ACME Odisha Solar Power Private Limited

March 03, 2021

Ratings

S.No.	Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
1.	Long Term Bank Facilities	146.56 (Reduced from 154.31)	CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable]#	Reaffirmed
2.	Short Term Bank Facilities	0.00	-	Reaffirmed at CARE A2+ (CE)[A Two Plus (Credit Enhancement)] and Withdrawn@
	Total Instruments	**146.56 (Rs. One Hundred Forty-Six Crore and Fifty-Six Lakhs Only)**		

Details of instruments/facilities in Annexure-1
 # backed by unconditional & irrevocable co-obligor undertaking provided by both the entities (viz. ACME Raipur Solar Power Private Limited and ACME Odisha Solar Power Private Limited) to each other
@CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE A2+ (CE)' [A Two Plus; Credit Enhancement] assigned to the short-term bank facilities of AOSPPL with immediate effect (Sr no 2). The above action has been taken at the request of AOSPPL and 'No Objection Certificate' received from the lender that have extended the facilities rated by CARE.

Unsupported Rating [2]	**CARE BBB+ (Triple B Plus) [Reaffirmed]** **Withdrawn [Reaffirmed at CARE A2 and Withdrawn]**

Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The ratings assigned to the bank facilities of ACME Odisha Solar Power Private Limited (AOSPPL) and ACME Raipur Solar Power Private Limited (ARSPPL) (both referred as co-obligors) continue to be based on credit enhancement in the form of irrevocable and unconditional co-obligor undertaking provided by both the entities to each other, as per which co-obligors have agreed that in the event of insufficiency of funds/shortfall in debt servicing of the Rupee Facility the lenders/lender's agent shall utilize the amounts available in their surplus account to meet such shortfall to ensure debt servicing by the due date. Given the co-obligor undertaking and the terms of the financing agreement, CARE has combined the operational and financial risk profile of AOSPPL and ARSPPL for analysis.

The ratings continue to factor in long term operational track record ranging between 5 to 5.5 years with satisfactory generation levels in both the projects; though there has been some moderation in generation in AOSPPL during FY20, long-term off-take arrangement in the form of Power Purchase Agreements (PPAs) signed with two state utilities at a fixed tariff, geographical diversity of the assets, satisfactory payment track record for both the state utilities, moderately comfortable debt service coverage indicators along with adequate liquidity built-up through various reserves including Debt Service Reserve Account (DSRA) for two quarters, contingency reserves and O&M reserves in both the projects and tie-up of working capital providing giving additional liquidity support. The ratings continue to factors in experienced promoters, viz, ACME Cleantech Solutions Private Limited (ACSPL) having established track record in setting up and operating solar power projects.

The ratings are, however, constrained by counter-party credit risks given relatively weak financial risk profiles of both the off-takers, though payments continue to be received in a timely manner, interest rate fluctuation risks and susceptibility of power generation to variation in climatic conditions as well as technological risks.

Detailed Rationale & Key Rating Drivers of Unsupported Rating (AOSPPL)

The unsupported standalone rating assigned to long-term bank facility of AOSPPL factors in operational track record of more than 5.5 years with satisfactory generation levels, long-term PPA with GRIDCO Limited, satisfactory payment track record since commissioning, moderately comfortable debt coverage indicators at standalone level along with adequate liquidity in the form

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*
[2] *As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).*

of various reserves including DSRA equivalent to 6 months of debt servicing, fully unutilized working capital limit equivalent to 6 months of debt servicing, contingency reserve and O&M reserve. The rating is however constrained by counterparty credit risk as the project is exposed to relatively weak counterparty, though payments continue to be received in a timely manner, interest rate fluctuations risk and dependence on climatic conditions for power generation.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Generation levels at better than envisaged P-90 levels of 21.16% (applicable for FY21 along with annual degradation) in Odisha project and 18.18% in Raipur project (applicable for FY21 along with annual degradation)
- Improvement in credit risk profile of both the off-takers CSPDCL & GRIDCO Limited

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Lower than envisaged generation levels leading to lower cash accruals thus impacting the debt coverage indicators
- Significant deterioration in credit risk profile of off-takers viz. GRIDCO or CSPDCL leading to elongation in receivable cycle beyond 3 months
- Inability of the SPVs to meet required covenants as per the sanctioned terms leading to breach in terms of financing agreements including co-obligor undertaking

Detailed description of the key rating drivers

Key Rating Strengths

Co-obligor undertaking and diversification of assets:

