CleanMax Enviro Energy Solutions Pvt Ltd

October 04, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	28.89	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB+ (Triple B Plus) and removed from Credit watch with Developing Implications; Stable outlook assigned
Long Term Bank Facilities	154.00 (Reduced from 173.11)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB+ (Triple B Plus) and removed from Credit watch with Developing Implications; Stable outlook assigned
Short Term Bank Facilities	335.00 (Reduced from 355.00)	CARE A2+ (A Two Plus)	Revised from CARE A2 (A Two) and removed from Credit watch with Developing Implications
Total Bank Facilities	**517.89 (Rs. Five Hundred Seventeen Crore and Eighty-Nine Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Ratings of bank facilities of CleanMax Enviro Energy Solutions Pvt Ltd (CMEESPL) were placed on 'Credit watch with developing implications' on account of recent development as per which Augment Infrastructure, a US based Infrastructure Investment Fund planned to invest around Rs.1,650.00 Cr (~USD 220 Mn) to acquire a majority stake in CMEESPL.

The removal of 'Credit Watch with Developing Implications' and revision the rating takes into account successful conclusion of the first tranche of equity round during August, 2021. The company raised equity from Augment Infrastructure to the tune of USD 220 Mn. Of the total investment, USD 115-120 Mn was utilised to provide exit to Yellow Bell Investment Ltd (an affiliate of Warburg Pincus) and International Finance Corporation (IFC) and USD 100-105 Mn would be for the primary growth capital.

Post completion of transaction (funds to be infused under two or more tranches), Augment Infrastructure (through Augment India I Holdings LLC) will become majority shareholder in CMEESPL while other investors including UK Climate Investments (UKCI) and Mr. Kuldeep Jain (MD & CEO, CMEESPL) will continue to remain as minority investors.

The said transaction will be happening in two or more tranches. As part of the first tranche, already infused in August 2021, Augment infused ~USD 150 Mn, which includes ~USD 30 - 35 Mn of primary capital and ~USD 115 - 120 Mn secondary capital (IFC and Warburg have completely exit through the first tranche). Further tranches of ~USD 70 Mn which includes primary capital only will come as and when CMEESPL requires growth capital for their under-construction/pipeline capacities in future. Rating also positively factors in relatively better capacity additions during FY21 and comparatively better financial performance during of CMEESPL on consolidated basis during FY21.

The rating continues to factor in experienced promoters & management team with demonstrated track record of execution in the solar roof-top and ground mounted projects (solar, wind-solar hybrid and wind) with pan-India presence along with established relations with reputed clientele who provide repeat orders to the company. The ratings takes into account multiple successful rounds of Private Equity investments completed by CMEESPL aggregating to around Rs.1,500 crore of primary growth capital from reputed investors, satisfactory generation levels for the operational portfolio retained on the books for ~500 MW along with satisfactory payment track record for majority of the customers.

However, the rating strengths are tempered by exposure to execution risks pertaining to under-implementation projects, nevertheless equity infusion for both under-construction and pipeline capacities is already in place which

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

provides some comfort. The ratings also factors in moderate financial risk profile of the company at consolidated levels on account of high operating expenses at CMEESPL level leading to relatively moderate debt coverage indicators. Further, the ratings would remain constrained on account of exposure to climatic and technological risks that are inherent in this business besides pertinent risks of shadowing and access to plant premises in rooftop projects. Furthermore, the ratings also factors in relatively lower operational performance of the operational capacity during FY21 on account of lower solar irradiation levels and weaker wind patterns. Also, any adverse regulatory change in State Solar policies including Rooftop policies and Open Access solar policies may impact the profitability and coverage levels of the company. The company still continue to have significant exposure in the state of Karnataka, though the same has come down to 58% as on August, 2021 from 64% of total installed capacity leading to company being exposed to adverse regulatory changes in Karnataka State Open Access Solar Policy, though, the group is taking steps to reduce the exposure in Karnataka with new projects planned in states like Gujarat, Tamil Nadu, Maharashtra and Uttar Pradesh apart from new capacity proposed to be added through rooftop projects spread across various locations in India, Middle East and South East Asia.

