ACME Raipur Solar Power Private Limited

December 30, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	142.76 (enhanced from Rs.140.47 crore)	CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	11.00	CARE A2+ (CE) [A Two Plus (Credit Enhancement)]	Reaffirmed
Total Facilities#	**153.76 (Rs. One Hundred Fifty Three crore and Seventy Six Lakh only)**		

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

Details of instruments/facilities in Annexure-1

Long-term Unsupported Rating [2]	**CARE BBB+; Stable (Triple B Plus; Outlook Stable)**
Short-term Unsupported Rating [2]	**CARE A2 (A Two)**

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Acme Raipur Solar Power Private Limited (ARSPPL) and Acme Odisha Solar Power Private Limited (AOSPPL) (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 and the Working Capital 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 ARSPL and AOSPL for analysis.

The ratings continues to factor in experienced promoters viz. ACME Cleantech Solutions Private Limited with established track record in setting up and operating solar power projects, operational track record of 3.75-4.5 years of the projects with satisfactory generation levels, 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, Debt Service Reserve Account (DSRA) for two quarters of debt servicing in place and tie-up of working capital providing giving additional liquidity support.

The ratings are, however, constrained by counter-party credit risks given the 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.

Rating Sensitivities

Positive Rating Sensitivities

- Timely receipt of payments from the off-takers viz. GRIDCO and CSPDCL within 30 and 60 days respectively from invoice date on continuous basis
- Generation levels at better than envisaged P-90 levels of 21.08% (applicable for FY20 along with annual degradation) in Odisha project and 18.99% in Raipur project (applicable for FY20 along with annual degradation)

Negative Rating Sensitivities

- Lower than envisaged generation levels leading to lower cash accruals thus impacting the debt coverage indicators
- Elongation in receivable cycle from the off-takers viz. GRIDCO and CSPDCL beyond 6 months impacting the overall liquidity profile of the co-obligors
- 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
- Non-receipt/delay in promoter support in case of meeting any cash flow mismatch requirements

[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*

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 ARSPPL and AOSPPL (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, modules suppliers as well as off-takers. On a combined basis, coverage indicators are moderately comfortable.

Long-term PPAs in place for both the co-obligors: ARSPPL is supplying entire power under long-term PPA to Chhattisgarh State Power Distribution Company Limited (CSPDCL) for a period of 25 years at a fixed tariff of Rs.6.46/kWh. 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. Presence of long-term PPAs at a fixed tariff provides long-term revenue visibility for the companies. Further, the payment pattern have remained stable for both the co-obligors with AOSPPL receiving payments in about 10-18 days and ARSPL receiving payments in about 60-70 days from raising the invoices.

Satisfactory operational track record: The Odisha project has an operational track record of around 4.5 years and Raipur project has an operational track record of over 3.75 years. AOSPPL achieved CUF of 21.06% and 18.95% during FY19 and 8MFY20, respectively as against envisaged P-90 CUF of 21.26% in 4th year of operation which is satisfactory. ARSPPL has achieved a CUF of 17.70% and 17.55% during FY19 and 8MFY19, respectively as against P-90 of 18.40% (3rd year of operation). The generation levels have been relatively lower than P-90 estimates for Raipur project on account of lower solar irradiation levels. Also, to enhance the generation levels, the companies have done small amount of repowering in both the projects during FY19 which was initially funded through internal cash accruals and subsequently replaced by term loan through pending draw down.

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: The management of AOSPPL & ARSPPL is experienced with track record of setting up and operating solar power projects. ACSPL, the holding company of ARPPL has commissioned 2.15 GW of solar capacity as on November, 2019 making Acme group one of the largest solar power player in India.

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 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 20 days as against stipulated timeline of 60 days as per PPA.

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 analysis: Adequate
As on September 30, 2019, ARSPPL has DSRA of Rs.12 crore (equivalent to 2 quarters of debt servicing) created in the form of cash. Also, as on November 2019, ARSPPL had a cash and bank balance of Rs.3.90 crore over and above DSRA balance. Apart from cash and DSRA balances, the company had sanctioned WC line of Rs.11 crore which is completely unutilized as on December 2019 providing additional liquidity cushion.
GCA for FY20 and FY21 is projected to be around Rs.11.28 crore and Rs.11.42 crore as per base case assumptions as against total debt repayments of Rs.6.44 crore and Rs.7.52 crore during the same period.

Analytical Approach: ACME Odisha Solar Power Pvt Ltd (AOSPPL) along with ARSPPL have executed co-obligor undertakings. Thus, a combined analytical approach has been taken.

Applicable Criteria
Criteria for Short Term Instruments
Rating Methodology: Factoring Linkages in Ratings
Criteria of Rating Credit Enhanced Debt
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
Rating Methodology: Solar Power Projects

About the Company
ACME Raipur Solar Power Private Limited (ARSPPL), a 100% subsidiary of Acme Solar Energy Private Limited (ASEPL) which is a 100% subsidiary of ACSPL, has set up a 30 MW (AC Capacity) grid connected solar photovoltaic (PV) power project in District Mahasamund, Chhattisgarh using Poly-Crystalline Silicon technology.
The project achieved COD in phases on Jan 9, 2016 (for 23 MW) and Mar 15, 2016 (for 7 MW). The project was set up at a cost of Rs.207.02 crore (Rs.6.90 crore/MW) funded at debt-equity ratio of 2.98x. The company is supplying entire power to Chhattisgarh State Power Distribution Company Limited (CSPDCL) under 25-year Power Purchase Agreement (PPA), which was signed on November 5, 2014 at a fixed tariff of Rs.6.46/kWh.

Brief Standalone Financials – ARSPPL (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	29.66	32.88
PBILDT	27.41	30.13
PAT	-10.48	0.66
Overall gearing (times)	4.81	4.51
Interest coverage (times)	1.69	2.03

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	-	-	March, 2035	142.76	CARE A- (CE); Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	11.00	CARE A2+ (CE)
Un Supported Rating-Un Supported Rating (Long Term)	-	-	March, 2035	0.00	CARE BBB+; Stable
Un Supported Rating-Un Supported Rating (Short Term)	-	-	-	0.00	CARE A2

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	142.76	CARE A- (CE); Stable	-	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	11.00	CARE A2+ (CE)	-	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+; Stable	-	-	-	-
4.	Un Supported Rating-Un Supported Rating (Short Term)	ST	0.00	CARE A2	-	-	-	-

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

Name of the Instrument	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	
Any borrowing arrangement	Enter into borrowing arrangements, either secured or unsecured, with any other bank or financial institution, except for those arranged as part of means of finance of this project or for meeting its working capital requirements for this project as approved by the lender.
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

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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