

Rating Rationale

August 23, 2022 | Mumbai

Acme Solar Rooftop Systems Private Limited

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.129.72 Crore (Reduced from Rs.137.65 Crore)
Long Term Rating	CRISIL A/Stable (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A/Stable' rating on the long-term bank facilities of Acme Solar Rooftop Systems Private Limited (ASRSPL). The rating on bank facilities worth Rs 7.93 crore has been **withdrawn** since they have been repaid as confirmed by lender. The withdrawal is in line with the policy of CRISIL Ratings' on withdrawal of ratings.

The rating reflects the healthy revenue visibility and comfortable debt-servicing metrics for ASRSPL and a well-defined waterfall mechanism. These strengths are partially offset by exposure to counterparty risks and risks inherent in the operations of renewable energy assets.

Analytical Approach

CRISIL Ratings has taken a standalone view on ASRSPL.

Key Rating Drivers & Detailed Description

Strengths:

Healthy revenue visibility through a power purchase agreement (PPA)

The 25-year PPA signed with Punjab State Power Corporation Ltd (PSPCL) minimizes offtake risk and provides revenue visibility. The entire 30 MW capacity became operational in May 2016. The PPA has a fixed tariff of Rs 7.57 per kilowatt hour (kWh) throughout its tenure. The company has been receiving payments against the PPA within 2-3 months of billing since commissioning.

Comfortable debt-servicing metrics

A fixed tariff PPA with PSPCL should ensure an adequate average debt service coverage ratio (DSCR) over the tenure of the debt. Although ASRSPL has a bullet repayment of about Rs 15 crore in the last quarter of fiscal 2032 (broadly the same as repayment for the entire fiscal 2031), there is a healthy PPA tail period of almost 9 years.

A debt service reserve account (DSRA) covering two quarters of debt servicing is maintained, majorly in the form of fixed deposit, along with a bank guarantee (BG) of Rs 1 crore. The BG does not have any recourse to project assets. Any change in terms of the BG is a rating sensitivity factor. Additionally, the lender has stipulated an additional DSRA requirement of Rs 10.5 crore i.e. Rs 2.1 crore per fiscal over 2023 to 2027.

Well-defined waterfall mechanism

Lenders have control on cash flows of ASRSPL through a Trust and Retention Account (TRA) with a clearly defined waterfall mechanism for prioritization of cash flow utilization. As per the TRA agreement, any outflow, including transfer of surplus, is subject to the defined TRA waterfall (detailed subsequently).

Weakness:

Susceptibility to risks inherent in renewable power projects

Cash flow of ASRSPL remains sensitive to the plant load factor (PLF), which depends entirely on solar irradiance and weather patterns that are inherently unpredictable. This uncertainty may impact the debt servicing capability of the company. The project has performed close to P90 PLF in the past four years.

Exposure to counterparty risk

The long-term PPA with PSPCL for the entire project capacity, exposes ASRSPL to risks related to credit and delay in payment from a single counterparty. However, the company has been receiving payments within 2-3 months of billing for the past four years. Any stretch in the payment cycle will be a rating sensitivity factor.

Liquidity: Adequate

Cash accrual of Rs 27-28 crore expected per fiscal in 2023 and 2024 (at P90 PLF) should cover yearly debt servicing of around Rs 19 -21 crore. ASRSPL has a DSRA covering six months of debt servicing, majorly in the form of fixed deposit along with a BG of Rs 1 crore (without recourse support from the project). Also, unencumbered cash and fixed deposits (excluding DSRA) were around Rs 8.3 crore as on July 31, 2022.

Outlook: Stable

ASRSPL is expected to benefit from the long-term PPA and adequate operational performance (PLF).

Rating Sensitivity Factors**Upward Factors**

- Sustained higher generation at ~P50 levels for 2-3 years
- Faster-than-expected deleveraging leading to sharper improvement in average DSCR (at P90 performance) along with maintenance of current payment cycle of 2-3 months from PSPCL

Downward Factors

- Receivables cycle stretched from the current cycle of 2-3 months
- Significant weakening in performance from P90 PLF levels
- Higher-than-budgeted operations and maintenance (O&M) expenses

TRA waterfall mechanism:

The receivables deposited/credited into the designated account shall be appropriated for the following purposes in the below order of priority:

- Charges payable to the TRA bank
- O&M expenditure including insurance
- Interest charges and any other monies/dues payable by the borrower to the lender as intimated by the lender
- Principal amount payable by the borrower under the loan agreement
- Topping up of the DSRA

Surplus, if any (other than the debt service reserve money), shall be allowed to overflow to the promoters.

About the Company

ASRSPL was incorporated on January 21, 2015, under the Companies Act, 2013. The entity is engaged in the business of establishing, commissioning, setting-up, operating and maintaining power generation using solar energy with an aggregate operational capacity of 30 MW in Punjab commissioned in May 2016. It has a tie-up for sale of energy with PSCPL for a tariff of Rs 7.57 per kWh.

Key Financial Indicators

As on/for the period ended March 31	Unit	2022	2021
Operating income	Rs crore	32	32
Reported profit after tax	Rs crore	3	2
PAT margin	%	8.8	6.5
Adjusted debt/Adjusted networkth	Times	2.07	2.29
Interest coverage	Times	2.07	1.82

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Term Loan	NA	NA	June-2032	129.72	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	NA	7.93	NA	Withdrawn

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	137.65	CRISIL A/Stable		--	23-08-21	CRISIL A/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Term Loan	129.72	CRISIL A/Stable
Term Loan	7.93	Withdrawn

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
The Rating Process
Criteria for rating solar power projects

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p>	<p>Manish Kumar Gupta Senior Director CRISIL Ratings Limited B:+91 124 672 2000 manish.gupta@crisil.com</p> <p>Ankit Hakhu Director CRISIL Ratings Limited B:+91 124 672 2000 ankit.hakhu@crisil.com</p> <p>SAGAR KAPOOR Team Leader CRISIL Ratings Limited B:+91 124 672 2000 SAGAR.KAPOOR@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvTs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>