

Press Release

Acme Raipur Solar Power Private Limited

October 09, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 146.00 Cr.
Long Term Rating	ACUITE A / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE A** (read as ACUITE A) to the Rs. 146.00 crore bank facilities of Acme Raipur Solar Power Private Limited (ARSPL). The outlook is '**Stable**'.

Acme Raipur Solar Private Limited (ARSPL) is a special purpose vehicle (SPV) step down subsidiary of Acme Cleantech Solutions Private Limited, incorporated in 2014 by Mr. Anil Chutani and Mr. Rajesh Sodhi. ARSPL has set up a solar power plant of 30 MW Grid Connected Solar PV Power Plant in Mahasamund District (Chhattisgarh) using Poly-Crystalline Silicon technology. The EPC work for the project was done by Acme Cleantech Solutions Private Limited (ACSPL) on a fixed time-fixed price basis and the company achieved COD on January 9, 2016 for 23 MW and on March 15, 2016 for the remaining 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 2.98 times. The plant has an average PLF of ~17.00 percent for FY2018. The company supplies the entire produced power to Chhattisgarh State Power Distribution Company Limited (CSPDCL) under a 25-year Power Purchase Agreement (PPA), which was signed on November 5, 2014 at a fixed tariff of Rs.6.468/kWh. During FY2017, the company refinanced the initial project debt through new term debt along with additional top-up. The project achieved PLF of ~17.62 percent and has generated ~ 46267050 of units in FY2018 as against 46795250 units in FY2017 with average PLF of 17.83 percent in the same year.

Analytical Approach

As per the terms of the co-obligor undertakings executed between AOSPL and ARSPL (co-obligors) and lenders, each of the co-obligor will provide support in the event of insufficiency of funds in debt servicing of the Rupee Facility and the Working Capital Facility, the lenders/lender's agent shall utilise 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, Acuité has combined the operational and financial risk profiles of AOSPL and ARSPL to arrive at the rating. Further, Acuité has also factored in support from its parent company, Acme Cleantech Solutions Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Low offtake risk due to presence of Power Purchase Agreement (PPA) with CSPDCL**

The company has entered into a PPA with CSPDCL for the entire supply of 30.00 MW solar power energy at a fixed tariff of Rs.6.46/KWh for the period of 25 years. The company achieved average of ~20.08 percent plant load factor (PLF) for the last two years. The presence of a long term fixed tariff agreement, thus mitigates the offtake risk and provides long term revenue visibility. The company receives payments in about 60 days from CSPDCL.

- **Co-obligor undertaking and diversification of assets**

The rating derives benefit wherein an irrevocable and unconditional co-obligor undertaking has been provided by Acme Odisha Solar Power Private Limited as per both the (co-obligor) has 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 utilise the amounts available in their surplus account to meet such shortfall to ensure debt servicing by the due date. As a result, the cash flow gets comfort

with respect to diversification of assets in terms of location, modules suppliers as well as off-takers. Acuité has also considered support from the parent company i.e Acme Cleantech Solutions Private Limited (ACSPL) wherein in the event of insufficiency of funds in debt servicing of the rated facilities ACSPL will ensure debt servicing on time.

- **Operational track record for more than two years**

The 30-MW solar plant under ARSPL was commissioned in phases in January 2016 and March 2016 and has an operational track record of more than two years. The project achieved PLF of ~17.62 percent for FY2018 and the company have generated ~ 46267050 of units in FY2018 as against 46795250 units in FY2017 with average PLF of 17.83 percent in the same year. PLF was broadly in line with envisaged level. In order to further maintain the generation levels and further degradation in PLF the company is planning to repower its plant by installing additional modules over the near to medium term.

- **Average financial risk profile**

The financial risk profile of ARSPL and AOSPL on a consolidated basis is average marked by tangible net worth of Rs.115.87 crore (includes unsecured loans to the tune of Rs.22.00 crore considered as quasi equity) as on 31 March, 2018 (Provisional) as against Rs.116.17 crore as on 31 March, 2017. The gearing (debt/equity) is high at 2.64 times as on 31 March, 2018 (Provisional) as against 4.10 times as on 31 March, 2017. The total debt of Rs.306.48 crore outstanding as on 31 March, 2018 (Provisional) comprises secured term loan of Rs.304.65 crore from the financial institution and Rs.1.82 crore as short term unsecured loans from the promoters. The interest coverage ratio stood at 1.69 times in FY2018 (Provisional) as against 1.45 times in FY2017 and debt service coverage ratio stood at 0.28 times in FY2018 (Provisional) as against 1.18 times in FY2017. The net cash accruals stood healthy at Rs.23.21 crore in FY2018 (Provisional) as against Rs.15.65 crore in FY2017.

Weaknesses

- **Exposure to regulatory risk and changes in the credit profile of CSPDCL**

The company is exposed to regulatory risks associated with tariff rates and changes in government policies for solar plants. Further, any change in terms of PPA due to events such as renegotiation of rates by CSPDCL will have an impact on the profitability and debt servicing metrics of the company. Secondly, ARSPL is exposed to changes in the credit profile of CSPDCL as ARSPL has entered into a PPA with CSPDCL for 25 long years. CSPDCL, a 100 percent holding of the Government of Chhattisgarh has received steady support for its initiatives from Chhattisgarh. However, any sharp decline in the credit profile of CSPDCL could impact its ability to meet the operational or financial commitments, which in turn could impact the cashflows of players like ARSPL who are significantly exposed to CSPDCL. Hence, any major change in the credit profile of CSPDCL will remain the key rating sensitivity.

- **Susceptibility of operating performance to technology risk**

The solar radiation levels in the plant location and degradation of PV modules impacts the power generation ability of the plant. In the event of faster than expected degradation, the generation of power could be impacted, thus affecting the revenues and cash flows of ARSPL.

Outlook: Stable

Acuité believes that ARSPL will maintain a 'Stable' outlook over the near to medium term on account of its long term PPA with CSPDCL. The outlook may be revised to 'Positive' if the plant is able to achieve high plant load factor resulting in improved debt protection indicators. Conversely, the outlook may be revised to 'Negative' if the company achieves significantly lower than expected cash accruals due to events like reduction in tariffs or lower output of units. Also, any further debt funded capex will entail a Negative outlook.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	62.13	62.00	29.17
EBITDA	Rs. Cr.	56.85	51.76	28.37
PAT	Rs. Cr.	-0.29	-7.71	-2.32
EBITDA Margin	(%)	91.50	83.48	97.27
PAT Margin	(%)	-0.47	-12.44	-7.94
ROCE	(%)	6.64	6.86	12.88
Total Debt/Tangible Net Worth	Times	2.64	4.10	1.66
PBDIT/Interest	Times	1.69	1.45	1.34
Total Debt/PBDIT	Times	5.37	9.01	5.93
Gross Current Assets (Days)	Days	423	1274	184

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	146.00	ACUITE A / Stable

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About Acuité Ratings & Research:

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