves.

Negative factors – Pressure on FSPL's rating could arise if there are adverse regulatory developments that affect the tariff competitiveness of the project, or if there is a deterioration in its operational performance, pulling down the cumulative DSCR (for external debt) below 1.20 times. A weakening in the credit profile of PETRONAS and/or any weakening in the linkages with ultimate parent PETRONAS will also create pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Power Producers
Parent/Group support	Parent/Group Company: Amplus Energy Solutions Private Limited, which is owned by Gentari (a 100% subsidiary of PETRONAS); ICRA expects PETRONAS to be willing to extend financial support to the company if required, given the business linkages, strategic importance and the willingness shown by the parent to support the company.
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity

About the company

Fourvolt Solar Private Limited (FSPL), incorporated in November 2018, is operating an onsite rooftop solar power project of 3.67 MW capacity in Uttarakhand. The plant has been developed under the group captive model wherein Amplus Energy Solutions Pvt Ltd holds a 60% stake and remaining 40% is held by Asahi India Glass Limited (AIGL, rated as CRISIL A+/Stable/A1 in Feb 2022). The project was initially developed by fellow subsidiary Amplus Solar Power Private Limited and was acquired by FSPL in November 2019. The project was commissioned in July 2018 and has a PPA for 23 years at a tariff of Rs 4.40 per unit with annual escalation of 1.5%.

Key financial indicators (audited)

FSPL Standalone	CY2021	CY2022
Operating income	2.0	1.9
PAT	-2.1	-1.3
OPBDIT/OI	72.8%	73.5%
PAT/OI	-106.3%	-69.7%
Total outside liabilities/Tangible net worth (times)	43.4	-23.6
Total debt/OPBDIT (times)	13.1	13.1
Interest coverage (times)	0.5	0.7

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Oct 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Dec 08, 2023	Sep 30, 2022	Jun 18, 2021	-
1	**Term loans**	Long term	10.60	10.60	**[ICRA]AA- (Stable)**	[ICRA]AA-(CE) (Stable) withdrawn and [ICRA]AA- (Stable) assigned simultaneously	[ICRA]AA-(CE) (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loan**	Feb 2021	NA	FY2035	10.60	[ICRA]AA- (Stable)

Source: Company

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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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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