

Rating Rationale

April 03, 2024 | Mumbai

Acme Solar Holdings Private Limited

Rating removed from 'Watch Developing'; Rating Reaffirmed

Rating Action

| | |
|----------------------------------|---|
| Total Bank Loan Facilities Rated | Rs.200 Crore |
| Short Term Rating | CRISIL A1 (Removed from 'Rating Watch with Developing Implications'; Rating 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 removed its rating on the proposed non-fund based limit bank facilities of Acme Solar Holdings Pvt Ltd (ASHPL; part of the Acme group) from '**Rating Watch with Developing Implications**' and reaffirmed the rating at 'CRISIL A1'.

The ratings were earlier placed on watch following divestment of ~500 megawatt (MW) direct current (DC) solar projects by Acme group to BluPine Energy. CRISIL Ratings has removed the ratings from watch after receiving information on the current portfolio, future pipeline and likely funding sources.

The ratings continue to reflect the track record of the Acme group in the development and operation of solar power assets, above average financial profile supported by diverse portfolio of assets, and adequate financial flexibility. These strengths are partially offset by implementation risk of under-construction portfolio, investment requirement in under implementation portfolio and variability in operating margin of engineering, procurement and construction (EPC) segment.

Analytical Approach

CRISIL Ratings has fully consolidated the business and financial risk profiles of ASHPL, Acme Cleantech Solutions Pvt Ltd (ACSPL; parent company of ASHPL) and Acme Solar Energy Pvt Ltd (ASEPL; entirely held by ASHPL). CRISIL Ratings has moderately combined the business and financial risk profiles of these three entities with their special purpose vehicles (SPVs).

In line with the moderate consolidation approach, equity requirement for under-construction SPVs, including cost overrun in projects under implementation projects, as estimated by CRISIL Ratings, have also been factored into the projections.

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:

- **Track record in the development and operation of solar power assets:** Extensive experience of more than a decade in the execution and operation of solar power projects in India has helped ASHPL establish its market position and gain technical capabilities. This is reflected in commissioning of over 2.5 gigawatt (GW) alternate current (AC) of solar power projects without any material cost and time overruns by ASHPL, a part of which has been sold in the past. Currently, the group has an operational solar capacity of ~1.34 GW_{AC}.

The business profile is further supported by geographical diversity. The portfolio is spread across more than 10 states. Additionally, power generation at an overall portfolio level has been satisfactory for the past three years.

- **Above average financial risk profile, supported by large and diverse portfolio of assets:** Acme group has an operational asset base of 1.34 GW_{AC} currently, the cash flow upstreaming to the holding company from surplus generation is expected to remain strong for fiscal 2025. The proposed sale of operational solar projects in the near-to-medium term will somewhat affect the cash flow upstreaming at the holding company, however, the group has a strong pipeline of 1.35 GW_{AC} of under-construction projects expected to be commissioned and stabilised over the next two years.

Cash flow upstreaming is important for supporting servicing of external debt of ~Rs 550 crore as of March 2024. Lower accrual at the holding company leading to pressure on debt servicing cushions will be a rating sensitivity factor.

- **Adequate financial flexibility:** ASHPL has adequate financial flexibility as seen from its track record of fundraising. The company (directly or indirectly) has raised over Rs 3,200 crore of funds over fiscals 2021 to 2024, through divestment of over 1 GW projects. Going forward, the total portfolio of around 1.34 GW_{AC} of solar power assets provides it with the flexibility of raising funds through accrual, refinancing or stake sale.

Weaknesses:

- **Implementation risks of under-construction portfolio:** Around 50% of the total solar portfolio of the group is currently under construction, entailing implementation and stabilisation risks. Material delays in the implementation of these projects and higher-than-projected investment requirement can exert pressure on cash flow upstreaming to holding companies and weaken the financial flexibility of Acme group.
- **Investment requirement in under implementation portfolio:** Acme group is developing 1.35 GW of solar and wind projects, along with Firm and Dispatchable Renewable Energy (FDRE) and round the clock renewable energy projects. That said, the implementation schedule and investment requirements for majority of these projects is not finalised. Higher than anticipated investment requirement not supported by timely fund raise will be a key monitorable.

Further, the group is exploring foray into the green ammonia vertical which may require sizeable amount of equity investments. The manufacturing unit for the green ammonia plant is explored to be set up in Oman (Duqm SEZ area). Developments and investment requirements around this vertical will also be monitored.

- **Variability in EPC margin:** The solar power industry is currently facing cost pressures on account of volatility in module prices, exchange rates, freight, and commodity prices. This may impact the EPC margin of ACSPL and ASHPL as they may not be able to pass on the cost increase to SPVs.

Liquidity: Adequate

Cash accrual (including upstreaming from operational SPVs) is expected over Rs 350 crore during fiscal 2025. ACSPL, ASHPL and ASEPL have together availed long-term, fund-based borrowing of Rs 550 crore. Accrual generated at ACSPL and ASHPL together, should suffice to cover the interest/premium obligation. While there was no redemption obligation in fiscal 2024 there is one of 20% in fiscal 2025. Additionally, there is no utilisation of fund-based working capital limits. ACSPL and ASHPL together held unencumbered cash balance of ~Rs 1031 crore as on January 31, 2024 while the SPVs held ~Rs 441 crore.

