# Nirosha Power Private Limited

April 5, 2019

**Ratings**

| **Facilities** | **Amount (Rs. crore)** | **Rating[1]** | **Rating Action** |
|---|---|---|---|
| Long-term Bank Facilities | 167.32 (reduced from Rs.178 crore) | **CARE BBB; Stable (Triple B; Outlook: Stable)** | Reaffirmed |
| Short-term Bank Facilities | 30.00 | **CARE A3+ (A Three Plus)** | Reaffirmed |
| **Total facilities** | **197.32 (One Hundred Ninety Seven crore and Thirty Two lakh only)** | | |

*Details of instruments/facilities in Anneuxre-1*

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of Nirosha Power Private Limited (NPPL) continues to factors in the experienced and resourceful promoters, track record of around 2.5 years with satisfactory generation levels, medium-term off-take arrangement through Power Purchase Agreement (PPA) with Uttar Pradesh Power Corporation Ltd. (UPPCL) at a fixed tariff for the entire capacity, timely receipt of payments from off-takers viz. UPPCL and Uttar Pradesh New & Renewable Energy Development Agency (UPNEDA), moderately comfortable debt coverage indicators and Debt Service Reserve Account (DSRA) covering two quarters of debt servicing obligations already in place.

The rating is, however constrained by counterparty credit risk on account of relatively weak financial risk profile of the off-taker, interest rate fluctuation risk and exposure to climatic conditions and technological risks.

Going forward, achievement of desired energy generation levels and timely receipt of payments from the off-takers shall be the key rating sensitivities.

**Detailed description of the key rating drivers**

**Key Rating Strengths**

**Satisfactory operational performance with track record of about 2.5 years:** The 30 MW grid connected solar photovoltaic (PV) power plant was commissioned on September 20, 2016 and has an operational track record of about 2.5 years. Net CUF for FY18 stood at 20.81% as against net CUF of 19.12% in FY17. Also, net CUF for 11MFY19 also stood satisfactory at 20.05% (as against 11MFY18 CUF of 20.44%) Though the generation levels have improved, generation levels for the project have been lower than estimated P-90 levels (22.95% for 1st full year of operations) owing to relatively lower solar irradiation levels in the state of U.P.

**Experienced Promoters:** Nirosha Power Private Limited (NPPL) is a wholly owned subsidiary of ACME Solar Energy Pvt Ltd. (ASEPL) and a step down subsidiary of ACME Solar Holdings Ltd. (ASHL). The management of

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

ACME group is experienced, with a track record of setting up and operating renewable power projects. ASHL has an installed solar power capacity of 1814 MW under various SPV's as on March, 2019.

**Medium-term PPA:** NPPL is supplying power to UPPCL as per the terms of medium-term PPA signed in April 2015 for supply of power at a fixed tariff of Rs.8.93 per kWh for a period of 12 years under the Uttar Pradesh Solar Power Policy, 2013. The tariff will be jointly paid by Uttar Pradesh New & Renewable Energy Development Agency (UPNEDA) and UPPCL. Since the loan repayment is till Mar-32 i.e. it would be fully repaid 3.5 years after the expiry of the PPA term of 12 years. Therefore, ASEPL has provided an irrevocable and unconditional corporate guarantee starting from 12 years of COD. As per the agreed terms of the PPA, the agreement may be extended for a further period on mutually agreed terms and condition atleast 180 days prior to the expiry date (Expiry Date: 12 years from the date of commercial operations of the solar power plant). In case of extension of PPA, the company will have to supply power from $13^{th}$ to $25^{th}$ year at the tariff as will be decided by the commission at the appropriate time taking into account the RoE, O&M expenses and the interest on working capital loan.

**Moderately comfortable debt coverage indicators:** The door to door tenor of the term loan is elongated and the coverage indicators are expected to be moderately comfortable. Furthermore, DSRA comprising two quarter's interest and principal repayments has already been created.

