Clean Max Light Power LLP

March 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	15.75	CARE A-; Stable	Assigned

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 Light Power LLP (Clean Max Light), Clean Max Charge LLP (Clean Max Charge) & Clean Max Hybrid Power LLP (Clean Max Hybrid) 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 three entities.

The rating assigned to the bank facilities of the combined entity which has an operational solar capacity of 11.6 MW AC (14.4 MW DC) respectively factors in the strong parentage by virtue of it being a part of Clean Max Enviro Energy Solutions Private Limited (CMEESPL, rated CARE A+; Positive/ CARE A1+). CMEESPL's stated posture towards these three entities is strong, as exhibited by the presence of limited period corporate guarantee valid till the project stabilisation date. This apart, the promoter has also provided support undertaking for debt shortfall which shall fall off post completion of two years from the project stabilisation date. Further, the rating derives strength from the presence of long-term Power Purchase Agreements (PPAs) signed with multiple reputed commercial counterparties for the entire capacity at a weighted average tariff of above Rs. 3.50 per unit. The tariff provided by Clean Max in this structure is competitive, offering substantial savings to the offtakers compared to the grid tariff. Moreover, the presence of enabling clause such as lock-in period and compensation to the developer in case of an early exit by the customer act as necessary safeguards.

The combined entity has limited track record of operations of around two years. Out of the 11.6 MW capacity, ~24% of the capacity achieved commissioning in May 2024 and thus in its under-stabilisation phase. The combined entity reported a PLF of 20.34% in 9M FY25 as against 17.11% in 8M FY24, which was below P90 estimate of 22.72%. CARE Ratings expects the generation performance to stabilise in the next year and has taken cognizance of the same in its base case scenario. The debt coverage indicators are comfortable as reflected by Debt Service Coverage Ratio (DSCR) being upwards of 1.2x for the tenor of the debt. The entities have also created Debt Service Reserve Account (DSRA) equivalent to one quarter of debt servicing, which supports the liquidity profile of the company. CARE Ratings notes that the due to adoption of energy accounting, the collection performance was initially impacted. However, the same has been resolved and collections are timely for the entire capacity except for ~3MW capacity in Clean Max Light. As articulated by the management, during the initial phase, the distribution licensee in the region i.e., Torrent Gas Limited was unable to provide credit to the offtaker on account of some operational challenges. As the offtaker was not getting any credit for the electricity procured by it from Clean Max Light, the offtaker was not making any payments. However the energy accounting process has been streamlined in February – March 2025 and CARE Ratings expects the collections to become current from Q1 FY26 onwards.

The rating is, however, constrained due to asset concentration risk with the project located in a single state. Moreover, the rating factors in the leveraged capital structure as reflected by expected Total Debt/EBITDA remaining above 8.0x till FY26 and interest rate fluctuation risk given the floating interest rate for the project. The rating also factors in exposure of project cash flows to adverse variations in weather conditions given the single part tariff for the underlying capacity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Actual generation levels being in line with P90 generation estimate and collection cycle remaining below 30 days on a sustained basis resulting in improvement in coverage indicators and liquidity
- Faster than expected deleveraging of the project
- Improvement in the credit profile of the ultimate parent, i.e., CMEESPL

Negative factors

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

- Any significant underperformance in generation and/or any increase in the debt levels of the entity thereby weakening the cumulative DSCR on project debt to less than 1.15x times, 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

Analytical approach: Combined, factoring parent support.

CARE Ratings Limited (CARE Ratings) has applied a combined approach for rating the bank facilities of Clean Max Light Power LLP (CMLPL), Clean Max Charge LLP (CMCL) & Clean Max Hybrid Power LLP (CMHPL) 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 three entities.

In 'Combined Approach', CARE Ratings evaluates the group of entities as if it were a single entity and combines the financial and business risk profiles of these entities to take a view on the ratings. All the three entities (i.e. CMLPL, CMCL & CMHPL) are part of the Clean Max Group and are engaged in similar lines of business.

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.
Entities consolidated with CMLPL is listed under Annexure-6.

