AMP Energy Green Private Limited

May 19, 2020

Ratings

Facilities	Amount (Rs. Crore)	Rating[2]	Rating Action
Long-term Bank Facilities-PBG (Proposed*)	19.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short-term bank facilities-Bid Bond BG (Proposed*)	19.00	CARE A3 (A Three)	Assigned
Total Facilities	**38.00 (Rupees Thirty eight crore only)**		

Details of instruments/facilities in Annexure-1

**The facilities being rated are proposed facilities and not yet sanctioned by the bank.*

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of AMP Energy Green Private Limited (AEGPL) factor in the experienced and resourceful promoters backed by reputed financial investors and a strong leadership team with extensive experience in the renewable sector. The rating takes into account the successful fund raising of USD 50 mn (USD 30 mn + USD 20 mn green shoe option) from the private equity fund, LGT Lightstone (LGT, a bank and fund manager with around USD 220 billion of assets worldwide; and a part of LGT group, one of the largest family-owned private banking and asset management group in Europe), at AMP Energy India Private Limited (AEIPL, the ultimate holding company for the AMP group in India) during FY20, which provides sufficient equity visibility for under -construction projects being undertaken in the various SPVs of the group. These funds are available at AEIPL level and would also provide the necessary growth capital to develop renewable energy projects of the group including utility scale projects through AEGPL.

The rating is, however, constrained on account of low track record of the group in developing utility-scale projects, and construction risk in the under-execution project being set up in the SPV under AEGPL, leading to risks of execution and stabilization.

Key Rating Sensitivities:

Positive Factors:

- Timely completion of the under-implementation project within envisaged cost and timelines in the SPV under AEGPL.
- Track record of completing projects under AEGPL and achieving stabilization in operations in the underlying subsidiaries aided by equity raise providing sufficient equity visibility towards achievement of the group's strategy for developing utility scale projects through AEGPL.
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Negative Factors:

- Significant delay in execution of documents, including signing of PPA and financial closure
- Delay in project construction leading to significant cost over-runs
- Any regulatory changes adversely impacting the sector and consequently the company's operations
- Delay in onward transfer of equity funding into Cluster-IV, either into AEGPL or its constituent project SPVs.

Detailed description of the key rating drivers Key Rating Strengths

Experienced and Resourceful Promoters:

AEGPL has been established as a sub-holding company of AMP Energy India Private Limited (AEIPL; formerly known as AMPSolar India Private Limited). This subsidiary has been set up as AEIPL's Cluster IV through which equity will be routed for setting up SPVs engaged in utility scale renewable projects for generation and sale of renewable power. The ultimate holding company of AEIPL is a Canada based company, AMP Solar Group Inc. (ASGI). ASGI has set up a capacity of around 1,053 MW (developed directly as well as a minority partner in JV). ASGI's founders, Mr Dave Rogers and Mr Paul Ezekiel have past experience of working in the renewable sector at senior positions in reputed investment management firms. ASGI had entered into an equity investment agreement with Caledon, wherein Caledon committed to invest CAD 600 mn in ASGI. Of this, CAD 30 mn (approximately Rs.140 crore) was deployed in India through AMPSolar Ventures Private Limited [referred to as Cluster I of AEIPL]. Through Cluster I, the Indian platform has successfully developed 93.96 MW of projects. The leadership team in India has subsequently raised funds for developing the Indian platform further by raising equity from CIIF and SMBC to invest USD 30 mn in India through AMPSolar Technology Private Limited (ASTPL) in the commercial and industrial segment (C&I) segment (Cluster II).

As stated above, AEIPL has raised funds from a private equity fund LGT Lightstone Aspada (LGTLA) amounting to USD 50 mn (USD 30 mn + USD 20 mn green shoe option) in FY20, which would provide further growth capital to AEIPL to develop renewable energy projects in the rooftop as well as utility scale projects. The rooftop projects are being undertaken in AMP Energy Distributed Generation Private Limited (Cluster III) and utility scale projects through AEGPL (Cluster IV). Therefore, the promoters as well as the leadership team in India have demonstrated resourcefulness in tying up the necessary capital for undertaking the group's strategy for developing renewable energy projects under various segments in India. Overall the group has under construction portfolio of around 500 MW and an operational portfolio of approximately 100 MW.

