ACME Raipur Solar Power Private Limited

October 31, 2018

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Bank Facilities	140.47 (reduced from Rs.160 crore)	CARE A- (SO); Stable [Single A Minus (Structured Obligation); Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	11.00	CARE A2+ (SO) [A Two Plus (Structured Obligation)]	Reaffirmed
Total Facilities#	**151.47 (Rs. One Hundred Fifty One crore and Forty Seven Lakh only)**		

backed by unconditional & irrevocable co-obligor undertaking provided by both the entities (viz. ACME Raipur Solar Power Private Limited and ACME Odisha Solar Power Private Limited) to each other

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Acme Raipur Solar Power Private Limited (ARSPPL) and Acme Odisha Solar Power Private Limited (AOSPPL) (both referred as co-obligors) continue to be based on credit enhancement in the form of irrevocable and unconditional co-obligor undertaking provided by both the entities to each other, as per which co-obligors have agreed that in the event of insufficiency of funds/shortfall in debt servicing of the Rupee Facility and the Working Capital Facility, the lenders/lender's agent shall utilize the amounts available in their surplus account to meet such shortfall to ensure debt servicing by the due date. Given the co-obligor undertaking and the terms of the financing agreement, CARE has combined the operational and financial risk profile of ARSPL and AOSPL for analysis.

The ratings continues to factor in experienced promoters viz. ACME Cleantech Solutions Private Limited (rated CARE BBB+; Stable, CARE A2) with established track record in setting up and operating solar power projects, operational track record of 2-3 years of the projects with satisfactory generation levels, long-term off-take arrangement in the form of Power Purchase Agreements (PPAs) signed with two state utilities at a fixed tariff, geographical diversity of the assets, satisfactory payment track record for both the state utilities, comfortable debt service coverage indicators, proposed Debt Service Reserve Account (DSRA) for two quarters of debt servicing with DSRA for one quarter already in place and tie-up of working capital limits giving liquidity support.

The ratings are, however, constrained by counter-party credit risks given the relatively weak financial risk profiles of the off-takers, though payments continue to be received in a timely manner, interest rate fluctuation risks and susceptibility of power generation to variation in climatic conditions as well as technological risks.

Going forward, achievement of power generation at the envisaged levels, timely receipt of payments from the off-takers and adherence to payment terms as per the co-obligor undertaking shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Co-obligor undertaking and diversification of assets: As per the terms of the co-obligor undertaking executed between ARSPPL and AOSPPL (co-obligors) and lenders, each of the co-obligors will provide support in the event of insufficiency of funds in debt servicing. As a result, the cash flows get comfort with respect to diversification of assets in terms of location, modules suppliers as well as off-takers. On a combined basis, coverage indicators are comfortable.

Satisfactory operational track record: The Odisha project has an operational track record of over 3 years and Raipur project has an operational track record of over 2.5 years. AOSPPL achieved satisfactory CUF of 20.91% during FY18 which is in-line with P-90 levels .Also, CUF for 5MFY19 was satisfactory at 19.49%.

ARSPPL achieved a CUF of 17.66% during FY18 which was marginally lower than P-90 levels. CUF for 5MFY19 stood at 16.08%. Further, the companies have undertaken repowering in both the projects with addition of DC capacity of 1.21 MW in Odisha and 1.93 MW in Raipur as on October 2018 funded through internal accruals. AOSPPL is in process of adding another 1.11 MW DC capacity by March 2019. The additional capacity is expected to improve the generation levels going forward.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Long-term PPAs: Both the co-obligors have long-term PPA in place and are supplying power to respective state discom. ARSPPL is supplying entire power under long-term PPA to Chattisgarh State Power Distribution Company Limited (CSPDCL) for a period of 25 years at a fixed tariff of Rs.6.46/kWh. AOSPPL is supplying power to GRIDCO Limited (GRIDCO) at a fixed tariff of Rs.7.28/ Kwh under 25 year PPA signed with the utility. While, AOSPPL has been receiving payments in about 10-15 Days (60 days as per PPA), ARSPPL is receiving payments at an average of about 60 days (30 days as per PPA). Presence of long-term PPAs at a fixed tariff provides long-term revenue visibility for the companies.