Key Rating Sensitivities:

Positive Factors – Factors that could lead to positive rating action/upgrade:

- Actual generation in-line with envisaged P-90 levels on sustainable basis leading to better cash accruals thereby positively impacting the coverage indicators at SPV as well as consolidated levels.
- Commissioning of project pipeline within envisaged timelines and budgeted project costs.
- Timely receipt of payments from various off-takers at consolidated basis with minimal build-up of receivables on a sustained basis and significant improvement in credit profile of off-takers.

Negative Factors – Factors that could lead to negative rating action/downgrade:

- Actual generation lower than envisaged generation levels on sustainable basis leading to lower cash accruals thereby negatively impacting the coverage indicators at SPV as well as consolidated levels.
- Delays in receipt of payments from the off-takers and significant deterioration in credit risk profile of the off-takers.
- Delay in project execution for the under-construction and pipeline projects leading to significant cost over-runs impacting the financial risk profile of the holding company which is doing the EPC in-house.
- Any adverse change in state Solar Policies where group is operating and/or implementing projects including Karnataka, Tamil Nadu, Gujarat, Maharashtra and Uttar Pradesh leading to adverse impact on group's profitability and debt coverage indicators

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with qualified management team:

CMEESPL is promoted by Mr. Kuldeep Jain, who prior to forming CMEESPL, was a global partner at McKinsey & Company, heading its Energy & Corporate Finance practice in India. Mr. Jain holds a degree in MBA from IIM-Ahmedabad and also holds a Chartered Accountant and a Cost Accountant degree from ICAI and ICWA respectively. CMEESPL is in the business of developing ground mounted (solar, wind-solar hybrid and wind) and roof top solar power plants across various locations under bilateral arrangements, and under various Central and State Government solar tenders. Since inception, the group has executed around 700 MW (including projects being down-sold to investors) of power plants till August, 2021 out of which around 254 MW were rooftop plants and around 446 MW were ground mounted. Out of total 700 MW capacity executed till August, 2021, around 202 MW has been down sold to investors while remaining 498 MW is on the books of company. The group has also forayed into wind power generation through wind and wind-solar hybrid projects with an aggregate capacity of 89.10 MW as on August, 2021.

Raising of aggregate equity of more than Rs.1,500 crore and backed by reputed investors such as UKCI and Augment Infrastructure:
The group is backed by reputed investors viz. Warburg Pincus and IFC which had invested Rs.455 crore (USD 70 million) in the group which has been utilized for setting up rooftop and ground mounted solar projects till FY19. Further, during Q1FY20, the group successfully raised fresh equity of Rs.271 crore (USD 40 million) from a new investor, UK Climate Investments (UKCI). UKCI is a JV between Green Investment Group (specialist in green infrastructure investment) and UK government's department for business, energy & industrial strategy. Equity raised from UKCI has been largely utilized. Furthermore, during FY22 (August, 2021), CMEESPL has successfully concluded another equity round wherein the company has raised equity from Augment Infrastructure to the tune of USD 220 Mn (~Rs.1,650 Cr) of which ~USD 115-120 Mn has been utilised to provide exit to Warburg and IFC and ~USD 100-105 Mn will be primary growth capital to CMEESPL.

Established track record of operations in Solar Industry with pan-India presence in C&I segment:
CMEESPL is one of the leading players among various solar project developers in C&I segment in India. The Company, along with its subsidiaries, has implemented around 700 MW (including projects down-sold) of solar power plants as of August, 2021, out of which around 254 MW were roof-top plants and around 446 MW were ground mounted. The company has entered into international markets also with small capacities commissioned in Thailand and Dubai.
The capacities that were commissioned during FY18 and FY19 have fully stabilized now and were operating at generation levels which were broadly in-line with envisaged P-90 generation levels barring for FY21 for which generation levels have been lower than envisaged P-90 levels.

Established relationships with reputed clientele:
The company has established long-term relationships with reputed clientele which include leading corporates such as HCL, TATA Motors, Amazon, Bajaj, Mahindra, Gabriel, Asahi, L&T, Magneti Marelli, Carlsberg, United Spirits, CPWD, Manipal University, Kajaria, GE, Dr.Reddy's, Mindtree, Taj, Cargill, ITC, NTT, Grasim, Honda etc. The company has been receiving repeat orders from various existing clientele e.g. TVS, Tata Communications, Mahindra and Mahindra, United Breweries Limited etc. Further, CMEESPL has been receiving payments in a timely manner from majority of these off-takers.

