CleanMax Enviro Energy Solutions Pvt Ltd

April 05, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	229.16 (Enhanced from 182.89)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	770.00 (Enhanced from 335.00)	CARE A2+ (A Two Plus)	Reaffirmed
Total Bank Facilities	**999.16 (Rs. Nine Hundred Ninety-Nine Crore and Sixteen Lakhs Only)**		
Non-Convertible Debentures	499.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Assigned
Total Long-Term Instruments	**499.00 (Rs. Four Hundred Ninety-Nine Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE's rating action for CleanMax Enviro Energy Solutions Pvt Ltd (CMEESPL) takes into account successful mobilisation of capital by the company as reflected by its raise of 220 million USD from Augment Infrastructure. Out of this total investment, USD 115-120 million was utilised to provide exit to Yellow Bell Investment Ltd (an affiliate of Warburg Pincus) and International Finance Corporation (IFC) and USD 100-105 million was earmarked as a primary issue. CARE further notes that, the company has received ~64 million USD as fresh capital which has been jointly invested by Augment Infrastructure (35 million USD) and Danish Investment Fund for Developing Countries (IFU), (29 million USD). This capital is envisaged to be utilised for group's expansion plans. The rating action also positively factors in the robust operational performance during the current year.

CARE also factors in the envisaged increase in CMEESPL's leverage levels along with moderation of its coverage metrics in the near term on account of the proposed Rs. 600 crore NCD issuance which is to be raised as a bridge to future equity commitments. However, the NCDs are expected to act only as a short term source of funds and expected to be completely repaid from future equity proceeds over the next 21 months. The ability to raise equity in a timely manner would be a key credit monitorable.

The ratings continue to factor in the experienced promoters & management team having a demonstrated track record of executing renewable energy projects (solar, wind-solar hybrid and wind) along with established relations with reputed clientele who provide repeat orders to the company. The ratings take into account the past track record of the management in mobilising equity capital aggregating to ~Rs. 1500 crore, satisfactory operational performance as reflected by healthy generation levels on a portfolio level and satisfactory collection performance.

However, the rating strengths are tempered by exposure to execution risks w.r.t time and cost overruns pertaining to the projects under development. Nevertheless, CARE in its assessment notes that, the issuances of the proposed NCDs would fulfil the near term equity requirements of the group. The ratings continue to remain constrained on account of moderate financial and coverage metrics and exposure of company's cash flows to adverse variation in weather conditions given the single part tariff for the projects. Also, any adverse regulatory change in open access policies in various states can impact the cash flows of the group. The company still continues to have a significant exposure in the state of Karnataka thereby exposing it to geographical concentration risks. However, going forward, with the commissioning of incremental capacities in other states viz. Tamil Nadu, Gujarat, Maharashtra, and Uttar Pradesh etc., the geographical concentration is expected to reduce.

Key Rating Sensitivities:

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

- Actual generation in-line/better with envisaged P-90 levels and receivable cycle remaining below 45 days on a sustainable basis
- Future equity infusion over and above the envisaged levels resulting in reduction of leverage on a portfolio basis and improvement in debt protection metrics

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

- Sustained underperformance in generation of the overall portfolio thereby resulting in downward revision in average debt service coverage ratio (DSCR) to below 1.2 times for the overall portfolio as per CARE's base case
- Material time and cost overrun while executing projects under development
- Significant deterioration in the capital structure on account of any increase in corporate (non-project) debt over and above the envisaged levels
- Material delay in raising requisite equity to replace the proposed NCDs
- Delays in receipt of payments from the off-takers and/or significant deterioration in the credit risk profile of the off-takers

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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 774 MW (including projects being down-sold to investors) of power plants till February, 2022 out of which around 275.4 MW were rooftop plants and around 499 MW were ground mounted. Out of total 774 MW capacity executed till February 2022, around 257 MW has been down sold to investors while remaining 517 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 139.5 MW till February, 2022.

