

Clean Max Dhyuthi Private Limited

December 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	69.16	CARE A-; Positive	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has applied a combined approach for rating the bank facilities of Clean Max Hybrid 2 Power Private Limited (CMH2PL), Clean Max Dhyuthi Private Limited (CMDPL), Clean Max Rudra Private Limited (CMRPL), Clean Max Astria Private Limited (CMAPL), Clean Max Power 4 Private Limited (CMP4PL), Clean Max Meridius Private Limited (CMMPL), and Clean Max Thanos Private Limited (CMTPL), herein collectively referred to as Clean Max RG, on account of the presence of an inter-company agreement for pooling of surplus cash flows from the individual entities to service shortfall in debt servicing, if any, in any of these entities. The agreement is unconditional, irrevocable, valid for the full tenor of the rated debt facilities, has a well-defined T minus structured payment mechanism and is characterized by the presence of a cross-default clause between all the seven entities.

The rating reaffirmation on bank facilities of the combined entities which have an operational solar and wind capacity of 25.3 MW (DC) and 29.7 MW respectively in the state of Gujarat, factors in stabilisation of operations post resolution of grid related issues in April 2024. Going forward, the ability of the company to continually demonstrate satisfactory operational performance would be a key credit monitorable. CARE Ratings notes that the collection cycle of the RG is satisfactory, with payments being received from the offtakers within 60 days of raising an invoice on a consistent basis.

The rating continues to factor in the strong parentage by virtue of all the entities being a part of Clean Max Enviro Energy Solutions Private Limited (CMEESPL, rated CARE A+; Positive/ CARE A1+). CMEESPL's stated posture towards the seven entities is strong, as exhibited by the presence of limited period corporate guarantee along with a sponsor support undertaking for the entire loan tenor. Further, the rating derives strength from presence of long-term Power Purchase Agreements (PPAs) signed with multiple reputed commercial and industrial counterparties under the group captive mechanism for the entire capacity at a weighted average tariff of sub Rs. 4 per unit. CARE Ratings notes that the credit profile of the customers under this structure is strong. Moreover, the rating positively factors in comfortable debt coverage metrics as reflected by Debt Service Coverage Ratio (DSCR) being upwards of 1.25x for the tenor of the debt. The rating also considers the presence of two quarters of debt obligations as per the sanctioned terms.

The rating, however, continues to be constrained on account of limited track record of operations. The generation performance has also remained below the designed energy estimates due to stabilisation related bottlenecks and lower resource availability. Further, the rating is also constrained due to leveraged capital structure as reflected by expected Total Debt / EBITDA remaining above 6.0x over the next two years. The rating continues to factor in exposure of project cash flows to adverse variations in weather conditions given the single part tariff of the project and exposure to interest rate fluctuation risk given the project has floating interest rate.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit profile of the parent i.e., CMEESPL
- Achievement of generation in-line with the envisaged levels along with receivable cycle remaining below 60 days on a sustained basis resulting in improvement in the liquidity profile
- Faster-than-expected deleveraging of the RG

Negative factors

- Underperformance in generation with actual generation being lower than P-90 levels on sustainable basis adversely affecting the cash flows and coverage indicators with average DSCR falling below 1.2x
- Deterioration in the payment cycle leading to receivable days of more than 120 days on a sustained basis
- Weakening of the credit profile of the ultimate parent, i.e., CMEESPL, or any change in linkages/support philosophy between the parent and entities in the co-obligor structure would be negative factor

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

Analytical approach: Combined plus factoring in parent support

CARE Ratings has applied a combined approach for the rating of bank facilities of CMH2PL, CMDPL, CMRPL, CMAPL, CMP4PL, CMMPL, and CMTPL due to the presence of an intercompany agreement between the said entities for pooling of surplus cash flows to service shortfall in debt servicing if any, in any of these entities. The agreement is valid for full tenor of the rated debt facilities- and is characterised by presence of cross default clause between the entities. Further, CARE Ratings takes into account the common lenders and common promoter group for these projects.

In a 'Combined Approach', CARE Ratings evaluates the group of entities as if it were a single entity and combines the financials and business risk profiles of these entities to take a view on the rating. These entities are subsidiaries of CMEESPL and are engaged in similar lines of business (power generation).

Further, CARE Ratings has notched up the rating factoring in the parentage of CMEESPL. CARE Ratings opines that this asset holds strong importance for the parent because of strategic/business reasons along with reputational sensitivity. Hence the rating of RG has been notched up factoring in support from CMEESPL.

Outlook: Positive

The positive outlook on the CARE A- rating of the Clean Max RG takes into account CARE Ratings' positive outlook on CMEESPL. The positive outlook on CMEESPL's rating reflects CARE Ratings' expectation that Brookfield Green Transition Fund's (BGTF's) share in CMEESPL will surpass 50%, as more capital is infused to support growth of the platform. This would be a positive trigger from credit perspective as it would take economic incentive of Brookfield from CMEESPL to a substantial level.

