Dayanidhi Solar Power Private Limited

September 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	264.58	CARE BBB; Positive	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Dayanidhi Solar Power Private Limited (DSPPL) considers it to be a part of a restricted group, comprising Arohi Solar Private Limited (ASPL), ACME Jaisalmer Solar Power Private Limited (AJSPPL), DSPPL, Niranjana Solar Energy private Limited (NSEPL), and Vishwatma Solar Energy Private Limited (VSEPL), herein referred to as ACME RG structure, owing to the presence of a co-obligor arrangement between these entities wherein the shortfall in meeting debt obligations by one entity shall be met through surplus cash flows from the other entity in the structure. The agreement is valid for full tenure of the rated debt facilities characterised by presence of cross default clause between both entities.

The rating favourably factors in the tie-up of 100% of the combined capacity through long-term power purchase agreement (PPA) at pre-determined tariff with Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) and the long track record of projects. The rating favourably factors the ample surplus cash flow fungibility among the special purpose vehicles (SPVs) and maintenance of peak two quarter debt service reserve account (DSRA). Ratings also factor in the strong parentage and experienced management team under ACME Solar Holdings Limited (ASHL) (the holding company) and ACME Cleantech Solutions Private Limited (sponsor), having strong commitment towards investment in renewable projects in India. The group has a satisfactory track record of developing and operating renewable energy projects and currently has 1.3 GW of operational capacity as of June 2024.

However, the aforementioned rating strengths are tempered by modest generation track record of SPVs and counterparty risk evidenced from delayed payments and tariff negotiations in the past. The rating also factors in exposure of project cash flows to adverse variations and interest rate fluctuation risk. The rating is also constrained by leveraged capital structure as reflected by total debt/ earnings before interest, taxation, depreciation, and amortisation (EBITDA) of 5.98x as of FY24-end.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Higher-than-envisaged generation and better-than-base case coverage and leverage metrics on a sustained basis.
- Faster-than-expected deleveraging of the project.
- Timely payment from APSPDCL for generation corresponding to 17.52 MWDC (capacity reduced considering order from APERC) leading to higher project viability.

Negative factors

- Lower-than-envisaged generation and/or increase in borrowing cost significantly impacting coverage indicators.
- Stretch in receivables beyond 90 days, adversely impacting the liquidity of SPVs.
- Significantly deteriorating credit profile of the promoter or dilution in its support philosophy towards its SPVs.

Analytical approach:

All five SPVs referred to as ACME RG (ASPL, AJSPPL, DSPPL, NSEPL, and VSEPL) are subsidiaries of ACME Solar Holdings limited (ASHL) and are engaged in similar business. Moreover, these SPVs are also expected to have fungibility of the surplus cash post servicing of their respective debt considering co-obligor structure. Hence, the financial and business risk profiles of these entities have been combined. The linkage of ACME RG with the parent entity, ASHPL, has also been considered.

In a 'Combined Approach', CARE Ratings evaluates the group of entities as if it were a single entity and combines the financials and business risk profiles of these entities to take a view on ratings. All entities are subsidiaries of ASHPL and are engaged in similar business.

Outlook: Positive

The positive outlook on the CARE BBB rating of ACME RG structure reflects CARE Ratings' opinion that assets would benefit from its long-term PPAs. Also, the expectation of satisfactory generation and collection performance supports the outlook.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of key rating drivers:

Key strengths

Long-term PPA agreement providing revenue visibility, APSPDCL being off-taker for entire capacity

The entire project capacity of 160 MW_{AC} is tied-up with APSPDCL via long-term PPA for 25 years at a weighted average tariff of ₹5.75/kWh; with an annual escalation of 3.00% till tenth year from SCOD and fixed tariff from 10^{th} year onwards for the remaining term of the PPA. Presence of long-term PPA with APSPDCL at a pre-determined tariff's provides long-term revenue visibility.

Satisfactory operational track record of more than eight years with generation level above P-90

The 160 MW (AC) solar power capacity were commissioned between March 2016 and May 2016, and have a weighted average operational track record of ~8 years. The generation performance of the combined entity has been above the P-90 levels in last fiscal year, as reflected by annual capacity utilisation factor (CUF) of 20.34% in FY24 as against P-90 level of 19.63%. Going forward, CARE Ratings expects the generation to be in line with the existing trends, which would remain a key monitorable from credit perspective.

Co-obligor structure providing comfort w.r.t timely loan repayment

The five SPVs, ASPL, AJSPPL, DSPPL, NSEPL, and VSEPL, of ACME group have entered a co-obligor agreement wherein the surpluses available in one entity can be utilised for meeting shortfalls, if any in cash flows of the other entity. CARE Ratings also factors in the presence of a structured waterfall mechanism per the TRA documents. The first priority of cash flows would be to meet payments of taxes and statutory dues followed by operating costs. Thereafter, servicing of debt obligations shall be done and the balance is to be used for maintenance of necessary reserves, including DSRA, liquidity reserve, and IRR. Thus, the balance surplus shall be available for meeting the shortfall of other SPV. The co-obligor agreement is valid for full tenure of the rated debt facilities, has a well-defined structured payment mechanism and is characterised by presence of cross default clause between both entities. Per the financing document, the parent (ASHPL) is also defined as one of the obligors resulting in strong linkages between the credit profile of the parent and these five entities.

