

ACME Nalanda Solar Power Private Limited

February 11, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term bank facilities	75.86 (reduced from Rs.79.90 crore)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	-	-	Withdrawn*
Total Facilities	75.86 (Rs. Seventy Five Crore and eighty six lakhs only)		

Details of instruments/facilities in Annexure-1

*CARE has withdrawn the rating assigned to the short-term bank facilities (Letter of Comfort) of ANSPPL with immediate effect, as the company has returned the aforementioned facility in full and there is no amount outstanding as on date.

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of ACME Nalanda Solar Power Private Limited (ANSPPL) continue to factors in satisfactory operational track record of more than 3.5 years and timely receipts of payments from the off-taker. The ratings continue to take into account adequate liquidity in the form of surplus cash and bank balance, apart from 2 quarter DSRA which continues to remain in place, experienced promoters viz. Acme Cleantech Solutions Private Limited (ACSPL), 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 both the off-takers, interest rate fluctuation risks and exposure to climatic conditions and technological risks.

Rating Sensitivities:

Positive Factors:

- Generation better than P-90 levels of 17.78% (applicable for 1st full year of operations along with annual degradation) on a sustained basis.
- Timely receipt of payments from the off-taker in-line with PPA terms on a continuous basis

Negative Factors:

- Significantly lower than envisaged CUF levels (P-90 of 17.78% applicable for 1st full year of operations along with annual degradation) negatively impacting the coverage indicators of the project
- Delay in receipt of payments from the off-taker leading to elongation in receivable days beyond 3 months
- Non-receipt or delay in receipt of timely need based support from the promoters viz. ACSPL & ASHL
- Non-compliance of various covenants as per sanctioned terms including continued maintenance of DSRA equivalent to 2 quarters of debt servicing
- Deterioration in financial risk profile of off-taker
- Deterioration in financial risk profile of the promoter viz. ACSPL & ASHL

Detailed description of the key rating drivers

Key Rating Strengths

Satisfactory operational performance with track record of more than 3.5 years: The project has operational track record of more than 3.5 years with satisfactory generation levels. The company has achieved CUF of 17.16% in FY19 as against 16.70% in FY18. Though, there has been some moderation in generation levels during FY20 with plant generating net CUF of 16.22% during 9MFY20 as against 16.83% during 9MFY19. The moderation is on account of relatively lower solar irradiation levels. Nevertheless, generation levels in trailing 12 months have been satisfactory. Going forward sustainable achievement of P90 levels will be crucial from cash flow perspective.

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

Comfortable debt coverage indicators: During FY19, the company reported total operating income of Rs.19.87 crore with PAT and Gross Cash Accruals (GCA) of Rs.2.33 crore and Rs.9.57 crore respectively. The coverage indicators continue to be comfortable on account of elongated repayment terms and high tariffs.

Long-term PPAs in place: 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 majority of payments 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) which holding all the solar assets of ACME group. The management of ACME group is experienced, with a track record of setting up and operating renewable power projects. ACSPL (EPC and O&M entity for ACME group), the ultimate holding company of ANSPPL has commissioned 2.15 GW of solar capacity as on November, 2019 making Acme group one of the largest solar power player in India. Nevertheless, overall financial risk profile of the ACME group is moderate.

Industry outlook: There is great thrust from Govt. for improving the share of solar power in India's overall power mix which is reflected from various policy initiatives. There had been muted solar power generation capacity additions during FY19 & H1FY20 on the back of imposition of safeguard duty on import of solar modules, lack of clarity w.r.to GST rate on solar modules and cancellation of large amount of solar auctions. However, looking at the already allotted capacity and govt.'s push for achieving targeted solar capacity of 100 GW by end FY22, capacity additions are likely to improve in next two to three years. Solar projects have relatively lower execution risks, stable long term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, tariffs comparable to conventional power generation, must run status of solar power projects and upward revision in solar RPO achievement targets. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter RPO enforcement by the state regulators, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook.

Going forward key monitorables would be prices of solar modules, performance of the modules in Indian conditions, developments in claim of off-takers for renegotiation of PPAs, modalities to compensate under change in law for safeguard duty, payment pattern of off-takers, imposition of any anti-dumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance

Key Rating Weaknesses

Relatively weak financial risk profiles of the off-takers though payments are made in timely manner and within the 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 which provide some comfort.

Interest Rate Fluctuation Risk: The term loans availed for the projects are floating rate loans and the lenders have stipulated annual reset clauses for the interest rates. However, as per the PPA, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company's to risk of any change in the cost factors. The interest cost being the primary cost component on cash basis, any adverse movement in interest rate would impact the overall debt-servicing ability of the SPV.

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: Adequate

The company had cash and cash equivalents of Rs.4.88 crore as on December 31, 2019. Apart from cash & bank balance, the company has also created DSRA of Rs.6.12 crore, equivalent to 2 quarters of debt servicing in the form of fixed deposits (FDs). The company does not have any sanctioned working capital lines as on date.

Gross cash accrual for FY20 and FY21 is projected to be around Rs.8.95 crore and Rs.9.17 crore as per base case assumptions as against total debt repayment of Rs.12.76 crore and Rs.12.35 crore during the same period.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Private Power Producers](#)

[Rating Methodology: Solar Power Projects](#)

[Policy on Withdrawal of Ratings](#)

About the Company

ACME Nalanda Solar Power Private Limited (ANSPPPL), 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 – AMSPPL Standalone (Rs. crore)	FY18 (A)	FY 19 (A)
Total operating income	19.14	19.87
PBILDT	18.15	18.86
PAT	1.05	2.33
Overall gearing (times)	2.89	2.56
Interest coverage (times)	1.92	2.19

A: Audited

Covenants of rated instrument/facility: Detailed explanation of the rated instruments/ facilities is given in Annexure3

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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	75.86	CARE A-; Stable
Non-fund-based-Short Term	-	-	-	0.00	Withdrawn

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	75.86	CARE A-; Stable	-	1)CARE A-; Stable (12-Feb-19)	1)CARE BBB; Stable (22-Jan-18)	-
2.	Non-fund-based-Short Term	ST	-	-	-	1)CARE A2+ (12-Feb-19)	1)CARE A3+ (22-Jan-18)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Long term loan	Detailed explanation
A. Financial covenants	
i. Term Loan	<ul style="list-style-type: none"> • The ratio of TOL to TNW shall not exceed 3 • DSCR shall not be lower than 1.12x • Total Debt to Equity Ratio shall not exceed 75:25
B. Non- financial covenants	
i. Creation of DSRA	The borrower shall maintain DSRA equivalent to ensuing two quarter interest payment and Repayment Installment, in a form and manner acceptable to the lender, or provide a BG or FD, for an amount equivalent to ensuing two quarter interest payment and Repayment Installment.
ii. Capital Expenditure	The borrower shall not make any capital expenditure other than the capital expenditure provided for in the Construction Budget and Annual Budget
iii. O&M agreement	The borrower shall, after expiry of O&M Arrangement, induct/hire competent technical personnel for ensuring proper operation of the Project

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.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Mr. Kunal Arora

Group Head Contact no. - 011-45333247

Group Head Email ID- kunal.arora@careratings.com

Relationship Contact

Name: Ms. Swati Agrawal

Contact no. : 011-45333200

Email ID: swati.agrawal@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.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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