Acme Solar Energy (Madhya Pradesh) Private Limited

April 5, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities #	171.35 (reduced from Rs.179.31 crore)	**CARE A (SO); Stable [Single A (Structured Obligation); Outlook: Stable]**	Reaffirmed
Short-term Bank Facilities	14.29	**CARE A2+ [A Two Plus]**	Reaffirmed
Total Facilities	**185.64 (Rs. One hundred eighty five crore and sixty four lakh only)**		

 # backed by unconditional & irrevocable co-obligor undertaking provided by co-obligor viz. Acme Solar Technologies (Gujarat) Private Limited
Details of instruments/facilities in Anneuxre-1

Detailed Rationale & Key Rating Drivers

The long-term ratings assigned to the bank facilities of Acme Solar Energy (Madhya Pradesh) Private Limited (ASEMPPL) and Acme Solar Technologies (Gujarat) Private Limited (ASTGPL) (co-obligors) continues to be based on credit enhancement in the form of an irrevocable and unconditional co-obligor undertaking provided by both the companies to each other, as per which co-obligors have agreed that in the event of insufficiency of funds/shortfall in debt servicing, the lenders/lender's agent shall utilize the amounts available in surplus account of each other 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 profiles of ASEMPPL and ASTGPL for analysis.

The rating also factors in operational track record of 5-7 years of the projects with satisfactory generation levels, experienced and resourceful promoters viz. Acme Cleantech Solutions Private Limited (ACSPL, rated 'CARE BBB+; Negative', 'CARE A2') with established track record in setting up and operating solar power projects, 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, established payment track record for both the state utilities, comfortable debt service coverage indicators, Debt Service Reserve Account (DSRA) equivalent to two quarters and one quarter of debt obligations already in place for ASEMPPL and ASTGPL respectively and tie-up of working capital limits giving further liquidity support.

The rating is, however, constrained by counter-party credit risks given relatively weak financial risk profile of one of the discom viz. MP Power Management Company Limited (MPPMCL) under the co-obligor structure, though payments continue to be received in a timely manner 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-taker and adherence to payment terms as per co-obligor undertakings shall be key rating sensitivities.

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

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 undertakings executed between the ASEMPPL, ASTGPL (co-obligors) and lenders, each of the co-obligor 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 technology used (thin film/crystalline) as well as off-takers. On a combined basis, coverage indicators are fairly comfortable for the tenure of term loan.

Comfortable operational performance in both the projects: Both the projects have satisfactory operational performance with operating track record of more than 5 years for ASEMPPL and around 7 years for ASTGPL. The 25 MW project under ASEMPPL achieved net CUF of 21.67% in FY18 as against the CUF of 21.61% (P-90 level for 5th year of operation as per solar assessment study). Also, the CUF for 11MFY19 was satisfactory at 21.28%.
The 15 MW project under ASTGPL achieved net CUF of 18.32% in FY18 which was in-line with envisaged levels. Also, the CUF for 11MFY19 was satisfactory at 18.52%.

Long-term PPAs in place: Both the co-obligors have long-term PPA in place and are supplying power to respective state discom. Presence of long-term PPAs at a fixed tariff provides long-term revenue visibility. ASEMPPL is supplying entire power to MPPMCL for a period of 25 years at a fixed tariff of Rs.8.05/kWh. As per the terms of PPA, MPPMCL has to make payment to the company within 30 days from the submission of bill. The company has been receiving payments in around 30-40 days.
ASTGPL is supplying entire power to GUVNL under a PPA for a period of 25 years. GUVNL is purchasing power at Rs.15/kWh for the first 12 years and at Rs.5/kWh for the next 13 years. As per the terms of PPA, the due date for payment is 30 days from the receipt of the invoice. However, GUVNL is making timely payments within 5-7 days.

Comfortable coverage indicators: Both the companies under the co-obligor structure have stable long term cash flow visibility with long term off-take arrangement from MPPMCL and GUVNL at fixed tariffs and minimal O&M requirements.
During FY18, ASEMPPL reported TOI of Rs.38.76 crore as against Rs.39.08 crore in FY17. Overall gearing ratio improved to 2.97x as on March 31, 2018 as against 3.35x as on March 31, 2017. Financial performance during 6MFY19 was satisfactory with TOI of Rs.16.25 crore and GCA of Rs.5.72 crore.
For ASTGPL, the company reported TOI of Rs.22.91 crore and PAT of Rs. 2.36 crore during FY18. Overall gearing ratio improved from 3.78x as on March 31, 2017 to 3.23x as on March 31, 2018. Financial performance during 6MFY19 was satisfactory with TOI of Rs.10.78 crore and GCA of Rs.2.75 crore.

