CRISIL Ratings

Rating Rationale

May 31, 2024 | Mumbai

Dayakara Solar Power Private Limited

Rating upgraded to 'CRISIL A-/Stable'; Removed from 'Watch Developing'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.209.15 Crore (Enhanced from Rs.159.99 Crore)**
Long Term Rating	**CRISIL A-/Stable (Upgraded from 'CRISIL BBB+'; Removed from 'Rating Watch with Developing Implications')**

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1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has removed its rating on the long-term bank facilities of Dayakara Solar Power Private Limited (DSPPL) from 'Rating Watch with Developing Implications' and has upgraded the rating to '**CRISIL A-**' while assigning a **'Stable'** outlook.

Rating action follows the change in analytical approach with the inclusion of Acme Solar Power Technology Pvt. Ltd. (ASPTPL) to the ACG. Addition of another asset in ACG has led to improvement in debt servicing cushions and diversity of ACG from earlier structure where only Grahati Solar Energy Pvt Ltd (GSEPL) and DSPPL were part of ACG.

The rating continues to reflect the company's revenue visibility, adequate debt servicing metrics and a defined waterfall mechanism. These strengths are partially offset by exposure to counterparty risks and risks inherent in the operations of renewable energy assets.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of 3 Acme SPVs, in line with its criteria for rating entities in homogeneous groups. The rating of the individual SPVs has been equated to that of the group. The SPVs are Grahati Solar Energy Pvt Ltd (GSEPL), DSPPL and Acme Solar Power Technology Pvt Ltd (ASPTPL). All the entities operate solar power assets, have a centralised management and treasury, and remain critical to the group. Each SPV acts as a co-obligor to the other. Cash flows of each SPV can be used across the group for debt servicing and DSRA maintenance. Any deviation in this understanding remains a key rating sensitivity factor.

Additionally, all 3 SPVs have legally binding cross-guarantees which make them act as co-obligors to debt obligations.

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:
- **Revenue visibility through PPA:** The 25-year power purchase agreement (PPA) signed with Telangana State Southern Power Distribution Company Ltd (TSSPDCL) for a capacity of 130 MW minimises the offtake risk and provides revenue visibility. The PPA has a tariff of Rs 5.95, Rs 6.84 and Rs 6.74 per kilowatt hour (kWh) for DSPPL (30 MW), GSEPL (50 MW) and ASPTPL (50 MW) respectively. DSPPL and GSEPL became operational in fiscal 2017 while ASPTPL became operational in fiscal 2019.

- **Adequate debt servicing metrics:** Fixed tariff PPAs with TSSPDCL should ensure adequate average debt service coverage ratio (DSCR) over the tenure of the debt for the SPVs. Furthermore, all the three SPVs have a healthy PPA tail period of 3-4 years.

  Debt service reserve account (DSRA) covering two quarter of debt obligation (~Rs 62.1 crore) in all the 3 entities would be maintained in the form of fixed deposits. The entities have also confirmed that additional cash liquidity of one month, over and above the DSRA, would be maintained in three SPVs going forward. Any deviation in this understanding will be a rating sensitivity factor.

- **Defined waterfall mechanism:** The lenders have control over the cash flow of the three SPVs through a separate trust and retention account (TRA) for each SPV, with a defined waterfall mechanism for prioritisation of cash flow for repayment of debt. As per the TRA agreement, any outflow, including transfer of surplus, is subject to the defined TRA waterfall mechanism (detailed subsequently).

Weaknesses:
- **Exposure to counterparty risk:** The three entities are tied up with TSSPDCL. The receivables in all the entities were earlier stretched due to delayed payments from TSSPDCL. However, this has improved to 74 days from June'22 since the implementation of the LPS scheme.

  Receivables in DSPPL and GSEPL were ~Rs 50.6 crore (470 days) and ~Rs 81.3 crore (473 days), respectively, as on March 31, 2022. Due to delays in receipts from TSSPDCL, both DSSPL and GSEPL had to rely on surpluses from MSPPL to meet their debt servicing requirement.

  DSPPL and GSEPL have received all prior dues in the form of instalments under the new Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, under which the dues from March 2021 till April 2022 were to be paid by TSSPDCL in 12 equated monthly instalments, the last of which was received in June 2023. Additionally, monthly dues since the implementation of the scheme have been received with a lag of 2-3 months from the billing date.

  Continuation of timely receipts of the dues from TSSPDCL will remain a key monitorable.

- **Susceptibility to risks inherent in renewable power projects:** Cash flow of the SPVs remains sensitive to plant load factor (PLF), which depends entirely on solar irradiance and weather patterns that are inherently unpredictable. This uncertainty may impact the debt servicing capability of the company. All the SPVs in the group have performed close to P90 PLF in the past five years.

