

India Ratings Assigns Dayanidhi Solar Power's Rupee Term Loans 'IND A-(SO)'/Stable

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India Ratings and Research (Ind-Ra) has rated Dayanidhi Solar Power Private Limited's (DSPPL) rupee term loan and other debt facilities as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Rupee term loan (RTL)*	-	-	31 March 2036	INR2,100.0	IND A-(SO)/Stable	Assigned
External commercial borrowing (ECB)*	-	-	31 March 2033	INR538.3	IND A-(SO)/Stable	Assigned
Working capital facility	-	-	-	INR180.0	IND A-(SO)/Stable	Assigned
Loan equivalent risk hedging facility	-	-	-	INR156.0	IND A-(SO)/Stable	Assigned

*The ratings are assigned based on the receipt of final documentation and disbursement against both RTL and ECB. ECB lender has provided a no-objection certificate for RTL. Although certain documents such as amendment of a common loan agreement, execution of an inter-creditor agreement and security/undertakings related documents are yet to be executed, management has confirmed that there will be no change in terms and conditions of the documents provided for all the facilities rated above.

Key Rating Drivers

Obligor Co-obligor Structure: The loan agreements delineate an obligor and co-obligor structure where the surplus cash flows of the individual project would be used for meeting the shortfall in debt service of other co-obligor companies. The five entities involved in this structure are DSPPL, Niranjana Solar Energy Private Limited, Aarohi Solar Private Limited, ACME Jaisalmer Solar Power Private Limited and Vishwatama Solar Energy Private Limited, which are fully owned by ACME Solar Holdings Limited (Holding company).

Generation Above P75 value a Positive: The plant's plant load factor of 22.60% (on AC capacity basis) for 2018 exceeds the P75 estimates of 21.38%. This along with the consistent grid availability underscores reasonable stability in generation. Ind-Ra has considered the plant load factor in line with the actual performance for its analysis.

Minimum Technology Risk: The plant uses Talesun Solar/BYD modules with fixed tilt technology. Polycrystalline-based solar module technology has an operational record of over 30 years, hence technology risks are minimal. Besides, the presence of a reputed solar panel suppliers and industry standard warranties largely mitigates the technology related risks.

Moderate Debt Structure: The rupee term loan is repayable in 70 structured quarterly instalments which started on 31 December 2018 and would end on 31 March 2036. ECB is repayable in 65 structured quarterly instalments which started on 31

March 2017 and would end on 31 March 2033. Both interest rate and forex risks under ECB are fully hedged through swap agreements under the loan equivalent risk hedging facility. As stipulated in the transaction documents, a debt service reserve account equivalent to one quarter of RTL repayments has already been created upfront and a reserve for the balance one quarter will be created within 12 months of the first disbursement. Also, a debt service reserve account equivalent to two quarters of ECB repayments has been created. The stipulation to create other reserves such as one quarter operations and maintenance reserve before making any restricted payments, an inverter replacement reserve before seven years of the first disbursement and a hedging reserve provides additional strength to the credit.

In-house Operations and Maintenance: The project has signed a 25-year operation and maintenance agreement with the ultimate holding company ACME Cleantech Solutions Private Limited for an agreed price with a fixed annual escalation. ACME group develops and operates solar capacity across India and has installed capacity of more than 2.1GW (peak). Ind-Ra attributes low operating risk to the project, given the operator's track record and experience and low complexity of the project.

Increasing Payment Delays A Concern; but Liquidity Comfortable: DSPPL's stretched receivables profile from the offtaker (over 180 days for payment from the date of raising invoice) is a cause of concern. The project has an undrawn working capital limit equivalent to about six months of revenue, apart from debt service reserves for both RTL and ECB. Both working capital and debt service reserve have a cushioning effect and potential to make structure more resilient to temporary liquidity shocks such as stretched receivable days from the offtaker.

Full Project Capacity Tied-Up, Leading to Offtake Certainty: DSPPL has signed a 25-year power purchase agreement for the full 40MW (AC) capacity with Southern Power Distribution Company of Andhra Pradesh Limited with a first year tariff of INR5.978/kWh. The tariff will be escalated at 3.0% per annum until the 10th year of start of power supply and thereafter it will be static. The levelised tariff under power purchase agreement for the full 25 years comes out to be INR7.40/kWh. The escalating tariff offers strength to cash flows. The 'Must-Run' status indicated in the grid code lends credibility to the continuous scheduling of renewable projects.

Rating Sensitivities

Negative: A significant increase in the receivable period, non-creation of a full debt service reserve before 28 December 2019, reduced effectiveness of the obligor co-obligor structure and lower generation or any other factors resulting in coverages below Ind-Ra's base case estimates could lead to a rating downgrade.

Positive: Financial and operational performance better than Ind-Ra's base case estimates along with a reduction in receivables period below three months from the offtaker for a sustained time period could lead to a rating upgrade.

Company Profile

DSPPL is a wholly owned subsidiary of ACME Solar Energy Private Limited, which is ultimately held by ACME Cleantech Solutions. The holding is in the form of common equity shares and compulsorily convertible debentures. Ind-Ra has given 100% equity treatment to the debentures according to the terms and conditions shared. DSPPL operates a 40MW (AC) solar power plant in Chittoor, Andhra Pradesh. A total 48.8MW of DC capacity is installed against the said AC capacity in a DC:AC ratio of 1.22:1 DSPPL commenced full commercial operations on 1 April 2016.

FINANCIAL SUMMARY

Particulars	FY18 (Audited)	FY17 (Audited)
Total revenue (INR million)	497.81	421.22
Total operating expenses (INR million)	31.00	87.94
EBITDA (INR million)	466.81	333.28
Short-term debt (INR million)	551.75	49.59
Long-term debt (INR million)	1072.14	2245.59
Total debt (INR million)	1623.89	2295.18
EBITDA margin (%)	93.77	79.12
Debt/EBITDA (x)	3.48	6.89
Source: DSPPL Annual Report		

Complexity Level of the Instruments

APPLICABLE CRITERIA

Rating Criteria for Infrastructure and Project Finance

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