Clean Max Enviro Energy Solutions Private Limited

November 22, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities (CC)	10.00	**CARE BBB+/ Stable [CARE Triple B Plus; outlook: Stable]**	**Assigned**
Short-term Bank Facilities (LC/ Forward cover)	115.00	**CARE A2 [CARE A Two]**	**Assigned**
Total facilities	**125.00 (Rs. One hundred and twenty five crore only)**		

Detailed Rationale & Key Rating Drivers

The rating assigned factors in experienced and qualified promoters & management team, established track record of operations in the roof-top industry with pan-India presence and established relations with reputed clientele who provide repeat orders to the company that has led to a healthy order book position of 200 MW as on Oct 31, 2017. The ratings also take into account Private Equity investment by Warburg Pincus in FY 18 which brings in the necessary capital required for driving the growth of the company in line with the high demand in the industry.

However, the ratings are partially offset on account of the company being in transition phase in FY18, wherein, the company would focus on holding assets on its own books leading to generation of revenue from sale of power as against the asset-light model followed earlier. This coupled with aggressive growth plans in the medium term has exposed the company to project execution risks besides a high amount of capital deployment in the operations. Further, the debt required for funding the envisaged growth plans is expected to lead to increase in the gearing levels going forward as well as some moderation in the debt protection metrics in the medium term. Further, the ratings would remain constrained on account of exposure to climatic and technological risks that are inherent in this business besides pertinent risks of shadowing and access to plant premises.

Going forward, the timely execution of projects at envisaged cost and achievement of envisaged CUF levels in the operational projects would be crucial rating sensitivities. Further, continuous flow of orders to maintain a healthy order book shall also remain a key sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with qualified management team: CMEESPL is promoted by Mr. Kuldeep Jain, who prior to forming CMEESPL, was a global partner at McKinsey & Company, heading its Energy & Corporate Finance practice in India. Mr. Jain holds a degree in MBA from IIM- Ahmedabad and also holds a Chartered Accountant and a Cost Accountant degree from ICAI and ICWA respectively. Further, he is assisted by management team comprising experienced and qualified personnel. The Chief Executive officer, Mr. Gajanan Nabar possesses prior experience of about 17 years in varied industries. Mr. Umakant Shende, the Chief Operating Officer of the company has prior experience in solar PV segment and has more than 26 years of experience in Operations Management.

Established track record of operations in roof-top industry with pan-India presence: CMEESPL had the highest market share of 24% as on March 31, 2017, among various solar rooftop project developers in India (Source: India Solar Rooftop map March 31, 2017). The Company, along with its subsidiaries, has implemented 125 MW of solar power plants in the past of which 70 MW were roof-top plants and 55 MW were ground mounted.

Established relation with reputed clientele: The company has a reputed client base which include leading corporates such as HCL, TATA Motors, Bajaj, Mahindra, Gabriel, Asahi, Magneti Marelli, Carlsberg, United Spirits, Manipal University, Kajaria, GE, Dr.Reddy's, Mindtree, Taj etc. The company has been receiving repeat orders from its various clientele e.g. TVS, Tata Communications, Mahindra and Mahindra etc

Healthy order book in pipeline: The company has a healthy order book to be executed within FY18 which includes orders for 200 MW in ground-mounted projects and 40 MW in rooftop projects. For the 200 MW ground mounted projects, the company has completed land aggregation. The financial closure has been obtained for projects aggregating 130 MW.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Private equity investment by Warburg Pincus: In July FY 18, Warburg Pincus (WP) via its entity Yellow Bell Investment Ltd has proposed to invest an aggregate amount of up to INR 455 cr (USD 70 mn – in form of Compulsorily convertible preference shares). The said investment shall provide the necessary capital required for execution of projects by the company. Tranche I of Rs.97.5 cr has already been infused in July-17. The equity requirement for executing the current projects in hand would be fulfilled from the WP infusion.

Key Rating Weakness

Project execution risk emanating from transition phase in FY18 coupled with aggressive development plans: CMEESPL is in transition phase in FY18, wherein, the company is now focusing on holding assets on its own books leading to generation of revenue from sale of power as against the asset-light model being followed earlier. Till FY17, revenue was generated mainly through sale of projects to investors at a healthy margin under the OPEX route. This asset light model of the company also required minimal investment by the company in the projects undertaken with no projects being carried on its own books. From FY18 onwards, CMEESPL would execute the projects on its books and therefore, deploy the required capital in fully owned assets. This would provide permanent revenue streams in form of revenue from sale of power. Additionally, due to capital intensiveness of operations, debt quantum is expected to increase which shall lead to increase in overall gearing levels and moderation in debt protection metrics.

Exposure to climatic and technological risks: Achievement of desired CUF going forward would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks. Further, energy generation at envisaged CUF levels remains crucial, though the track record of poly-crystalline modules has been satisfactory so far in India.

Analytical approach: Consolidated

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short-term Instruments
CARE's methodology for financial ratios (Non-Financial Sector)
CARE's methodology for Infrastructure sector ratings

About the Company

Clean Max Enviro Energy Solutions Private Limited (CMEESPL) was incorporated on September 29th, 2010. The company is promoted by Mr. Kuldeep Jain and is in the business of developing ground mounted and roof top solar power plants across various locations under bilateral arrangements, and under various Central and State Government solar tenders. The Company, along with its subsidiaries, has implemented 125 MW of solar power plants in the past of which 70 MW were roof-top plants and 55 MW were ground mounted and is the market leader in the Indian rooftop solar segment.

Brief Financials (Rs. crore)	FY16 (Audited)	FY17 (Audited)
Total operating income	127	268
PBILDT	16	31
PAT	10	9
Overall gearing (times)	0.01	0.33
Interest coverage (times)	31.25	16.24

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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.*

Analyst Contact
Name: Jasmeen Kaur
Tel: 011-45333245
Mobile: 9810401324
Email: jasmeen.kaur@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BBB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	110.00	CARE A2
Non-fund-based - ST-Forward Contract	-	-	-	5.00	CARE A2

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB+; Stable	-	-	-	-
2.	Non-fund-based - ST-Letter of credit	ST	110.00	CARE A2	-	-	-	-
3.	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A2	-	-	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

Ms.Rashmi Narvankar
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail:pratim.banerjee@careratings.com

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