

April 19, 2024

Amplus RJ Solar Private Limited: Rating assigned

Summary of rating action

| Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|----------------------|-------------------------------------|-----------------------------|
| Fund-based term loan | 195.00 | [ICRA]AA-(Stable); assigned |
| Total | 195.00 | |

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Amplus RJ Solar Private Limited (ARJSPL) factors in the parentage of PETRONAS, a satisfactory track record of generation and sale of power to group captive consumers at attractive tariffs. The strong focus of PETRONAS on scaling up the renewable capacities, coupled with the demonstration of consistent financial and operational support to its Indian SPVs, strengthens the credit profile of the company. PETRONAS, through its dedicated clean energy solutions platform, Gentari, intends to build a renewable energy capacity of 30-40GW by 2030. At present, Gentari has over 1.6-GW installed renewable energy capacity and is expected to add more.

The rating considers the benefits arising from the Amplus Group's technical experience and strategic focus on the development and operations of rooftop and ground-mounted solar photovoltaic projects for commercial and industrial segments. The rating also factors in the healthy revenue visibility and low offtake risk with firm long-term power purchase agreements (PPAs) at competitive tariffs with offtakers having satisfactory credit profiles. The tariff rates offered by the company are at a significant discount to the state grid tariff rates, resulting in savings for the customers.

At present, the project is being funded through a construction finance loan which is to be replaced with project finance shortly. The rating draws comfort from the stipulated cash trap clause in case of any breach of the specified debt service coverage ratio (DSCR) level as well as upfront creation of a debt service reserve account (DSRA) of two quarters (principal and interest), as per the terms of the sanction letter. In addition, ICRA notes that the cash flows of the project will not be utilised for funding any expenses over and above the budgeted/approved operations and maintenance (O&M) expenses.

The rating for the term loan, however, is constrained by the sensitivity of generation to solar irradiation levels, given that the revenues are linked to the actual units generated and exported in view of the single-part tariff structure of the PPA. Also, the ability of the company to ensure proper O&M of the solar assets of the project, in line with the stipulated performance parameters in the PPA/loan agreements, remains crucial for the company. The company remains exposed to the regulatory risk pertaining to changes in open access charges for captive solar assets by the UP state electricity regulatory commission (SERC). The levy of these charges in future will bring down the tariff competitiveness of the project. Additionally, the realised tariff for partial capacity (for ~1/3rd capacity, open access charges are to be borne by the company) will remain vulnerable to increase in open access charges in the absence of an increase in grid tariffs (gross PPA tariff inclusive of open access charges is linked to grid tariff) and will be a key rating sensitivity.

The attractive PPA tariff and the economics of such tariff vis-à-vis the grid tariff, the healthy financial profile of the offtakers and the presence of termination/buyout clause in the PPA are the risk mitigants. The ability of the project to demonstrate a satisfactory operational performance against the base case assumptions and timely payments from the counterparty shall remain the key rating monitorables.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that ARJSPL would benefit from the presence of long-term PPAs and the track record of the Group in developing and operating solar power plants.

Key rating drivers and their description

Credit strengths

Strong parent support – ARJSPL is a part of the Amplus Group, which is backed by PETRONAS, post its acquisition of the Amplus Group from the erstwhile promoter—l Squared Capital—in April 2019. The rating factors in the benefits of parentage by virtue of the 100% ownership by PETRONAS in the holding company of the Amplus Group, Amplus Energy Solutions Pte Limited through Gentari, a 100% owned subsidiary of PETRONAS. 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. The Amplus Group is a strategically important business segment which aligns with PETRONAS' strategic focus on renewable energy. Hence, ICRA expects PETRONAS to continue to provide financial support to the company, if required.

Healthy revenue visibility with firm PPA at competitive tariff – The company has signed long-term PPAs under the group captive arrangement with tenures ranging from 10-25 years with a blended balance tenure of ~19 years with the offtakers. Two-third of the capacity is contracted at fixed tariff rates with open access charges to be borne by the offtakers. For the remaining capacity, the PPA tariff has an annual escalation of 3%, subject to maintaining the specified discount to the grid tariff (ranging from 30-40%), though the open access charges will have to be borne by the company. The net realised tariff for the project capacity is ~Rs 3.90 per unit, which is at a discount of ~28% of the energy tariff for the customers in the state.

Low counterparty credit risk – The counterparty credit risk for the portfolio is low on account of the offtaker's healthy credit profile. The company is supplying power under group captive arrangements wherein the customers hold a 26% equity stake. The PPAs have tapering termination payments after the expiry of 10/15/20 years, ranging from 6-18 months. The discount offered to the grid tariff translates into adequate cushion for replacing the customers, should the need arise. Further, the favourable economics of the PPA tariff vis-à-vis the grid tariff for the offtakers is a mitigating factor.

