

Rating Rationale

April 12, 2023 | Mumbai

Acme Solar Holdings Private Limited

Rating Reaffirmed at 'CRISIL A1'

Rating Action

Total Bank Loan Facilities Rated	Rs.200 Crore
Short Term Rating	CRISIL A1 (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A1' rating on the non-fund-based facilities of Acme Solar Holdings Private Limited (ASHPL; part of the Acme group).

The rating continues to reflect the track record of the Acme group in development and operation of solar power assets, healthy financial profile, supported by a large and diverse portfolio of assets, and adequate financial flexibility. These strengths are partially offset by implementation risk of under construction portfolio, significant amount of equity requirement in under construction solar projects and green ammonia vertical, 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

Extensive experience of a decade in execution and operation of solar power projects in India has helped the Acme Group establish its market position and gain technical capabilities. This is reflected in commissioning of over 2 gigawatt (GW) of solar power projects without any material cost and time overruns, a part of which has been sold in the past. Currently, the group has an operational solar capacity of ~1.46 GW_{AC}

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

Healthy financial profile, supported by large and diverse portfolio of assets

Given the operational asset base of 1.46 GW_{AC} currently, the cash flow upstreaming to the holding company from surplus generation is expected to remain strong for FY23 and FY24. The proposed sale of operational solar projects in near to medium term will somewhat affect the cash flow upstreaming at the holding company level, however, the group has a strong pipeline of 1.45 GW_{AC} of under-construction projects expected to be commissioned and stabilized over the next two years. Lower accrual at the holding company will constitute a rating sensitivity factor.

Adequate financial flexibility

ASHPL has adequate financial flexibility as seen from its track record of fundraising. The company (directly or indirectly) has raised over Rs 3,000 crore of funds over fiscals 2021 and 2022, through divestment of ~1 GW of assets and partnerships in projects. Going forward, the total portfolio of around 2.9 GW_{AC} of solar power assets provides it with the flexibility of raising funds through accrual, refinancing or stake sale. Additionally, the company has recently signed framework agreement with Norwegian investment fund, Norfund to co-invest in developing new greenfield renewable power projects.

Weaknesses:

Implementation risk

Around 50% of the total solar portfolio of the group is under construction, entailing implementation and stabilization risks. Additionally, the entire under-construction solar portfolio lies in the potential Great Indian Bustard (GIB) zone, for which the proceedings pertaining to the over-head transmission lines are currently ongoing in the Hon'ble Supreme Court. Any significant delays in the implementation of these projects and higher-than-projected investment requirement are rating sensitivity factors.

The group is also foraying into the green ammonia vertical which requires sizeable amount of equity investments over near to medium term. The manufacturing unit for the green ammonia plant is being set up in Oman (Duqm SEZ area). CRISIL Ratings will continue to closely monitor the developments happening around this vertical.

Variability in EPC margin

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

Liquidity: Adequate

Cash accrual (including upstreaming from operational SPVs) is expected at over Rs 150 crore during fiscal 2023. ASHPL and ASEPL have together availed long-term, fund-based borrowing of Rs 550 crore. Accrual generated at ACSPL and ASHPL together, should suffice to cover the interest/premium obligation. There is no redemption obligation in fiscals 2023 and 2024. However, there is a redemption obligation of 20% in FY2025. Additionally, there is no utilization of fund based working capital limits. ACSPL, ASHPL and ASEPL together hold unencumbered cash balance of ~Rs 425 crore as on March 31, 2023 through top up loans being availed in few SPVs and upstreaming of cash flows from operational SPVs.

Rating Sensitivity factors

Upward factors:

- Steady operating margin of at least 8-10%
- Higher-than-expected cash inflow from operational subsidiaries

Downward factors:

- Time or cost overrun from under-construction portfolio or weaker-than-anticipated performance of the operational portfolio
- Higher than expected debt levels from the current level of Rs 550 crore or lower than expected liquidity
- Delay in asset sale of the operational portfolio leading to delay in equity infusion and hence commissioning of the under-construction portfolio impacting business profile

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 37 operational SPVs with aggregate solar capacity of ~1.46 GW (AC capacity) spread across more than 10 states, with 1.45 GW capacity under construction.

Key Financial Indicators

As on / for the period ended March 31		2022	2021
Operating income*	Rs crore	1,605	380
Reported profit after tax (PAT)*	Rs crore	248	14
PAT margin	%	15.40	3.8
Adjusted debt/adjusted networth	Times	0.27	0.69
Interest coverage	Times	2.27	0.74

**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 and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. 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	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non-Fund Based Facilities	ST	200.0	CRISIL A1		–	07-04-22	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 12-Apr-23 in line with the lender-wise facility details as on 07-Apr-22 received from the rated entity.

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Power Generation Utilities](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for rating short term debt](#)

[CRISILs Criteria for Consolidation](#)

[CRISILs Approach to Recognising Default](#)

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