

Rating Rationale

October 07, 2024 | Mumbai

Acme Solar Rooftop Systems Private Limited

Rating outlook revised to 'Positive'; Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.121.27 Crore
Long Term Rating	CRISIL A/Positive (Outlook revised from 'Stable'; Rating reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the long term bank facilities of Acme Solar Rooftop Systems Pvt Ltd (ASRSPL) to 'Positive' from 'Stable' and reaffirmed the rating at 'CRISIL A'.

The outlook revision reflects the possibility of ASRSPL maintaining higher-than-expected liquidity to tide over the bullet repayment in fiscal 2032, implying a lower refinancing risk.

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

Analytical Approach

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

Key Rating Drivers & Detailed Description

Strengths:

- **Healthy revenue visibility through a power purchase agreement (PPA):** The 25-year PPA with Punjab State Power Corporation Ltd (PSPCL) for the entire capacity of ASRSPL minimises offtake risk and provides revenue visibility. The PPA has a fixed tariff of Rs 7.57 per kilowatt hour (kWh) throughout its tenure. The entire 30-MW capacity became operational in May 2016 and ASRSPL has been receiving payments within 2-3 months of billing since commissioning.
- **Comfortable debt-servicing metrics:** The fixed-tariff PPA with PSPCL should ensure adequate 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), a debt service reserve account (DSRA) covering two quarters of peak debt obligation has been maintained, majorly in the form of fixed deposit. Additionally, the lender has stipulated an additional DSRA of Rs 10.5 crore (Rs 2.1 crore per fiscal) over 2023 to 2027.

CRISIL Ratings believes the debt will be maintained at the current level. Given the healthy PPA tail period of almost nine years, any top-up/increase in debt will be monitorable.

- **Well-defined waterfall mechanism:** Lenders have control on the cash flow of ASRSPL 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:

- **Susceptibility to risks inherent in renewable power projects:** Cash flow remains sensitive to the plant load factor (PLF), which depends entirely on solar irradiance and weather patterns, which are inherently unpredictable. This uncertainty may impact the debt servicing capability of ASRSPL. 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 the credit risk profile of a single counterparty and to any delay in payment. However, ASRSPL has been receiving payments within 2-3 months of billing for the past five years. Any stretch in the payment cycle will be a rating sensitivity factor.

Liquidity: Adequate

Cash accrual is expected at Rs 26-27 crore each in fiscals 2025 and 2026 (at P90 PLF) and should cover yearly debt obligation of Rs 19-20 crore. ASRSPL currently has a DSRA of Rs 16.6 crore, majorly in the form of fixed deposit. The company had additional cash (excluding DSRA) of ~Rs 5 crore as of September 2024. The lender has stipulated to maintain

a DSRA of ~Rs 23 crore, equivalent of six months of peak debt servicing. This would be created by fiscal 2027 by augmenting the current DSRA by Rs 2.1 crore each fiscal.

Outlook: Positive

ASRSPL will continue to benefit from consistent operational performance better than P90 levels and expectation of higher liquidity.

Rating sensitivity factors

Upward factors

- Sustainable track record of maintenance of liquidity as per the lender stipulation of six months of peak debt servicing
- Faster-than-expected deleveraging leading to sharp improvement in DSCR (at P90 performance) and maintenance of current payment cycle of 2-3 months by PSPCL

Downward factors

- Any increase in debt levels from current levels leading to lower DSCR
- Stretch in receivables beyond the current cycle of 2-3 months
- Significant weakening in performance from the P90 PLF level

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
- Operations and maintenance (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 company has set up, operates and maintains solar power generation plants with aggregate operational capacity of 30 MW in Punjab. The capacity was commissioned in May 2016. It has a tie-up for sale of energy to PSCPL at a tariff of Rs 7.57 per kWh.

Key Financial Indicators

As on / for the period ended March 31		2024	2023
Operating income	Rs crore	33	33
Reported profit after tax (PAT)	Rs crore	11	5
PAT margin	%	34.7	15.4
Adjusted debt/adjusted networth	Times	1.42	1.80
Interest coverage	Times	2.64	2.48

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 Outstanding with Outlook
NA	Term Loan	NA	NA	30-Jun-32	121.27	NA	CRISIL A/Positive

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	121.27	CRISIL A/Positive		--	10-10-23	CRISIL A/Stable	23-08-22	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)	Name of Lender	Rating
Term Loan	121.27	Indian Renewable Energy Development Agency Limited	CRISIL A/Positive

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

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