

Rating Rationale

June 04, 2024 | Mumbai

ACME Heergarh Powertech Private Limited

'CRISIL A-/Positive' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.1152 Crore
Long Term Rating	CRISIL A-/Positive (Assigned)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL A-/Positive**' rating to the long-term bank facilities of ACME Heergarh Powertech Private Limited (AHPPL).

The positive outlook reflects the expectation that operational performance would continue improvement towards better than P90 PLF (of 28.1% with applicable degradation) on a sustained basis.

The rating reflects adequate revenue visibility as the entire capacity is tied up with Maharashtra State Electricity Distribution Company Ltd (MSEDCL). The rating also factors the comfortable debt servicing metrics and a well-defined waterfall mechanism for cash flows. These strengths are partially offset by susceptibility to risk related to the counterparty and those inherent in renewable energy assets.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of AHPPL.

Key Rating Drivers & Detailed Description

Strengths:

- **Healthy revenue visibility through power purchase agreement (PPA):** A 25-year PPA with MSEDCL for the entire 300 MW capacity, which became operational in April-May 2022, minimises offtake risk. The PPA carries a fixed tariff of Rs 2.74 per kilowatt hour (kWh) for the entire tenure. The healthy track record of timely payments from MSEDCL (generally within two -three months) received since commissioning, minimises payment risk.
- **Above-average debt-servicing metrics:** The company has debt of around Rs 1100 crore (principal) outstanding as of April 2024. Debt servicing metrics are likely to be comfortable over the tenure, at P90 plant load factor (PLF), through cash flows generated via supply of power to MSEDCL.
- **Well-defined waterfall mechanism:** Lenders have control on the cash flow of AHPPL through a trust and retention account (TRA) with a clearly defined waterfall mechanism for prioritising cash flow utilisation. As per the TRA agreement, any outflow, including transfer of surplus, is subject to the defined TRA waterfall (details provided later).

Weaknesses:

- **Exposure to technological risk associated with solar power plants and dependence on favourable solar irradiation for power generation:** Solar power generation depends on irradiation levels around the location of the plant. Changes in the average temperature or performance of solar modules may affect power generation and lead to higher-than-expected degradation in solar panels. As the cash flow of a solar power project is highly sensitive to variation in PLF, these factors could impair the debt servicing capability of solar projects.
- **Limited track record of performance above P90 levels:** Though the entire 300 MW capacity got commissioned in April-May 2022, the full DC installation was completed by October 2023. Generation for the past two years has been lower than the P90 levels due to DC Capacity being installed gradually. Track record of achieving P90 on full AC basis has not been seen and this would remain a key monitorable going forward.
- **Exposure to counterparty risk:** The long-term PPA with MSEDCL for the entire project capacity exposes AHPPL to risks related to the credit risk profile of a single counterparty and to any delay in payment. However, the company has been receiving payments within 2-3 months of billing for the past two years. Any stretch in the payment cycle will be a rating sensitivity factor.

Liquidity: Adequate

Expected cash accrual of around Rs 180-185 crore per fiscal in 2025 and 2026 (at P90 PLF), should comfortably cover the yearly debt obligation of less than Rs 150 crores. The company has a DSRA FD (~Rs. 81 crore) maintained with TRA covering 6 months of debt serving obligations.

Outlook: Positive

AHPPL is expected to benefit from interest rate reduction that the SPV would be eligible for once the project gets rated and expected stabilization of operational performance.

Rating Sensitivity factors

Upward factors

- Consistent generation at P90 levels on a sustained basis and receivable cycle less than three months
- Material reduction in quantum of debt or prepayment, leading to better than projected debt service cushion at P90 level of generation

Downward factors

- Weaker than P90 PLF levels
- Material increase in receivable cycle, substantial increase in interest rates or higher than budgeted O&M expense

About the Company

AHPPL operates 300 MW (AC) capacity in Jodhpur, Rajasthan. The entire capacity became operational on April-May 2022. The company has a PPA with MSEDCL at tariff of Rs 2.74 per kWh for 25 years.

Key Financial Indicators

As on / for the period ended March 31		2024	2023
Revenue	Rs crore	184	135
Profit after tax (PAT)	Rs crore	2	(19)
PAT margin	%	1.30	(13.92)
Adjusted debt/adjusted networth*	Times	10.90	10.66
Interest coverage	Times	1.32	1.13

*Excluding excluding Compulsory Convertible Debentures

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 and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Term Loan	NA	NA	May-2041	1152	NA	CRISIL A-/Positive

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	1152.0	CRISIL A-/Positive		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	1152	REC Limited	CRISIL A-/Positive

Criteria Details

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

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