

ACME Nalanda Solar Power Private Limited

February 12, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term bank facilities	79.90 (reduced from Rs. 84.15 crore)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Short-term Bank Facilities	15.00	CARE A2+ (A Two Plus)	Revised from CARE A3+ (A Three Plus)
Total Facilities	94.90 (Rs. Ninety Four Crore and Ninety Lakh 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 Nalanda Solar Power Private Limited (ANSPPL) 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 (ACSPL, rated CARE BBB+; Stable, CARE A2+), 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 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 16.93% in FY18 which is better as compared to FY17 levels. The plant generated net CUF of 17.14% during 9MFY19 as against 16.54% during 9MFY18. Also, the generation levels in trailing 12 months have been satisfactory and in-line with P-90 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. 19.14 crore with PAT and Gross Cash Accruals (GCA) of Rs. 1.05 crore and Rs. 8.42 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: ANSPPL is supplying power to North Bihar Power Distribution Company Ltd (NBPDC) 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 Nalanda Solar Power Private Ltd. (ANSPPL), 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.

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

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 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-takers though payments are made in a timely manner and within due date: 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. 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.4.08 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.5.67 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 Nalanda Solar Power Private Limited (ANSPPL), a 100% subsidiary of ACME Solar Energy Pvt Ltd and a step down subsidiary of ACME Cleantech Solutions Pvt Ltd 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 Ltd (NBPDC) and South Bihar Power Distribution Company Ltd (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)	FY17 (A)	FY18 (A)
Total operating income	11.92	19.14
PBILDT	11.23	18.15
PAT	-1.15	1.05
Overall gearing (times)	3.13	2.89
Interest coverage (times)	1.35	1.92

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.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-2032	79.90	CARE A-; Stable
Non-fund-based-Short Term	-	-	-	15.00	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	79.90	CARE A-; Stable	-	1)CARE BBB; Stable (22-Jan-18)	-	-
2.	Non-fund-based-Short Term	ST	15.00	CARE A2+	-	1)CARE A3+ (22-Jan-18)	-	-

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