

Rating Rationale

October 10, 2023 | Mumbai

Acme Solar Rooftop Systems Private Limited

Rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.121.27 Crore (Reduced from Rs.129.72 Crore)
Long Term Rating	CRISIL A/Stable (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 A/Stable' rating on the long-term bank facilities of Acme Solar Rooftop Systems Pvt Ltd (ASRSPL). The rating on bank facilities worth Rs 8.45 crore has been **Withdrawn** as ASRSPL has repaid the facilities as confirmed by the lender. This is in line with the CRISIL Ratings policy on withdrawal of ratings.

The rating reflects the healthy revenue visibility and comfortable debt servicing metrics for ASRSPL and a well-defined waterfall mechanism for cash flows. These strengths are partially offset by exposure to counterparty risks and to risks inherent in the operations of renewable energy assets.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of ASRSPL.

Key Rating Drivers & Detailed Description

Strengths:

- Healthy revenue visibility through a power purchase agreement (PPA):** The 25-year power purchase agreement (PPA) with Punjab State Power Corporation Ltd (PSPCL) for the entire capacity of ASRSPL minimises offtake risk and provides revenue visibility. The PPA has a fixed tariff of Rs 7.57 per kilowatt hour (kWh) throughout its tenure. The entire 30-MW capacity became operational in May 2016 and ASRSPL has been receiving payments within 2-3 months of billing since commissioning.
- Comfortable debt-servicing metrics:** The fixed-tariff PPA with PSPCL should ensure adequate debt service coverage ratio (DSCR) over the tenure of the debt. Although ASRSPL has a bullet repayment of about Rs 15 crore in the last quarter of fiscal 2032 (broadly the same as repayment for the entire fiscal 2031), there is a healthy PPA tail period of almost nine years.

The company maintains a debt service reserve account (DSRA) covering two quarters of debt obligation, majorly in the form of fixed deposit. The lender has stipulated an additional DSRA of Rs 10.5 crore (Rs 2.1 crore per fiscal) over 2023 to 2027.

- Well-defined waterfall mechanism:** Lenders have control on the cash flow of ASRSPL through a trust and retention account (TRA) with a clearly defined waterfall mechanism for prioritising cash flow utilisation. As per the TRA agreement, any outflow, including transfer of surplus, is subject to the defined TRA waterfall (details provided later).

Weaknesses:

- Susceptibility to risks inherent in renewable power projects:** Cash flow remains sensitive to the plant load factor (PLF), which depends entirely on solar irradiance and weather patterns, which are inherently unpredictable. This uncertainty may impact the debt servicing capability of ASRSPL. The project has performed close to P90 PLF in the past four years.
- Exposure to counterparty risk:** The long-term PPA with PSPCL for the entire project capacity exposes ASRSPL to risks related to the credit risk profile of a single counterparty and to any delay in payment. However, the company has been receiving payments within 2-3 months of billing for the past four years. Any stretch in the payment cycle will be a rating sensitivity factor.

Liquidity: Adequate

Cash accrual is expected at Rs 26-27 crore each in fiscals 2024 and 2025 (at P90 PLF) and should cover yearly debt obligation of ~Rs 20 crore. ASRSPL has a DSRA covering six months of debt obligation, majorly in the form of fixed deposit. Also, the company had additional cash (excluding DSRA) of Rs 21.68 crore as on August 31, 2022.

Outlook: Stable

ASRSPL will continue to benefit from its long-term PPA and adequate operational performance.

Rating Sensitivity factors

Upward factors:

- Sustained higher generation at ~P50 level for 2-3 years
- Faster-than-expected deleveraging leading to sharp improvement in DSCR (at P90 performance) and maintenance of current payment cycle of 2-3 months by PSPCL

Downward factors:

- Stretch in receivables beyond the current cycle of 2-3 months
- Significant weakening in performance from the P90 PLF level
- Higher-than-budgeted operations and maintenance (O&M) expenses

TRA waterfall mechanism:

The receivables deposited/credited into the designated account shall be appropriated for the following purposes in the below order of priority:

- Charges payable to the TRA bank
- O&M expenditure including insurance
- Interest charges and any other monies/dues payable by the borrower to the lender as intimated by the lender
- Principal amount payable by the borrower under the loan agreement
- Topping up of the DSRA

Surplus, if any (other than the debt service reserve money), shall be allowed to overflow to the promoters.

About the Company

ASRSPL was incorporated on January 21, 2015, under the Companies Act, 2013. The entity is engaged in the business of establishing, commissioning, set up and operates and maintains solar power generation plants with aggregate operational capacity of 30 MW in Punjab, commissioned in May 2016. It has a tie-up for sale of energy to PSCPL at a tariff of Rs 7.57 per kWh.

Key Financial Indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	32	32
Reported profit after tax	Rs crore	5	3
PAT margin	%	14.8	8.8
Adjusted debt/adjusted network	Times	1.80	2.07
Interest coverage	Times	2.48	2.07

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 the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Term loan	NA	NA	Jun-32	121.27	NA	CRISIL A/Stable
NA	Term loan	NA	NA	NA	8.45	NA	Withdrawn

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
Fund Based Facilities	LT	129.72	CRISIL A/Stable		-	23-08-22	CRISIL A/Stable	23-08-21	CRISIL A/Stable		-	-

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	121.27	Indian Renewable Energy Development Agency Limited	CRISIL A/Stable
Term Loan	8.45	Indian Renewable Energy Development Agency Limited	Withdrawn

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
The Rating Process
Criteria for rating solar power projects

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