AMPSolar Urja Private Limited

July 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	180.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of AMPSolar Urja Private Limited (ASUPL), which has set up 40 MW (60 MWp) solar power capacity under two phases (30 MWp under Phase-1 and 30 MWp under Phase-2) in the state of Uttar Pradesh, factors in the strong parentage by virtue of ASUPL being a subsidiary of AMPIN Technology Private limited (ATPL) (Formerly AMPSolar Technology Private Limited), rated (CARE A-; Stable/ CARE A1). The capacity under Phase-1 was commissioned in September 2022 and the capacity under Phase-2 was commissioned in April 2023.

CARE Ratings, further factors in revenue visibility for ASUPL on account of long term (25 years) power purchase agreements (PPAs) with 10 commercial and industrial (C&I) customers at a fixed weighted average tariff of Rs. 3.55 per unit, thereby ensuring low offtake risk for the entire capacity. Moreover, the rating is supported by comfortable debt coverage indicators as reflected by average Debt Service Coverage Ratio (DSCR) being upwards of 1.15 times for the tenor of the term debt.

The rating is, however, constrained on account of limited track record of operations with generation performance below P-90 levels on account of initial teething stabilization issues. Nevertheless, CARE Rating expects the generation performance to be in line with P-90 level, considering the plant is operating at its full capacity. CARE Ratings also takes into consideration the leveraged capital structure and vulnerability of project's cash flows to adverse variation in weather conditions and fluctuations in interest rates given the single part tariff for the project.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Actual generation levels being in line with estimated P-90 figures along with receivable cycle remaining below 75 days on a sustained basis resulting in strong liquidity position
- Faster than expected deleveraging of the project.

Negative Factors

- Any underperformance in generation and/or any increase in the debt levels of the entity weakening the cumulative DSCR onproject debt to less than 1.15 times, on a sustained basis.
- Non-adherence to the power purchase agreement (PPA) terms by the off takers including timely receipt of payments and honoring of tariff for full PPA tenor.
- Any weakening of the credit profile of the parent, i.e., ATPL, or any change in linkages/support philosophy between the parent towards ASUPL would be a negative factor.

Analytical approach: Standalone plus factoring in parent support

CARE Ratings expects ASUPL's parent, ATPL to be willing to extend financial support to ASUPL, should there be a need, given the strategic importance that ASUPL has for ATPL.

Outlook: Stable

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

The stable outlook on the CARE BBB+ ratings of ASUPL reflects CARE Ratings' opinion that the company would benefit from its long-term PPAs with 10 C&I customers. Also, the expectations of satisfactory generation and collection performance supports the outlook.

Key strengths

ASUPL benefits on account of being a part of AMPIN Group
ASUPL is a wholly owned subsidiary of ATPL. ATPL further is a wholly owned subsidiary of AMPIn Energy Transition Private Limited (AETPL, rated IND A/Stable/IND A1). ASUPL benefits on account of resourcefulness of the promoter group. ASUPL benefits by virtue of its strong parentage and reasonably strong form of support as exhibited by the presence of a limited period corporate guarantee from ATPL.

Revenue visibility on account of long term PPAs
Care Ratings factors in the presence of the long term PPAs signed with the off takers. ASUPL has entered into PPAs with offtakers including Minda Corporation Limited, APL Apollo Tubes Limited, Apollo Metalex Private Limited, Bharti Airtel Limited, JK Cement, etc at a fixed weighted average tariff of Rs. 3.55 per unit. Further the entities are selling power under the 'Group Captive' mechanism wherein open access charges such as cross subsidy surcharge (CSS), additional surcharge (AS) and banking charges are not applicable thereby making the power sold more competitive. Moreover, the presence of enabling clauses such as lock in period and compensation to the developer in case of an early exit by the customer act as the necessary safeguards.

Comfortable debt protection metrics
ASUPL has relatively moderate debt coverage indicators as reflected by the average DSCR of above 1.15 times for the tenure of the term debt. Further, the company has created one quarter DSRA for Phase I and two quarter DSRA For Phase II.

Key weaknesses

Limited track record of operational capacity with generation levels below P90 estimates
30 MWp capacity under Phase I of the project, commissioned in September 2022, has an operational track record of ~1.5 years, whereas 30 MWp capacity under Phase II, commissioned in April 2023, has limited operational track record of ~1 year. The generation performance for FY24 was lower than P-90 estimate due to initial teething and stabilisation issues. However, going forward, CARE Ratings expects the generation performance to improve, and the plants to operate at designed energy estimates.

Leveraged capital structure along with exposure to interest rate risks
ASUPL's capital structure is leveraged on account of the debt-funded capex incurred for setting up the project which is customaryto the renewable sector. As per CARE's base case scenario, the overall gearing for the company is estimated at 1.8-2.0x for FY25 and FY26 respectively. However, the project is supported by moderate debt coverage metrics as reflected by average DSCR being upwards of 1.15 times for the tenor of the term debt. Given the leveraged capital structure, single part nature ofthe fixed tariff in the PPA, and floating interest rates, its profitability remain exposed to any increase in interest rates.

Vulnerability of cash flows to variation in weather conditions
As tariffs are one part in nature, the company may book lesser revenues in the event of non-generation of power due to variation in weather conditions and/or equipment quality. This, in turn, would affect its cash flow and debt servicing ability. However, the diversity of the projects across four different sites shall result in offsetting the weather variation risk to a certain extent.

Liquidity: Adequate

The liquidity of the company is adequate as the company has a free cash balance of Rs. 2.05 crore as on June 2024 end. Thisapart, the company has created DSRA equivalent to 1 quarter of debt and interest servicing amounting to Rs. 3.03 Crore forPhase I and 2 quarters DSRA amounting to Rs. ~6 crore for Phase II.
Going forward, generation levels are expected to remain in line with the P-90 level and the collection cycle of the company is expected to be within the range of 30 days. The internal accruals are anticipated to be adequate to service its debt obligations. As per CARE base case scenario, adjusted GCA for FY25 and FY26 is expected to be Rs. 7.5-8.5 Crore as against annual repayments of Rs. 5-6 crore.

Applicable criteria

[Definition of Default]
[Factoring Linkages Parent Sub JV Group]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Infrastructure Sector Ratings]
[Solar Power Projects]

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

ASUPL, incorporated in September 2018, is a special purpose vehicle (SPV) of ATPL. The company is setting up 60 MWp / 40 MW AC grid connected photo voltaic ground mounted solar power project in the state of Uttar Pradesh. The capacity has been developed into two phases viz. Phase-1 (Nawabganj) and Phase-2 (Mishrikh) with 60 MWp / 40 MW AC capacity. The company has tied up PPAs with 10 C&I customers for offtake of the entire capacity at a fixed weighted average tariff of Rs. 3.55 per unit.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	6.2	26
PBILDT	3.3	17.7
PAT	-6.0	-11.9
Overall gearing (times)	1.7	1.8
Interest coverage (times)	0.5	0.7

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2043	180.00	CARE BBB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (04-Apr-24)	-	1)CARE BBB; Stable (30-Mar-23)	-
2	Fund-based - LT-Term Loan	LT	180.00	CARE BBB+; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings 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.

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About us:
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