

Clean Max Enviro Energy Solutions Private Limited

Instrument	Amount	Rating Action
Fund Based Limits (Cash Credit)	Rs 3.00 crore	[ICRA]BBB (stable)/ upgraded from [ICRA]BBB- (stable)
Non Fund Based Limits (Letter of Credit)	Rs 22.00 crore	[ICRA]A3+/ upgraded from [ICRA]A3
Proposed Limits	Rs. 50 crore (enhanced from Rs 25.00 crore)	[ICRA]BBB (stable)/[ICRA]A3+/ upgraded from [ICRA]BBB- (stable)/ [ICRA]A3

ICRA has upgraded the long-term and the short term ratings assigned to the bank limits/proposed limits aggregating to Rs. 75.00 crore (enhanced from Rs. 50.00 crore) of Clean Max Enviro Energy Solutions Private Limited (CMES) to [ICRA]BBB (pronounced ICRA triple B) and [ICRA]A3+ (pronounced as ICRA A three plus)¹ respectively. The outlook on the long term rating is stable.

The revision in the ratings takes into account the increase in the company's scale of operations in development of solar power plants which are subsequently down sold to industrial/commercial consumers through OPEX² route as well as a healthy pipeline for execution of such solar projects. Further, company has demonstrated satisfactory track record of providing O&M services for the projects which are down sold to investors. The ratings continue factor the favorable demand outlook for solar roof-top/ground mounted projects for industrial/commercial consumers aided by improved tariff competitiveness of solar energy with the decline in prices of solar modules, against the prevailing grid tariffs. The ratings continue to take into account the company's highly qualified and professional management team, reputed customer profile and healthy profitability margins and liquidity position.

The ratings however are constrained by high working capital requirements with growing scale of operations and dependence of the company's business model on the availability of accelerated depreciation (AD) benefit available on solar power plants. With reduction in AD benefit from 80% to 40% from April 01, 2017, contribution margin is likely to moderate in the near term in order to maintain the project attractiveness for down selling such projects to investors. ICRA further notes that with growth in scale of operations, ability of the company to consistently identify investors and sell the solar power projects in a timely manner remains crucial from a credit perspective. Moreover, the ability to ensure the operating performance of the projects sold to investors as per terms of O&M contract remains important for the company. Moreover ICRA has also taken a note of the company's foray into solar project development of 30 MW through subsidiary namely KAS Onsite Power Solutions LLP (KAS), which is at green-field stage with expected CoD by February 2017 and in turn would lead to an increase in the leveraging level for the company on a consolidated level. Nonetheless, PPA signed by KAS is at favorable terms with a reputed counter-party provides a source of comfort, however, any further increase in leveraging level on a consolidated basis remains a rating sensitivity.

Company Profile

Clean Max Enviro Energy Solutions Pvt Ltd (CMES) was incorporated in September 2010 by Mr. Kuldeep Jain. Prior to forming CMES, Mr. Kuldeep Jain was a global partner at McKinsey & Company, heading its Energy & Corporate Finance practice in India. CMES is engaged in the development of onsite/rooftop solar power projects for industrial, commercial and institutional customers. Since FY 2013, the company has commissioned over 50 solar power plants having aggregate capacity ~50 MW for reputed Indian corporate clients, MNCs and leading university and institutes. The company has set up solar power plants in key industrial clusters of the country including Pune, Delhi, Chennai, Bangalore, Hyderabad, Jaipur, Ahmedabad, Baroda, Hyderabad, Hosur and is in the process of adding additional clusters such as Manesar, Nevai, Taloja & Theni. The company has offices in five locations viz. Mumbai, Delhi, Pune, Bangalore & Chennai.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² In opex route, industrial consumer is not required to make any upfront cost and thus procures solar energy at a tariff which is at discount to prevailing grid tariff as per terms of PPA which is signed with an investor, to which such project is down sold by the company

Recent Results

CMES reported operating income of Rs 126.22 crore in FY 2016 as against operating income of Rs 65.08 crore in FY 2015.

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