Reputed financial investors providing equity visibility for AEGPL:

AEIPL has received a fresh round of private equity (PE) commitment from LGT of USD 50 million (USD 30 mn + USD 20 mn green shoe option). LGT has raised this money through its investment arm – Financial Investments SPC (FIS). These funds are available with the company for the development of new projects as well as for other corporate purposes, which can be utilized in Cluster-II, Cluster-III or Cluster-IV, depending upon the requirement for the under-construction projects.

FIS is a segregated portfolio company incorporated under the laws of Cayman Islands and a part of LGT. Out of this, Rs. 100 crore has already been received in July 2019. LGT Lightstone is part of LGT Group, a private banking and asset management group owned by the Princely House of Liechtenstein that manages USD 200 billion in assets on behalf of institutional and private clients. LGT Group has a track record of stability and financial value creation and deep expertise in private equity, managing a PE investment portfolio of over USD 30 billion.

Strong leadership team with extensive experience in the renewable sector:

The core management team of AEIPL is led by Mr. Pinaki Bhattacharya, CEO having more than 20 years of experience and Mr. Shyam Sharma having 20 years of experience in the Financial and renewable sector/leadership roles. The management and operations team of AEIPL has an extensive experience in the renewable sector and has worked at some of the leading renewable power companies in India. Besides, in order to leverage into the utility space sector, the group has set up a new, efficient and capable team for the execution of utility scale projects under AEGPL, which is highly skilled in setting up of such projects. The team is led by Mr. Sourya Choudhary, having 18 years of experience across renewables, utility, transport and infrastructure, and is currently heading the utility business under AMP group. Mr. Chotoo Chaudhary, COO of the company carries extensive experience in renewable energy sector in India

Sound strategy of selection of projects with strong counterparties:

AEGPL has been developed as Cluster-IV, through which the equity will be routed for setting up SPVs engaged in utility scale renewable projects for generation and sale of renewable power. As a strategy, AEGPL would bid for projects of utility scale with strong, high rated counterparties such as SECI, NTPC, NHPC, RUMS, GUVNL etc. It plans to set up projects aggregating 1 GW over the next few years with top rated off-takers awarded through various bids of high-rated sovereign counterparties. Initially, the company plans to set up a capacity of ~300 MW per year (through various sized projects). The company has recently won a 100 MW project under SECI VIII ISTS tender for which the LOA has been received in April 2020. The project would be set up under a project SPV namely AMP Energy Green Four Private Limited (AEGFPL) in the state of Rajasthan, at an approximate project cost Rs. 410 -430 crore funded with a debt-equity ratio of 3.00x. The equity funds received from FIS in AEIPL is envisaged to be infused towards equity for this project in the form of equity shares and CCDs.

Industry Outlook:

The Government's thrust on augmenting the share of solar energy; in India's overall power mix is reflected in its various policy initiatives (Viability Gap Funding Scheme, Renewable Purchase Obligations (RPO) on state discoms, development of solar parks under Solar Park scheme etc.). However, solar power generation capacity additions during FY19 and FY20 were muted on account of imposition of safeguard duty on import of solar modules, lack of clarity with respect to GST rate on solar modules and cancellation of a large number of solar auctions. However, looking at the already allotted capacity and the Government's push for achieving targeted solar capacity of 100 GW by end-FY22, capacity additions are likely to improve over the next two to three years. Solar projects benefit from relatively lower execution risks, stable long term revenue visibility with off take arrangements at a fixed tariff (for most PPAs with Government counterparties), minimal O&M requirements, tariffs comparable to conventional power generation, must-run status accorded by the Government and recent upward revisions in solar RPO

achievement targets. However, there are concerns like increasing difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter RPO enforcement by the state regulators, substantial dependence on imported solar cells and modules, regulatory uncertainties in terms of possible renegotiation of tariffs in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of discoms with significant delays in payment by a few state discoms, and increased difficulties in debt tie-up. There has been disruption in the sector especially for under construction projects where completion timelines are negatively impacted because of on-going spread of COVID-19 pandemic which has led to government taking various steps including national level lockdowns. Nonetheless, the Government's aforesaid impetus to the sector, besides utilizing its strong energy institutions like SECI and NTPC as interfacing counterparties for the solar project developers serves to offset the risks, thereby resulting in a stable outlook.
Going forward, the key monitorables would be gradual pick-up in power demand, volatility in prices of solar modules, performance of the modules in Indian conditions, developments in claim of off-takers for renegotiated PPAs, modalities of compensation for safeguard duty under change in law, payment pattern of off-takers given the cash flow position have been negatively impacted given national level lockdowns, imposition of any anti-dumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and overall regulatory stance regarding the sector.