Comfortable coverage indicators: Both the companies under the co-obligor structure has stable long term cash flow visibility with long term off-take arrangement from CSPDCL and GRIDCO at fixed tariffs and minimal O&M requirements.
On standalone basis, during FY18, ARSPPL reported total operating income of Rs.29.66 crore as against Rs.28.90 crore during FY17. The overall gearing ratio as on March 31 2018 stood at 4.81x (FY17: 4.27x). Furthermore, the interest coverage ratio of ARSPPL improved from 1.19x for FY17 to 1.69x for FY18. On combined basis, the coverage indicators are expected to be comfortable.

Comfortable liquidity position: The company's liquidity position is comfortable given proposed DSRA for 2 quarters of debt servicing with DSRA covering 1 quarter of debt servicing obligations already in place. Apart from this, the companies have sanctioned of working capital lines, which stood unutilized for the past 12 months covering around 6 months of debt servicing which provides additional comfort.

Experienced Management: The management of ARSPPL and AOSPPL is experienced with track record of setting up and operating solar power projects. ACSPL, the holding company of ARPPL and AOSPPL has commissioned 1.36 MW of solar capacity as on October 2018.

Industry Outlook: Encouraging policy framework in renewable energy (RE) sector has resulted in rising share of installed capacity of RE from 5.9% of total energy capacity (approx. 7.7 GW out of 132 GW) as on March 31, 2007 to around 20% (approx. 69.02 GW out of 346 GW) as on March 31, 2018. Solar power sector's cumulative installed capacity has increased from around 35 MW as on March 31, 2011 to around 20.59 GW as on March 31, 2018. As per the National Solar Mission Scheme, cumulative solar installed capacity is projected to reach to 100 GW (including 40 GW rooftop projects) by 2022. With the decline in project cost and government capacity addition targets, the sector has moved from preferential tariffs to auction based tariff bidding over the last 3-4 years or so, which has resulted in steep fall in solar tariffs with high competitive intensity.

Key Rating Weaknesses

Relatively weak credit profile of the off-taker: CSPDCL, the off-taker for ARSPPL, has a relatively weak credit profile and the payments are being received in about 60 days. Also, GRIDCO, the off-taker for AOSPPL, also has a moderate credit profile; however, the payments are being received in a timely manner within 10 to 15 days. The financial profile of the off-takers will be a key monitorable.

Climatic & Technological Risks: Achievement of desired CUF is subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks.

Interest rate fluctuation risks

The term loans availed for the projects are floating rate loans and the lenders have stipulated annual reset clauses for the interest rates. However, as per the PPA, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company's to risk of any change in the cost factors. The interest cost being the primary cost component on cash basis, any adverse movement in interest rate would impact the overall debt-servicing ability of the SPVs.

Analytical Approach followed: ACME Odisha Solar Power Pvt Ltd (AOSPPL) along with ARSPPL have executed co-obligor undertaking. Thus, a combined analytical approach has been taken.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-financial sector
CARE's Policy on Default Recognition
CARE's methodology for Infrastructure sector ratings
CARE's methodology for private power producers
Rating Methodology: Factoring Linkages in Ratings
Criteria for Short Term Instruments

About the Company

ACME Raipur Solar Power Private Limited (ARSPPL), a 100% subsidiary of Acme Solar Energy Private Limited (ASEPL) which is a 100% subsidiary of ACSPL, has set up a 30 MW (AC Capacity) grid connected solar photovoltaic (PV) power project in District Mahasamund, Chhattisgarh using Poly-Crystalline Silicon technology.

The project achieved COD in phases on Jan 9, 2016 (for 23 MW) and Mar 15, 2016 (for 7 MW). The project was set up at a cost of Rs.207.02 crore (Rs.6.90 crore/MW) funded at debt-equity ratio of 2.98x. The company is supplying entire power to Chhattisgarh State Power Distribution Company Limited (CSPDCL) under 25-year Power Purchase Agreement (PPA), which was signed on November 5, 2014 at a fixed tariff of Rs.6.46/kWh.

Brief Standalone Financials – ARSPPL (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	28.90	29.66
PBILDT	21.46	27.41
PAT	-10.38	-10.48
Overall gearing (times)	4.27	4.81
Interest coverage (times)	1.19	1.69

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2035	140.47	CARE A- (SO); Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	11.00	CARE A2+ (SO)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	140.47	CARE A- (SO); Stable	-	1)CARE A- (SO); Stable (31-May-17)	-	-
2.	Fund-based - ST-Working Capital Demand loan	ST	11.00	CARE A2+ (SO)	-	1)CARE A2+ (SO) (31-May-17)	-	-

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