As per the terms of the co-obligor undertakings executed between AOSPPL and ARSPPL (co-obligors) and lenders, each of the co-obligors will provide support in the event of insufficiency of funds in debt servicing. As a result, the cash flows get comfort with respect to diversification of assets in terms of location (project spread across 2 states with 45% capacity in Odisha and 55% in Raipur), modules procured from Trina Solar, BYD and Talesun (48% modules procured from Trina Solar, 28% modules procured from BYD and remaining 24% modules procured from Talesun) as well as off-takers (53% revenue from GRIDCO Limited and 47% from Chhattisgarh State Power Distribution Company Limited). On a combined basis and standalone basis, debt coverage indicators are expected to be moderately comfortable for the tenure of term loan given generation continues to be in-line with envisaged levels and payments are being received in a timely manner.

Long-term PPAs in place for both the co-obligors:

AOSPPL is supplying power to GRIDCO Limited (GRIDCO) at a fixed tariff of Rs.7.28/ Kwh under 25-year PPA signed with the utility. ARSPPL is supplying entire power under long-term PPA to Chhattisgarh State Power Distribution Company Limited (CSPDCL) for a period of 25-year at a fixed tariff of Rs.6.46/kWh. Presence of long-term PPAs at a fixed tariff provides long-term revenue visibility for the companies. Further, the payment pattern has remained stable for both the co-obligors with AOSPPL receiving payments in about 10-15 days and ARSPPL receiving payments in about 60-70 days from raising the invoices.

Satisfactory operational track record in both projects:

AOSPPL has an operational track record of more than 5.5 years and ARSPPL has an operational track record of over 5 years.
AOSPPL achieved CUF of 19.87% during FY20 as against envisaged P-90 CUF of 21.28% in 5th year of operation. The generation during FY20 was impacted in July - Sept 2019 as there was a transformer breakdown (from July 21, 2019 onwards) which affected the generation levels. The spare transformer was operationalized on August 14, 2019 and accordingly plant performance improved from September 2019 onwards. For 10MFY21 (refers to the period April 1 to January 31), the generation levels have improved in AOSPPL with Net CUF of 20.80% as against Net CUF of 19.35% for 10MFY20.
ARSPPL has achieved a CUF of 17.71% during FY20 as against P-90 of 18.29% (4th year of operation). The generation levels have been relatively lower than P-90 estimates for Raipur project on account of lower solar irradiation levels. During 10MFY21, ARSPPL generated Net CUF of 17.16% as against Net CUF of 17.49% during 10MFY20.
Given that the projects have single stream of cash flows through sale of power, plant performance in-line with envisaged generation levels would be critical.

Moderately comfortable debt coverage indicators on combined basis:

On account of relatively elongated repayment tenor for both the projects and healthy tariffs, the debt coverage indicators are expected to be moderately comfortable on combined basis.

Experienced Management:

ACSPL provides O&M and EPC services for solar power plants which are being setup through various SPVs under itself. As on December 2020, the group has an operational capacity of around 1669 MW spread across multiple states in India. Recently, the group successfully monetized 500 MW (AC) of operational assets under 2 separate transactions. However, overall financial risk profile of ACME group continues to be moderate given sizeable corporate debt continues to be there along with significant exposure of the operational capacity towards state discoms having relatively weak financial risk profile.

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 & FY20 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 number 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 monitorable 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 antidumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance.

Key Rating Weaknesses

Relatively weak credit profile of the off-takers:

CSPDCL, the off-taker for ARSPPL, has a relatively weak credit profile; however, the payments are being received in about 60 to 70 days as against stipulated timeline of 30 days as per PPA. Also, GRIDCO, the off-taker for AOSPPL, also has a relatively weak credit profile; however, the payments are being received in around 10 to 15 days as against stipulated timeline of 30 days as per PPA. Going forward, timely receipt of payments on a continuous basis would be a key rating sensitivity.

Climatic & Technological Risks:

Achievement of desired CUF is subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks.

Interest rate fluctuation risks:

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 SPVs.

Liquidity: Adequate

As on February 10th, 2021 AOSPPL has DSRA of Rs. 12.70 crore (equivalent to two quarter of debt servicing) created in the form of FDs. Further, AOSPPL had a cash and bank balance of Rs.7.09 crore. Apart from DSRA FDs and cash available, AOSPPL has created Contingency Reserve & O&M reserve of Rs. 1.94 crores. The company has sanctioned WC lines of Rs.12 crore which is fully unutilized as on date.

On combined levels, the co-obligor structure had DSRA balance at Rs.26.23 crore as on February, 10 2021 and surplus cash balance at Rs 19.47 crores.