Industry Outlook:
There is great thrust from Govt. for improving the share of solar power in India's overall power mix which is reflected from various policy initiatives. There had been muted solar power generation capacity additions during FY19 & FY20 on the back of imposition of safeguard duty on import of solar modules, lack of clarity w.r.to GST rate on solar modules and cancellation of large amount of solar auctions. However, looking at the already allotted capacity and govt.'s push for achieving targeted solar capacity of 100 GW by end FY22, capacity additions are likely to improve in next two to three years.
Solar projects have relatively lower execution risks, stable long term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, tariffs comparable to conventional power generation, must run status of solar power projects and upward revision in solar RPO achievement targets. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter enforcement by the state regulators, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up. However, companies operating in Commercial & Industrial (C&I) space having PPAs through 3rd party/open access schemes are less exposed to payment risks as payments are being received through C&I players. Nevertheless, the interest in C&I space is dependent upon considerable discount being available in contracted tariff vis-à-vis discom tariff and the trajectory of discom tariffs would be a key monitorable.
Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook. Going forward key monitorables would be prices of solar modules, performance of the modules in Indian conditions, payment pattern of off-takers, imposition of any antidumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance.

Key Rating Weakness

Moderate financial risk profile; albeit with relatively better financial performance and capacity additions during FY21:
During FY21, company reported Total Operating Income of Rs.637.24 crore (as against Rs.319.81 crore in FY20) and PBILDT of Rs.255.76 crore (as against Rs.192.08 crore in FY20) on account of higher operational on-books capacity and higher execution of EPC capacities during FY21.
Overall gearing for the company is moderately comfortable at 1.53x (as against 1.54x as on March 31, 2020) as on March 31, 2021. The debt coverage indicators at consolidated levels continues to remain moderately comfortable in the near term given the company has high operating expenses at CMEESPL level given its nature of business. CMEESPL has successfully repaid the entire Rs.60.00 crore NCDs raised directly under CMEESPL.

Interest rate fluctuation risk:
Majority of term loans availed at CMEESPL levels and SPVs level are floating rate loans and the lenders can reset the interest rates. However, the tariff for off-take arrangement of the power is fixed for majority of the projects with a pre-determined escalation in some projects, thereby, exposing the company to risk of any adverse movement in interest cost. Nevertheless, interest rates for around 45 % of the term loans is fixed, which partially mitigates interest rate fluctuation risk.

Dependence on climatic conditions and technological risks:
Achievement of desired solar power generation would be subject to change in climatic conditions, amount of degradation of modules as well as technological risks. Furthermore, wind based projects are exposed to inherent risks of weather fluctuations leading to variations in wind patterns which can affect the PLF for wind projects. Thus, the achievement of desired PLF/CUF levels for both solar and wind-solar hybrid power projects would be crucial going forward.

Concentration risk with high exposure in Karnataka; nevertheless the same has reduced from historical levels, company exposed to regulatory risks as well:
As on Aug, 2021, CMEESPL hold projects totalling to around 288 MW of installed capacity in Karnataka, wherein, the tariffs considered the continued availability of the benefits under the Karnataka open access policy under which the developers could avail concessions in wheeling & banking charges and line losses. Though, the PPAs signed by the company with its counter-parties have in-built clauses for 'change in law', however the company may be impacted in case of discontinuation of the above benefits in case of any adverse regulatory changes in Karnataka state open access policy and net metering policy. In past, Karnataka Electricity Regulatory Commission (KERC) had tried to reverse some of the benefits provided to all commissioned solar projects till March 31, 2018 under the policy by increasing the wheeling charges for open access consumers in Karnataka. Though, the same was quashed by Karnataka High Court, the company is exposed to any adverse regulatory change in Karnataka State Open Access Policy in future as the same may impact the profitability of the projects. However, CMEESPL is taking steps to reduce the exposure in Karnataka with new capacities planned in states like Gujarat, Tamil Nadu, Maharashtra and Uttar Pradesh.
Also, the company is exposed to any change in policies or withdrawal of benefits in other state provided to solar IPPs setting-up projects under Commercial & Industrial (C&I) segment (either on retrospective or prospective basis). The same could impact the already operational portfolio along with impacting the future pipeline of projects.

