

November 23, 2020 <sup>Revised</sup>

## Amplus Jyotimangal Energy Private Limited: Rating upgraded to [ICRA]AA- (CE)

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	3.74	3.74	[ICRA]AA- (CE) (Stable); upgraded from [ICRA]A+ (CE) (Stable)
*Instrument details are provided in Annexure-1			
<b>Rating Without Explicit Credit Enhancement</b>			<b>[ICRA]A+</b>

*Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement*

### Rationale

The rating upgrade takes into account the improved scale and diversification in the co-obligor portfolio with the addition of 14.96 MW<sup>1</sup> of project capacity (under Amplus Andhra Power Private Limited; AAPPL), which has resulted in a 44.2% increase in the overall capacity under the co-obligor arrangement to 48.81 MW from 33.85 MW<sup>2</sup>. With this addition, the co-obligor portfolio now has a greater proportion of ground-mounted projects (51% against 29% earlier) than rooftop projects, which tend to have relatively lower PLF and higher operation and maintenance (O&M) expenses. Further, the rating action favourably takes into account of the improvement in the debt coverage metrics due to elongation in the debt repayment tenure for the overall portfolio, given that the term loan for asset capacity under AAPPL has a higher repayment tenure of 18 years compared with a tenure of 13 years in the earlier co-obligor structure.

The rating for the term loan jointly raised by Amplus Energy Solutions Private Limited (AESPL)<sup>3</sup>, Amplus Jyotimangal Energy Private Limited (AJEPL), Amplus Superior Solar Private Limited (ASSPL), Ananth Solar Power Maharashtra Private Limited (ASPMPL), Sunterrace Energy One Private Limited (SEOPL) and Amplus Andhra Power Private Limited (AAPPL) factors in the structure of the loan facility with the SPVs jointly responsible for servicing the debt, wherein the shortfall in meeting the debt obligation by any of the SPVs shall be met through surplus cash flows from the other SPVs in the structure. While there are distinct trust and retention accounts (TRA) and waterfall mechanism for each of the SPVs, these are governed by a single TRA agreement and rupee loan agreement. The interest would be payable on a monthly basis and repayment of

<sup>1</sup> All capacities mentioned in rationale in DC

<sup>2</sup> Existing co-obligor capacity has reduced from 34.3 MW to 33.85 MW as one project of 0.45 MW could not be acquired.

<sup>3</sup> Two projects under the co-obligor structure of capacity 1.27 MW have been transferred from Amplus Sun Solutions Private Limited (ASuSPL) to AESPL. Accordingly, while the project capacity under the existing co-obligor has remained unchanged, the common loan agreement has been amended to exclude ASuSPL.

the term loan would follow a quarterly schedule. Structure terms include put option at the end of 12 years from initial disbursement date.

The assigned rating continues to favourably factor in the operational status for the entire solar capacity in the co-obligor pool portfolio with diversification benefits as the solar assets are located across different geographies (i.e. 120 project sites spread across various states in the country) as well as limited offtake risk due to long-term PPAs signed for the entire portfolio with their respective offtakers. The solar portfolio capacity under the co-obligor structure is entirely operational and comprises 24.1 MW roof-top based and 24.7 MW ground-mounted solar PV projects.

The ratings also factor in the benefits arising from the Amplus Group's technical experience and strategic focus in development and operations of 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 specified DSCR level as well as the DSRA of two quarters (principal and interest). In addition, ICRA 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 CLA) or for any investments in projects/SPVs outside the co-obligor arrangement.

The rating for term loan, however, is constrained by limited operational track record for commissioned projects. The capacity under pooling structure has been added mainly over the last four-year period. The rating is further constrained by the sensitivity of generation to solar-irradiation levels, given that the revenues are linked to actual units generated and exported in view of the single-part tariff structure in the PPAs. Further, rooftop solar projects remain relatively more sensitive to solar radiation availability due to climatic factors like dust and pollution in city locations. The risk is mitigated to some extent by lower generation estimates in the base case compared to ground-mounted projects and the fact that the co-obligor portfolio now has an increased proportion of ground-mounted projects (51% against 29% earlier). Also, the ability of the Amplus Group to ensure proper O&M of module assets across the project sites in line with stipulated performance parameters in the O&M agreements remain crucial for the pool portfolio. ICRA takes note of the centralised monitoring of the sites and regular cleaning of the modules, which shall mitigate the operational risk to a certain extent.

