

ACME Nalanda Solar Power Private Limited
 July 15, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	71.71 (Enhanced from 70.55)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	71.71 (Rs. Seventy-One Crore and Seventy-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of ACME Nalanda Solar Power Private Limited (ANSPPPL) continues to factor in the satisfactory operational track record of around 5 years along with timely receipts of payments from the off-taker so far. The ratings continue to take into account adequate liquidity in the form of 2 quarter DSRA which continues to remain in place, experienced promoters viz. Acme Cleantech Solutions Private Limited (ACSPL), long-term off-take arrangement through Power Purchase Agreements (PPAs) with North Bihar Power Distribution Company Ltd (NBPDC) & South Bihar Power Distribution Company Ltd (SBPDCL) at a fixed tariff for the entire capacity and comfortable debt coverage indicators.

The ratings are, however, constrained by counterparty credit risk on account of relatively weak financial risk profile of both the off-takers, interest rate fluctuation risks and exposure to climatic conditions and technological risks.

Key Rating Sensitivities:**Positive Factors-Factors that could lead to positive rating action/ upgrade:**

- Improvement in the credit profile of the off-takers viz. NBPDC and SBPDCL

Negative Factors-Factors that could lead to negative rating action/ upgrade:

- Actual generation lower than base case, leading to deterioration in cash accruals thereby negatively impacting the coverage indicators
- Delays in receipt of payments from the off-taker leading to increase in debtor cycle to more than 3 months on sustainable basis.
- Deterioration in credit risk profile of the off-takers viz. NBPDC and SBPDCL
- Inability of the SPVs to meet required covenants as per the sanctioned terms leading to breach in terms of financing agreements including maintenance of DSRA

Detailed description of the key rating drivers**Key Rating Strengths**

Satisfactory operational performance with track record of around 5 years: The project has operational track record of around 5 years with satisfactory generation levels. The company has achieved CUF of 16.84% in FY21 as against 16.60% in FY20. The solar irradiation levels during FY20 were relatively lower, which impacted the generation levels of the company in FY20, however, the generation levels have improved during FY21. Nevertheless, going forward, achievement of P-90 generation levels will be crucial from cash flow perspective.

Comfortable debt coverage indicators: In March 2021, the company refinanced the existing term loan with a new term loan. As per the new sanctioned terms, the tenor of the refinanced loan has been increased with a downward revision in the interest rate, thereby leading to a significant improvement in the debt coverage indicators of the company.

In line with the new sanctioned terms, the company is maintaining DSRA equivalent to 2 quarter of debt servicing obligations in the form of FDs of Rs.6.12 crore as on April 2021.

Long-term PPAs in place: ANSPPL is supplying power to North Bihar Power Distribution Company Limited (NBPDC) and South Bihar Power Distribution Company Limited (SBPDCL) as per the terms of long-term PPA signed in January 2015 for supply of power at a fixed tariff of Rs.8.73 per kWh for a period of 25 years under the

State Solar Power Policy. With a long-term off-take arrangement at a fixed tariff, the company has long-term revenue visibility.

Experienced Promoters: ACME Nalanda Solar Power Private Limited (ANSPL) is a wholly owned subsidiary of ACME Solar Energy Private Limited (ASEPL) and a step-down subsidiary of ACME Solar Holdings Limited (ASHL) which is the holding company for all the solar assets of ACME group. The management of ACME group is experienced, with a track record of setting up and operating renewable power projects. Acme group has an operational capacity of 1.69 GW and under implementation capacity of 1.75 GW as on March 31, 2021, spread across multiple states in India. Nevertheless, overall financial risk profile of the ACME group is moderate given relatively high corporate debt and higher percentage of operational projects having relatively weak to moderate risk profile.

Industry Outlook: With the great thrust from the government, there had been significant solar power capacity additions in the last 5 years. However, capacity additions remained muted during last three years ended FY21 on the back of imposition of safeguard duty on import of solar cells & modules w.e.f. July 2018 for two years, which was later extended till July 2021, roll out of GST, attempts to renegotiate tariffs for concluded PPAs, cancellation of multiple concluded auctions on the back of declining tariffs and Covid-19 pandemic induced lockdown. However, capacity additions picked up from June 2020 onwards and with large amount of already bid out capacity, large capacity additions are expected in FY22 & FY23.

Solar projects have relatively lower execution risks, long-term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, stable power generation, distribution of solar capacity across many states, lower tariffs compared to conventional power generation, must run status of these projects, greater investor interest due to ESG compliance features with attractive returns. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, evolving technology advancements with limited satisfactory operational track record in India, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up etc. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook.

Going forward the key monitorables would be prices of solar modules, performance of the modules in Indian conditions, technology advancements, effectiveness of BCD regime & PLI scheme to boost domestic solar cell and module manufacturing, project implementation risks associated with innovative concepts like wind-solar hybrid projects, battery storage solar projects and pumped storage solar projects, developments in claim of off-takers for renegotiation of PPAs, financial health of Discoms, capacity additions of rooftop solar and effect of second wave of Covid pandemic over solar capacity additions.