As per the sanctioned terms, the co-obligors will have combined debt repayment obligations of Rs.15.27 crore and Rs.16.07 crore as against projected GCA of Rs.27.06 crore and Rs.27.80 Crore in FY21 and FY22, respectively.

Impact of COVID-19:

There has been no significant impact on the operations of the project. However, both the projects had availed moratorium from its lender on debt service obligations for period March-May'2020 (both interest and principal) which has thereby resulted in a shift in repayment schedule by one quarter. However, given the regular receipt of monthly cash flow from the discoms the company has repaid interest in June 2020 which was accrued for the months of March, April and May 2020.

Analytical approach:
Credit Enhanced Ratings: Combined
AOSPPL along with ACME Raipur Solar Power Private Limited (ARSPPL) have executed co-obligor undertakings. Thus, a combined analytical approach has been taken.

Unsupported ratings: Standalone

Applicable Criteria
CARE's methodology for Infrastructure sector ratings
Criteria on assigning Outlook and Credit Watch to Credit Ratings
CARE's Policy on Credit Enhanced Debt
Rating Methodology: Solar Power Projects
CARE's methodology for private power producers
Financial Ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
CARE's Policy on Default Recognition
CARE's Policy on Withdrawal

About the Company – ACME Odisha Solar Power Private Limited (AOSPPL)
ACME Odisha Solar Power Private Limited (AOSPPL), incorporated in March 2009, is a 100% subsidiary of ACME Solar Energy Private Limited (ASEPL) which is a 100% subsidiary of ACME Cleantech Solutions Private Limited. AOSPPL has set up a 25 MW (AC Capacity) solar photovoltaic power project at Tehsil Sikaun, District Balangir, Odisha. The plant, set up at a total project cost of Rs.206 crore (Rs.8.24 crore/MW) was funded through debt-equity in the ratio of 2.32x. The plant commenced commercial operations of the project on June 22, 2015. The company has signed Power Purchase Agreement (PPA) on March 6, 2013 with GRIDCO Limited (GRIDCO) for a period of 25 years (from COD) for the entire capacity. The applicable tariff during the period as per signed PPA is Rs.7.28/unit for the entire PPA duration

Brief Financials (AOSPPL- Standalone) (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	34.88	31.83
PBILDT	31.28	30.25
PAT	-0.02	12.09
Overall gearing (times)	2.48	2.00
Interest coverage (times)	1.85	1.83

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
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*
Complexity level of various instruments rated for this company: Annexure 4

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	-	-	March 2035	146.56	CARE A- (CE); Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	0.00	Withdrawn
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	0.00	CARE BBB+
Un Supported Rating-Un Supported Rating (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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	146.56	CARE A- (CE); Stable	-	1)CARE A- (CE); Stable (30-Dec-19)	1)CARE A- (SO); Stable (31-Oct-18)	1)CARE A- (SO); Stable (31-May-17)
2.	Fund-based - ST-Working Capital Demand loan	ST	-	-	-	1)CARE A2+ (CE) (30-Dec-19)	1)CARE A2+ (SO) (31-Oct-18)	1)CARE A2+ (SO) (31-May-17)
3.	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BBB+	-	1)CARE BBB+; Stable (30-Dec-19)	-	-
4.	Un Supported Rating-Un Supported Rating (Short Term)	ST	-	-	-	1)CARE A2 (30-Dec-19)	-	-

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

Name of the Instrument (Term Loan)	Detailed explanation
A. Financial covenants	
I Debt Service Coverage Ratio	The Issuer shall, during the currency of the Debentures maintain a Debt Service Coverage Ratio not less than 1.20
B. Non-financial covenants	
Change in Capital Structure & Shareholding Pattern	Effect any change in the capital structure including shareholding pattern other than as contemplated for this project.
Other Conditions	Repay any monies brought in by the promoter as share application money pending allotment and the same shall be subordinated to the facility, and shall not be repaid during the currency of the facility and may carry such interest as approved by the lender except as allowed under restricted payments.

Name of the Facility – WC	Detailed explanation
A. Financial covenants	N.A.
B. Non-financial covenants	
Other Conditions	The Loan amount shall not be utilized for the following purpose: 1. Capital market activities including subscription/purchase of shares. 2. Repayment of dues of promoters/group companies

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - ST-Working Capital Demand loan	Simple
3.	Un Supported Rating-Un Supported Rating (Long Term)	Simple
4.	Un Supported Rating-Un Supported Rating (Short Term)	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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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.

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