December 05, 2019 (Revised)

Amplus Sun Solutions Private Limited: Ratings upgraded to [ICRA]A+(CE), removed from rating watch, Stable outlook assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based-Term loan	4.42	4.42	[ICRA]A+(CE) Upgraded from [ICRA]A-(CE); Outlook revised to (Stable) from Rating under watch with positive implications
Total	**4.42**	**4.42**	

*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement	[ICRA]A

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 for term loan jointly raised by Amplus Energy Solutions Private Limited (AESPL), Amplus Jyotimangal Energy Private Limited (AJEPL), Amplus Sun Solutions Private Limited (ASSPL), Amplus Superior Solar Private Limited (ASuSPL), Ananth Solar Power Maharashtra Private Limited (ASPMPL) and Sunterrace Energy One Private Limited (SEOPL) 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, they are governed by a single TRA agreement and rupee loan agreement. Interest would be payable monthly and repayment of the term loan follows a quarterly schedule. Structure terms include call/put option at the end of 12 years from initial disbursement date. These SPVs together have total solar capacity of 34.30 MW under the co-obligor structure comprising of 118 projects. The assigned rating takes into account the operational status for entire of the solar capacity in the co-obligor pool portfolio with diversification benefits due to solar assets being located across different geographies (i.e. 118 project sites in 17 states) as well as limited off-take risk due to long term power purchase agreements signed for the entire portfolio with their respective off-takers. The solar portfolio capacity comprises of 24.1 MW roof-top based and 10.2 MW ground mounted, entire capacity, 34.3 MW is operational as on October 18, 2019. The ratings also factor the benefits accruing from the Amplus Group's technical experience and strategic focus in development & operations of roof-top & ground mounted solar PV projects for commercial & industrial segment. The rating also draws the comfort from 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) out of which DSRA for one quarter is in place and DSRA for another quarter shall be created from cash flow of projects within 12 months from first disbursement date.

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 2-3-year period. The rating is further constrained by the sensitivity of generation to solar-irradiation levels given the revenues are linked to actual units generated and exported, in view of the single-part tariff structure in the PPAs. Further, roof-top solar projects remain relatively more sensitive to solar radiation availability due to climatic factors like dust & pollution in city locations. The risk is mitigated to some extent by considering lower generation estimates in base case as compared to ground mounted projects. Also, the ability of the Amplus Group to ensure proper operations & maintenance 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 has taken note of the centralized monitoring of the sites and regular cleaning of the modules which shall mitigate the operational risk to certain extent. While few roof-top projects in the portfolio have relatively high tariff PPAs, 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 off-takers remain the mitigating factors. Further, the pooled capacity remains exposed to interest rate risk, given the single part nature of PPA tariff for all the projects. Ability of the projects under the co-obligor structure to demonstrate satisfactory operational performance as against base case assumptions and timely payments from counterparty shall remain a key rating monitorable. The term loan under co-obligor structure also has Tranche II of Rs 10.47 crore which shall be disbursed after performance establishment post expiry of 15 months from the Initial Disbursement Date. Any increase in debt levels beyond the co-obligor structure in the SPVs shall also be a rating sensitivity.

For the [ICRA]A+(CE)(Stable) rating

The rating upgrade factors in strong managerial and financial benefits expected from a strong parentage after the change in ownership of Amplus group's parent company- Amplus Energy Solutions Pte Ltd from I-Squared Capital to Petroliam Nasional Berhad, Malaysia (Petronas; rated 'A2/Stable' by Moody's Ratings).

Adequacy of credit enhancement

The six SPVs under co-obligor structure are part of Amplus group which was backed by I Squared Capital now taken over by Petronas. Each SPV would have its own debt, escrow, debt service reserve, each SPV will act as co-obligor to other's borrowing. In case of shortfall in a SPV for servicing debt, request will be raised by Lender's agent to Trust and Retention Account (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 of the rated facility

Well-defined waterfall mechanism in the TRA which subordinates payments to be made on the promoter debt, subject to meeting the restricted payment conditions

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 the surplus cash accrual shall be retained in the trust and the 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 be 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 two consecutive fiscal years, the lenders shall at their sole discretion have the right to utilise 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>=1.15x*

- *Fixed Assets Coverage Ratio (FACR)>= 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*

For the [ICRA]A(Stable) rating

The above ratings reflect the healthy operational profile of Amplus Sun Solutions Private Limited (ASSPL), characterised by geographically diversified solar power projects with long terms PPA at attractive tariffs. The rating is also supported by low counter party credit risk on account of diversified customer base diluting the dependence on one single party.

