July 25, 2024

AMP Energy Green Seven Private Limited: [ICRA]BBB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	450.00	[ICRA]BBB+ (Stable); assigned
Total	**450.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating factors in the high revenue visibility and the low offtake risk for the 140-MW(DC) floating solar power project of AMP Energy Green Seven Private Limited (AEGSPL) because of the long-term (25-year) power purchase agreement (PPA) with Madhya Pradesh Power Company Private Limited (MPPCPL) for the entire capacity at a fixed tariff of Rs. 3.21 per unit. The project was awarded through competitive bidding, with Rewa Ultra Mega Solar Limited (RUMSL) acting as an intermediary; RUMSL is also responsible for the maintenance of the evacuation infrastructure for the floating solar power projects being developed near the Omkareshwar dam, including that by AEGSPL.

The rating further derives comfort from the presence of an experienced sponsor in the form of AmpIn Energy Transition – which focusses on the development of solar power projects across utility scale, open access and rooftop. The Group has secured funding from reputed investors, such as LGT Lightrock Group, Atlanta Investment Pte. Ltd. (ICG), Asian Infrastructure Investment Bank (AIIB), SDIEF Holdings 1 Pte. Ltd. And Copenhagen Infrastructure Partner (CIP).

The rating considers the benefits available to the company in the form of a three-tier payment security mechanism under the PPA, which involves a revolving letter of credit equivalent to one-month billing by MPPCPL, a payment security fund that comprises three months of tariff receivables created by RUMSL and a guarantee from the Government of Madhya Pradesh (GoMP). While the payment security fund is in place as per the communication received by the company from RUMSL, the letter of credit and guarantee from the GoMP are yet to be created.

Further, the tariff competitiveness of the project and the additional provisions in the PPA related to compensation in case of grid curtailment or backdown due to decrease in the reservoir level provide comfort. The rating also factors in the expectation of a satisfactory debt coverage metrics for the company over the debt tenure.

The rating, however, is constrained by the limited track record of operations as the full capacity was commissioned recently in June 2024. The plant load factor (PLF) in June 2024 remained well below the P-90 estimate owing to the initial stabilisation issues. The ability of the project to ramp up the generation level in line with the P-90 estimate remains crucial. The demonstration of high plant and grid availability along with effective maintenance remain key to improving the generation performance. As this is a floating solar project, the company remains exposed to force majeure events such as floods and a sharp decline in the water level in the dam catchment area. While insurance, compensation clause in the PPA and the project design that allows a certain amount of variation in the water level act as the mitigants, the effectiveness of these mitigants remains to be seen.

The rating further remains tempered by the counterparty credit risks, given the modest credit profile of MPPMCL. While the availability of the payment security mechanism is a source of comfort, demonstration of timely payments by the offtaker remains to be seen. In addition, the rating remains constrained by the exposure of the company's cash flows to the risks of variability in solar generation and interest movement owing to the single-part nature of the tariff and a leveraged capital structure with the project cost being funded through debt to equity of 75:25. The rating further factors in the regulatory risks pertaining to scheduling and forecasting requirements in Madhya Pradesh and the variable nature of solar power generation. Nonetheless, this risk is relatively low for solar power projects compared to wind power projects.

The Stable outlook assigned to the company's long-term is supported by the presence of a long-term PPA for the entire capacity, providing revenue visibility, and the presence of an experienced parent group.

Key rating drivers and their description

Credit strengths

Experienced sponsor in the form of AmpIn Energy Group - AEGSPL is held by AMP Energy Green Private Limited (AEGPL), which is in turn held by AMPIN Energy Transition Private Limited (51%) and Copenhagen Infrastructure Partner (CIP) with a 49% stake. AMPIN Energy Transition Private Limited was formerly known as Amp Energy India Private limited, the Indian holdco of the AMPIN Group.

AMPIN Energy Transition Private Limited was 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 AMPIN Energy Group has a portfolio of ~3.1-GW renewable energy capacity in India of which, as on date, ~1.1 GW is operational and ~2 GW is under development.