**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.

**Key Rating Weaknesses**

**Relatively weak financial risk profiles of the off-takers**: The company is exposed to credit risk related power off-takers. UPPCL has been duly authorised to enter in to PPA on behalf of state discoms (Paschimanchal Vidyut Vitlran Nigam Ltd (PVVNL), Poorvanchal Vidyut Vitran Nigam Ltd (PuVVNL), Madhyanchal Vidyut Vitran Nigam Ltd (MVVNL) and Dakshinanchal Vidyut Vitran Nigam Ltd (DVVNL)) and directly purchase power generated from selected solar projects for 12 years. UP state discoms (buyer of the power from UPPCL) have a weak financial risk profile with significantly stretched receivable and payable days, negative net worth resulting in adverse capital structure, high cost of power purchase, and weak cost coverage ratio
The company receives payment from two parties i.e. Uttar Pradesh New & Renewable Energy Development Agency (UPNEDA) and Uttar Pradesh Power Corporation Ltd (UPPCL). Though the company receives part payment from UPNEDA on time i.e. within 5 - 10 days of raising invoices but there have been some delays in the past in receipt of payment from UPPCL. Nevertheless, the project is now receiving payments from both UPPCL and UPNEDA in a timely manner, which provides some comfort. Going further, timely receipt of payment would be crucial.

**Exposure to technology and climatic 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.

**Interest Rate Fluctuation Risk:** The term loans availed are floating rate loans and the lenders can reset the interest rates annually. However, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company to risk of any adverse movement in interest rates.

**Liquidity Analysis:**
The company has cash & bank balance of Rs.7.15 crore as on January, 2019. Also, the company is maintaining Debt Service Reserve Account (DSRA) of Rs.14.63 crore (equivalent to 6 months of debt servicing).

**Analytical approach:** Standalone

**Applicable Criteria**
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[CARE's methodology for Infrastructure sector ratings]
[CARE's methodology for private power producers]
[Financial ratios – Non-financial sector]
[Criteria for Short Term Instruments]

**About the Company**
Nirosha Power Private Limited, a 100% subsidiary of ACME Solar Energy Pvt Ltd and a step down subsidiary of ACME Solar Holdings Ltd., has set up a 30 MW grid connected solar photovoltaic (PV) power project in District Mahoba, Uttar Pradesh using Poly-Crystalline Silicon technology.
The project achieved COD on September 20, 2016 and was set up at a cost of Rs.238.00 crore (Rs.7.93 crore/MW) funded at debt-equity ratio of 3:1. The company is supplying entire power to Uttar Pradesh Power Corporation Ltd. (UPPCL) under a 12-year Power Purchase Agreement (PPA), which was signed on April 6, 2015 at a fixed tariff of Rs.8.93/kWh.

| Brief Financials – NPPL Standalone (Rs. crore) | FY17 (A) | FY18 (A) |
|---|---|---|
| Total operating income | 22.53 | 49.38 |
| PBILDT | 20.42 | 46.59 |
| PAT | 3.80 | 0.50 |
| Overall gearing (times) | 2.78 | 2.67 |
| Interest coverage (times) | 1.65 | 1.97 |

*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.*

**Analyst Contact:**
Name: Mr. Kunal Arora
Tel: 011-4533 3247
Mobile: 9810134478
Email: kunal.arora@careratings.com

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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 | - | - | March-2032 | 167.32 | CARE BBB; Stable |
| Non-fund-based-Short Term | - | - | - | 30.00 | CARE A3+ |

**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 | 167.32 | CARE BBB; Stable | - | 1)CARE BBB; Stable (22-Jan-18) | - | - |
| 2. | Non-fund-based-Short Term | ST | 30.00 | CARE A3+ | - | 1)CARE A3+ (22-Jan-18) | - | - |

# CONTACT

**Head Office Mumbai**

**Ms. Meenal Sikchi**
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

**Mr. Ankur Sachdeva**
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

**Ms. Rashmi Narvankar**
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

**Mr. Saikat Roy**
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

## CARE Ratings Limited

**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD**
**Mr. Deepak Prajapati**
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

**BENGALURU**
**Mr. V Pradeep Kumar**
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

**CHANDIGARH**
**Mr. Anand Jha**
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

**CHENNAI**
**Mr. V Pradeep Kumar**
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

**COIMBATORE**
**Mr. V Pradeep Kumar**
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

**HYDERABAD**
**Mr. Ramesh Bob**
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

**JAIPUR**
**Mr. Nikhil Soni**
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

**KOLKATA**
**Ms. Priti Agarwal**
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

**NEW DELHI**
**Ms. Swati Agrawal**
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

**PUNE**
**Mr.Pratim Banerjee**
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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