

Press Release

Acme Solar Technologies Gujarat Private Limited

January 10, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 128.00 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. 128.00 crore bank facilities of Acme Solar Technolog. The outlook is '**Stable**'.

Acme Solar Gujarat Technologies Private Limited (ASGTPL) is a special purpose vehicle (SPV) step down subsidiary of Acme Cleantech Solutions Private Limited, incorporated in 2009 by Mr. Veer Pratap and Mr. Rajesh Sodhi. ASGTPL has set up a solar power plant of 15 MW Grid Connected Solar PV Power Plant at Wadgam village in Khambhat Taluka in Anand District (Gujarat) using thin film technology. The EPC work for the project was done by ACSPL on a fixed time-fixed price basis and the company achieved COD on 31 December, 2011.

The project was set up at a cost of Rs.228.00 crore (Rs.15.2 crore/MW) funded through term loan of Rs. 149.00 crore and remaining through promoters' contribution and at debt-equity ratio of 1.89 times. The plant has average PLF of ~18.00 per cent for FY2018. The company supply's its entire power to Gujarat Urja Vikas Nigam Limited (GUVNL) under a 25-year Power Purchase Agreement (PPA), which was signed on May 31, 2010. GUVNL is purchasing power at a tariff of Rs.15/kWh for the first 12 years and at Rs.5/kWh for the next 13 years.

Analytical Approach

As per the terms of the co-obligor undertakings executed between ASTGPL and ASEMPL (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 ASTGPL and ASEMPL 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

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

The rating derives benefit wherein an irrevocable and unconditional co-obligor undertaking has been provided by Acme Solar Energy (Madhya Pradesh) Private Limited as per both the (co-obligor) ASEMPL and ASTGPL 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 flows get 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.

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

Both the co-obligors have long-term PPA in place and are supplying power to respective state discom. This substantially mitigates any off-take risk associated with the project. Further, the PPA is also secured by an irrevocable revolving LC opened by the GUVNL in favour of the ASTGPL. ASTGPL has entered into a PPA with GUVNL for the complete supply of 15.00 MW solar power energy at a tariff of

Rs.15/kWh for the first 12 years and at Rs.5/kWh for the next 13 years. The company achieved average of ~20.08 per cent plant load factor (PLF) for the last two years. As per the terms of PPA, the due date for payment is 30 days from the receipt of the invoice. ASEMPL is supplying entire power to Madhya Pradesh Power Management Company Limited (MPPMCL) for a period of 25 years at a 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.

- **Operational track record of more than four years**

The 15-MW solar plant under ASGTPL was commissioned in phases in December 2011 and has an operational track record of more than six years. The project achieved PLF of ~18 per cent in FY2018 as against 19 percent in FY2017. 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. ASGTPL reported operating income of Rs. 22.61 crore for FY2018 (Provisional) as against Rs. 23.61 crore in FY2017. Lower TOI was on account of transition from IGAAP to INDAS as per which revenue is recognised based on the average tariff (tariff of Rs. 15/unit for first 12 years and Rs. 5/unit for next 13 years) calculated over the PPA tenure. The company has done straight lining of revenues leading to lower booking of revenue as compared to actual receipt from GUVNL.

- **Average financial risk profile**

The financial risk profile of ASGTPL and ASEMPL on a consolidated basis is average marked by tangible net worth of Rs. 98.87 crore as on 31 March, 2018 (Provisional) as against Rs. 92.57 crore as on 31 March, 2017. The gearing (debt/equity) is high at 3.07 times as on 31 March, 2018 (Provisional) as against 3.52 times as on 31 March, 2017. The total debt of Rs. 303.74 crore outstanding as on 31 March, 2018 (Provisional) is secured term loan from the financial institute. The interest coverage ratio stood at 1.69 times in FY2018 (Provisional) as against 1.45 times in FY2017 and the debt service coverage ratio stood at 0.28 times in FY2018 (Provisional) as against 1.18 times in FY2017. The net cash accruals stood moderate 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 GUVNL**

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 GUVNL 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 GUVNL as ASGTPL has entered into a PPA with GUVNL for 25 long years. GUVNL, a 100 per cent holding of the Government of Gujarat has received steady support for its initiatives from Gujarat. However, any sharp decline in the credit profile of GUVNL could impact its ability to meet the operational or financial commitments, which in turn could impact the cashflows of players such as ASGTPL who are significantly exposed to GUVNL. Hence, any major change in the credit profile of GUVNL 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 impact 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 ASGTPL.

Outlook: Stable

Acuité believes that ASGTPL will maintain a 'Stable' outlook over the near to medium term on account of its long term PPA with GUVNL. 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 such as 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 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	61.06	61.76	63.04
EBITDA	Rs. Cr.	55.74	53.88	56.24
PAT	Rs. Cr.	6.30	-48.32	3.36
EBITDA Margin	(%)	91.28	87.23	89.22
PAT Margin	(%)	10.32	-78.23	5.33
ROCE	(%)	6.40	5.99	10.24
Total Debt/Tangible Net Worth	Times	3.07	3.52	1.77
PBDIT/Interest	Times	1.72	1.36	2.30
Total Debt/PBDIT	Times	5.39	6.10	4.29
Gross Current Assets (Days)	Days	1102	924	224

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	128.00	ACUITE A / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Namita Palve Analyst - Rating Operations Tel: 02249294034 namita.palve@acuiteratings.in	

About Acuité Ratings & Research:

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