

## India Ratings Affirms ACME Solar Rooftop System's Term Loan at 'IND A'/Stable

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India Ratings and Research (Ind-Ra) has affirmed ACME Solar Rooftop Systems Private Limited's (ASRSPL) term loan at '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	INR1,212.70* (reduced from INR1,297.10)	IND A/Stable	Affirmed

\*Outstanding as on 31 July 2023

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. ASRSPL also had compulsorily convertible debentures (CCDs) of INR300.08 million at FYE23 infused by Vittanath Power Private Limited (VPPL), the sponsor. These instruments are equity-like in nature, as per the transaction documents and the terms and conditions shared by the management. These are subordinated to the senior debt and will be paid off only after all restricted payment conditions of the senior term loan are met and do not have the right to call an event of default. Ind-Ra has not factored in any payments to these junior instruments for arriving at senior debt coverages. The inclusion of these funds into the senior debt category will impact the ratings.

The rating is affirmed basis stable operational performance of the project and reflect 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 project's over seven years of operational history, the availability of adequate liquidity and comfortable debt service coverage ratios (DSCRs). The rating, however, is constrained by the moderate counterparty profile and the inherent generation risks of solar projects.

### 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.

**Liquidity Indicator- Adequate:** As on 31 July 2022, the project has a debt service reserve (DSR) of INR115 million, equivalent to peak six months' debt servicing obligations in the form of fixed deposits. In addition, ASRSPL had INR195 million unencumbered cash and cash equivalents. The management has made a representation that, as per their discussions with lender, an additional reserve of around INR21 million will be created per annum over a five-year period from FY23. The requirement of the maintenance of additional cash balances, as per the management, is basis the lender's requirements. ASRSPL has not availed any working capital loan and expects the sponsor to support, in case of any shortfall. Ind-Ra

considers the project's liquidity to be adequate on the back of the comfortable debt service coverage ratio (DSCR) and liquidity buffers of the project. Any deterioration in terms of liquidity, not limited to any delays in the receipt of payments from PSPCL, can lead to a rating downgrade.

**Stable Generation:** The average PLF for the project in FY23 was stable at 16.38% (FY22: 16.11%; FY21: 16.07%), though the same is marginally lower than the P90 estimates. The P90 PLF estimate for the first year of operation (FY18) was 16.69%. The plant availability and grid availability have been stable at >99% during FY23 and FY22. Any significant deviation in the generation levels will have a bearing on the rating.

**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 contract was awarded on 31 May 2016 to the sponsor at a cost of INR0.45 million/MW, with a fixed annual escalation of 5% per annum. The sponsor has adequate experience in developing and operating solar projects of over 3.5GW in India. 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 over eight 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.

**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.

**Single Counterparty Risk with a Moderate Profile:** 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 has been less than 90 days (FY23: 78 days; FY22: 74 days; FY21: 64 days). The last payment was received for the month of April 2023 on 17 July 2023.

In FY22, the surplus between the average revenue realised and the average cost of supply for PSPCL marginally decreased to INR0.17/kWh from a surplus of INR 0.21/kWh in FY21. However, the performance continues to be better as against a gap of INR0.29/kWh in FY20 (FY19: gap of INR0.01/kWh). The receivables days of the counterparty, PSPCL, increased moderately to 86 days in FY22 (FY21: 84, FY20: 72), while the payable days moderated to 45 (65, 57). PSPCL has high reliance on the state for subsidy at 31% in FY22 (FY21: 32% FY20: 28%). In case of any delays in the receipts of subsidy from the state government, timely payments to the generation companies could be affected.

## Rating Sensitivities

**Negative:** Future developments that could, 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 and/or sponsor

**Positive:** Continued operational and financial performance in line with Ind-Ra's base case estimates could lead to a rating upgrade.

## 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 a 100% stake in the project through intermediate holding companies namely Acme Solar Energy Private Limited, Acme Solar Holding Private Limited and VPPL.

## FINANCIAL SUMMARY

(INR million)	FY23	FY22
Revenue from operations	325.64	320.74
Total revenue	336.99	346.93
EBITDA	317.76	326.45
EBITDA margin (%)	94	94
Finance Cost	127.96	148.47
Interest coverage (EBITDA/interest) (x)	2.48	2.20
Senior debt/EBITDA (x)	3.87	4.01
Cash and cash equivalents	39.20	27.52
Source: ASRSPL		

## Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/ Outlook	
	Rating Type	Rated Limits (million)	Rating	1 September 2022	31 August 2021
Term loan	Long-Term	INR1,212.70	IND A/Stable	IND A/Stable	IND A/Stable

## 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**

**Evaluating Corporate Governance**

**The Rating Process**

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