March 26, 2024

AMP Energy Green Five Private Limited: Ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term- Fund-based – Term loan	440.25	[ICRA]A- (Stable); assigned
Short term – Non-fund based – Bank guarantee	15.00	[ICRA]A2+; assigned
Total	455.25	

Instrument details are provided in Annexure-I

Rationale

The assigned ratings factor in the high revenue visibility and low offtake risk for the 135-MWDc solar power project of AMP Energy Green Five Private Limited (AEGFPL) because of the long-term (25 years) power purchase agreement (PPA) with Solar Energy Corporation of India Limited (SECI) for the entire capacity at a fixed tariff of Rs. 2.37[1] per unit. SECI is an intermediary counterparty and has signed power supply agreements (PSAs) with the state-owned distribution utilities (discoms) of Telangana.

The ratings draw comfort from the presence of a strong counterparty like SECI *(rated [ICRA]AAA (Stable) / [ICRA]A1+)* and the payment security mechanism under the PPA, with a provision for letter of credit equal to average one-month billing. Moreover, SECI is included in the tripartite agreement (TPA) with the Government of India, the Reserve Bank of India and the state governments, which guards against payment delays from the discoms. Further, the additional provisions in the PPA/PSAs related to compensation in case of grid curtailment or backdown and the termination liability provide comfort. These factors, along with the superior tariff competitiveness of the project, mitigate the counterparty credit risk for the company.

The ratings further derive comfort from the presence of an experienced sponsor in the form of the AMPSolar Group and other reputed investors including LGT Lightrock Group, Atlanta Investment Pte. Ltd. (ICG), Asian Infrastructure Investment Bank (AIIB), SDIEF Holdings 1 Pte. Ltd. and Copenhagen Infrastructure Partner (CIP).

However, the project under AEGFPL remains exposed to timely commissioning and stabilisation risks. The project is at an advanced stage of completion (~75% of the project cost incurred as of Jan-2024) with the operations expected to commence from April 2024. Timely commissioning of the project without major cost overrun and satisfactory operating parameters, in line with the estimations, remain important from a credit perspective.

The company's revenues and cash flows, post commissioning of the project, would remain sensitive to the variation in weather conditions and seasonality because of the single-part fixed tariff under the PPA. Additionally, the company remains exposed to asset concentration risk as the entire capacity is located at a single site in Rajasthan. Therefore, the ability of the project to achieve the design P-90 PLF on a sustained basis, post commissioning, remains crucial from a credit perspective. Further, the project credit metrics would remain exposed to the movement in interest rates, given the fixed tariff under the PPA, and a leveraged capital structure with the project cost being funded through debt to equity of 75:25.

Also, the company remains exposed to the regulatory challenges of implementing the scheduling and forecasting framework for the solar power sector.

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[1] *Tariff is expected to increase to Rs. 2.44/unit from 2.37/unit currently in lieu of the change in law benefit arising from the increase in GST rates on the capital cost for solar power projects from 8.9% (at the time of bidding) to 13.8% prevalent currently*

The Stable outlook assigned to the long-term rating of the company is supported by the long-term PPA in place for the entire capacity providing revenue visibility and a strong counterparty, i.e., SECI.

Key rating drivers and their description

Credit strengths

Revenue visibility due to long-term PPA and superior tariff competitiveness - AEGFPL has low offtake risks owing to the presence of a long-term (25 years) PPA at a highly competitive tariff of Rs. 2.37 per unit for the entire project capacity with SECI. The long-term PPA provides revenue visibility to the company. SECI is an intermediary counterparty and has signed PSAs with the state-owned distribution utilities of Telangana (Southern Power Distribution Company of Telangana Limited and Northern Power Distribution Company of Telangana Limited). Further, the applicable tariff of Rs. 2.44/unit (including GST pass through) for the distribution utilities, i.e. the ultimate offtakers, is highly competitive in relation to the average power purchase cost of Rs. 4.54/unit for the utilities, as approved for FY2024 in the tariff order.

Relatively superior PPA with SECI and low counterparty credit risk - The PPA with SECI is relatively superior against the state policy PPAs due to a favourable payment security mechanism, provision for generation compensation for grid unavailability or backdown and termination liability. Further, the inclusion of SECI in the tripartite agreement (TPA) with the Government of India, the Reserve Bank of India and the state government provides strong comfort against payment delays from the discoms. These factors, coupled with high tariff competitiveness, mitigate the counterparty credit risk associated with the ultimate offtakers.