Revenue visibility from long-term PPA at competitive tariff & presence of three-tier payment security mechanism - AEGSPL has low offtake risks owing to the presence of a long-term (25-year) PPA at a competitive tariff of Rs. 3.21 per unit for the entire project capacity with MPPCPL. Further, the applicable tariff of Rs. 3.21/unit is competitive in relation to the average power purchase cost for the Madhya Pradesh distribution utilities. Further, the availability of a three-tier payment security mechanism, which includes a letter of credit, a payment security fund and a guarantee by the GoMP, provides comfort from a credit perspective.

Satisfactory debt coverage metrics - The debt coverage metrics are expected to remain satisfactory, with an estimated cumulative debt service coverage ratio (DSCR) of 1.17 times over the debt tenure. Notwithstanding this, the capital structure will remain leveraged in the near term owing to the debt-funded nature of the project.

Credit challenges

Single-asset operations; risks pertaining to project stabilisation - The solar power plant under AEGSPL has a limited track record as it recently commenced operations in June 2024. Hence, the project is exposed to initial teething and stabilisation risks. Further, any adverse variation in weather conditions and/or module performance may impact the PLF and consequently the cash flows. The debt metrics of the solar power projects remain sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, the ability of the company to achieve the appraised P-90 estimate remains key from a credit perspective.

Counterparty credit risks – AEGSPL's cash flows remain exposed to counterparty credit risk because of the modest credit profile of MPPMCL. While the presence of a three-tier payment security mechanism is a source of comfort, demonstration of timely payments and creation of the payment security remain important.

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

Liquidity position: Adequate

The liquidity of the company is adequate with sufficient buffer between the cash flow from operations and the debt repayment obligations in FY2026. The company does not have debt repayment obligation in FY2025 and the repayment is scheduled to start from July 2025. The cash flows would be supported by the availability of long-term PPA, the operational solar power capacity and expectations of a timely payments from the customer. Further, the promoter is expected to infuse funds in case there is any shortfall in debt servicing. The company is expected to create a debt service reserve (DSRA) of two quarters, as per the 24-month timeline specified in the loan agreement.

Rating sensitivities

Positive factors - ICRA could upgrade AEGSPL's rating if there is a satisfactory generation performance in line or above the P90 estimates, along with timely payments by the customer, leading to healthy debt coverage metrics. Further, an improvement in the credit profile of the parent, AEGPL, would be a positive trigger.

Negative factors – Pressure on the rating could arise if the actual PLF remains below the P-90 estimate on a sustained basis, reducing the cumulative DSCR to below 1.10 times. Also, any delays in payments by the customer adversely impacting the company's liquidity position would be a negative trigger. Further, the rating may be revised downwards if the credit profile of its parent weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Power - Solar](#)
Parent/Group support	The rating is based on the implicit support from the parent company, AEGPL
Consolidation/Standalone	The rating is based on the standalone financials of the company

About the company

AEGSPL has developed a 100-MW (AC)/140-MW (DC) floating solar power project at Omkareshwar Floating Solar Park, Madhya Pradesh. The project is in the catchment area of the Omkareshwar dam. The company was awarded the project through tariff-based competitive bidding and has signed a long-term PPA (25-years) with Madhya Pradesh Power Management Company Private Limited (MPPMCL) at a bid tariff rate of Rs. 3.21 per unit. The project achieved COD on June 06, 2024.

Key financial indicators: Not applicable as the company's operations commenced at full capacity from this fiscal

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)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				July 25, 2024	-	-	-
1	**Term loans**	Long term	450.00	**[ICRA]BBB+ (Stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term 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	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loan**	Mar-2023	NA	Apr-2045	450.00	[ICRA]BBB+ (Stable)

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

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Rachit Mehta
+22 6169 3328
rachit.mehta2@icraindia.com

Saurabh Gupta
+91 22 6169 339
saurabh.gupta@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches