Nirosha Power Private Limited

February 01, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	141.67 (Reduced from 153.06)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	Reaffirmed
Total Facilities	**141.67 (Rs. One Hundred Forty-One Crore and Sixty-Seven Lakhs 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 experienced promoters, operational track record of more than 4 years though some moderation seen in FY20 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, PPA renewal risk as PPA tenor does not cover the full repayment tenor, interest rate fluctuation risk and exposure to climatic conditions and technological risks.

Key Rating Sensitivities:

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

- Improvement in credit risk profile of the off-taker viz. UPPCL

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

- Significantly lower than envisaged CUF levels negatively impacting the coverage indicators of the project
- Delay in receipt of payments from the off-taker leading to elongation in receivable days beyond 3 months
- Non-compliance of various covenants as per sanctioned terms including continued maintenance of DSRA equivalent to 2 quarters of debt servicing
- Deterioration in financial risk profile of offtaker viz. UPPCL

Detailed description of the key rating drivers

Key Rating Strengths

Operational track record of more than 4 years:

The 30 MW grid connected solar photovoltaic (PV) power plant was commissioned on September 20, 2016 and has an operational track record of more than 4 years (52 months). Net CUF for FY20 stood at 19.31% as against net CUF of 20.41% in FY19. The moderation in CUF levels in FY20 is largely on account of relatively lower solar irradiation levels. Nevertheless, net CUF for 9MFY21 (refers to the period April 1 to December 31) improved to 19.99% as against 9MFY20 CUF of 19.00%. Nevertheless, the generation levels continue to be lower than initially envisaged P-90 levels.

Going forward, achievement of CUF levels as envisaged will be crucial from cash flow perspective.

Medium-term PPA, though PPA renewal risk remains:

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

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

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. As per the agreed terms of the PPA, the agreement may be extended for a further period on mutually agreed terms and condition at least 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 13th to 25th year at the tariff shall be the price of eleventh year Average Pooled Purchase Cost (APPC). However, the budgetary support from UP state government as incentive as per provision in the solar policy will be available only for initial 12 years of PPA and will not be available for the extended PPA of 13 years. Given that the repayment tenor is more than PPA tenor, the company is exposed to PPA renewal risk. Also, the project is also exposed to uncertainty pertaining to final tariff post expiry of initial 12 years of PPA.

***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 in the form of FDs, equivalent to Rs. 14.70 crore as on January 2021.

***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) which is holding all the solar assets of ACME group. The management of ACME group is experienced, with a track record of setting up and operating renewable power projects. ACSPL provides O&M and EPC services for solar power plants which are being setup through various SPVs under itself. As on September 2020, the group has an operational capacity of around 1669 MW spread across multiple states in India. However, overall financial risk profile of ACME group continues to be moderate given sizeable corporate debt continues to be there along with significant exposure of the operational capacity towards state discoms having relatively weak financial risk profile.
***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 financial risk profiles of the off-takers:
The company is exposed to credit risk related to 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. before due date 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 remain crucial and will be a key rating sensitivity.

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: Adequate
The company had cash and cash equivalents of Rs. 23.53 crore as on January, 2021. Apart from cash & bank balance, the company has also created DSRA of Rs.14.70 crore, equivalent to 2 quarters of debt servicing in the form of fixed deposits (FDs). The company does not have any sanctioned working capital lines as on date.
Gross cash accrual for FY21 and FY22 is projected to be around Rs.22.72 crore and Rs.23.48 crore as per base case assumptions as against total debt repayment of Rs.12.85 crore and Rs.12.82 crore during the same period.

Impact of Covid-19: The Company had not availed any moratorium from its lender as the impact of COVID-19 pandemic has been minimal on the operations of the projects. The plant continued to generate power during the national lockdown period as well and the payments were being received in a regular manner

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook and Credit Watch to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Infrastructure Sector Ratings
Financial Ratios – Non-Financial Sector
CARE's methodology for power generation projects
Rating Methodology: Solar Power Projects
Liquidity Analysis of Non-Financial Sector Entities

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)	FY19 (A)	FY20 (A)
Total operating income	48.80	46.44
PBILDT	45.82	44.88
PAT	8.60	6.09
Overall gearing (times)	2.28	2.25
Interest coverage (times)	2.14	2.07

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 the rated instruments/ facilities is given in Annexure3

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	141.67	CARE BBB; Stable

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	141.67	CARE BBB; Stable	-	1)CARE BBB; Stable (16-Mar-20) 2)CARE BBB; Stable (05-Apr-19)	-	1)CARE BBB; Stable (22-Jan-18)
2.	Non-fund-based-Short Term	ST	-	-	-	1)Withdrawn (16-Mar-20) 2)CARE A3+ (05-Apr-19)	-	1)CARE A3+ (22-Jan-18)

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

Long term loan	Detailed Explanation
A. Financial covenants	
i. Term Loan	• The ratio of TOL to TNW shall not exceed 3x • DSCR shall not be lower than 1.12x • Total Debt to Equity Ratio shall not exceed 75:25
B. Non- financial covenants	
i. Creation of DSRA	The borrower shall maintain DSRA equivalent to ensuing two quarter interest payment and Repayment Installment, in a form and manner acceptable to the lender, or provide a BG or FD, for an amount equivalent to ensuing two quarter interest payment and Repayment Installment.
ii. Dividend	The borrower shall not declare any dividend during the moratorium period and/or until the Final Settlement Date, without prior written consent of the lenders in the event that DSCR is below 1.10x

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

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.*

Contact us

Media Contact
Name - Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Name – Kunal Arora
Contact No: +91-11-4533 3247
Email ID –Kunal.Arora@careratings.com

Business Development Contact
Name - Swati Agrawal
Contact no. : +91-11-4533 3237
Email ID – swati.agrawal@careratings.com

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