January 06, 2023

Amplus Sunshine Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. Crore)	Current Rated amount (Rs. crore)	Rating Action
Fund-based term loans	35.6	34.2	[ICRA]AA-(Stable); reaffirmed
Total	**35.6**	**34.2**	

Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation factors in the strengths arising from Amplus Sunshine Private Limited's (ASPL) strong parentage with Petroliam Nasional Berhad (PETRONAS[1]) owning a 100% stake in its ultimate holding company - Amplus Energy Solutions Pte Ltd. The rating considers the low counterparty credit risk, reflected in the close to 100% collection efficiency for the company. The offtake risks are mitigated by the long-term power purchase agreement (PPA) with Ultratech Cement Limited (UCL) for the entire capacity of the 15.00-MW (DC) solar power project.

The rating favourably notes the tariff competitiveness of the PPA contracted at Rs. 3.14/unit tariff for 25 years from the commercial operations date (COD). The company's plant has been set up in a captive mode, which protects the offtaker from the levy of cross-subsidy surcharge/additional surcharge. Moreover, as the plant is located within the premises of the offtaker [i.e., cement plant of UCL], wheeling/transmission charges and losses are not applicable. Additionally, the generation of the plant has remained close to or above the P90 estimates during the last 18 months (ending June 2022). The rating notes ASPL's financial flexibility (PPA tenure higher than debt tenure) as well as the expectation of the parent's support to the company.

The rating draws strength from the presence of a debt service reserve account (DSRA) for two quarters of debt servicing, apart from maintaining additional one quarter of its debt servicing which is an additional comfort for the lender.

The rating is constrained by geographical concentration risk and the vulnerability of the company's cash flow to weather conditions as the tariffs are linked to the actual generation. Additionally, it is exposed to interest rate risk as the tariff is fixed in nature (for the tenor of PPA), while the interest rate is floating in nature. ASPL's ability to demonstrate a satisfactory generation track record in line with the P90 estimates and maintain operations and maintenance expenses in line with the base case remain critical.

The Stable outlook on the [ICRA]AA- rating reflects the revenue visibility provided by the operational status of the project with a long-term PPA in place and expectations of timely cash collections from the offtaker.

Key rating drivers and their description

Credit strengths[1]

Strong parent support: ASPL 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. Given that the Amplus Group is a strategically important business segment which aligns with PETRONAS' strategic

[1] *Rated A2(Stable) by Moody's Investors Service*

focus on renewable energy, ICRA expects timely support from PETRONAS in the event of any potential shortfall in debt servicing caused by weak generation or delayed payments from the counterparties.

Cost-competitive PPA tariff and long-term PPA provide revenue visibility – The long-term PPA with UCL (offtaker or counterparty) for the entire plant capacity for 25 years at a tariff of Rs. 3.14 per unit provides revenue visibility for the entire life of the plant

Competitive tariff insulated from open access/cross subsidy/additional surcharge – The PPA tariff of Rs. 3.14 per unit is significantly lower than the grid tariff, enabling the offtaker to save on a per unit basis. The captive nature of the project with minimum 26% equity holding by the offtaker and 51% power offtake exempts the offtaker from cross subsidy/additional surcharge for the power purchased from the project and augurs well for the company. Moreover, the PPA mitigates any underlying regulatory risk for ASPL under change-in law. Further, no wheeling/transmission charges or losses are applicable as the plant is located within the customer premise-

Low counterparty credit risk – The counterparty credit risk for the portfolio is low on account of the offtaker's strong financial profile. The collection period for each month stood at 15 days (in line with its PPA terms). Moreover, the PPA has termination/buyback clauses, which further mitigate the counterparty credit risk.

Credit challenges

Geographical concentration risk and exposure to variation in solar radiance – The project is located at single location in Madhya Pradesh and the tariff is single part and fixed in nature over the PPA tenure. Hence, the revenue and profit of the project is linked to the actual generation and may be impacted in case of non-generation of power/lower generation.

Interest rate risk due to fixed tariff – The tariff of the solar power project is single part and fixed in nature. Hence, the project is exposed to variation in interest rates, given the floating nature of the interest rate on the term loan.

Liquidity position: Strong

ASPL's liquidity is strong, aided by the presence of two quarters' DSRA and timely collections from the offtaker. The generation was close to P90 estimates during the last 18 months (ending June 2022) and the cash flows are expected to adequately meet the company's debt servicing requirement and operational expenses. ICRA expects ASPL's financial flexibility (PPA tenure higher than debt tenure) to support refinancing options and liquidity profile. The liquidity is further supported by the presence of the strong parent, PETRONAS, which is expected to support its operations in the event of any cash flow mismatches. ASPL had cash and liquid investments of Rs. 8.69 crore as on December 31, 2021, in addition to a DSRA of Rs. 2.57 crore against an aggregate debt repayment obligation of Rs. 6.19 crore during FY2022-FY2025 (FY ending December).

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the project is able to showcase satisfactory generation performance in line with P90 estimates, on a sustained basis, and/or if it reports material decline in external debt/ OPBITDA (total debt excluding promoter debt to operating profit before interest taxes and depreciation and amortisation). The rating may also be upgraded if the credit profile of the ultimate parent, PETRONAS, improves.

Negative factors – Pressure on ASPL's rating could arise if there are adverse regulatory developments that affect the tariff competitiveness of the project, or if there is a deterioration in its operational performance, pulling down the cumulative DSCR (for external debt) below 1.20 times. A weakening of the credit profile of PETRONAS and/or any weakening in the linkages with PETRONAS will also create pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Power Producers Implicit of parent or group on an Issuer's credit rating
Parent/Group Support	Parent/Group Company: Amplus Energy Solutions Pte Limited/ PETRONAS ICRA expects the parent to be willing to extend financial support to ASPL should there be a need in case of cash flow mismatches
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity

About the company

ASPL is a part of the Amplus Group, which is present in the distributed solar sector in India and is backed by PETRONAS. The company has set up a 15.00-MW (DC) solar power project in Dhar, Madhya Pradesh, which was commissioned on July 10, 2019. The PPA has been signed with UCL for a period of 25 years from COD at a fixed tariff of Rs. 3.14 per unit. UCL holds 35.0% equity in the company to meet the captive requirements, while the balance stake is held by Amplus Energy Solutions Private Limited, which is wholly owned by the Singapore-based Amplus Energy Solutions Pte. Ltd

Key financial indicators

ASPL Standalone	CY2020 (Audited)	CY2021 (Audited)
Operating income (Rs. crore)	4.5	6.8
PAT (Rs. Crore)	-3.0	-1.9
OPBDIT/OI (%)	73.3%	81.8%
PAT/OI (%)	-64.3%	-28.2%
Total outside liabilities/Tangible net worth (times)	8.3	11.6
Total debt/OPBDIT (times)	11.6	9.2
Interest coverage (times)	0.8	1.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation
Note: Amount in Rs. crore; All calculations are as per ICRA Research
Source: Annual Reports and ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on October 17, 2022 (Rs. crore)	Date & rating on	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					January 06, 2023	December 28, 2021	October 22, 2020	December 30, 2019
1	**Fund-based term loan**	Long-term	34.2	34.2	**[ICRA]AA- (Stable)**	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
2	**Proposed unallocated limits**	Long-term	-	-	-	-	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
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-1: Instrument details

ISIN No	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Fund based term loan	FY2020	NA	FY2038	34.2	[ICRA]AA- (Stable)

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

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

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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