

February 13, 2024

Ananth Solar Power Maharashtra 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 loans | 6.19 | 5.65 | [ICRA]AA- (Stable); reaffirmed |
| Total | 6.19 | 5.65 | |

*Instrument details are provided in Annexure-I

Rationale

ICRA's rating action takes comfort from the presence of a co-obligor structure which bind all the 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 rating for ASPMPL has been arrived at by following the analytical steps given below:

1. An assessment of the credit profile of ASPMPL standalone.
2. An assessment of the co-obligor group's (AESPL, SEOPL, ASPMPL, AJEPL, AAPPL and ASSPL) credit profile.
3. The final rating for ASPMPL (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 rating also factors in the company's healthy revenue visibility and low offtake risk with a firm long-term power purchase agreement (PPA). Further, the strong financial risk profile of the offtaker 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-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 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 ASPMPL 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 actual generation performance was lower in CY2022 and 9M CY2023 on account of multiple factors such as stabilisation issues, dismantling of capacity, retrofitting activity. ICRA further notes that the asset concentration risk is high due to the lack of geographical diversification as its solar rooftop projects are at a single location in Gandhinagar, Gujarat. While the risk is material for ASPMPL, the company benefits from being part of the co-obligor pool.

ASPMPL 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 tariff of the co-obligor portfolio 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 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 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 – ASPMPL 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.

Low offtake risk and strong collection efficiency – The PPA is signed with a private party where the collection efficiency continues to be strong. 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 rooftop solar projects of ~1.4MW capacity with a weighted average operational track record of over nine 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 – 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 ASPMPL, the company benefits from being part of the co-obligor pool.

Moderate operational performance – The generation performance of the project remained lower in CY2022 and 9M CY2023 and was below the P-90 estimates on account of multiple factors such as stabilisation issues, dismantling of capacity and higher solar irradiation. Nevertheless, ICRA expects the coverage metrics to remain superior, aided by relatively low external leverage and long tenure of the project debt.

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

Liquidity position: Strong

ASPMPL'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 0.7 crore (standalone), the cash and liquid funds stood at Rs 8.9 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

ASPMPL, incorporated in 2010, is a wholly-owned subsidiary of AESPL. It has aggregate rooftop solar projects of 2,175.18 kW capacity in Gandhinagar (Gujarat)

Key financial indicators (audited)

| Ananth Solar – Standalone | CY2021 | CY2022 |
|--|---------|---------|
| Operating income | 2.0 | 2.0 |
| PAT | -5.7 | -2.4 |
| OPBDIT/OI | -41.3% | 52.1% |
| PAT/OI | -290.1% | -123.2% |
| Total outside liabilities/Tangible net worth (times) | -2.6 | -2.3 |
| Total debt/OPBDIT (times) | -31.8 | 24.5 |
| Interest coverage (times) | -0.2 | 0.3 |

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 | 5.65 | 5.65 | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | [ICRA]AA-(CE)(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 | Jan 2019 | NA | Mar 2033 | 5.65 | [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 |

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