Moderate debt coverage indicators throughout the tenor of loan

The door-to-door tenor of the term loan is elongated, and coverage indicators are expected to be comfortable. DSRA covering peak two quarters of debt servicing for five entities is in place in form of fixed deposit. Moreover, the loan has tail period of about 3.5 years.

Experienced promoter group with extension of corporate guarantee to lenders of the company

The five entities under the structure are wholly owned subsidiaries of ASHPL, the flagship company of ACME Group. The group has satisfactory track record in renewable sector as reflected by its operating capacity of ~1.3 GW as of June 2024 end. The portfolio is distributed in several states and the capacity is contracted through long-term PPAs with central off-takers, state off-takers, and corporates.

Key weaknesses

Elevated counterparty credit risk from APSPDCL having relatively weak financial risk profile, RG's 100% of the capacity is exposed to such off-taker

The entire capacity is being off-taken by APSPDCL, which has a weak financial risk profile. The discom had unsuccessfully tried to re-negotiate the PPA tariff in past. Moreover, the average collection period of ACME AP RG stood high in FY21 and FY22. Owing to favourable order from APERC related to past dues and the implementation of Electricity (Late Payment Surcharge and Related Matters) Rules of 2022, ACME AP RG witnessed substantial reduction in receivables in FY23 and FY24. Moreover, the current dues are now getting settled in approximately 75 days. This has substantially improved ACME AP RG's liquidity.

Leveraged capital structure given the debt-funded nature of assets of capex for setting up project and exposure to interest rate fluctuation risk

The capital structure of the combined company is leveraged considering debt availed for setting up the projects and top-up debt availed at time of refinancing. Total debt/ EBITDA was 5.98x as of FY24-end. Given the leveraged capital structure, profitability remains exposed to increase in interest rates, given floating interest rates for the term loan availed by the entity.

Operations exposed to climactic conditions and technology risk

The power generation level of a solar power plant primarily depends upon factors such as solar radiation levels, temperature and climatic conditions, installed inverters, losses in PV systems, module aging and degradation among others.

Liquidity: Adequate
As on April 30, 2024, the combined entity had a free cash and bank balance aggregating to ~₹42.71 crore. This apart, the combined entity is maintaining DSRA worth ~₹105 crore, which is equivalent to cover more than two quarter of debt service obligations. Going forward, CARE Ratings expects the generation performance of assets to be in-line with estimated figures and collection to remain timely. The internal accruals from the structure are expected to be adequate to service its debt obligations. Per CARE Ratings' base case, gross cash accruals (GCA) including interest on CCD for FY25 and FY26 is expected to be rangebound between ₹73.86 crore and ₹83.90 crore as against annual repayments of ₹66 crore and ₹72 crore, respectively.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Consolidation
Solar Power Projects

About the company and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power generation

APSPDCL awarded a total capacity of 160-MW_{AC} Solar PV projects to ACME Cleantech Solutions Private Limited under the tender for procurement of 500-MW solar power from the Grid connected Solar PV project in Andhra Pradesh. The project was executed under five wholly owned SPVs, ASPL (50 MW), AJSPPL (20 MW), DSPPL (40 MW), NSEPL (20 MW), and VSEPL (30 MW). The PPA for 25 years has been signed with APSPDCL for project SPVs in December 2014 at a weighted average tariff of ₹5.75/kWh, with an annual escalation of 3.00% till 10th year from SCOD and fixed tariff from 10th year onwards for the remaining term of the PPA. DSPPL is a 100% wholly owned by ACME Solar Holdings Limited. It was promoted to install a 40-megawatt (MW) solar power generation capacity in Santhipuram, a village in the Chittoor District of Andhra Pradesh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	52.14	53.80
PBILDT	49.76	51.43
PAT	-5.32	12.76
Overall gearing (times)	6.85	4.58
Interest coverage (times)	1.32	1.64

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan		-	-	FY 2037	264.58	CARE BBB; Positive

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term loan	LT	264.58	CARE BBB; Positive				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact Us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Jatin Arya Director **CARE Ratings Limited** Phone: 91-120-4452021 E-mail: Jatin.Arya@careedge.in Shailendra Singh Baghel Associate Director **CARE Ratings Limited** E-mail: Shailendra.baghel@careedge.in Ronak Jain Lead Analyst **CARE Ratings Limited** E-mail: Ronak.jain@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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