ACME PV Powertech Private Limited

August 12, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	308.00	CARE BBB; Negative (Triple B; Outlook: Negative)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Long-term Bank Facilities	21.00	CARE BBB; Negative (Triple B; Outlook: Negative)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
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) continues to derive strength from experienced promoter, viz, Acme Cleantech Solutions Private Limited (ACSPL), operational track record of the project of around 2 years, long-term off-take arrangement in the form of Power Purchase Agreement (PPA) with Southern Power Distribution Company of Telangana Limited (TSSPDCL, rated CARE BB; Stable, CARE A4+) 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.

However, the ratings are constrained by counter party credit risk on account of relatively weak financial profile of the off-taker along with significant delays in receipt of payments, non-creation of 2nd quarter DSRA within stipulated timelines due to delays in receipt of payments from Discom, risks pertaining to interest rate fluctuations and exposure to climatic and technological risks.

Going forward, achievement of envisaged Capacity Utilization Factor (CUF) levels, timely receipt of payments from the off-taker along with timely clearance of existing outstanding debtors, timely creation of DSRA and timely infusion of need based support by the promoters shall be the key rating sensitivities.

Outlook: Negative

The outlook for the rating is revised to 'Negative' on account of significant delays of 10 months in receipt of payments from TSSPDCL which has negatively impacted the overall liquidity profile of APVPPL. The ratings may get downgraded in case of further delays in payment receipts from TSSPDCL leading to a further deterioration in the liquidity position. . The outlook may be revised to 'Stable' if the receivables cycle from TSSPDCL improves on a sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Operational track record of around 2 years: The project commissioned in phases in July and August 2017 has an operational track record of around 2 years (P-90 estimate of 24.20% for 1st year). The plant performance is satisfactory and broadly in line with P-90 estimates with CUF of 23.67% during FY19 (as against 10MFY18 CUF of 22.34%) and 3MFY20 CUF of 25.00% (as against 3M FY19 CUF of 24.87%). 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 (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 1.81 GW (AC) of solar capacity as on February 2019.

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

Key Rating Weaknesses

Relatively weak credit profile of the off-taker, delay in receipt of payments from the off-taker:
Southern Power Distribution Company of Telangana Limited (TSSPDCL), the off-taker for the project has a relatively weak credit profile having weak debt coverage indicators along with off-taker operating in a restrictive regulatory environment. The company has been receiving payments from TSSPDCL with a delay of around 10 months as against stipulation of 30 days as per PPA from the date of invoicing (received payments till invoice for the month of August 2018, last payment received in July 2019). During FY20 so far, the company has received 2 payments from Telangana discom. 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

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 pay timely 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

Liquidity position

The company's liquidity position is moderate given DSRA covering 1 quarter of debt servicing obligations is in place (Rs.12.50 crore kept in the form of Fixed Deposits) out of the proposed 2 quarter DSRA (2nd quarter DSRA to be created by July 2019 from project cash-flows as per the sanctioned terms, not created yet due to delays in receipt of payment from the Discom). Apart from DSRA, the company has sanctioned working capital limit of Rs.21 Cr out of which only Rs.3.19 Cr is unutilized as on June 2019. The company is also maintaining additional reserves aggregating Rs.3.10 crore (Contingency reserve – Rs.2.50 crore, O&M reserve – Rs.0.60 crore) as on July 2019. Further, the cash & bank balance stood at around Rs.3.73 crore as on July 2019.
Also, the parent company, ACSPL has infused funds during FY18 and during FY19 and 3MFY20 aggregating to Rs.24.88 crore to take care of the liquidity requirements following delayed receipts of payments from TSSPDCL.

Analytical Approach followed: 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]
[Rating Methodology - Private Power Producers]

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

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; Negative
Fund-based - LT-Working Capital Limits	-	-	-	21.00	CARE BBB; Negative

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	308.00	CARE BBB; Negative	-	1)CARE BBB; Stable (04-Dec-18)	1)CARE BBB; Stable (08-Sep-17)	-
2.	Fund-based - LT-Working Capital Limits	LT	21.00	CARE BBB; Negative	-	1)CARE BBB; Stable (04-Dec-18)	-	-

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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