Strong liquidity backed by upfront creation of DSRA – A DSRA for two quarters of debt servicing shall be created in the form of a bank guarantee within 15 days of the project debt disbursement. The long-term PPAs and assured offtake (deemed generation present in PPAs) at a remunerative tariff is expected to result in comfortable cash flows. The liquidity is further supported by the presence of PETRONAS, which is expected to provide financial support to the company, if required.

Credit challenges

Sensitivity of debt metrics to energy generation – The company's debt coverage metrics remain exposed to the generation level, given the one-part structure under the PPAs. 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.

Exposure to regulatory risk – The company remains exposed to the regulatory risk pertaining to changes in open access charges for captive solar assets by the UP state electricity regulatory commission (SERC). The levy of these charges in future will bring down the tariff competitiveness of the project. Additionally, the realised tariff for partial capacity (for ~1/3rd capacity, open access charges are to be borne by the company) will remain vulnerable to increase in open access charges in the absence of an increase in the grid tariff (gross PPA tariff, inclusive of open access charges, is linked to grid tariff).

Exposure to interest rate risk–The tariff for the project is single part in nature and the project remains exposed to interest rate risk as the interest rate is floating in nature. ICRA notes that as per the sanction terms, the interest remain shall remain fixed for a period of five years (benchmark rate shall be reset after five years).

Liquidity position: Adequate

ARJSPL's liquidity is adequate, aided by the two-quarter DSRA (to be created within 15 days of project debt disbursement) and timely payments from the counterparties. The project has been commissioned and the revenue is expected to adequately meet the company's debt servicing requirement and operational expenses. The liquidity is further supported by the presence of PETRONAS, which is expected to provide financial support to the company, if required. The company had cash & liquid funds of Rs. 2.58 crore as on March 31, 2024.

Rating sensitivities

Positive factors – ICRA could upgrade ARJSPL's rating if its generation performance is better than the P-90 estimate on a sustained basis, strengthening the debt coverage metrics and ensuring timely payments from the offtakers. The rating may also be upgraded if the credit profile of the ultimate parent, PETRONAS, improves.

Negative factors – Pressure on ARJSPL's rating could arise if the generation performance is below the P-90 estimate on a sustained basis. Also, delays in realisation of payments from the offtakers, adversely impacting the company's liquidity profile, would be a negative trigger. Further, the rating would remain sensitive to the credit profile of its ultimate parent, PETRONAS.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Power - Solar |
| Parent/Group support | Parent/Group Company: Amplus Energy Solutions Pte Ltd, which is owned by Gentari (a 100% subsidiary of PETRONAS); ICRA expects PETRONAS to be willing to extend financial support to the company, if required, given the business linkages, strategic importance and the willingness shown by the parent to support the company |
| Consolidation/Standalone | For arriving at the rating, ICRA has considered the standalone financials of the company |

Note (for analyst reference only):

About the company

Amplus RJ Solar Private Limited, incorporated in 2017, is a subsidiary of Amplus Energy Solutions Pte Ltd. The company has set up a solar project of 56.5-MWp capacity (40 MW AC capacity) in the Deoria district, Uttar Pradesh. The project achieved COD in July 2022 and is supplying power under long-term PPA arrangements to 12 customers in UP under the group captive arrangement. The customers have subscribed to 26% of equity in the company to comply with the group captive regulations.

Key financial indicators (audited)

| | CY2022 | CY2023 (Unaudited) |
|--|--------|--------------------|
| Operating income | 10.6 | 28.2 |
| PAT | -6.2 | -11.1 |
| OPBDIT/OI | 76.3% | 72.2% |
| PAT/OI | -58.2% | -39.4% |
| Total outside liabilities/Tangible net worth (times) | 3.9 | 4.0 |
| Total debt/OPBDIT (times) | 28.9 | 10.7 |
| Interest coverage (times) | 0.9 | 1.0 |

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| | Instrument | Current rating (FY2025) | | | | Chronology of rating history for the past 3 years | | |
|---|----------------------|-------------------------|--------------------------|---|-------------------|---|-------------------------|-------------------------|
| | | Type | Amount rated (Rs. crore) | Amount outstanding as on Mar 31, 2024 (Rs. crore) | Date & rating on | Date & rating in FY2024 | Date & rating in FY2023 | Date & rating in FY2022 |
| | | | | | Apr 19, 2024 | - | - | - |
| 1 | Fund-based term loan | Long term | 195.00* | - | [ICRA]AA-(Stable) | - | - | - |

*Yet to be disbursed

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 I: Instrument details

| ISIN No | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---------|-----------------------------|--------------------------------|----------------|------------------|-----------------------------|----------------------------|
| NA | Fund-based term loan | - | - | - | 195.00* | [ICRA]AA-(Stable) |

Source: Company

*Yet to be disbursed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: Not applicable

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