

CMES Power 1 Private Limited

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	34.89 (Reduced from 38.63)	CARE A-; Positive	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on bank facilities of CMES Power 1 Private Limited (CMES) which is operating 16.02 MW (AC) solar rooftop capacities across multiple states in India factors in the revenue visibility on account of presence of medium to long term (10-25 years; weighted average tenor of 23 years) power purchase agreements (PPAs) with reputed commercial and industrial (C&I) customers and government & educational institutes at a weighted average tariff of ~Rs.4.0 per unit. The project has a weighted average track record of more than 5 years wherein the collection efficiency has remained satisfactory from most off takers. The generation performance of the project has remained satisfactory as reflected by plant load factor (PLF) of 14.5% in FY24 against 14.9% in FY23. However, during 9MFY25 the company reported PLF of 14.1% against an average of 15.0% during the corresponding periods in FY22-FY24. The decline in generation performance is due to lower irradiation. CARE Ratings Limited (CARE Ratings) has taken cognisance of the same and expects the generation performance to remain subdued for FY25 and has factored generation to remain in line with historical trends from FY26 onwards.

The rating continues to derive strength from the strong parentage of Clean Max Enviro Energy Solutions Private Limited (CMEESPL, rated CARE A+; Positive/ CARE A1+) which is one of the leading renewable power producers in India with an operating capacity of ~1.5 GW as of September 2024. CMEESPL's stated posture towards CMES is strong, as exhibited by the presence of limited period corporate guarantee which will fall upon meeting of stipulated covenants as per the sanction letter (expected to be in force until FY26). The debt protection metrics are expected to remain comfortable with average Debt Service Coverage Ratio (DSCR) being upwards of 1.2x for the tenor of the debt. Further, the liquidity profile of the company is expected to remain adequate supported by the presence of a debt service reserve account (DSRA) equivalent to two-quarters of debt servicing obligations. CARE Ratings notes the presence of prepayment clause in the financing agreement on expiry of PPAs (in FY30) during the tenor of the debt which would be funded by accumulated cash accruals & need-based funding support from CMEESPL.

The rating is, however, constrained on account of the leveraged capital structure, as reflected by total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) of 4.9x as on FY24 end. Going forward, per CARE Ratings' base case, the capital structure will continue to remain leveraged with TD/EBITDA multiple remaining above 4.0x over the next few years. Further, the receivable days of company are stretched at 151 days as on FY24 end as against 118 days as on FY23 end due to stretched receivable cycle from a few offtakers & unprovided legacy debtors of ~Rs. 1.0 Cr, which are expected to be provisioned & consequently, the adjusted debtor days as on FY25 end is expected to be ~110 days. The project's cash flows are exposed to adverse movement in interest rate, which is floating for the project debt and subject to periodic reset. The rating continues to factor in exposure of project cash flows given the single part tariff of the project & adverse variations in interest rate which is subject to periodic reset.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in generation performance along with timely receipt of invoices resulting in improvement in average DSCR above 1.30x as per CARE Ratings' base case scenario
- Faster than expected deleveraging of the asset

Negative factors

- Significantly lower than envisaged CUF levels leading to deterioration in debt coverage indicators as reflected by average DSCR moving below 1.15x
- Elongation of the receivables from customers beyond 120 days on a sustained basis

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

- Any weakening of the credit profile of the parent, i.e., CMEESPL, or any change in linkages/support philosophy between the parent and CMES.

Analytical approach: Standalone plus factoring parent support

The analytical approach considers the standalone financial risk profile of CMES and applied parent notch-up factoring in the extent of support available from CMEESPL.

Outlook: Positive

The positive outlook on the CARE A- rating of the CMES 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****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, DSDG Holding APS among others.

CMEESPL's stated posture towards CMES is strong, as exhibited by the presence of limited period corporate guarantee, which will fall off upon meeting of stipulated specific covenants to be tested for three full financial years i.e. expected to be in force until FY26.

Diversified asset pool in terms of geography and offtakers; Long-term revenue visibility owing to capacity being tied up under PPAs of a weighted average tenor of 23 years with an established payment track record

The capacity (16.02 MW-DC) of the SPV is spread across 34 rooftop solar assets which are located across multiple states viz, Uttar Pradesh (35%), Maharashtra (24%), Karnataka (9%), Haryana (9%), Rajasthan (6%) and other states (18%) thereby providing the company benefits on account of diversification of geography. Moreover, there is a presence of a diversified offtaker pool with a mix of various renowned commercial and industrial (C&I) customers (e.g., Asahi, Bajaj, Amazon, Excel Rubber, etc.) and educational institutes (Amity University, Deen Dayal Upadhyay University, Pune University, etc.). The tenure of PPAs on a weighted average basis is 23 years. The weighted average tariff of the portfolio is ~Rs. 4 per unit along with presence of annual escalation of 0.6% on a combined basis.