Liquidity Analysis: Adequate
CMEESPL has unrestricted cash balance of Rs.217.50 crore at standalone level as on August, 2021. The Company has sanctioned fund-based working capital limits of Rs.40.00 crore which are usable inter-changeably with non-fund based limits along with additional Rs.4.00 crore of fund-based working capital limits. The same are completely unutilized as on August, 2021.
Total debt repayments for FY22 and FY23 at consolidated levels are expected to be around Rs.87.90 crore and Rs.110.61 crore as against expected GCA of Rs.138.10 crore and Rs.247.47 crore respectively.

Analytical Approach: Consolidated; CARE has taken a consolidated view of CMEESPL due to financial and operational linkages between CMEESPL and its SPVs. List of all the companies getting consolidated in CMEESPL as on March 31, 2021 are shown in Annexure 4.

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings]
[Rating methodology - Infrastructure Sector Ratings]
[Criteria for Short Term Instruments]
[Financial Ratios – Non-Financial Sector]
[Rating Methodology - Private Power Producers]
[Rating Methodology: Solar Power Projects]
[Rating Methodology: Wind Power Projects]

About the Company
Clean Max Enviro Energy Solutions Private Limited (CMEESPL) was incorporated on September 29, 2010. The company is promoted by Mr. Kuldeep Jain and is in the business of developing ground mounted (solar, wind and wind-solar hybrid) and roof top solar power plants across various locations under bilateral arrangements, and under various Central and State Government solar tenders. Since inception, the group has executed projects (Rooftop of ~254 MW and Ground Mounted of ~446 MW) aggregating to ~700 MW out of which around 202 MW has been down sold to investors while remaining 498 MW is on the books of company as on August, 2021.

Brief Financials – CMEESPL Consolidated (Rs. crore)	FY20 (Audited)	FY21 (Prov.)
Total operating income	319.81	637.24
PBILDT	192.08	255.76
PAT	(-20.01)	26.70
Overall gearing (times)	1.54	1.53
Interest coverage (times)	1.33	1.84

Brief Financials – CMEESPL Standalone (Rs. crore)	FY20 (Audited)	FY21 (Prov.)
Total operating income	399.91	830.23
PBILDT	40.45	85.28
PAT	1.47	36.95
Overall gearing (times)	0.25	0.19
Interest coverage (times)	1.38	3.43

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Sep, 2034	150.00	CARE A-; Stable
Non-fund-based - ST-Letter of Credit*	-	-	-	270.00	CARE A2+
Non-fund-based - ST-Bank Guarantees	-	-	-	65.00	CARE A2+
Fund-based - LT-Cash Credit	-	-	-	4.00	CARE A-; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	28.89	CARE A-; Stable

**Can be used interchangeably as LC/BG Limits,*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	150.00	CARE A-; Stable	1)CARE BBB+ (CWD) (23-Aug-21)	1)CARE BBB+; Stable (06-Jan-21)	1)CARE BBB+; Stable (26-Dec-19)	1)CARE BBB+; Stable (14-Feb-19)
2	Non-fund-based - ST-Letter of Credit*	ST	270.00	CARE A2+	1)CARE A2 (CWD) (23-Aug-21)	1)CARE A2 (06-Jan-21)	1)CARE A2 (26-Dec-19)	1)CARE A2 (14-Feb-19)
3	Non-fund-based - ST-Bank Guarantees	ST	65.00	CARE A2+	1)CARE A2 (CWD) (23-Aug-21)	1)CARE A2 (06-Jan-21)	1)CARE A2 (26-Dec-19)	1)CARE A2 (14-Feb-19)
4	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (23-Aug-21)	1)CARE BBB+; Stable (06-Jan-21)	1)CARE BBB+; Stable (26-Dec-19)	-
5	Fund-based - LT-Cash Credit	LT	4.00	CARE A-; Stable	1)CARE BBB+ (CWD) (23-Aug-21)	1)CARE BBB+; Stable (06-Jan-21)	-	-
6	Fund-based - LT-Working capital Term Loan	LT	28.89	CARE A-; Stable				