While the weighted average PPA tariff for the portfolio is relatively high, the presence of termination/buyout clause in such PPAs as well as the economics of such tariff as against the grid tariff for the respective offtakers remain the mitigating factors. Further, the ground-mounted open-access based capacity in the portfolio remains exposed to regulatory risk pertaining to changes in open access charges and banking norms by the respective state electricity regulatory commission (SERCs). Moreover, the pooled capacity remains exposed to interest rate risk, given the single-part nature of the PPA tariff for all the projects. The ability of the projects under the co-obligor structure to demonstrate satisfactory operational performance as against base case assumptions and timely payments from the counterparty shall remain a key rating monitorable.

The Stable outlook on the [ICRA]AA- (CE) rating reflects the co-obligor portfolio's benefit through a steady revenue visibility aided by the operational status and diversity of asset profile having long-term PPAs as well as timely cash collections expected from the offtakers.

#### **Adequacy of credit enhancement**

The six SPVs under co-obligor structure are part of the Amplus Group, which is backed by Petronas. Each SPV would have its own debt, escrow, debt service reserve, and each SPV will act as a co-obligor to the other's borrowing. In case of shortfall in an SPV for servicing debt, request will be raised by the lender's agent to the TRA account holder of other SPVs to release any surplus cash in their TRA (surplus account or DSRA) to meet the required debt servicing.

## Salient covenants related to credit enhancement

### Cash Sweep

- *In the event that the DSCR falls below 1.15 in any fiscal year, the lenders shall at their sole discretion have the right to utilise 50% surplus cash accruals above the DSCR of 1.0 towards the prepayment of whole or part of the loans. Further, until the testing of the financial covenants in the subsequent fiscal year, the remaining 50% of surplus cash accrual shall be retained in the trust and retention account and not utilised for any other purpose. In case the DSCR, for the subsequent fiscal year, is above 1.15, the surplus cash accrual may subject to the satisfaction of other restricted payment conditions, be utilised for making restricted payments*
- *In the event that the DSCR falls below 1.15 in any 2 consecutive fiscal years, the lenders shall at their sole discretion have the right to utilize 100% surplus cash accruals above the DSCR of 1.0, each fiscal year till the final settlement date, towards the prepayment of whole or part of the loans.*

### Financial Covenants

- *DSCR  $\geq$  1.15x*
- *Fixed Assets Coverage Ratio (FACR)  $\geq$  1.25x*

### Promoter Undertaking

- *Undertakes to infuse funds in case of invocation of the NFB limit which is not serviced from distributable surplus*
- *Project cost overrun guarantee*
- *Maintain management control*

## Key rating drivers and their description

### Credit strengths

**SPVs under co-obligor structure are part of Petronas-backed Amplus Group** – SPVs under co-obligor structure are part of the Amplus Group, which is backed by Petronas (rated Moody's A2), post its acquisition of the Amplus Group from the erstwhile promoter—I Squared Capital—in April 2019. The rating factors in the benefits arising out of the strong parentage by virtue of a 100% ownership of Petronas in the holding company of the Amplus Group, Amplus Energy Solutions Pte Ltd.

**Geographic diversification of projects under co-obligor structure** – With the addition of AAPPL projects, the co-obligor structure now has 120 projects with a total capacity of 48.81 MW spread across various states in the country, which leads to geographical diversification and reduces the asset-concentration risk. Moreover, the pool now has a higher proportion of ground-mounted projects (51% against 29% earlier) as against rooftop projects, which lends greater stability to the portfolio's operational performance both in terms of generation (relatively higher for ground mount projects) and O&M expense (typically lower for ground-mounted projects). 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.

