

Press Release

AMPL Cleantech Private Limited

June 12, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 300.00 Cr.
Short Term Rating	ACUITE A1+(CE) (Assigned)
Total Bank Facilities Rated*	Rs. 22.00 Cr.
Short Term Rating	ACUITE A2 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned short term rating of '**ACUITE A1+ (CE)**' (read as **ACUITE A one plus (Credit Enhancement)**) on the Rs. 300 crore of bank facilities and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 22 crore of bank facilities of AMPL Cleantech Private Limited.

Incorporated in 2006, AMPL Cleantech Private Limited (ACPL) is a West Bengal based company engaged in the business of solar power generation. The company has acquired four operational solar power plants having total capacity of 55MW from their group company, Narbheram Vishram under slump sale agreement in March, 2018. The company has 40 MW solar power project in Madhya Pradesh and 15 MW solar power project in Telangana. The company supplies power to strong counterparties such as Madhya Pradesh Power Management Company Limited (MPPMCL) and Southern Power Distribution Company of Telangana Limited (SPDCTL) with whom they have signed long-term power purchase agreements (PPAs) for 25 years. The company is promoted by the Atha group. Currently, Mr. Gaurav Atha and Mr Vishal Atha look after the day-to-day operations of the company.

About Subsidiaries

NVR Renew Private Limited has a 20 MW solar power project in Karnataka and has signed PPA with Bangalore Electricity Supply Company for 25 years. The project was commissioned in Oct, 2017.

NVR Mahasolar Private Limited has a 50 MW solar power project in Maharashtra and has signed PPA with Solar Energy Corporation of India for 25 years. The project was commissioned in July, 2017.

Celestial Solar Solutions Private Limited has a 10 MW solar power project in Karnataka and has signed PPA with Mangalore Electricity Supply Company for 25 years. The project was commissioned in Feb, 2017.

RDA Energy Private Limited has a 10 MW solar power project in Rajasthan and has signed PPA with Solar Energy Corporation of India for 25 years. The project was commissioned in Mar, 2015.

NVR Infrastructure & Services Private Limited has a 10 MW solar power project in Rajasthan and has signed PPA with NTPC Vidyut Vyapar Nigam Limited for 25 years. The project was commissioned in Feb, 2013.

NVR Energy Private Limited has a 100 MW solar power project in Tamil Nadu and has signed PPA with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) for 25 years. The project has been recently commissioned in Oct, 2019.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of AMPL Cleantech Private Limited (ACPL) and its six wholly-owned subsidiaries to arrive at the rating. The consolidation is on account of

similarities in the line of business, significant operational and financial linkages and common management. Extent of consolidation: Full.

Acuité has notched up the rating by factoring in Credit Enhancement in the form of unconditional and irrevocable guarantee extended by Indian Renewable Energy Development Agency Limited (IREDA) for the Letter of Credit (LC) facility sanctioned by IndusInd Bank and Axis bank. Due to the unconditional and irrevocable guarantee, the rating of ACPL is mapped to that of the guaranteeing entity.

Standalone (Unsupported) Rating

ACUITE A2

Key Rating Drivers

Strengths

- **Unconditional and irrevocable guarantee extended by IREDA**

IREDA has provided an unconditional and irrevocable guarantee to the LC facilities extended by IndusInd Bank and Axis Bank totaling to Rs. 300 crs. These LCs have been issued to import the solar equipments of the company. According to the terms of agreement, the guarantor will pay the bank obligations in case of any shortfall in payment from the borrower. This letter of comfort/guarantee is valid for a year from the date of issue. The validity period covers the LC maturities entirely, the last one being September 2020. Acuité derives comfort from the guarantee and its terms as the credit quality of the LC facility reflects the credit quality of the guarantor.

- **Experienced management and part of an established group**

The company is part of an established group known as Atha group which is engaged in the business of iron-ore mining since 1953. The group has diversified its operations into iron-ore mining, solar power generation, manufacturing of sponge iron and billets and calcined petroleum coke over the years. The company is controlled by promoter directors, Mr. Gaurav Atha and Mr Vishal Atha who possess business experience of more than two decades. The group has a track record of over seven years in the solar power generation industry. Acuité believes the vast experience of the promoter has enabled the company to build strong relationship with state distribution utilities and enter into long-term PPAs with them.

- **Low offtake risk due to presence of long-term Power Purchase Agreement (PPA)**

The group has long-term PPAs in place and is supplying power to respective state distribution utilities. ACPL has entered into long-term PPAs with Madhya Pradesh Power Management Company Limited (MPPMCL) for the entire supply of 40 MW solar power energy and with Southern Power Distribution Company of Telangana Limited (SPDTCL) for 15 MW solar power energy for a period of 25 years. The tariff rates are fixed at Rs.5.72 per unit with SPDTCL for 15 MW solar power energy and Rs.5.39 per unit with MPPMCL for 30 MW solar power energy and Rs.6.90 per unit with MPPMCL for 10 MW solar power energy.