Weighted average operational track record of more than 5 years with satisfactory operational performance albeit lower generation during FY25 on account of lower irradiation

The rooftop assets under this project were commissioned in a phased manner from June 2018 to December 2019 and have a track record of more than 5 years on a weighted average basis. The generation performance of the project has remained satisfactory as reflected by plant load factor (PLF) of 14.5% in FY24 against 14.9% in FY23. However, during 9MFY25 the company reported PLF of 14.1% against an average of 15.0% during the corresponding periods in FY22-FY24. The decline in generation performance is due to lower irradiation. CARE Ratings Limited (CARE Ratings) has taken cognisance of the same and expects the generation performance to remain subdued for FY25 and has factored generation to remain in line with historical trends from FY26 onwards.

Satisfactory debt coverage indicators along with presence of two quarter DSRA

The coverage indicators of the project are expected to be satisfactory as reflected by average DSCR for the tenor of the debt being upwards of 1.2x. Also, as mandated by the sanction terms of the debt facility, the company is maintaining a DSRA of two quarters in the form of FDs which provides comfort through credit perspective.

Key weaknesses

Leveraged capital structure along with exposure to interest rate risk; expiry of PPAs in FY30 triggering prepayment of debt

The capital structure of the company is leveraged on account of the debt-funded capex incurred for setting up the project which is customary to the renewable sector. Subsequently, the overall gearing and Total Debt/EBITDA of the company stood at 1.6x and 4.9x, respectively, as on FY24 end. CARE Ratings notes the presence of prepayment clause in the financing agreement on expiry of PPAs (in FY30) during the tenor of the debt which would be funded by accumulated cash accruals & need-based funding support from CMEESPL.

Going forward, CARE Ratings expects the gearing and Total Debt/EBITDA of the company as to remain above 1.0x & 4.0x over the next few years. Given the leveraged capital structure, single-part nature of the fixed tariff in majority PPAs and floating interest rates, its profitability remains exposed to any increase in the interest rates.

Moderate receivable cycle as compared to other projects having C&I offtakers

CMES has outstanding debtors of ~Rs. 5.0 crores as on March 31, 2024, out of which provision has been made for Rs. 1.3 crore, hence the SPV reported net receivables days of 151 days as on FY24 end as against 118 days as on FY23 end. Majority portion of stuck receivables pertain to the contested bills during Covid-19 induced lockdown phase wherein the offtake from various counterparties was low on account of disruption in their operations. The company is in process of recovery of these dues & would provide for them in due course if they are not collected. Adjusting for legacy debtors by the unprovided amount of ~Rs. 1.0 crore which are expected to be provisioned & consequently, the adjusted debtor days as on FY25 end is expected to be ~110 days. Going forward, honouring of bills by counterparties in a timely manner will be a key credit monitorable.

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 flows and debt servicing ability.

Liquidity: Adequate

The company's liquidity is adequate, as reflected by cash and bank balance of ~₹ 5.7 crore as on January 31, 2025. This includes DSRA covering two quarters of debt service obligations of Rs. 5.2 Cr. Per CARE Ratings' base case scenario, the adjusted gross cash accruals (GCA) for FY25 and FY26 are expected to be at ₹3.8 crore and ₹4.5 crore, respectively, against annual repayments of ₹3.1 Cr & ₹3.2 crore respectively.

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

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

CMES, incorporated in October 2017, is a wholly owned subsidiary of Clean Max Enviro Energy Solutions Pvt Ltd (CMEESPL, rated CARE A+; Positive/CARE A1+). The SPV is currently operating a 16.02 MW AC (17.78 MW DC) solar power projects across multiple locations in India for a weighted average period power purchase agreement period of ~23 years at a tariff of ~Rs. 4.0 per unit with 0.6% escalation over the combined capacity.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	8.8	8.9
PBILDT	6.8	7.6
PAT	-2.6	-0.1
Overall gearing (times)	1.7	1.6
Interest coverage (times)	1.5	2.1

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		-	-	30-06-2034	34.89	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	34.89	CARE A-; Positive	-	1)CARE A-; Stable (12-Feb-24)	1)CARE BBB+; Stable (06-Feb-23)	1)CARE BBB; Stable (07-Jan-22)

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 details

To view the lender wise details of bank facilities please [click here](#)

Contact us

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About us:

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Disclaimer:

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