**Can be used interchangeably as LC/BG Limits*

Annexure-3: Detailed explanation of covenants of the rated facilities

Name of the Facility – Term Loan	Detailed explanation
A. Financial covenants	
I. Debt Service Coverage Ratio	Borrower is required to maintain Debt Service Coverage Ratio of 1.15x at all the times during the tenure of the loan
II. Debt to Equity Ratio	Debt to equity ratio of the borrower shall not be greater than 3.5X during the tenure of the loan.
B. Non-financial covenants	N.A.

Name of the Facility – LC/BG	Detailed explanation
A. Financial covenants	N.A.
B. Non-financial covenants	
Other Conditions	**I.** In case LCs are being opened for deployment in ground mounted projects – borrower to submit an undertaking on letterhead that the required land for the project is under their possession (to be obtained before every LC opening).
	II. PPA needs to be signed before opening of LCs. Brief details of PPA signed to be submitted along with LC opening application

Annexure-4: List of subsidiaries getting consolidated at CMEESPL level as on March 31, 2021

S. No.	Name of company	Shareholding as on March 31, 2021
1	Clean Max Cogen Solutions Private Limited	100
2	Clean Max Energy Ventures Private Limited	100
3	Clean Max Power Projects Private Limited	100
4	KAS On Site Power Solutions LLP	73
5	Clean Max IPP1 Private Limited	100
6	Cleanmax Solar Mena FZCO	100
7	Clean Max IPP2 Private Limited	100
8	Clean Max Mercury Power Private Limited	100
9	Clean Max Photovoltaic Private Limited	100
10	CMES Jupiter Private Limited	100
11	CMES Power 1 Private Limited	100
12	CMES Power 2 Private Limited	100
13	KPJ Renewable Power Projects LLP	100
14	CMES Infinity Private Limited	100
15	CMES Animo LLP	100
16	CMES Rhea LLP	100
17	CMES Saturn Private Limited	100
18	CMES Universe LLP	100
19	CMES Urja LLP	100
20	Chitradurga Renewable Energy India Private Limited	100
21	Clean Max Deneb Power LLP	51
22	Clean Max Orion Power LLP	100
23	Clean Max Pluto Solar Power LLP	57
24	Clean Max Regulus Power LLP	100
25	Clean Max Scorpius Power LLP	100
26	Clean Max Suryamukhi LLP	100
27	Clean Max Vega Power LLP	51
28	Clean Max Venus Power LLP	100
29	Clean Max Auriga Power LLP	100
30	Clean Max Actis Energy LLP	100
31	Clean Max Agni2 Power LLP	100
32	Clean Max Apollo Power LLP	100
33	Clean Max Augus Power LLP	100
34	Clean Max Charge LLP	100
35	Clean Max Circe Power LLP	100
36	Clean Max Fusion Power LLP	100
37	Clean Max Helios Power LLP	100
38	Clean Max Hybrid Power LLP	100

39	Clean Max Hyperion Power LLP	100
40	Clena Max IPP 3 Power LLP	100
41	Clean Max Light Power LLP	100
42	Clean Max Power 3 LLP	63
43	Clean Max Vital Energy LLP	100
44	Clean Max Proclus Energy LLP	100
45	Clean Max Solstice Power LLP	100
46	Clean Max Aditya Power Private Limited	100
47	Clean Max Scorpius Private Limited	74
48	Clean Max Sphere Energy Private Limited	100
49	Clean Max Surya Energy Private Limited	100
50	Clean Max Vent Power Private Limited	100
51	Clean Max Bhoomi Private Limited	100
52	Clean Max Khanak Private Limited	100
53	Cleanmax IHQ (Thailand) Co. Ltd	100
54	Cleanmax Energy (THAILAND) CO. LTD.	100
55	Clean Max Alpha Lease Co FZCO	72
56	Sunroof Enviro Solar Energy Systems LLC	49
57	Cleanmax Harsha Solar LLP	50

Annexure 5: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working capital Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantees	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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