ICRA notes that ASSPL's entire capacity is operational although generation track record is limited. Also susceptibility to solar irradiation makes the cash flows vulnerable. The company is also prone to interest rate risks.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that ASSPL will continue to benefit from its fully operational solar projects, supported by strong parentage.

Key rating drivers and their description

Credit strengths

SPVs under co-obligor structure are part of Amplus group which is backed by Petronas– The six SPVs under co-obligor structure are part of Amplus group which was backed by I Squared Capital. On April 15, 2019, Petronas announced acquisition of 100% interest in Amplus Energy Solutions Pte Ltd (Amplus Singapore) which is the holding company for Amplus group. The acquisition is complete and Amplus group is now part of Petronas which is a Fortune 500 firm focussed on Oil and Gas sector in Malaysia. Co-obligor structure is expected to benefit from strong parent.

Amplus group has 952 MW of solar portfolio - As on October 18, 2019, Amplus group has solar portfolio of 952 MW out of which 333 MW is operational thereby mitigating execution risk typically associated with under construction projects. The group is focussed on setting up solar power projects through rooftop/ on-ground/open access route for commercial and industrial customers. The SPVs derive benefit from the experience of management in solar power sector in India.

Geographically diversification of the projects under co-obligor structure– The co-obligor structure has 118 projects with total capacity of 34.30 MW spread across different states which leads to geographical diversification and reduces the asset concentration risk to large extent. Co-obligor structure of the term loan provides additional comfort in terms of partly insulating against PLF variations and counter party credit risks given geographical diversification of the assets.

Long-term PPAs at attractive tariffs mitigate off-take risk– Long-term PPAs have been signed with the C&I customers for entire 34.3 MW which provides revenue visibility and mitigates off-take risk. Weighted average remaining PPA tenor as of October 2019 was ~19.5 years which was higher than the debt tenor leading to tail period. The weighted average tariff for overall portfolio is Rs 5.82/kWh in FY2019 which is lower than the grid tariff for the counter parties.

Low counter party credit risk– The PPAs are signed with commercial and industrial customers with strong financial profile. This along with the presence of multiple counter parties mitigates the counter party credit risk to some extent. As per the company, the payment from counter parties is received within 30-45 days from date of billing. Moreover, the PPAs have termination/ buy back clauses which further mitigates counter party credit risk.

Entire capacity in co-obligor structure is operational although generation track record is limited– Entire 34.3 MW of capacity under co-obligor structure for term loan has been commissioned as on October 18, 2019 mitigating execution risk typically associated with under construction projects. The portfolio has weighted average operational track record of over 2 years.

Credit challenges

Vulnerability of cash flows to solar irradiation- Variability in solar irradiation may affect generation which may impact revenue and cash flow of the projects as the revenue is directly linked to actual generation. The risk is mitigated to some extent by the geographically diversified asset base of the portfolio.

Limited operational track of the projects- The capacities have been commissioned starting FY2012 although the majority of capacity has been commissioned in the last three years i.e FY2016-FY2018. Weighted average operational track record of the projects is over 2 years as of Oct'19.

Exposure to interest rate risk- The tariffs for majority of the 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

For the [ICRA]A+(CE)(Stable) rating: Adequate

The consolidated liquidity position of the six SPVs in the co-obligor arrangement remains satisfactory on account of entire solar power projects being operational, presence of 1 quarter DSRA and timely payment from counter parties. The revenue from operational solar power projects is expected to meet the debt servicing requirement and operational expenses at SPV level

For the [ICRA]A(Stable) ratings: Adequate

ASSPL's liquidity is adequate with no major capex plans over the medium term and DSRA of 1 quarters in place, to meet the repayment dues in times of stress. Also DSRA of an additional quarter will be in place after 12 months from first disbursement. Liquidity is further supported by improvement in generation and timely receipt of payments from the strong counterparties.