Outlook: Stable

The stable outlook on the ratings of Clean Max RG reflects CARE Ratings' opinion that the company would benefit from its long-term PPAs with C&I customers. Expectation of satisfactory generation and collection performance supports the outlook.

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 developing ground mounted (Solar, wind, and wind-solar hybrid [WSH]) and roof top solar power plants across locations under bilateral arrangements, with several commercial and industrial (C&I) customers. The group had an operating capacity of ~2.2 GW as of February 2025. The group has investments from BGTF, Augment Infrastructure, UK Climate Investments among others.

CMEESPL's stated posture towards the three entities is strong, as exhibited by the presence of limited period corporate guarantee which is valid till the project stabilisation date along with a promoter undertaking shall fall off after 2 years from the project stabilisation date.

Presence of an intercompany agreement for pooling of surplus cash flows

CMLPL, CMCL & CMHPL have jointly formed an RG wherein these entities would be jointly servicing the combined debt obligations. The shortfall in meeting the debt obligations by one entity shall be met through surplus cash flows from the other entities in the structure. The agreement is unconditional, irrevocable, valid for the full tenor of the rated debt facilities and is characterised by the free fungibility of cash flows, presence of t-minus structured payment and invocation mechanism as well as cross default clause between all the three entities.

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

The portfolio has signed long- term (weighted average-22 years) off-take arrangements for entire capacity with three reputed C&I customers having strong credit profile providing long term revenue visibility. Further the company is selling power under the 'Group Captive' mechanism where open access charges such as cross subsidy surcharge (CSS) and additional surcharge (AS) are not applicable making the power sales 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.

Satisfactory operational performance

The pool has a weighted average track record of ~2 years with generation witnessing an improvement in FY25. Moreover, the collection cycle of the portfolio is also satisfactory with payments being received within 30 days of raising an invoice from all the off takers. Going forward, the ability of the company to continually demonstrate satisfactory operational performance would be a key credit monitorable.

Comfortable debt coverage metrics

The entities on a combined basis have comfortable debt-protection metrics as reflected by combined average DSCR being upwards of 1.2x for the tenure of the rated facility. Further, the project has a weighted average tail life of ~2.6 years aiding to the financial strength of the company. Moreover, the presence of Debt Service Reserve Account (DSRA) covering one quarter of debt service obligations provides liquidity comfort from a credit perspective.

Key weaknesses

Leveraged capital structure along with exposure to interest rate risks

The rating is constrained due to leveraged capital structure as the project is funded in a debt equity mix of 68:32. Going forward, the metric is expected to moderate and remain above 8x over the course of next two years. Nonetheless, the debt protection metrics for the RG are expected to remain comfortable as reflected by a cumulative DSCR being above 1.2x for the tenor of the debt.

Further, CARE Ratings notes that the proposed debt has a requirement to maintain one quarter debt service reserve account (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 company 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 31st December 2024, the project had free cash and bank balances of ~Rs 3 crores. This apart, company has created DSRA of ~Rs 1.53 crores equivalent to 1 quarter of debt service obligations as per the stipulated terms in the facility agreement.

As per CARE's base case, annual gross cash accruals (GCA) for FY25-FY26 are expected to be around Rs.1.7-3.0 crore as against annual repayment around Rs.1.3-1.5 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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

CMLPL, incorporated on December 27, 2019, is operating a 4.5 MW AC (5.1 MW DC) solar power project in the state of Maharashtra. The capacity was bought by the Clean Max Group from M/s Ironhide Generation (India) Pvt. Ltd. in September 2023. The SPV has entered into long term PPA with Amazon Seller Services Pvt. Ltd. for 18 years. The capacity was commissioned on August 13, 2022.

Brief Financials: Combined Entity

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	0.0	2.23
PBILDT	NM	0.54
PAT	NM	0.13
Overall gearing (times)	NM	1.15
Interest coverage (times)	NM	1.00

A: Audited; NM: Not Meaningful 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-3-2044	15.75	CARE A-; Stable

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	15.75	CARE A-; Stable				

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Clean Max Charge LLP	Full	Operational and financial linkages
2	Clean Max Hybrid Power LLP	Full	Operational and financial linkages

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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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