Rating Sensitivity factors

Upward factors:

- Steady operating margin of over 10% along with reduction in external debt at holding companies.
- Improvement in the credit profile and upstreaming from operational portfolio along with greater visibility on investment requirements to under-implementation portfolio.

Downward factors:

- Time or cost overrun in under-construction portfolio or weaker-than-anticipated performance of the operational portfolio.
- More than Rs 700 crore external debt at Acme holding companies.
- Higher-than-anticipated investment requirement not supported by timely fund raise.

About the Group

Established in 2003, ACSPL is promoted by Mr Manoj Kumar Upadhyay, a first-generation entrepreneur, having close to 25 years of experience in clean energy and telecom. As the flagship company of the group, ACSPL holds 100% stake in ASHPL. ACSPL primarily provides operations and maintenance (O&M) work for solar power plants and procurement and supply of solar modules. ASHPL manages the engineering and construction business and procurement of other equipment. However, the EPC and O&M business provides services to other group companies. The group has experience of setting up of over 2.5 GW_{AC} of capacity across 56 SPVs. Currently, there are 24 operational SPVs with aggregate solar capacity of ~1.34 GW_{AC} spread across more than 10 states, with 1.35 GW capacity under construction.

Key Financial Indicators

| As on/for the period ended March 31 | Unit | 2023 | 2022 |
|-------------------------------------|----------|-------|-------|
| Operating income* | Rs.Crore | 1.330 | 1,605 |
| Reported profit after tax (PAT)* | Rs.Crore | -27 | 248 |
| PAT margin | % | -2.1% | 15.40 |
| Adjusted debt/adjusted networkth | Times | 0.70 | 0.27 |
| Interest coverage | Times | NA | 2.27 |

*Adjusted for inter-company sales and expenses between ACSPL and ASHPL as applicable

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 instrument | Date of allotment | Coupon rate (%) | Maturity date | Issue size (Rs.Crore) | Complexity levels | Rating assigned with outlook |
|------|--------------------------------|-------------------|-----------------|---------------|-----------------------|-------------------|------------------------------|
| NA | Proposed non-fund based limits | NA | NA | NA | 200 | NA | CRISIL A1 |

Annexure - List of Entities Consolidated

| Entity consolidated | Extent of consolidation | Rationale for consolidation |
|--|-------------------------|--|
| Acme Solar Holdings Pvt Ltd | Full | Wholly owned subsidiary in same line of business |
| Acme Solar Energy Pvt. Ltd. | Full | Wholly owned step-down subsidiary |
| ACME Solar Technologies (Gujarat) Pvt Ltd | Moderate | No recourse of project debt to ACSPL; expected support towards cash flow mismatches during operations, if required |
| ACME Solar Energy (Madhya Pradesh) Pvt Ltd | | |
| ACME Odisha Solar Power Pvt Ltd | | |
| Acme Raipur Solar Power Pvt Ltd | | |
| Aarohi Solar Power Pvt Ltd | | |
| Niranjana Solar Energy Pvt Ltd | | |
| Dayanidhi Solar Power Pvt Ltd | | |
| Vishwatma Solar Energy Pvt Ltd | | |
| Acme Solar Rooftop Systems Pvt Ltd | | |
| Acme Jaisalmer Solar Power Pvt Ltd | | |
| ACME Magadh Solar Power Private Ltd | | |
| ACME Nalanda Solar Power Pvt Ltd | | |
| Dayakara Solar Power Pvt Ltd | | |
| Grahati Solar Energy Pvt Ltd | | |
| Nirosha power Pvt Ltd | | |
| Acme PV Powertech Pvt Ltd | | |
| ACME Mahbubnagar Solar Energy Pvt Ltd | | |
| ACME Yamunanagar Solar Power Pvt Ltd | | |
| ACME Solar Powertechnology Pvt Ltd | | |
| ACME Jodhpur Solar Power Pvt Ltd | | |
| ACME Rewa Solar Energy Pvt Ltd | | |
| Acme Sidlaghatta Solar Energy Pvt Ltd | | |
| ACME Heergarh Powertech Pvt Ltd | | |
| ACME Aklera Power Technology Pvt. Ltd. | | |

Annexure - Rating History for last 3 Years

| Instrument | Current | | | 2024 (History) | | 2023 | | 2022 | | 2021 | | Start of 2021 |
|---------------------------|---------|--------------------|-----------|----------------|----------------------------|----------|-----------|----------|-----------|------|--------|---------------|
| | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Non-Fund Based Facilities | ST | 200.0 | CRISIL A1 | 27-02-24 | CRISIL A1/Watch Developing | 12-04-23 | CRISIL A1 | 07-04-22 | CRISIL A1 | | -- | -- |

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

| Facility | Amount (Rs.Crore) | Name of Lender | Rating |
|--------------------------------|-------------------|----------------|-----------|
| Proposed Non Fund based limits | 200 | Not Applicable | CRISIL A1 |

Criteria Details

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| Links to related criteria |
| CRISILs Approach to Financial Ratios |
| Rating criteria for manufacturing and service sector companies |
| Rating Criteria for Power Generation Utilities |
| CRISILs Bank Loan Ratings - process, scale and default recognition |
| CRISILs Criteria for rating short term debt |
| CRISILs Criteria for Consolidation |
| CRISILs Approach to Recognising Default |

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