**Long-term PPAs mitigate offtake risk** – The Group has signed long-term PPAs with commercial and industrial (C&I) customers for the entire 48.81 MW, which provides revenue visibility and mitigates offtake risk. The weighted average for the remaining PPA tenor is ~18.8 years, which was higher than the debt tenor (weighted averaged 14.4 years) leading to tail period. The weighted average tariff for the overall portfolio is Rs. 5.77/kWh in FY2020. Nonetheless, the presence of termination/buyout clause in the PPAs as well as the favourable economics of such PPA tariff as against the grid tariff for the respective offtakers remain the mitigating factors.

**Low counterparty credit risk** – The PPAs are signed with commercial and industrial customers with strong financial profile. This along with the presence of multiple offtakers mitigates the counterparty credit risk to some extent. The payment from counterparties is typically received within 30–45 days from the date of billing. Moreover, the PPAs have termination/buyback clauses, which further mitigate counterparty credit risk.

**Entire capacity in co-obligor structure is operational; although, generation track record is limited** – The entire 48.81 MW of the capacity under co-obligor structure is operational with weighted average operational track record of over two years.

## Credit challenges

**Vulnerability of cash flows to solar irradiation** – Variability in solar irradiation may affect generation, which may impact revenues and cash flow of the projects as the revenues are directly linked to 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 has been moderate with an adjusted capacity utilisation factor (CUF) of 16.1% (adjusted for stabilisation of recently commissioned capacities, impact of cyclone and Covid-19 lockdown on certain project capacities) in FY2020 against de-graded P90 CUF of 16.48%. The same is on account of heavier-than-normal rainfall affecting generation in a few projects.

**Limited operational track of the projects and exposure to regulatory risk** – With the majority of the capacity commissioned gradually over the last four-year period, the weighted average operational track record for the portfolio is about two years. Further, the ground-mounted open-access based capacity remains exposed to regulatory risk pertaining to changes in open access charges and banking norms by the respective state electricity regulatory commission (SERCs). However, the majority of this capacity is onsite, wherein PPA clause covers pass-through of regulatory charges under change in law to a large extent.

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

## Liquidity position

The consolidated liquidity position of the six SPVs in the co-obligor arrangement is **strong**, aided by the presence of two-quarter DSRA and timely payment from counterparties. The entire capacity is commissioned and the revenues from the operational solar power projects is expected to adequately meet the debt servicing requirement and operational expenses at individual SPV level. DSRA for all projects has been created. In addition, as against DSRA requirement of Rs 11.95 crore, the cash and liquid funds stood at Rs 31.29 crore<sup>4</sup> for the co-obligor portfolio projects as on September 30, 2020.

## Rating sensitivities

**Positive triggers** – ICRA could upgrade the above long-term rating if the projects under the co-obligor portfolio demonstrate a sustained improvement in generation and/or timely receipts of payments from its counterparties and/or improvement in credit profile of Petronas.

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<sup>4</sup> Excludes Rs 14.78 crore to be used for redemption of promoter debt from the TCCL debt disbursement for AAPPL as part of utilization of loan proceeds received in September 2020

**Negative triggers** – Negative pressure on the above ratings could arise if there is deterioration in operational performance of the co-obligor portfolio and/or delay in payment from counterparty and/or weakening of linkage of the company with Petronas and/or deterioration in the credit profile of the latter.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Solar Power Producers</a> <a href="#">Impact of Parent or Group Support on an Issuer's Credit Rating</a> <a href="#">Approach for rating debt instruments backed by third-party explicit support</a>
Parent/Group Support	Parent/Group Company: Amplus Energy Solutions Pte Ltd which is owned by Petronas International Power Corporation B.V. We expect Amplus Energy Solutions Pte Ltd/Petronas to be willing to extend financial support to the 6 SPVs under co-obligor arrangement should there be a need in case of cash flow mismatches
Consolidation/Standalone	For arriving at the ratings for term loans under co-obligor structure, ICRA has consolidated the financials of 6 SPVs (as mentioned in Annexure) given the close financial linkages arising out of the co-obligor arrangement between them

## About the company

AJEPL is a wholly owned subsidiary of AESPL. The company was incorporated on December 22, 2012 to build and operate two rooftop solar projects of 995.4 KW and 92.4 KW located in Hosur, Tamil Nadu.