As per the terms of PPA, the due date for payment is 60 days from the receipt of the invoice. Acuité believes that the presence of a long term fixed tariff agreement, thus, mitigates the offtake risk associated with the project and provides long term revenue visibility.

- **Average financial risk profile**

The financial risk profile of the group is moderate marked by high net worth and high gearing. The tangible net worth of the group stood high at Rs.434.82 crore as on 31st March, 2020 (Provisional) against Rs. 370.43 crore as on 31st March, 2019. The net worth in FY20 includes compulsorily convertible debentures (CCDs) worth Rs. 150.00 crore and unsecured loans from promoters of Rs. 237.00 crore. Acuité has treated unsecured loan from promoters as quasi equity as it is subordinated to the company's external debt. The gearing (debt-equity) stood high at 2.51 times in FY2020 (Provisional) against 2.14 times in FY2019. The total debt of the group stood high at Rs. 1,093.00 crore as on March 31st, 2020 (Provisional) which consists of long term borrowings of Rs.

1038.00 crore and short term borrowings of Rs.55.00 crore. The high debt in FY20 is due to new term loan of Rs.309.00 crore taken from IREDA for 100 MW project for one of its subsidiaries, NVR Energy Private Limited. The project has been commissioned in Oct, 2019 in Tamil Nadu. Acuite believes the financial risk profile of the group is expected to improve going forward with gradual reduction of long term loans and healthy cash generation in the medium term.

Weaknesses

• Limited track record of new projects in Tamil Nadu

The group has commissioned two new solar power projects of 100 MW each in Tamil Nadu in Oct, 2019. 100 MW solar power project has been commissioned at a cost of Rs.412 crore under its subsidiary NVR Energy Private Limited and another 100 MW has been commissioned at a similar cost under its associate company, Narbheram Solar TN Private Limited. 100 MW project under NVR Energy Private Limited has been funded from Rs.309 crore of term loan from IREDA and Rs.103 crore of equity in the form of compulsorily convertible debentures (CCD). Thus, high debt in FY20 is due to new term loan of Rs.309.00 crore taken from IREDA for 100 MW project for one of its subsidiaries, NVR Energy Private Limited. Moreover, 100 MW project under Narbheram Solar TN Private Limited has been similarly funded from Rs.309 crore of term loan from IREDA and Rs.103 crore of equity in the form of compulsorily convertible debentures (CCD).

A significant part of future revenue over the medium term is envisaged to come from the new 100 MW project in Tamil Nadu under NVR Energy Private Limited, which is yet to establish its track record. Acuite believes that the project's ability to maintain adequate solar power generation going forward shall be the key rating sensitivity. Nevertheless, PPAs has been signed with Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) for 25 years for both the projects. Thus, this substantially mitigates the offtake risk associated with the project.

• Exposure to regulatory risk and changes in the credit profile of SPDTCL

The company is exposed to regulatory risks associated with tariff rates and changes in government policies for solar plants. Further, any change in terms of PPA due to events such as renegotiation of rates by SPDTCL will have an impact on the profitability and debt servicing metrics of the company. Acuite observes that there have been significant delays in payment from SPDTCL in the past. Thus, any sharp decline in the credit profile of SPDTCL could impact its ability to meet the operational or financial commitments, which in turn could impact the cashflows of ACPL. Moreover, delay in realization from SPDTCL will further put pressure on working capital requirements of the group. Hence, any major change in the credit profile of SPDTCL will remain the key rating sensitivity.

Rating Sensitivity

- Timely realization of receivables
- Adequate generation in new project
- Significant decline in debt levels

Material Covenants

None

Liquidity:

The group's liquidity is adequate marked by moderate net cash accruals of Rs.32.51 crore in FY2019 against debt obligations of Rs.23.84 crore in the previous year. The group's operations are working capital intensive marked by high gross current asset (GCA) of 251 days in FY2019 as against 429 days in FY2018. The current ratio stood at 1.68 times as on March 31, 2019. The group maintains unencumbered cash and bank balances of Rs.29.17 crore as on March 31, 2019. It also has unencumbered fixed deposits / investments of about Rs.22.00 crore as on March 31, 2019 and the same are expected to remain over the medium term. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term despite stretch in its receivables.

Outlook: Stable

Acuite believes that the group will maintain a 'Stable' outlook on account of the low offtake risk arising due to the long-term Power Purchase Agreements (PPA) with the discoms. The outlook may be revised to 'Positive' in case of higher than expected cash accruals owing to higher PLF or early repayment of loan. Conversely, the outlook may be revised to 'Negative' in case of any unplanned significant debt funded capital expenditure or investment of funds outside the business or any significant stretch in its receivables leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	160.77	100.90
PAT	Rs. Cr.	(22.55)	(23.50)
PAT Margin	(%)	(14.03)	(23.29)
Total Debt/Tangible Net Worth	Times	2.14	2.14
PBDIT/Interest	Times	1.31	1.12

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Credit enhancement - <https://www.acuite.in/view-rating-criteria-49.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	300.00	ACUITE A1+(CE) (Assigned)
Working Capital Loan	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A2 (Assigned)

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About Acuité Ratings & Research:

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