Dayakara Solar Power Private Limited

October 27,2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	192.81 (Reduced from 199.60)	CARE BBB+ (CE); Stable [Triple B Plus (Credit Enhancement); Outlook: Stable]	Reaffirmed; Outlook revised from Negative
Total Facilities	192.81 (Rs. One Hundred Ninety-Two Crore and Eighty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

*Based on credit enhancement in the form of a Co-Obligor Undertaking signed between Dayakara Solar Power Private Limited ,Grahati Solar Energy Private Limited (rated CARE BBB+ (CE); Stable) and Mihit Solar Power Private Limited (rated CARE BBB+ (CE); Stable) (co-obligors) in favour of each other as well as the lender, as per which in the event of insufficiency of funds in debt servicing, the lenders/lender's agent shall utilize the amounts available in surplus account to meet such shortfall in accordance with the Trust and Retention Account (TRA) Agreement to ensure debt service by the due date.

Unsupported Rating [2]	**CARE BBB (Triple B)**

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

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The long-term rating assigned to the bank facilities of and Dayakara Solar Power Private Limited Grahati Solar Energy Private Limited (GSEPL, rated CARE BBB+ (CE); Stable) and Mihit Solar Power Private Limited (MSPPL), rated CARE BBB+ (CE); Stable) (referred to as co-obligors) is based on credit enhancement in the form of irrevocable and unconditional co-obligor undertakings provided by the aforementioned SPVs in favour of the lender, as per which the co-obligors have agreed that in the event of insufficiency of funds/shortfall in debt servicing, 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 undertakings and the terms of the financing agreement, CARE has combined the operational and financial risk profiles of DSPPL, GSEPL and MSPPL for analysis.

The rating continues to factor in presence of experienced promoters viz. Acme Cleantech Solutions Private Limited (ACSPL) with established track record in setting-up and operating solar power projects, long term off-take arrangement in the form of Power Purchase Agreements (PPAs) signed with two state utilities viz Punjab State Power Corporation Limited (PSPCL; rated CARE BB+; Stable/CARE A4+) for Punjab Project (MSPPL) and Southern Power Distribution Company of Telangana Limited (TSSPDCL; rated CARE BB; Stable/CARE A4+) for Telangana Projects (GSEPL & DSPPL) at fixed tariffs, geographical diversity of the assets, operational track record of more than 4 years for Telangana Projects and 4.5 years for Punjab Project, moderately comfortable debt service coverage indicators, fixed rate of interest on term loan and debt service reserve account (DSRA) equivalent to one quarter of debt obligations in place for all the three co-obligors.

However the ratings are constrained by counter-party credit risk on account of relatively weak financial profile of both the off-takers viz. PSPCL and TSSPDCL, elongated receivable cycle from Telangana discom of around 6 months though some improvement in the receivable cycle in last one year, lower than envisaged generation levels in Punjab project and susceptibility of power generation to variation in climatic conditions as well as technological risks.

Outlook: Stable

The Outlook for the rating has been revised to 'Stable' from 'Negative' on account of improvement in payment pattern from TSSPDCL. The receivable cycle has improved to 6 months from 9 months leading to an improvement in the liquidity position of the company

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

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

The unsupported rating assigned to the bank facilities of Dayakara Solar Power Private Limited continues to factor in operational track record of more than 4 years, moderately comfortable debt service coverage indicators and debt service reserve account (DSRA) equivalent to one quarter of debt obligations in place in line with sanctioned terms.

The rating is, however, constrained by counterparty credit risk on account of relatively weak financial risk profile of the off-taker (TSSPDCL), elongated receivable cycle from Telangana discom of 6 months though improvement in the receivable cycle in last one year, risk pertaining to interest rate fluctuation risks and exposure to climatic conditions and technological risks.

Rating Sensitivities

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

- Actual generation better than P-90 estimates for all the 3 SPVs on sustainable basis leading to better cash accruals thereby positively impacting the coverage indicators of the SPVs
- Timely receipt of payments from both the off-takers along with timely clearance of existing outstanding receivables from Telangana discom leading to reduction in debtor cycle of GSEPL & DSPPL to at least less than 2 months on sustainable basis
- Improvement in the credit profile of the offtakers viz. PSPCL and TSSPDCL

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

- Actual generation lower than P-90 estimates for all the 3 SPVs leading to deterioration in cash accruals thereby negatively impacting the coverage indicators of the SPVs
- Delays in receipt of payments from PSPCL for MSPPL and TSSPDCL for GSEPL & DSPPL to 3 months and 9 months respectively leading to elongation in debtor cycle
- Inability of the SPVs to meet required covenants as per the sanctioned terms leading to breach in terms of financing agreements including maintenance of DSRA
- Deterioration in credit risk profile of the off-takers viz. PSPCL and TSSPDCL
- Non-receipt or delay in receipt of timely support from the promoters viz. ACSPL and Acme Solar Holdings Private Limited (ASHL)

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 DSPPL, GSEPL and MSPPL (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. The coverage indicators on a combined basis continue to remain moderately comfortable. Also, there is a liquidity buffer with availability of sanctioned working capital limits, sufficient to cover receivables for 4 months in addition to DSRA for 1 quarter for all the 3 SPVs.

