

February 13, 2024

Amplus Energy Solutions 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	75.95	69.36	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Long term – Non-fund based facilities	15.00	15.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable)
Total	90.95	84.36	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade in Amplus Energy Solutions Private Limited (AESPL) 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 bind 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). 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 has taken 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 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. AESPL consolidated have a weighted average operational track record of over four years. Further, the other projects of the consolidated portfolio continue to have the benefits of healthy revenue visibility and low offtake risk with firm long-term PPAs at competitive tariffs.

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 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 offtakers 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 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 – 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. 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 – The projects in the co-obligor portfolio (120 projects with aggregate 48.0 MW capacity) as well as under AESPL on a consolidated basis (138 projects with ~78 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 –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, 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 entire capacity is operational with the weighted average operational track record nearing six years for the co-obligor portfolio and more than five 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 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 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 in the overall portfolio and the lower generation during the monsoons. Nevertheless, ICRA expects the coverage metrics to remain superior, aided by relatively low external leverage, the long tenure of project debt, stabilisation of most of the 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). As the entire capacity has been contracted with commercial & industrial consumers where the grid tariff is one of the highest among all the user categories, these tariffs although not competitive, are bearable. The loss of revenue of the state distribution utilities 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 the 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. 8.8 crore (standalone), the cash and liquid funds stood at Rs. 26.3 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 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, Petroliam 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 48.02 MW. The current installed solar PV capacity of AESPL is 33.58 MW (26.68 MW part of co-obligor structure, 6.9 MW separate).

Key financial indicators (audited)

AESPL Consolidated	CY2021	CY2022
Operating income	41.9	45.1
PAT	-30.9	-30.5
OPBDIT/OI	76.4%	80.8%
PAT/OI	-73.6%	-67.7%
Total outside liabilities/Tangible net worth (times)	-38.8	-14.3
Total debt/OPBDIT (times)	11.8	9.3
Interest coverage (times)	0.8	1.0

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	69.36	69.36	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (CE) (Stable)	[ICRA]AA-(CE) (Stable)
2 Non-fund based facilities	Long term	15.00	-	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund-based – Term loan	Simple
Long term – Non-fund 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 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	69.36	[ICRA]AA (Stable)
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 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

Annexure III: 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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