

**Rating Rationale**

April 07, 2022 | Mumbai

**Acme Solar Holdings Private Limited**

'CRISIL A1' assigned to Bank Debt

**Rating Action**

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.200 Crore</b>
<b>Short Term Rating</b>	<b>CRISIL A1 (Assigned)</b>

1 crore = 10 million

Refer to Annexure for Details of Instruments &amp; Bank Facilities

**Detailed Rationale**

CRISIL Ratings has assigned its '**CRISIL A1**' rating to the proposed non fund based limits bank facilities of Acme Solar Holdings Private Limited (ASHPL; part of the Acme group).

The rating reflects the track record of the Acme group in development and operation of solar power assets, the above-average financial profile, supported by a large and diverse portfolio of assets, and robust financial flexibility. These strengths are partially offset by susceptibility to implementation risk and variability in operating margin of the engineering, procurement and construction (EPC) segment.

**Analytical Approach**

To arrive at the ratings, CRISIL Ratings has fully consolidated the business and financial risk profiles of ASHPL, Acme Cleantech Solutions Pvt Ltd (ACSPL; parent company of ASHPL) and Acme Solar Energy Pvt Ltd (ASEPL; entirely held by ASHPL). CRISIL Ratings has moderately combined the business and financial risk profiles of these three entities with their special purpose vehicles (SPVs).

In line with the moderate consolidation approach, equity requirement for under-construction SPVs, including cost overrun in projects under implementation, as estimated by CRISIL Ratings, have also been factored into the projections.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation

## **Key Rating Drivers & Detailed Description**

### **Strengths**

#### **Track record in development and operation of solar power assets**

The decade-long experience in execution and operation of solar power projects in India has helped the Acme group establish its market position and gain technical capabilities. The group has commissioned over 2 gigawatt (GW) of solar power projects without any material cost and time overruns. Although the pace of execution of its under-construction portfolio was impacted by the Covid-19 pandemic and supply chain issues in the past two fiscals, the group has now started ramping up execution and the group expects that entire under-implementation projects would be commissioned within the estimated cost and revised timelines.

The business profile is further supported by geographical diversity as the portfolio is spread over more than 10 states. Additionally, power generation at an overall portfolio level has consistently been over P-90 expectation for the past three years.

#### **Above-average financial profile, supported by large and diverse portfolio of assets**

The group has a large operational asset base and strong pipeline of under-construction projects to be commissioned over the next one year. Hence, cash flow upstreaming to the holding company from surplus generation, should be remain strong in the range of Rs 200-300 crore. ASHPL, ACSPL and ASEPL have recently raised mezzanine debt of Rs 550 crore. They are unlikely to raise any further external non-project debt. Lower-than-expected accrual at the holding company will be a key rating sensitivity factor going forward.

#### **Healthy financial flexibility**

ASHPL has healthy financial flexibility, as seen from its track record of fundraising. ACSPL and ASHPL (directly or indirectly) have together raised more than Rs 3,000 crore over fiscals 2021 and 2022, through divestment of nearly 1 GW of assets and partnerships in projects. Going forward, the total portfolio of around 2.9 GW<sub>AC</sub> (operational and under-construction) of solar power assets provides flexibility to raise funds through accrual, refinancing or stake sale.

### **Weaknesses:**

#### **Implementation risk**

Around 60% of the total portfolio of around 2.9 GW is under construction, thus exposing the company to implementation and stabilisation risk. Any significant delay in implementation of these projects and higher-than-projected investment requirement (including invocation of bank guarantees) are rating sensitivity factors.

#### **Variability in EPC margin**

The solar power industry is currently facing cost pressures on account of increase in module, freight and commodity prices. This may impact the EPC margin of ACSPL and ASHPL as they may not be able to pass on increase in cost to their SPVs.

#### **Liquidity: Adequate**

Cash accrual of over Rs 100 crore is expected during fiscal 2022. ACSPL, ASHPL and ASEPL have together availed long-term, fund-based borrowing of Rs 550 crore. However, there is no redemption obligation in fiscals 2023 and 2024. Accrual generated at ACSPL and ASHPL together, should suffice to cover the interest/premium obligation. Additionally, the combined entity of ACSPL and ASHPL held an unencumbered cash balance of around Rs 353 crore as on March 28, 2022.