Operational track record of more than 4 years for Telangana Projects and 4.5 years for Punjab Project:

The 74 MW solar plant under MSPPL was commissioned in phases from January 2016 till March 2016 and has an operational track record of around 4.5 years now. The company achieved Net CUF of 16.67% during FY20 as against FY19 Net CUF of 16.96%. The generation was impacted during October 2019 to January 2020 on account of relatively lower solar irradiation levels than usual. Further, the plant generated improved Net CUF of 19.10% during 6MFY21 vis-a-vis 18.85% during 6MFY20.

The 50 MW grid connected solar photovoltaic (PV) power plant under GSEPL achieved commissioning in August 2016. The project has an operational track record of more than 4 years. The project generated CUF of 21.56% during FY20 as against FY19 CUF of 23.17%. Further, the plant generated CUF of 21.06% during 6MFY21 as against 21.95% during 6MFY20. The 30 MW grid connected solar power plant under DSPPL achieved commissioning in July 2016. The project has an operational track record of more than 4 years. The project generated CUF of 22.16% during FY20 as against FY19 CUF of 23.58%. Further, the plant generated CUF of 21.49% during 6MFY21 as against 21.99% during 6MFY20. The generation levels under GSEPL & DSPPL has been in-line with P90 historically. However due to lower grid availability in the month of October'2019 in Telangana & lower solar irradiation levels has impacted generation in FY20.

Going forward, achievement of the envisaged generation levels will remain critical for the projects.

Long-term PPAs signed with PSPCL & TSSPDCL:
MSPPL is supplying entire power under long-term PPA to Punjab State Power Corporation Limited (PSPCL) for a period of 25 years at a weighted average tariff of Rs.7.09/kWh. GSEPL and DSPPL are supplying power under 25 years PPA to Southern Power Distribution Company of Telangana Limited (TSSPDCL) at a tariff of Rs.6.73 per/kWh and Rs.6.84 per/kWh, respectively. Presence of long term PPAs with respective state discoms at a fixed tariff provides long-term revenue visibility. As per the terms of the PPA, PSPCL need to make payments in 2 months while TSSPDCL need to make payments in 1 month.

Experienced Management, successful track record of setting up and operating solar power projects:
ACSPL provides O&M and EPC services for solar power plants which are being setup through various SPVs. As on September 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.

Moderately comfortable debt coverage indicators, DSRA of 1 quarter in place in all the three projects:
The coverage indicators are expected to be moderately comfortable on combined basis for the tenure of the term debt. As per the sanctioned terms, all the three co-obligors need to maintain Debt Service Reserve Account (DSRA) equivalent to one quarter of debt obligations from project cash flows. In-line with the sanctioned terms, all the 3 co-obligors have created DSRA equivalent to one quarter of debt servicing. Also, as per sanctioned terms, interest rate is fixed for the next 10 years providing some comfort against the interest rate fluctuation risk.

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 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, elongated receivable cycle of around 6 months in Telangana Projects though some improvement seen in receivable cycle is last 1 year:
Southern Power Distribution Company of Telangana Limited (TSSPDCL), the off-taker for the GSEPL and DSPPL; has a relatively weak credit profile. However, the payment pattern of TSSPDCL has improved to some extent with receivable cycle of around 6 months (as against earlier receivable cycle of around 9 Months) as against 30 days as per PPA terms. The company received last payment in August, 2020 pertaining to energy billed till February, 2020. 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 at 6 months.
PSPCL, the off-taker for MSPPL, has a relatively weak credit profile; however, the payments are being received in about 40-50 days as against stipulation of 60 days as per PPA.
Going forward, timely receipt of revenue from the off-taker will be critical from cash flow perspective. The financial profile of the discom and payment patterns will be a key monitorable.

Climatic & Technological Risks:
The company has used multi-crystalline technology, which has a proven history worldwide, suffers relatively lower degradation and requires lesser land leading to reduction in the Balance of Systems (BoS) cost. However, achievement

of desired CUF going forward would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks.