Liquidity: Adequate
Cash accrual for the group at Rs 144-147 crore each in fiscals 2025 and 2026 (at P90 PLF), should cover debt servicing of Rs 127 and Rs 121 crore in fiscal 2025 and 2026 respectively. The entities would maintain cumulative DSRA fixed deposits of ~Rs 62 crore covering six months of debt servicing. Furthermore, the SPVs shall maintain additional cash liquidity equivalent to one month of debt servicing over and above the DSRA.

Outlook: Stable
The group is expected to benefit in the medium term from sustained operational performance (PLF) and long term PPA with offtaker.

Rating Sensitivity factors
Upward factors:
- Sustained higher generation at ~P90 levels for 2-3 years for sustained period along with track record of receivables from TL discoms
- Faster-than-expected deleveraging leading to a sharper improvement in average DSCR (at P90 performance)

Downward factors:
- Deterioration in the receivable cycle or weakening in performance from P90 PLF levels
- Weakening of financial risk profile of overall co-obligor group
- Non-adherence to the terms of the corporate guarantee

Unsupported ratings: CRISIL A-
Unsupported rating disclosure for ratings without 'CE' suffix, where the instruments are backed by specified support considerations, is in compliance with SEBI's circular dated September 22, 2022.

Key drivers for unsupported ratings
CRISIL Ratings has combined the business and financial risk profiles of all SPVs under Acme RG (together referred as the group) and has equated the ratings with that of the group. This is driven by expected high fungibility of cash flows across all SPVs and timely support to all SPVs at the time of distress for any debt repayments. The management's intention to have high fungibility is also supported by cross guarantees across the SPVs, presence of TRA waterfall mechanism, mandatory cash sweeps/ traps, cross default clauses and other financial covenants. Consequently, unsupported and supported ratings, with the cross guarantees, stand at the same level and are equated to that of the group.

TRA waterfall mechanism
The receivables deposited or credited into the designated account shall be appropriated for the following purposes in the following order of priority:

- For Payment of Statutory Dues
- For Meeting O&M Expenses as per the operating budget
- For Payment of Interest on Term Loan to the Bank
- For Principal Payments of the Term Loan to the Bank
- For DSRA replenishment
- Creation of Maintenance & Replacement Reserves as stipulated by the bank
- For Meeting shortfall in interest or debt servicing or shortfall in DSRA of the Lender in other Co-obligors on or before due date of such repayments or DSRA Creation.
- Cash Sweep as per Cash Sweep Clause
- Remaining Surplus shall be allowed to flow down to Restricted Payments after submission of compliance certificate to Lender for verification of compliance with Restricted Payment Condition and with approval of the Lender(s)

About the Company
DSPPL was incorporated on January 19, 2015, under the Companies Act, 2013. The company operates a solar power project of 30 MW in Telangana and has signed a PPA with fixed tariff of Rs 6.848 per kWh for 25 years. It is part of the Acme Solar group.

Key Financial Indicators

Particulars	Unit	2023	2022
Revenue	Rs crore	158	157
Profit after tax (PAT)	Rs crore	22	-8
PAT margin	%	13.9%	-5.1%
Adjusted gearing	Times	2.34	2.69
Interest coverage	Times	2.29	1.96

Key clauses of guarantee deed

Key Terms	Description
Invocation mechanism	Within 5 (Five) Business Days from the Repayment Due Date and/or Replenishment Due Date by raising a Demand Notice and in case of insufficient balance in the Other Borrower's account for discharging the Secured Obligations of Other Borrowers and availability of funds in DSRA.
Payment mechanism	Within 2 (Two) Business Days from the date of issuance of the Demand Notice.

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.

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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	Rupee term loan	NA	NA	Dec-2035	159.99	NA	CRISIL A-/Stable
NA	Term Loan	NA	NA	Sep-2037	49.16	NA	CRISIL A-/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Acme Solar Power Technology Pvt Ltd	Full Consolidation	Homogenous Group
Dayakara Solar Power Pvt Ltd	Full Consolidation	Homogenous Group
Grahati Solar Energy Pvt Ltd	Full Consolidation	Homogenous Group

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	209.15	CRISIL A-/Stable	10-05-24	CRISIL BBB+/Watch Developing	14-12-23	CRISIL BBB+/Stable	22-11-22	CRISIL BBB/Stable	06-09-21	CRISIL BBB+/Stable	--
			--	03-04-24	CRISIL BBB+/Stable		--		--		--	--
			--	27-02-24	CRISIL BBB+/Watch Developing		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Rupee Term Loan	159.99	State Bank of India	CRISIL A-/Stable
Term Loan	49.16	State Bank of India	CRISIL A-/Stable

Criteria Details

Links to related criteria
[CRISILs Approach to Financial Ratios]
[Criteria for rating instruments backed by guarantees]
[Criteria for rating solar power projects]
[Criteria for rating entities belonging to homogenous groups]

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