Rating sensitivities

For the [ICRA]A+(CE)(Stable) rating

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

Negative triggers: Negative pressure on the above ratings could arise if there is deterioration in operational performance of the portfolio and/or delay in payment from counterparty and/or weakening of linkage of companies under co-obligor pool with Petronas group could have a negative implication on the rating.

For the [ICRA]A(Stable) rating

Positive triggers: ICRA could upgrade the above long-term rating if the company demonstrates a sustained improvement in generation and/or timely receipts of payments from its debtors.

Negative triggers: Negative pressure on the above ratings of ASSPL could arise if there is deterioration in operational performance of the portfolio and/or delay in payment from counterparty.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent/Group Company: Amplus Energy Solutions Pte Ltd which is 100% subsidiary of Petronas (rated Moody's A2) 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 as the SPVs are part of Amplus group.
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 among them arising out of the co-obligor arrangement between them

About the company:

Amplus Sun Solutions Private Limited (formerly known as: SEI Sun Power Pvt. Ltd.) is an SPV 100% owned by AESPL (Singapore) directly. The company was incorporated in July 05, 2010 to build and operate two rooftop solar projects of 769.20 KW and 517.0 KW located in Madurai (Tamil Nadu) and Bangalore (Karnataka) respectively.

The company is part of Amplus group which is setting up distributed energy solutions for Commercial and Industrial (C&I) customers. Amplus group was earlier backed by I Squared Capital which is an independent global infrastructure investment fund with USD 12.6 billion of assets under management. On April 15, 2019, Petronas Group announced that it has entered into an agreement with I Squared Capital to acquire 100% interest in Amplus Energy Solutions Pte. Ltd. which is the Singapore based holding company of Amplus group. As on date Amplus group is 100% owned by Petronas.
In FY2019, the company reported a net loss of Rs. 0.9 crore on an operating income of Rs. 3.8 crore, as compared to a net profit of Rs. 0.6 crore on an operating income of Rs. 2.5 crore in FY2018.

Key financial indicators (audited)- Amplus Sun Solutions Private Limited

	FY2018	FY2019
Operating Income (Rs. crore)	2.5	3.8
PAT (Rs. crore)	0.6	(0.9)
OPBDIT/OI (%)	67.6%	10.0%
RoCE (%)	14.8%	0.8%
Total Outside Liabilities/Tangible Net Worth (times)*	2.42	4.39
Total Debt/OPBDIT (times)*	3.66	24.24
Interest Coverage (times)*	1.97	0.38
DSCR*	2.0	0.19

*Debt considered includes internal debt from Promoter / Group company in form of Debentures, short term loan etc.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Rating (FY2020)					Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding (as on Nov 30, 2019)	Current Rating	Earlier Rating	FY2019		FY2018	FY2017
					05-Dec-2019	4-Jun-2019				
1	Term Loan	Long Term	4.42	4.31	[ICRA]A+(CE)(Stable)	[ICRA]A-(SO)%	-	-	-	-

%- under 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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loan	FY2019	-	FY2033	4.42	[ICRA]A+(CE)(Stable)

Source: Amplus Sun Solutions Private Limited

Annexure-2: List of entities considered for consolidated analysis for term loan under coobligor structure

Company Name	Ownership	Consolidation Approach
Amplus Energy Solutions Private Limited	100%	Full Consolidation
Amplus Sun Solutions Private Limited	100%	Full Consolidation
Amplus Superior Solar Private Limited	100%	Full Consolidation
Ananth Solar Power Maharashtra Private Limited	100%	Full Consolidation
Amplus Jyotimangal Energy Private Limited	100%	Full Consolidation
Sunterrace Energy One Private Limited	100%	Full Consolidation

Corrigendum

Document dated December 05, 2019 has been corrected with revisions as detailed below:

- Salient covenants of the rated facility have been included on page 2.

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