Raising of aggregate equity of more than Rs.1,500 crore and backed by reputed investors such as UKCI, Augment Infrastructure and IFU
The group was earlier 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 entered into firm agreement for equity commitment 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. Furthermore, during Dec, 2021 Danish Investment Fund for Developing Countries (IFU) has taken up around USD 29 Mn stake out of the around USD 100 Mn primary capital from Augment. IFU is a Development Financial Institution owned by the Government of Denmark. It is a self-governing, state-owned fund, whose objective is to promote economic and social development in developing countries and support the realisation of the UN Sustainable Development Goals.

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 774 MW (including projects down-sold) of solar power plants as of February, 2022, out of which around 275 MW were roof-top plants and around 499 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
India has an installed renewable capacity of ~105 GW (excluding large hydro) as on December 31, 2021, comprising solar power of 49 GW, wind power of 40 GW, small hydro of 5 GW and other sources including biomass of 11 GW. There has been a significant traction in solar power installations over the last few years and the cumulative solar power capacity has surpassed the installed wind power capacity despite its late and slow start. Over the years renewable energy industry has benefitted on account of Government's strong policy support, India's large untapped potential, presence of creditworthy central nodal agencies as intermediary procurers and high tariff competitiveness. Going forward, with India setting up an ambitious target of achieving 450 GW renewable capacity by 2030, the regulatory framework is expected to remain supportive. However, developers are expected to face challenges in the near term on account of rising cost of modules, turbines and other ancillary products along with imposition of basic custom duty on cells and modules which will become effective from April 2022 and is expected to drive up costs and result in increase in bid tariffs for new projects. This apart, challenges for acquisition of land and availability of transmission infrastructure also remains a key bottleneck. However, the Indian renewable industry continues to be a preferred investment alternative for both domestic as well as foreign investors and is expected to post robust growth going forward as well which results in CARE assigning a Stable outlook to the industry.

Key Rating Weakness

Moderate financial risk profile; albeit with relatively better financial performance and capacity additions during FY21, anticipated increase in leverage levels going forward
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. However, on account of the proposed NCD issue which are to be raised as bridge to equity capital, CARE anticipates increase in CMEESPL leverage levels in future; nevertheless, the same is envisaged to be prepaid out of the future equity rounds of the company which provides some comfort. 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.

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 42 % 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 Feb, 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 around Rs.250.00 crore at standalone level as on Dec, 2021. The Company has sanctioned fund-based working capital limits of Rs.45.00 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 Feb, 2022.
Total debt repayments for FY23 and FY24 at consolidated levels are expected to be around Rs. 135 crore and Rs. 245 crore as against expected GCA of Rs. 212 crore and Rs. 370 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
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Infrastructure Sector Ratings
Power Generation Projects
Solar Power Projects
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 ~275 MW and Ground Mounted of ~499 MW) aggregating to ~774 MW out of which around 257 MW has been down sold to investors while remaining around 517 MW is on the books of company as on Feb, 2022.

Brief Financials (Rs. crore) – CMEESPL (Consolidated)	31-03-2020 (A)	31-03-2021 (A)	H1FY22
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	-

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	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	196.27	CARE A-; Stable
Non-fund-based - ST-Letter of credit*	-	-	-	-	705.00	CARE A2+
Non-fund-based - ST-Bank Guarantee	-	-	-	-	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
Debentures-Non-Convertible Debentures#	-	-	-	-	499.00	CARE A-; Stable

**Can be used interchangeably as LC/BG Limits, #Not yet placed*

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	196.27	CARE A-; Stable	1)CARE A-; Stable (04-Oct-21) 2)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	705.00	CARE A2+	1)CARE A2+ (04-Oct-21) 2)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 Guarantee	ST	65.00	CARE A2+	1)CARE A2+ (04-Oct-21) 2)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 A-; Stable (04-Oct-21) 2)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	1)CARE A-; Stable (04-Oct-21)	-	-	-
7	Debentures-Non-Convertible Debentures	LT	499.00	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 Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure 6: Bank Lender Details for this Company
To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact Us

Media Contact
Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact
Name: Jatin Arya
Contact no.: 9899136877
Email ID: Jatin.Arya@careedge.in

Relationship Contact
Name: Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:
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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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