

February 13, 2024

Amplus Andhra Power Private Limited: Rating upgraded to [ICRA]AA (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based - Term loans	39.27	37.66	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Total	39.27	37.66	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade considers the stabilisation of the generation performance of the portfolio and the improvement in the cost structure because of lower operations & maintenance expenditure, leading to improved debt coverage metrics. The rating action continues to take comfort from the presence of a co-obligor structure which bound all SPVs viz., Amplus Energy Solutions Private Limited (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). Under the co-obligor structure, shortfall in meeting the debt servicing obligations in any special purpose vehicle (SPVs) will be met from the surplus cash available in the other SPVs that are a part of the structure.

Also, ICRA's rating for AAPPL has been arrived at by following the analytical steps given below:

1. An assessment of the credit profile of AAPPL standalone.
2. An assessment of the co-obligor group's (AESPL, SEOPL, ASPMPL, AJEPL, AAPPL and ASSPL) credit profile.
3. The final rating for AAPPL (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.

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. The generation performance of the company improved in CY2021 as it was the first full year of commercial operation of the 5.35-MW (ACC Ltd as an offtaker) ground-mount project (commissioned in Aug-2020). The rating also factors in the company's healthy revenue visibility and low offtake risk because of the firm long-term power purchase agreements (PPA). Further, the strong financial risk profile of the offtakers and a track record of timely payments mitigate the counterparty credit risks.

The rating also factors in the benefits arising from the Amplus Group's technical experience and its strategic focus in developing and operating rooftop and ground-mount 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 a 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. 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 of AAPPL 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 continues to benefit from being part of the co-obligor pool.

AAPPL is also 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 company and will be a key rating sensitivity. However, the attractive PPA tariffs of the co-obligor portfolio and economics of such tariff vis-à-vis the grid tariff, the strong financial profile of the offtakers and presence of termination/buyout clause in such PPAs act as the risk mitigants. The ability of the company to demonstrate a satisfactory operational performance against the base case assumptions and timely payments from the counterparties 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 long-term PPAs in place as well as the timely cash collections expected from the offtakers.

Key rating drivers and their description

Credit strengths

Strong parent support – AAPPL 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. The Amplus Group is a strategically important business segment which aligns with PETRONAS' focus on renewable energy. Hence, ICRA expects PETRONAS to continue to provide financial support to the portfolio/SPV, if required.

Geographic diversification of projects – AAPPL has three ground-mount solar projects at different geographical areas, thus reducing the asset concentration risk. Further, the projects which are in the co-obligor portfolio (120 projects with aggregate 48.0-MW capacity) are spread across various states in the country. The co-obligor structure of the term loan provides additional comfort by 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 three commercial and industrial customers which have strong financial profiles. For the co-obligor portfolio, the termination/buyout clause in most of the PPAs, the competitive tariff against the grid tariff rate and the highly diversified counterparties remain 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 company owns three ground-mount solar projects with a total capacity of ~15MW capacity and a weighted average operational track record of over two years.

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 provide financial support to the portfolio/SPV, if required.

Credit challenges

Vulnerability of cash flows to solar irradiation – The 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 co-obligor pool of companies. While the risk is material for AAPPL, the company benefits from being part of the co-obligor pool.

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

AAPPL's liquidity is strong, aided by DSRA of two quarters and timely payments from the counterparties on a standalone and consolidated basis. The projects are commissioned and the revenues from them are expected to adequately meet the debt servicing requirement and operational expenses. In addition to the DSRA of Rs. 3.18 crore (standalone), the cash and liquid funds stood at Rs. 6.9 crore (standalone) as on September 30, 2023. The liquidity is further supported by the presence of a strong parent, PETRONAS, which is expected to provide financial support to the company, if required.

Rating sensitivities

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

Negative factors – Pressure on the rating could arise if there is a deterioration in the operational performance of the company's projects, or if there are delays in payments from the counterparties. A weakening of linkage with ultimate parent 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. Also, any weakening of the liquidity profile or the debt coverage metrics of the pool would be a negative factor.

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

AAPPL, incorporated in 2016, is a wholly-owned subsidiary of Amplus Singapore. It has three ground-mount solar projects with aggregate capacity of 2.47MW in Andhra Pradesh, 7.13 MW in Rajasthan and 5.36 MW in Chhattisgarh.

Key financial indicators (audited)

Andhra Power – Standalone	CY2021	CY2022
Operating income	8.0	8.4
PAT	-1.6	-0.3
OPBDIT/OI	75.0%	82.9%
PAT/OI	-19.9%	-4.2%
Total outside liabilities/Tangible net worth (times)	2.7	2.7
Total debt/OPBDIT (times)	7.8	6.6
Interest coverage (times)	1.2	1.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

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	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Feb 13, 2024	Jan 06, 2023	Feb 28, 2022	Nov 23, 2020
1	Term loans	Long term	37.66	37.66	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[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 loans	Feb 2020	NA	June 2037	37.66	[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 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

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Vikram V

+91 404547 4829

vikram.v@icraindia.com

Siddhartha Kaushik

+91 124 4545323

siddhartha.kaushik@icraindia.com

Neha Mangal

+91 124 4545367

neha.mangal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

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.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.