AESPL, incorporated on June 27, 2013 as Avant Garde Power Solutions Private Limited (name changed to current one in September 2015), is a wholly-owned subsidiary of Amplus Energy Solutions Pte Ltd (Amplus Singapore), a Singapore-based company with 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. The Amplus Group in India is a dedicated owner–operator of distributed energy solutions for C&I customers by setting up both on-site solar projects (rooftop and ground-mounted) and off-site solar farms.

AESPL along with five SPVs of the Amplus Group has entered into a common loan agreement (amended in September 2020 to include Ampus Andhra projects) for project financing of 120 rooftop and ground-mounted solar PV projects with an aggregate capacity of 48.81 MW. The current installed capacity of AESPL is 28.4 MW (26.7 MW part of co-obligor structure, 1.75 MW separate). In addition, it is developing projects with aggregate capacity of 2.865 MW (not part of co-obligor structure). The majority ownership in the four SPVs is held by AESPL, while Amplus Andhra Power Pvt Ltd (AAPPL) is a 100% subsidiary of Amplus Singapore.

In FY2020, the company reported a net loss of Rs. 0.8 crore on an operating income (OI) of Rs. 0.9 crore compared to a net loss of Rs. 1.1 crore on an OI of Rs. 0.9 crore in the previous year.

### Key financial indicators (audited)

	FY2019	FY2020
Operating Income (Rs. crore)	0.9	0.9
PAT (Rs. crore)	-0.8	-1.1
OPBITD/OI (%)	83.9%	74.6%
RoCE (%)	5.9%	4.4%

Total Outside Liabilities/Tangible Net Worth (times)	NM	NM
Total Debt/OPBITD (times)*	13.2	15.5
Interest Coverage (times)*	0.6	0.5
DSCR*	0.6	0.4

\*debt and coverage metrics include promoter debt (and related debt servicing); DSCR based on current portion of reported financials

### Key financial indicators (audited) – consolidated 6 SPVs^

	FY2019	FY2020
Operating Income (Rs. crore)	27.7	25.6
PAT (Rs. crore)	-24.3	-25.2
OPBITD/OI (%)	21.9%	39.0%
RoCE (%)	-1.2%	-0.1%

Total Outside Liabilities/Tangible Net Worth (times)	3.3	5.1
Total Debt/OPBITD (times)*	30.1	34.7
Interest Coverage (times)*	0.3	0.4
DSCR*	0.1	0.3

\*debt and coverage metrics include promoter debt and preference share capital (and related debt servicing); DSCR based on current portion of reported financials

^excludes AAPPL and includes Amplus Sun Solutions Private Limited as the projects under co-obligor pool housed under Amplus Sun Solutions Private Limited were transferred to AESPL in July 2020

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

	Instrument	Type	Current Rating (FY2021)		Rating Nov-23-2020	Rating History for the Past 3 Years			
			Amount Rated	Amount Outstanding		FY2020 Dec-5-2019	Jun-4-2019	FY2019	FY2018
1	Term Loans	Long Term	3.74	3.48*	[ICRA]AA-(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A-(SO)%	-	-

\*As on September 30, 2020

% Rating watch with Positive implications

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

## Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	January 4, 2019	-	March 31, 2033	3.74	[ICRA]AA-(CE) (Stable)

Source: Amplus Jyotimangal Energy Private Limited

## Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Amplus Energy Solutions Private Limited	100.00%	Full Consolidation
Amplus Jyotimangal Energy Private Limited	100.00%	Full Consolidation
Amplus Superior Solar Private Limited	100.00%	Full Consolidation
Sunterrace Energy One Private Limited	74.00%	Full Consolidation
Ananth Solar Power Maharashtra Private Limited	100.00%	Full Consolidation
Amplus Andhra Power Private Limited	100.00%	Full Consolidation



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### **Corrigendum**

Document dated November 23, 2020 has been corrected with revisions as detailed below:

Under the heading Salient covenants related to credit enhancement, “DSRA funding shortfall” under Promoter Undertaking on page 3 has been deleted.

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