India Ratings Assigns ACME Solar Rooftop System's Term Loan 'IND A'/Stable

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India Ratings and Research (Ind-Ra) has assigned ACME Solar Rooftop Systems Private Limited's (ASRSPL) term loan 'IND A' with a Stable Outlook. The detailed rating action is as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	30 June 2032	INR1,376.50*	IND A/Stable	Assigned

*Outstanding as on 30 June 2021.

Ind-Ra has assessed the project on a standalone basis, as the presence of a ring-fenced debt structure ensures the prioritisation of cash flows for ASRSPL's debt.

The rating reflects ASRSPL's limited revenue risk, given the presence of a 25-year power purchase agreement (PPA) with Punjab State Power Corporation Limited (PSPCL). The rating is also supported by the availability of adequate liquidly and comfortable debt service coverage ratios (DSCRs), as well as the presence of an experienced sponsor- ACME Cleantech Solution Private Limited (sponsor). The rating, however, is constrained by the company's moderate counterparty profile and a fall in plant load factor (PLF) by average 2.9% per annum since FY18; the PLF in FY21 was 16.07% (FY18: 17.58%).

Key Rating Drivers

Firm Offtake Arrangement Mitigates Revenue Risk: ASRSPL's 30MW solar project is located in the Mansa district of Punjab. The project's stable income is strongly supported by its long-term PPA with PSPCL for its entire capacity at a fixed tariff of INR7.57 per unit, thereby mitigating revenue risk. Furthermore, the rating is supported by the must-run status for renewable energy projects that exempts them from the merit order system in scheduling energy. However, the sale contract carries no deemed generation compensation in the event of the occurrence of grid curtailment. The project achieved commercial operations on 31 March 2016.

Single Counterparty Risk with a Moderate Counterparty: ASRSPL is exposed to a single counterparty credit risk, associated with the sale of electricity only to PSPCL. The receivable day gaps between the receipt dates and the invoice dates is at an average of two months since FY18 (FY21: 64 days; FY20: 46 days). The last payment was received for the month of April 2021 on 9 July 2021.

The gap between the average cost of supply and the average revenue realised on a subsidy booked basis for PSPCL increased to INR0.21/kilo watt hour (kWh) in FY20 (FY19: INR0.01/kWh). The receivable days rose to 84 in FY20 (FY19: 73) while the payable days decreased to 57 (64), according to PSPCL's annual report. The subsidy receivables as a percentage of the overall subsidy income remained around 60% in FY20. However, in case of a further widening of the gap between the average cost of supply and the average revenue realised, and non-timely receipt of the subsidy from the state government, timely payments to the generation companies could be affected.

Liquidity Indicator- Adequate: The project has an average DSCR of 1.27x with the ability to withstand moderate levels of stress on generation, expenses, and receivable days. Additionally, the project has a debt service reserve (DSR) of INR115 million, equivalent to peak six months' debt servicing obligations in the form of a bank guarantee (BG). The management has informed the agency that the BG would be replaced with cash DSR from the internal accruals. The DSR BG expires on 25

March 2022 and Ind-Ra expects the BG to be renewed on time if sufficient cash DSR is not created by then. The continuous availability of two quarters' DSR is a key monitorable. As on 30 June 2021, ASRSPL had INR92.4 million cash and cash equivalents. Ind-Ra considers the project's liquidity to be adequate on the back of the comfortable DSCR and liquidity buffers of the project. ASRSPL did not avail of any working capital loan and expects the sponsor to support, in case of any shortfall.

Falling Generation Trend; Sufficient Buffer in DSCR: The average PLF for the project in FY21 was 16.07% (FY20: 16.38%; FY19: 16.69%). As per the management, the fall in PLF levels is attributed to low global horizontal irradiance levels (represent the extent of solar energy falling on the panels). Considering the historical trend of irradiance and performance ratio, Ind-Ra has considered an increased degradation of 2% for its projections. Any significant deviation in the generation levels will have a bearing on the rating. The plant availability fell in FY21 to 97.87% (FY20: 99.85%) due to the failure of an inverter failure in April 2020 and the same was rectified by August 2020.The P90 PLF estimate for the first year of operation (FY18) was 16.69%.

Low Operating Risk with Adequate Sponsor Experience: The operations and maintenance (O&M) for the project is being handled in-house by the sponsor. The O&M cost as per the contract is INR0.45 million/MW. The O&M cost for FY21 was INR0.40 million/MW (FY19: INR0.34 million /MW), lower than the stipulated O&M cost. The sponsor has adequate experience in developing and operating solar projects in India of over 2.9GW. The sponsor has been engaged in the engineering, procurement and construction of solar projects for more than a decade. Ind-Ra attributes the project's low operating risk due to its low complexity and the ACME group's long track record.

Comfortable Debt Structure: The debt is repayable in over 61 structured quarterly instalments ending June 2032 leaving a tail of 8.8 years with a bullet repayment of INR148.9 million in March 2032. The project has standard project finance features, including a cash flow waterfall, and a DSR equivalent to two quarters' principal and interest payments. As per Ind-Ra's base case, the project has an adequate average DSCR of 1.27x. The FY21 financial statement reflects compulsory convertible debentures of INR300.1 million, which is considered subordinate to the rated term loan, based on the confirmation from the lender and ASRSPL.

Minimum Technology Risk: The plant is configured with polycrystalline technology-based silicon modules supplied by Suzhou Talesun Solar Technologies Co., Ltd, Waaree Energies Ltd and BYD(Singapore)Pte. Ltd. While the standard warranties and guarantees are available for the panels, given the fall in generation observed since commissioning, Ind-Ra will continue to monitor any aberration in the generation. In case of higher generation risk attributable to panel technology, the rating will be reviewed for its impact.

Rating Sensitivities

Negative: Future developments that may, individually or collectively, lead to a rating downgrade are:

- the DSCR reducing below 1.20x
- payment delays from the offtaker beyond 120 days
- any deterioration in the credit profile of the offtaker.

Positive: Future developments that may, individually or collectively, lead to a rating upgrade are:
a sustained PLF above P90 levels for two consecutive years.
the DSCR exceeding 1.35x

Company Profile

ASRSPL operates two solar plants (15X2 MW- 30MW) in Mansa district, Punjab. ASRSPL has won the project under PSPCL's bid for rooftop projects. The sponsor ACSPL holds 100% stake in the project through intermediate holding companies namely Acme Solar Energy Private Limited, Acme Solar Holding Private Limited and Vittanath Power Private Limited.

FINANCIAL SUMMARY

Particulars (INR million)	FY21	FY20
Revenue from operations	318.0	319
Total operating expenses	18.4	16.3
EBITDA	299.6	302.7
EBITDA margin (%)	94.21	94.89

Finance cost	166.1	171.6
Debt/EBITDA (x)	4.37	4.57
Cash and cash equivalents	57.0	39.4
Source: ASRSPL, Ind-Ra		

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Term loan	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators

APPLICABLE CRITERIA

Rating Criteria for Infrastructure and Project Finance

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