ACME PV Powertech Private Limited

December 04, 2018

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	308.00 (reduced from Rs.322 crore)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Long-term Bank Facilities	21.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Total Facilities	**329.00 (Rupees Three Hundred and twenty nine crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Acme PV Powertech Private Limited (APVPPL) continue to derive strength from experienced promoter, viz, Acme Cleantech Solutions Private Limited (ACSPL, rated CARE BBB+; Stable/CARE A2+) with experience in successfully developing and operating solar power assets across India, operational track record of the project of around 1.25 years, long-term off-take arrangement in the form of Power Purchase Agreement (PPA) with Southern Power Distribution Company of Telangana Limited (TSSPDCL) for the entire capacity, sanctioned working capital facilities and Debt Service Reserve Account (DSRA) covering 1 quarter of debt servicing obligations already created out of proposed DSRA of 2 quarters and long-term O&M arrangement with ACSPL.

However, the ratings are constrained by counter party credit risk on account of relatively weak financial profile of the off-taker along with some delays in receipt of payments, risks pertaining to interest rate fluctuations and exposure to climatic and technological risks.

Going forward, achievement of envisaged Capacity Utilization Factor (CUF) levels and timely receipt of payments from the off-taker shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Operational track record of 1.25 years: The project commissioned in phases in July and August 2017 has an operational track record of 1.25 year (P-90 estimate of 24.20% for 1st year). The plant generated CUF of 22.34% during 10 months of its operations in FY18 and CUF of 22.66% during 7MFY19. However, on 12 months trailing basis, the plant generated net CUF of 23.73% which is broadly in-line with P-90 estimates. The generation during FY18 was lower than envisaged levels mainly on account of initial stabilisation phase of the plant. Generation during 7MFY19 was impacted due to monsoon period during months of July and August 2018. Nevertheless, second half of a year (refers to the period October 1 to March 31) is relatively better in terms of CUF levels (Oct 17 – Mar 18 CUF of 24.81%)

Nevertheless, going forward, achievement of the envisaged generation levels will remain crucial.

Long-term PPA: The company is supplying entire power under long-term PPA to TSSPDCL for a period of 25 years at a tariff of Rs.5.59/kWh. Presence of long-term PPA with TSSPDCL at a fixed tariff provides long-term revenue visibility.

Long-term O&M Agreement with ACSPL: APVPPL has entered into a long-term O&M agreement with ACSPL for a period of 25 years. The O&M agreement provides for guaranteed minimum plant availability of 98.5% and back to back standard warranty from module and inverter suppliers. Further Acme Fazilka Power Private Limited (parent company and step-down subsidiary of ACSPL) has furnished a promoter's undertaking in the favor of the lenders to bring in additional equity / unsecured loan, to meet operation and maintenance expenses in case O&M expenses exceed the base case plan by more than 10% in any year due to any reason other than Force Majeure.

Experienced Management: The management of APVPPL is experienced with track record of setting up and operating solar power projects. ACSPL, the holding company of ARPPL has commissioned 1.36 GW (AC) of solar capacity as on October 2018.

Key Rating Weaknesses

Relatively weak credit profile of the off-taker, delay in receipt of payments from the off-taker: The financial risk profile of TSSPDCL is relatively weak marked by accumulation of losses and low cost coverage ratio. As per the terms of PPA, TSSPDCL has to make payment to the company within 30 days from the receipt of invoice. However, the company has

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

been receiving payments at an average of around 120 days. Going forward, timely receipt of revenue from the off-taker will be critical. The financial profile of the discom and timely payments will be a key monitorable.

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.

Industry Outlook

Encouraging policy framework in renewable energy (RE) sector has resulted in rising share of installed capacity of RE from 5.9% of total energy capacity (approx. 7.7 GW out of 132 GW) as on March 31, 2007 to around 20% (approx. 69.02 GW out of 346 GW) as on March 31, 2018. Solar power sector's cumulative installed capacity has increased from around 35 MW as on March 31, 2011 to around 20.59 GW as on March 31, 2018. 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. With the decline in project cost and government capacity addition targets, the sector has moved from preferential tariffs to auction based tariff bidding over the last 3-4 years or so, which has resulted in steep fall in solar tariffs with high competitive intensity.

Liquidity position

The company's liquidity position is moderately comfortable given proposed DSRA for 2 quarters of debt servicing with DSRA covering 1 quarter of debt servicing obligations already in place in the form of Fixed Deposits as on November 2018 (2nd quarter DSRA to be created by July 2019). Apart from this, the company has sanctioned working capital limit of Rs.21 crs covering around 4.5 months of receivables which are currently unutilized, thereby providing comfort. Also, the parent company, ACSPL has infused funds during FY18 and during 7M FY19 aggregating Rs.24.31 crore to take care of the liquidity requirements following delayed receipts of payments from TSSPDCL..

Analytical Approach followed: Standalone

Applicable Criteria

CARE's methodology for Infrastructure sector ratings
CARE's methodology for private power producers
Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-financial sector
CARE's Policy on Default Recognition

About the Company

Acme PV Powertech Private Limited (APVPPL); is a subsidiary of Acme Fazilka Power Private Limited and step-down subsidiary of Acme Cleantech Solutions Private Limited (ACSPL; rated CARE BBB+; Stable / CARE A2) and has setup 50 MW of solar power capacity at Sadasivpet, Medak District, Telangana. APVPPL has tied-up entire power capacity with TSSPDCL via long term power purchase agreement (PPA) at a fixed tariff of Rs.5.59 per kWh for 25 Years.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	0.32	41.13
PBILDT	0.18	36.60
PAT	0.67	-11.54
Overall gearing (times)	2.69	3.99
Interest coverage (times)	15.25	0.97

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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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	-	-	September 2035	308.00	CARE BBB; Stable
Fund-based - LT-Working Capital Limits	-	-	-	21.00	CARE BBB; Stable

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	308.00	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Sep-17)	-	-
2.	Fund-based - LT-Working Capital Limits	LT	21.00	CARE BBB; Stable	-	-	-	-

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