### **Rating Sensitivity Factors**

#### **Upward factors:**

- Steady operating margin of at least 8-10% along with sustainable reduction in proportion of under-construction portfolio
- Higher-than-expected cash inflow from operational subsidiaries, along with sustainable reduction in proportion of under-construction portfolio

#### **Downward factors:**

- Time or cost overrun from under-construction portfolio or weaker-than-anticipated performance of the operational portfolio
- Any material additional non-project debt on holding companies from the current level of Rs 550 crore

### **About the Company**

Established in 2003, ACSPL entered the renewable energy business, over a decade ago. It is promoted by Mr Manoj Kumar Upadhyay, a first-generation entrepreneur, having close to 25 years of experience in clean energy and telecom. As the flagship company of the group, ACSPL holds 100% stake in ASHPL. ACSPL primarily provides operations and maintenance (O&M) work for solar power plants and procurement and supply of solar modules. ASHPL manages the engineering and construction business and procurement of other equipment. However, the EPC and O&M business provides services to other group companies. The group has experience of setting up of over 2 GW of capacity across 54 SPVs. Currently, there are close to 36 operational SPVs with aggregate solar capacity of ~1.1 GW (AC capacity) spread across more than 10 states, with 1.75 GW capacity under construction.

**Key Financial Indicators**

As on/for the period ended March 31	Unit	2021	2020
Operating income*	Rs.Crore	380	1632
Reported profit after tax (PAT)*	Rs.Crore	14	59
PAT margin	%	3.8	3.6
Adjusted debt/adjusted network	Times	0.69	1.00
Interest coverage	Times	0.74	1.39

\*Adjusted for inter-company sales and expenses between ACSPL and ASHPL as applicable

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Proposed Non Fund based limits	NA	NA	NA	200	NA	CRISIL A1

**Annexure – List of Entities Consolidated**

Entity consolidated	Extent of consolidation	Rationale for consolidation
ACSPL	Full	Parent company
ASEPL	Full	Wholly owned subsidiary in same line of business
ACME Solar Technologies (Gujarat) Pvt Ltd	Moderate	No recourse of project debt to ACSPL and ASHPL; expected support towards cash flow mismatches during operations, if required
ACME Solar Energy (Madhya Pradesh) Pvt Ltd		
ACME Odisha Solar Power Pvt Ltd		
Acme Raipur Solar Power Pvt Ltd		
Aarohi Solar Power Pvt Ltd		
Mihit Solar Power Pvt Ltd		
Niranjana Solar Energy Pvt Ltd		
Dayanidhi Solar Power Pvt Ltd		
Vishwatma Solar Energy Pvt Ltd		
Acme Solar Rooftop Systems Pvt Ltd		
Acme Jaisalmer Solar Power Pvt Ltd		
ACME Magadh Solar Power Private Ltd		
ACME Nalanda Solar Power Pvt Ltd		
Dayakara Solar Power Pvt Ltd		
Grahati Solar Energy Pvt Ltd		
Nirosha power Pvt Ltd		
Sunworld Solar Power Pvt Ltd		
Eminent Solar Power Pvt Ltd.		
Devishi Renewable Energy Pvt Ltd		
Devishi Solar Power Pvt Ltd		
Acme PV Powertech Pvt Ltd		
ACME Mahbubnagar Solar Energy Pvt Ltd		
ACME Yamunanagar Solar Power Pvt Ltd		
ACME Solar Powertechnology Pvt Ltd		
Acme Kaithal Solar Power Pvt Ltd		
Acme Babadham Solar Power Pvt Ltd		
Acme Vijayapura Solar Energy Pvt Ltd		
Acme Koppal Solar Energy Pvt Ltd		
ACME Jodhpur Solar Power Pvt Ltd		
ACME Rewa Solar Energy Pvt Ltd		
Acme Sidlaghatta Solar Energy Pvt Ltd		
ACME Hukkeri Solar Energy Pvt Ltd		
ACME Guledagudda Solar Energy Pvt Ltd		
ACME Sandur Solar Energy Pvt Ltd		
ACME Kittur Solar Energy Pvt Ltd		
ACME Kudligi Solar Energy Pvt Ltd		

## Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non-Fund Based Facilities	ST	200.0	CRISIL A1		--		--		--		--	--

All amounts are in Rs.Cr.

## Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Non Fund based limits	200	Not Applicable	CRISIL A1

This Annexure has been updated on 07-Apr-22 in line with the lender-wise facility details as on 07-Apr-22 received from the rated entity.

## Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">Rating Criteria for Power Generation Utilities</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">CRISILs Criteria for Consolidation</a>

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