Experienced Management: The management of ASEMPPL is experienced with track record of setting up and operating solar power projects. ACSPL, the ultimate holding company of ASEMPPL has commissioned 1814 MW of solar capacity as on March 2019.

Industry Outlook: 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. Solar projects have relatively lower execution risks, stable long term cash flow visibility with long term off take arrangements at a fixed tariff and minimal O&M requirements. However, there are concerns pertaining to weak financial health of discoms and their ability to pay timely to the developers, building up of sufficient evacuation infrastructure to cater to huge RE capacity addition, lack of stricter RPO enforcement by the state regulators and level of degradation of the modules given relatively lesser track record of technology in Indian conditions.

Key Rating Weaknesses

Relatively weak credit profile of the off-taker: MPPMCL, the off-taker for major part (62.50%) of the combined capacity, has a relatively weak credit profile. However, the payments are being received in around 30-40 days, which gives comfort.

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 Risk: The term loan availed is on a floating rate basis and the lenders can reset the interest rates annually. However, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company to risk of any adverse movement in interest cost.

Liquidity Analysis: Both the company's liquidity position is comfortable with DSRA maintained for covering 3 months (Rs.6.96 crore) and 6 months (Rs.15.31 crore) of debt servicing obligations for ASTGPL and ASEMPPL respectively as on March 2019. Further, as on March 2019, ASEMPPL had cash & bank balance of Rs.3.98 crore and ASTGPL has cash & bank balance of Rs.3.61 crore.
Apart from DSRA and cash balances, both ASEMPPL and ASTGPL have sanctioned working capital limits covering around 6 months of debt servicing which are fully unutilized as on March 2019. Presence of DSRA, surplus cash and fully unutilized working capital limits provides liquidity comfort.

Analytical Approach followed: 2 SPVs of Acme group viz. Acme Solar Technologies (Gujarat) Pvt. Ltd. (ASTGPL) and Acme Solar Energy (Madhya Pradesh) Private Limited (ASEMPPL) have executed co-obligor undertakings. Thus, a combined analytical approach has been taken.

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

About the Company
Acme Solar Energy (Madhya Pradesh) Private Limited (ASEMPPL), a 100% subsidiary of Acme Solar Energy Pvt Ltd (ASEPL, a 100% subsidiary of ACSPL), has set up a 25 MW solar power project based on Photo Voltaic (PV) technology using PolyCrystalline & Thin Film PV modules in the state of Madhya Pradesh under the Madhya Pradesh state policy. The company is supplying power from the entire capacity at Rs.8.05/kWh to MPPMCL under a 25-year PPA. The project cost of Rs.208.78 crore (Rs.8.35 crore/MW) was funded through equity of Rs.64.71 crore, term loans of Rs.129.91 crore and balance funding through unsecured loan from the promoters. During FY17, the company refinanced the initial project 3 CARE Ratings Limited Press Release debt through a new term debt along with additional top-up. The Engineering, Procurement and Construction (EPC)

for the project was done by ACSPL on a fixed time-fixed price basis and the project was commissioned in January 2014.

Brief Financials – ASEMPPL Standalone (Rs. crore)	FY17 (A - INDAS)	FY18 (A - INDAS)
Total operating income	39.08	38.76
PBILDT	35.42	35.65
PAT	-16.92	3.95
Overall gearing (times)	3.35	2.97
Interest coverage (times)	1.35	1.91

A: Audited

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-2032	171.35	CARE A (SO); Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	14.29	CARE A2+

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	-	-	-	-	1)Withdrawn (03-Feb-17) 2)CARE A- (19-Apr-16)	1)CARE BBB+ (27-Apr-15)
2.	Fund-based - LT-Term Loan	LT	171.35	CARE A (SO); Stable	1)CARE A (SO); Stable (04-Apr-18)	-	1)CARE A (SO); Stable (22-Feb-17)	-
3.	Fund-based - ST-Working Capital Demand loan	ST	14.29	CARE A2+	1)CARE A2+ (04-Apr-18)	-	1)CARE A2+ (22-Feb-17)	-

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