Detailed description of key rating drivers:**Key strengths****Presence of an intercompany agreement for pooling of surplus cash flows**

CMH2PL, CMDPL, CMRPL, CMAPL, CMP4PL, CMMPL, and CMTPL have entered into an inter-company agreement for pooling of surplus cash flows from the individual entities to service shortfall in debt servicing if any, in any of these entities. The agreement is unconditional, irrevocable, valid for the full tenor of the rated debt facilities, has a well-defined T minus structured payment mechanism and is characterised by the presence of a cross-default clause between all the seven entities.

Strong parentage and operating track record of Clean Max Group in renewable energy segment

CMEESPL is in the business of developing ground mounted (Solar, wind, and wind-solar hybrid (WSH)) and roof top solar power plants across various locations under bilateral arrangements, with several commercial and industrial (C&I) customers. The group had an operating capacity of ~1.5 GW as of September 2024. The group has investments from BGTF, Augment Infrastructure, UK Climate Investments among others.

CMEESPL's stated posture towards CMKPL is strong, as exhibited by the presence of limited period corporate guarantee which is expected to fall post project stabilization with approval from the lender. The rating is also supported due to the presence of strong linkages with the parent as reflected by the availability of sponsor support undertaking for the entire loan tenor.

Revenue visibility on account of presence of long-term PPAs for the entire capacity

All the entities in the RG have entered into long-term PPAs of 25 years with reputed corporates for the entire capacity. The weighted average tariff of the entire portfolio is sub Rs. 4 per unit. Further the entities are selling power under the 'Group Captive' mechanism wherein some of the open access charges such as cross subsidy surcharge (CSS) and additional surcharge (AS) are not applicable thereby making the power tariff 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 coverage metrics

The entities on a combined basis have comfortable debt coverage metrics as reflected by average DSCR being upwards of 1.25x for the tenure of the rated facilities. Further, the project has a weighted average tail life of ~6 years aiding the financial strength of the company. The entities are also maintaining two quarters DSRA as per the sanction terms. Presence of DSRA provides comfort from the credit perspective.

Key weaknesses**Limited track record of operations**

The entire 55 MW of capacity was commissioned in June 2023 and thus has an operational track record of 17 months as of October 2024. The generation performance in the initial few months has been impacted on account of stabilisation and grid related challenges which were resolved by April 2024. Going forward, CARE Ratings anticipates the generation performance to stabilize and remain in line with the P90 estimate. The ability of the RG to stabilise operations and operate at the designed energy estimates will be a key credit monitorable.

Leveraged capital structure along with exposure to interest rate risks

The capital structure of the RG is leveraged as reflected by Total External Debt/EBITDA of 13.0x as on FY24 end. Going forward, this metric is expected to improve and range between 6.0x-8.5x over the next three years ending FY27. Nonetheless, the debt protection metrics for the RG are expected to remain comfortable as reflected by a cumulative DSCR being above 1.25x for the tenor of the debt. Further, CARE Ratings notes that the presence of two quarter DSRA provides additional comfort from a credit perspective. Given the leveraged capital structure, single-part nature of the fixed tariff in the PPA and floating interest rates, the profitability remains exposed to any increase in the interest rates.

Vulnerability of cash flows to variation in weather conditions

As tariffs are one part in nature, the RG may report 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 flows and debt servicing ability.

Liquidity: Adequate

As on September 2024 end, the RG had cash and bank balance of ~Rs. 28.44 crore including DSRA worth ~Rs. 21.04 crore covering two quarters of debt service obligations. Going forward, CARE Ratings expects the generation level to be in line with P90 estimates, the collection to remain timely and internal accruals to be adequate to service the debt obligations.

As per CARE Ratings base case scenario, GCA for FY25 and FY26 is expected to be ~Rs. 21 crore each, as against annual repayments of ~Rs. 10.60 crore.

Applicable criteria[Consolidation](#)[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](#)[Wind Power Projects](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

CMDPL, incorporated on March 23, 2022, is operating a 6.6 MW wind and 5.6 MW DC solar power plant in Amreli district of Gujarat. As on March 2024 end, CMEESPL holds 74% of the total equity in CMDPL and the rest 26% of total equity is infused by the off taker in the form of captive contribution. CMDPL has entered into long term PPA with Welspun Metallics Limited for a period of 25 years. The capacity was commissioned on June 19, 2023

Brief financials: CMDPL (Standalone)

Brief Financials (₹ crore)	March 31, 2024 (A)
Total operating income	4.10
PBILDT	2.77
PAT	-4.35
Overall gearing (times)	2.68
Interest coverage (times)	0.50

A: Audited; Note: these are latest available financial results

Brief financials: Combined entity

Brief Financials (₹ crore)	March 31, 2024 (A)
Total operating income	20.23
PBILDT	14.99
PAT	-18.13
Overall gearing (times)	0.92
Interest coverage (times)	0.60

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 31, 2042	69.16	CARE A-; Positive

Annexure-2: Rating history for 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	69.16	CARE A-; Positive	-	1)CARE A-; Stable (18-Sep-23)	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

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

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About us:

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