ACME PV Powertech Private Limited

January 06, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities – Term Loan	295.21 (reduced from Rs.308.00 crore)	**CARE BBB; Negative (Triple B; Outlook: Negative)**	Reaffirmed
Long term Bank Facilities – Working Capital Loan	21.00	**CARE BBB; Negative (Triple B; Outlook: Negative)**	Reaffirmed
Total	**316.21 (Rs. Three Hundred and Sixteen crore and Twenty One lakh 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) with experience in successfully developing and operating solar power assets across India, operational track record of the project of around 2.5 years with satisfactory generation levels during FY19, 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 continued to be constrained by counter party credit risk on account of relatively weak financial profile of the off-taker (TSSPDCL) along with significant delays in receipt of payments from the Telangana discom, non-creation of 2nd quarter DSRA within the stipulated timelines, however the timelines for the same have been extended till January, 2020, lower than P-90 generation during FY20, risks pertaining to interest rate fluctuations and exposure to climatic and technological risks.

Key Rating Sensitivities:

Positive Rating Sensitivities:

- Achievement of generation at better than P-90 levels (24.20% for first full year of operations along with degradation each year) on sustainable basis
- Timely receipt of payments from the off-taker along with timely clearance of existing outstanding receivables leading to debtor cycle reducing to less than 3 months on sustainable basis

Negative Rating Sensitivities:

- Significantly lower than envisaged CUF levels (P-90 CUF of 24.20% for first full year of operations along with annual degradation each year)
- Elongation in receivable cycle to 12 months or more negatively impacting the overall liquidity profile of the SPV
- Non-receipt or delay in receipt of timely support from the promoter viz. ACME Cleantech Solutions Private Limited

Outlook: Negative

The outlook for the rating continue to be 'Negative' on account of continued delays of 9 months in receipt of payments from TSSPDCL, though the same has come down from earlier debtor cycle of around 10 months. The elongation in payment cycle has negatively impacted the overall liquidity profile of the company. 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 2.5 years: The project commissioned in phases in July and August 2017 has an operational track record of around 2.5 years (P-90 estimate of 24.20% for 1st year). The plant performance is satisfactory and broadly in line with P-90 estimates during FY19 with net CUF of 23.67% during FY19 (as against FY18 CUF of 22.34%), however generation has been lower during 8MFY20 with net CUF of 21.45% (as against 8MFY19 CUF of 23.40%). Nevertheless, going forward, achievement of the envisaged generation levels will remain crucial.

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

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 APVPPL has commissioned 2.15 GW (AC) of solar capacity as on December 2019.

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 9 months as against stipulation of 30 days as per PPA from the date of invoicing (received payments till invoice for the month of February 2019, last payment received in December, 2019). Although the payment pattern of the DISCOM has improved slightly and the company has been receiving regular monthly payments from last few months, the outstanding receivable continues to be high. During FY20 so far, the company has received 8 payments from Telangana discom. Going forward, timely receipt of revenue from the off-taker will be critical from cash flow perspective. 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: 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.

Liquidity Position: Adequate
The company's liquidity position is adequate 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 the extended timelines (extended by the lender due to non-receipt of payments from the disom in timely manner) i.e. January, 2020 from project cash-flows. Apart from DSRA, the company has sanctioned working capital limit of Rs.21 Cr

out of which Rs. 9.00 Cr is unutilized as on November 2019. Further, the surplus cash & bank balance stood at around Rs.7.66 crore as on December, 2019.
Also, the parent company, ACSPL has infused funds as unsecured loans, outstanding to the tune of Rs.18.71 crore as on December, 2019 to take care of the liquidity requirements following delayed receipts of payments from TSSPDCL.
The company has debt repayment obligations of Rs.12.13 crore and Rs.13.52 crore as against projected GCA of Rs.14.57 crore and Rs.18.59 Crore in FY20 and FY21, respectively.

Analytical Approach followed: Standalone

Applicable Criteria
CARE Policy on Definition of Default
CARE Methodology on Rating Outlook and Credit Watch
Financial Ratios - Non Financial Sector
CARE Criteria for Infrastructure Sector Ratings
Rating Methodology – Private Power Producers
Rating Methodology – Solar Power Projects

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) 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 – APVPPL Standalone (Rs. crore)	FY18 (A)	FY19(A)
Total operating income	41.13	59.07
PBILDT	36.60	55.87
PAT	-11.54	3.89
Overall gearing (times)	3.99	3.66
Interest coverage (times)	0.97	1.71

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	295.21	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	295.21	CARE BBB; Negative	1)CARE BBB; Negative (12-Aug-19)	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; Negative (12-Aug-19)	1)CARE BBB; Stable (04-Dec-18)	-	-

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

Name of the Facility – Term Loan	Detailed explanation
A. Financial covenants	
I. Debt Service Coverage Ratio	Borrower is required to maintain Debt Service Coverage Ratio greater than 1.10x at all the times during the tenure of the loan
B. Non-financial covenants	
Other Conditions	I. The borrowers assets offered as security to the lender for the facilities shall be kept fully insured against fire and other such risks from the commencement of the project as advised by the LIA or as may be required by the lender
	II. Any expense over and above the approved operating budget shall be incurred only after prior approval of the lender and on satisfaction of financial covenants.

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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