Liquidity Analysis: Adequate

As on 30th September 2020, DSRA equivalent to one quarter of debt obligations has been created by the companies as per stipulation in the sanction. Whereas, MSPPL has created DSRA of Rs.13.47 crore, GSEPL has created DSRA of Rs.12.50 crore and DSPPL has created DSRA of Rs. 7.61 crore. All the three co-obligors DSRA are being maintained in the form of Fixed Deposits (FDs). Apart from DSRA created, the SPVs have surplus cash & bank balance of Rs.13.26 crore (MSPPL), Rs. 13.15 crore (GSEPL) and Rs.11.55 crore (DSPPL) as on 30th September 2020. The company does not have any sanctioned working capital limits.

GCA for FY21 and FY22 is projected to be around Rs. 72.03 crore and Rs. 74.37 crore combined for all three SPVs as per base case assumptions as against total combined debt repayment of Rs. 43.24 crore and Rs. 45.28 crore during the same period.

Impact of COVID-19: GSEPL & DSPPL had not availed any moratorium from its lender as the impact of COVID-19 pandemic has been minimal on the operations of the projects. However, MSPPL had availed moratorium from its lender on debt service obligations for period March-May'2020 which has duly been repaid in July 2020. The plant continued to generate power during the national lockdown period and the payments are being received in a regular manner in all three project SPVs under the co-obligor. However, PSPCL deducted about Rs. 3.11 crore from three month invoices (April-June'20).

Analytical approach:

Credit Enhanced Ratings: Combined

MSPPL, GSEPL along with DSPPL have executed co-obligor undertakings. The co-obligors have undertaken that in the event of insufficiency of funds in debt servicing, the lenders/lender's agent shall utilize the amounts available in surplus account to meet such shortfall in accordance with the TRA to ensure debt service by the due date. The monies provided by the co-obligor shall be in the nature of unsecured interest free ICDs and shall rank subordinate to the dues of the borrower to the lenders. 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
Criteria for Rating 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

About the Company:

Dayakara and other two solar Special Purpose Vehicle (SPVs) were incorporated to develop and operate 154 MW solar power project by ACME Group at two different locations viz Telangana and Punjab.

Dayakara Solar Power Private Limited (DSPPL), a 100% subsidiary of Acme Solar Energy Private Limited (ASEPL) and a step-down subsidiary of ACSPL, has set up a 30 MW grid connected solar photovoltaic (PV) power project in District Mahabubnagar, Telangana using Poly-Crystalline Silicon technology. The company had secured the capacity through an open competitive bidding as part of procurement of 500 MW under the state solar policy of Telangana.

The project was commissioned on July 23, 2016. The project was set up at a cost of Rs.258.79 crore (Rs.8.63 crore/MW) funded at debt-equity ratio of 2.70x. The company is supplying entire power to Southern Power Distribution Company of Telangana Limited (TSSPDCL, rated CARE BB; Stable/CARE A4+) under 25-year Power Purchase Agreement (PPA), which was signed on March 3, 2015 at a fixed tariff of Rs.6.848/kWh.

Brief Financials Standalone (Rs. crore)-DSPPL	FY19 (A)	FY20 (A)
Total operating income	42.54	40.08
PBILDT	40.38	38.25
PAT	2.05	14.98
Overall gearing (times)	3.96	3.03
Interest coverage (times)	1.79	1.79

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	-	-	October, 2035	192.81	CARE BBB+ (CE); Stable
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	0.00	CARE BBB

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	192.81	CARE BBB+ (CE); Stable	-	1)CARE BBB+ (CE); Negative (24-Jan-20) 2)CARE BBB+ (CE); Negative (30-Jul-19)	1)CARE A- (SO); Stable (02-Jan-19)	1)CARE A- (SO); Stable (28-Sep-17)
2.	Fund-based - ST-Working Capital Demand loan	ST	-	-	-	1)Withdrawn (30-Jul-19)	1)CARE A2+ (02-Jan-19)	1)CARE A2+ (28-Sep-17)
3.	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BBB	-	1)CARE BBB; Negative (24-Jan-20)	-	-

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	The Borrower is required to maintain at all the times till the final settlement date a Debt Service Coverage Ratio not less than 1.05x
II. Debt to Equity Ratio	Debt to Equity ratio of the borrower on each drawdown date shall not be more than 75.98:24.02
B. Non-financial covenants	NA

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.	Un Supported Rating-Un Supported Rating (Long 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*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact
Group Head Name - Mr. Kunal Arora
Group Head Contact no - +91-11-4533 322247
Group Head Email ID- kunal.arora@careratings.com

Relationship Contact
Name: Ms. Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careratings.com

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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**