Key Rating Weaknesses

Relatively weak financial risk profiles of the off-takers though payments are made in timely manner: The financial risk profiles of NBPDC and SBPDCL are relatively weak, marked by losses annually and high AT&C losses but the payment track record to solar projects has been satisfactory and payments are being made within the due date for majority of the period which provide some comfort.

However, in last 6 months, there has been slight elongation in debtor cycle of one of the off-taker viz. NBPDC from 10-15 days to around 40 days. Since, timely receipt of payments from the off-taker is extremely crucial from cash flow perspective, this would remain a key monitorable and a critical rating sensitivity.

Interest Rate Fluctuation Risk: The term loans availed for the projects are floating rate loans and the lenders have stipulated annual reset clauses for the interest rates. However, as per the PPA, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company to risk of any change in the cost factors. The interest cost being the primary cost component on cash basis, any adverse movement in interest rate would impact the overall debt-servicing ability of the SPV.

Exposure to technology and climatic risks: The Company has used poly-crystalline PV technology, which has a proven history worldwide, suffers relatively lower degradation as compared to thin film modules and requires lesser land leading to reduction in the Balance of Systems (BoS) cost. However, 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

Liquidity Analysis: Adequate

The company had cash and cash equivalents of Rs.10.26 crore as on April 30, 2021. Apart from cash & bank balance, the company has also created DSRA of Rs.6.12 crore, equivalent to 2 quarters of debt servicing in the form of fixed deposits (FDs). The company does not have any sanctioned working capital lines as on date.

GCA for FY22 and FY23 is projected to be around Rs.10.31 crore and Rs.10.50 crore as per base case assumptions as against total debt repayment of Rs. 4.48 crore and Rs. 4.48 crore during the same period.

Impact of COVID-19: There has been no significant impact on the operations of the project. Also, there has not been any instance of power curtailment by off-taker during the lockdown period. The project not availed any moratorium for debt servicing in lieu of covid-19 pandemic.

Analytical approach: Standalone

Applicable Criteria

CARE's methodology for Infrastructure sector ratings

Criteria on assigning Outlook and Credit Watch to Credit Ratings

Criteria for default recognition

Rating Methodology: Solar Power Projects

CARE's methodology for private power producers

Financial Ratios – Non-Financial Sector

Liquidity Analysis of Non-Financial Sector Entities

About the Company

ACME Nalanda Solar Power Private Limited (ANSPPL), a 100% subsidiary of ACME Solar Energy Private Limited (ASEPL) and a step-down subsidiary of ACME Cleantech Solutions Private Limited (ACSPL), has set up a 15 MW grid connected solar photovoltaic (PV) power project in Banka, Bihar using Multi-Crystalline Silicon technology. The project achieved COD on June 28, 2016 and was set up at a cost of Rs.113.33 crore (Rs.7.56 crore/MW) funded at debt-equity ratio of 3.00x. The company is supplying entire power to North Bihar Power Distribution Company Limited (NBPDC) and South Bihar Power Distribution Company Limited (SBPDCL) under a 25-year Power Purchase Agreement (PPA), which was signed in January 2015 at a fixed tariff of Rs.8.73/kWh.

Brief Financials – ANSPPL Standalone (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total operating income	19.67	19.98
PBILDT	18.71	18.99
PAT	1.82	1.45
Overall gearing (times)	2.49	4.75*
Interest coverage (times)	2.11	1.94

A: Audited; Prov.: Provisional

*The refinanced debt from the new lenders were disbursed in the company's account in March 2021, however the old debt was prepaid during the first week of April 2021. Therefore, as on March 30, 2021, both old and new debt were included in the rupee term loan hence showing increase in overall gearing ratio.

Covenants of rated instrument/facility: Detailed explanation of the rated instruments/ facilities is given in Annexure-3

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
Fund-based - LT-Term Loan	-	-	March-2037	71.71	CARE A-; Stable

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	71.71	CARE A-; Stable	1)CARE A-; Stable (18-Jun-21)	1)CARE A-; Stable (29-Jan-21)	1)CARE A-; Stable (11-Feb-20)	1)CARE A-; Stable (12-Feb-19)
2.	Non-fund-based-Short Term	ST	-	-	-	-	1)Withdrawn (11-Feb-20)	1)CARE A2+ (12-Feb-19)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Long term loan	Detailed explanation
A. Financial covenants	
i. Term Loan	<ul style="list-style-type: none"> The DSCR shall not be lower than 1.42x Total Debt to Equity Ratio shall not exceed 72.9:27.1.
B. Non- financial covenants	
i. Capital Expenditure and Investments	The borrower shall not make any capital expenditure other than the capital expenditure provided for in the Financing Plan, for replacement of the assets of the borrower; or incurred in the normal course of business.
ii. Subordination to the Rupee term loan	<p>Except as otherwise provided in the financing documents, the subordinate loan or other monies brought in by any person as loans (including, but not limited to, the bonds, debenture etc.) towards meeting the project cost shall:</p> <ol style="list-style-type: none"> Be subordinated to the rupee term loan Not be repaid/ redeemed till the final settlement date Not carry any interest until the final settlement date; and Be without recourse to lender and the assets pertaining to the project

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

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.

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