ACME Magadh Solar Power Private Limited

February 12, 2019

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term bank facilities	53.11 (reduced from Rs.55.94 crore)	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Short-term Bank Facilities	10.00	**CARE A2+ (A Two Plus)**	Revised from CARE A3+ (A Three Plus)
Total Facilities	**63.11 (Rs. Sixty Three Crore and Eleven Lakhs only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of ACME Magadh Solar Power Private Limited (AMSPPL) factors in satisfactory operational track record of more than 2.5 years, timely receipts of payments from the off-taker and timely creation of DSRA for 2 quarters within stipulated timelines. The revision in ratings also factors comfortable liquidity in the form of surplus cash and bank balance supported by sanctioned working capital limits apart from 2 quarter DSRA created.

The ratings continues to factor in experienced promoters viz. Acme Cleantech Solutions Private Limited (rated CARE BBB+; Stable, CARE A2+), long-term off-take arrangement through Power Purchase Agreement (PPA) with North Bihar Power Distribution Company Ltd (NBPDCL) & 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 the off-takers, interest rate fluctuation risks and exposure to climatic conditions and technological risks.

Going forward, achievement of desired energy generation levels and timely receipt of payments from the off-takers shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Satisfactory operational performance with track record of more than 2.5 years: The project has operational track record of more than 2.5 years with satisfactory generation levels. The company has achieved CUF of 17.93% in FY18 which is better as compared to FY17 levels. The plant generated net CUF of 17.92% during 9MFY19 as against 17.52% during 9MFY18. The generation levels in trailing 12 months have been satisfactory and are better than the P90 estimates. However, going forward sustainable achievement of P90 levels will be crucial.

Comfortable debt coverage indicators: During FY18, the company reported total operating income of Rs.13.75 crore with PAT and Gross Cash Accruals (GCA) of Rs.1.30 crore and Rs.6.31 crore respectively. The coverage indicators are comfortable on account of elongated repayment terms. The company has a comfortable liquidity position as well.

Long-term PPA: AMSPPL is supplying power to North Bihar Power Distribution Company Ltd (NBPDCL) and South Bihar Power Distribution Company Ltd (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. The company is receiving most of the payment from the off-taker before the due date.

Experienced Promoters: ACME Magadh Solar Power Private Ltd. (AMSPPL), is a wholly owned subsidiary of ACME Solar Energy Pvt Ltd. (ASEPL) and a step down subsidiary of ACME Solar Holdings Ltd. (ASHL). The management of ACME group is experienced**,** with a track record of setting up and operating renewable power projects. ASHL has an installed solar power capacity of 1.81 GW under various SPV's. Also projects with a combined capacity of 1.55 GW are under development as on December 2018.

Industry outlook: As per the National Solar Mission Scheme, cumulative solar installed capacity is projected to reach to 100 GW (including 40 GW rooftop projects) by 2022. Solar projects have relatively lower execution risks, stable long term cash flow visibility with long term off take arrangements at a fixed tariff and minimal O&M requirements. However, there

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

are concerns pertaining to weak financial health of discoms and their ability to make timely payments to the developers, building up of sufficient evacuation infrastructure to cater to huge RE capacity addition, lack of stricter RPO enforcement by the state regulators and level of degradation of the modules given relatively lesser track record of technology in Indian conditions.

Key Rating Weaknesses

Relatively weak financial risk profiles of the off-taker though payments are made in timely manner and within the due date: The financial risk profiles of NBPDCL 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. Also, with the state of Bihar joining the UDAY scheme in February 2017, the discoms are expected to derive benefits in terms of reduction in interest cost.

Interest Rate Fluctuation Risk: The term loans availed are floating rate loans and the lenders can reset the interest rates annually. However, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company to risk of any adverse movement in interest cost.

Exposure to technology and climatic risks: 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: The company has comfortable liquidity profile with cash and cash equivalents of Rs.2.92 crore as on February 2019. Apart from cash & bank balance, the company has also created DSRA equivalent to 2 quarters of debt servicing in the form of fixed deposits (FDs) and has also received sanction for working capital limits of Rs.3.77 crore under the umbrella limit availed by the group which is currently 100% unutilized as on February 2019.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology – Infrastructure Sector Ratings
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Private Power Producers

About the Company
ACME Magadh Solar Power Private Ltd, is a wholly owned subsidiary of ACME Solar Energy Pvt Ltd. (ASEPL) and a step down subsidiary of ACME Solar Holdings Ltd. (ASHL), has set up a 10 MW grid connected solar photovoltaic (PV) power project in Banka, Bihar using Multi-Crystalline Silicon technology, which was commissioned on Jun 28, 2016 and was set up at a cost of Rs.75.43 crore (Rs.7.54 crore/MW) funded at debt-equity ratio of 3.00x.
AMSPPL is supplying power to NBPDCL & 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.

Brief Financials – AMSPPL Standalone (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	9.04	13.75
PBILDT	8.46	13.03
PAT	-0.73	1.30
Overall gearing (times)	2.97	2.73
Interest coverage (times)	1.55	2.05

A: Audited

Status of non-cooperation with previous CRA:
Not Applicable

Any other information:
Not Applicable

Rating History for last three years: Please refer Annexure-2

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.*

Analyst Contact:
Name: Kunal Arora
Tel: 011-45333247
Mobile: 98101 34478
Email: kunal.arora@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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	-	-	Jun-32	53.11	CARE A-; Stable
Non-fund-based-Short Term	-	-	-	10.00	CARE A2+

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	53.11	CARE A-; Stable	-	1)CARE BBB; Stable (22-Jan-18)	-	-
2.	Non-fund-based-Short Term	ST	10.00	CARE A2+	-	1)CARE A3+ (22-Jan-18)	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691