Experienced sponsor - AEGFPL is ultimately held by AMPIN Energy Transition Private Limited (AETPL, formerly known as Amp Energy India Private limited – main Indian holdco of the AMP Group) with a 51% stake and Copenhagen Infrastructure Partner (CIP; owning 49%). Further, AETPL is held by reputed investor shareholders including LGT Lightrock Group, Atlanta Investment Pte. Ltd. (ICG), Asian Infrastructure Investment Bank (AIIB) and SDIEF Holdings 1 Pte. Ltd., along with AMPSolar Energy Asia Pte. Ltd. and the company management. The Group, via its cluster companies - AMP Energy Green Private Limited and AMP Energy C&I Private Limited - has raised (committed) equity from CIP.

AETPL started in 2016 with an initial investment from Canada-based independent power producer (IPP), AMP Solar Group Inc. (ASGI). ASGI was founded in 2009 and develops, owns and operates renewable energy projects, including solar, wind, hybrid, storage, green hydrogen and green ammonia. The Group has a portfolio of ~2.75 GW in India (with AMPIN Energy Transition as a majority shareholder), of which, ~0.65 GW is operational and ~2.1 GW is under development.

Credit challenges

Risks pertaining to project stabilisation and granting of short-term access - The project under AEGFPL remains exposed to timely commissioning and stabilisation risks. The project is at an advanced stage of completion (~75% of the project cost incurred as of January 2024) with the operations expected to commence from April 2024. Timely commissioning of the project without major cost overrun and satisfactory operating parameters, in line with the estimations, remain important from a credit perspective. Also, as the long-term access (LTA) start date is September 29, 2024, the power sales from the project will remain contingent upon obtaining the short-term access (STA) in the meantime, post commissioning.

Single-asset operations; sensitivity of debt metrics to energy generation - The debt metrics for solar power projects remain sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, any adverse variation in weather conditions and/or module performance may impact the PLF and consequently the cash flows. The geographic concentration of the asset amplifies the generation risk. Post commissioning, the ability of the company to achieve the appraised P-90 estimate remains key from a credit perspective.

Interest rate risk - The capital structure of the company is leveraged, evident from the debt-funded capex deployed for setting up the project. Therefore, the debt coverage metrics of the company remain exposed to interest rate movement, given the fixed tariff under the PPA.

Regulatory risk of implementing scheduling and forecasting framework - The company's operations remain exposed to regulatory risks pertaining to scheduling and forecasting requirements applicable for renewable energy projects, given the variable nature of solar power generation.

Liquidity position: Adequate

The liquidity position of AEGFPL is supported by the infusion of equity/promoter contribution and the debt tie-up for the project. The entire promoter contribution of Rs. 146.8 crore had been infused in the company as on January 31, 2024, with ~75% (Rs. 330.0 crore) of the sanctioned term debt also availed and ~Rs. 110.0 crore available in the form of undrawn term debt. The sponsor is expected to support the project in case of any cost overrun. Moreover, the company does not have any debt repayment obligation in FY2025 and is expected to generate adequate cash flow from operations against an annual debt repayment obligation of Rs. 5.28 crore in FY2026.

Rating sensitivities

Positive factors - ICRA could upgrade AEGFPL's ratings if the credit profile of the parent improves. A timely commissioning of the project without any major cost overrun and the generation performance staying in line with or above the P-90 level, along with timely payments from the offtaker on a sustained basis, will be the other positive triggers for an upgrade.

Negative factors - The ratings can be downgraded in case of a significant delay in commissioning, or the generation performance staying below the P-90 level, adversely impacting the debt coverage metrics. A specific credit metric for downgrade is the cumulative DSCR falling below 1.15 times on a sustained basis. Further, any large delays in realising payments from the offtaker, adversely impacting the liquidity profile of the company, will be a negative factor. The rating could also be revised downwards if the credit profile of the parent weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology] [Rating Methodology for Solar Power]
Parent/Group support	The ratings are based on implicit support from the parent company, AMP Energy Green Private Limited
Consolidation/Standalone	The ratings are based on the standalone financials of the company

About the company

AEGFPL, incorporated in March 2020, is a special purpose vehicle (SPV) promoted by AMP Energy Green Private Limited (AEGPL; cluster-5 hold-co for the Group for utility scale projects), which in turn is held by AmpIn Energy Transition Private Limited (51%) and Copenhagen Infrastructure Partner (49%). The SPV is developing a 135-MWDc solar power project in Jodhpur district of Rajasthan and has signed a 25-year PPA with SECI for power offtake.

Key financial indicators (audited): Not applicable as the company is in project stage

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Jan 31, 2024 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Mar 26, 2024	-	-	-
1	**Fund-based – Term loan**	Long-term	440.25	330.00	[ICRA]A- (Stable)	-	-	-
2	**Non-fund based – Bank guarantee**	Short-term	15.00		[ICRA]A2+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Short-term – Non-fund based – Bank guarantee	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 loan**	Dec-2023	NA	FY2046	440.25	[ICRA]A- (Stable)
NA	**Bank guarantee**	NA	NA	NA	15.00	[ICRA]A2+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis – Not applicable

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About ICRA Limited:

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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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