Key Rating Weaknesses

Limited track record of the group in implementing capacities across various renewable energy segments in India:
The AMP group (through AEIPL) had ventured in India only four years ago in June 2016 and currently has a portfolio of 93.96 MW (Cluster I) in India, of which 86.16 MW is operational and remaining 7.8 MW is under implementation. In addition to this, tThe group has tied up capital for setting up additional projects in excess of 360 MW (Cluster II) capacities in India. Further, the group has also set up Cluster-III (AMP Energy Distributed generation Private Limited) to majorly focus upon Rooftop Solar Power projects. As on date, the company has set up 2 SPVs for a total capacity of 11 MWp which are under-construction. There are 2 more SPVs which are still under finalization stages. The company plans to develop a total capacity of around 100-150 MW in this cluster over the next few years. The equity for the projects under this cluster will be infused in intervals, as and when the need arises. Further, utility scale projects would be developed in AEGPL (Cluster IV) and towards this the 150MWp project (discussed above) has been undertaken. While the group has had a strategy in place of developing renewable energy projects under various clusters in India, as described earlier, its track record of implementing the capacities remains limited. Besides, while the equity visibility is there for the under- construction portfolio, significant execution risks – including land acquisition risks, evacuation implementation risks and other construction risks – still remain. Furthermore, while the group’s strategy of presence across various segments of the renewable energy industry i.e. C&I, roof top, group captive and utility scale is likely to provide diversification benefits in the operating stage of such projects, it poses a multitude of segment-specific risks during the execution phase. The group currently has relatively short track record of operations in India with majority of the portfolio under execution and, therefore, successful and timely implementation of projects is yet to be demonstrated. However the group is led by experienced management teams who have relevant career experience in implementing such projects in the past.

Project execution and funding risk under AEGPL:
AEGPL has won a 100 MW project under SECI VIII ISTS tender (LOA received in April 2020). This would be set up under a project SPV namely Amp Energy Green Four Private Limited (AEGFPL) in the state of Rajasthan. The project is at an initial stage, entailing project execution risk. Nonetheless, the process of due diligence for land acquisition is at an advanced stage, with around 450 acres of land already identified. Moreover, the group has built its own in-house EPC capabilities and working on developing it further for the future projects. Though financial closure for the project is pending, the strong promoter backing and capital commitment from reputed investor (LGT) is expected to aid financial closure in the project.

Liquidity: Adequate
AEGPL has raised equity via AEIPL from LGT which will be utilized for the project as and when required. Out of Rs. 100.00 crore received during FY20, the company has free cash and bank balance of around Rs. 52.80 crore available with AEIPL, while the balance has been invested in the various projects. The infusion in AEGPL is expected to be need based.
Liquidity position of AMP Energy India Private Limited: The liquidity position of the company is adequate as it is managed by regular infusions of funds by promoters in the form of equity for meeting the platform costs. The

company has a cash balance of Rs. 52.80 crore as on March 31, 2020. Furthermore, the company has unutilized commitments from LGT which are available to cover any liquidity requirements sufficiently

Analytical approach: Standalone
Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria on Factoring Linkages in Rating
Rating Methodology: Infrastructure Sector Ratings
Financial Ratios-Non-Financial Sector
Rating methodology: Private Power Producers
Rating Methodology: Solar Power Projects

About the Company
AMP Energy Green Private Limited (AEGPL), incorporated in September 2019 and is established as a sub holding company of AMP Energy India Private Limited (AEIPL, formerly known as AMP Solar India Private Limited, rated CARE BBB; Stable/CARE A3+).
This subsidiary (AMP Energy Green Private Limited) has been developed as 'Cluster IV', through which the equity will be routed for setting up SPVs engaged in utility scale renewable projects for generation and sale of renewable power. This company would bid for projects of utility scale with strong counterparties.
Brief Financials – Not Applicable
Covenants of rated instrument/facility: NA as the facilities are proposed facilities.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantees	-	-	-	19.00	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	19.00	CARE A3

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT-Bank Guarantees*	LT	19.00	CARE BBB-; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees*	ST	19.00	CARE A3	-	-	-	-

**The facilities being rated are proposed facilities and not yet sanctioned by the bank.*

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-022-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Name: Ms. Jasmeen Kaur
Tel: +91-011-4533 3245
Email: jasmeen.kaur @careratings.com

Business Development Contact
Name: Ms. Swati Agrawal
Contact no. : +91-11-4533 3200
Email ID : swati.agrawal@careratings.com

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