Press Release

Acme Yamunanagar Solar Power Private Limited

January 10, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 110.00 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 minus)** to the Rs. 110.00 crore bank facilities of Acme Yamunanagar Solar Power Private Limited. The outlook is **'Stable'**.

Acme Yamunanagar Solar Power Private Limited (AYSPPL) is a special purpose vehicle (SPV) step down subsidiary of Acme Cleantech Solutions Private Limited, incorporated in 2016 by Mr. Veer Pratap and Mr. Kranti Varre. AYSPPL has set up a solar power plant of 20 MW Grid Connected Solar PV Power Plant at Bujjalpur village in Yadadri district and Nandipadu village in Mahbubnagar district (Telangana). It was set up at a capital outlay of Rs.146.97 crore, funded by term loan of Rs.110.23 crore and promoters' contribution of Rs.36.74 crore with debt and equity at ratio of 3:1. The unit was commissioned in September 2017. The plant has average PLF of ~22 percent during the last 1.5 years. The company is supplying entire power to National Thermal Power Corporation Limited (NTPC) under a 25-year Power Purchase Agreement (PPA), which was signed on August 9, 2016 at a fixed tariff of Rs.4.67/kWh

Analytical Approach

Acuité has considered the standalone financials to evaluate the credit quality of AYSPL and have subsequently factored financial support from Acme Cleantech Solutions Private Limited in the form of Corporate Guarantee and has taken parent notch up to arrive at this rating.

Key Rating Drivers

Strengths

- **Low offtake risk due to strong counterparty and presence of Power Purchase Agreement (PPA) with NTPC**

  AYSPPL commenced operations in solar power in September, 2017. It entered into a PPA with NTPC for supply of 20.00 MW solar power energy at a fixed tariff of Rs.4.67/KWh for the period of 25 years. The company achieved average of ~22 percent plant load factor (PLF) for the last 1.5 years. The presence of a long term fixed tariff agreement with strong credit counterparty, thus, mitigates the offtake risk and provides long term revenue visibility.

- **Strong support from the parent company in the form of Corporate Guarantee**

  AYSPPL is a SPV and step down subsidiary of Acme Cleantech Solutions Private Limited (rated 'ACUITE A/Stable') and is engaged in solar power generation in the State of Telangana. Acme Group is one of the largest groups in India having presence in the solar power generation. Apart from equity capital, the promoters of Acme group have supported the borrowings of AYSPPL by providing an unconditional and irrevocable corporate guarantee. Acuité believes that the group will take all necessary steps to ensure that the rated entity meets all its obligations under the available bank facilities.

- **Comfortable liquidity position**

  The company's liquidity position is comfortable given proposed DSRA for 2 quarters of debt servicing with DSRA covering 2 months of debt servicing obligations already in place. Further, the company receives payment in five working days from NTPC from the date of submission of the bills raised by AYSPPL.

Weaknesses

- **Average financial risk profile**
  The company has average financial risk profile marked by tangible net worth of Rs.37.11 crore (includes unsecured loan to the tune of Rs.18.01 crore considered as quasi equity) as on 31 March, 2018 (Provisional) as against Rs.0.04 crore as on 31 March, 2017. The gearing (debt/equity) is high at 2.34 times as on 31 March, 2018 (Provisional) and is expected to decrease over the medium term on account of repayment in the term loans. The total debt of Rs.86.95 crore outstanding as on 31 March, 2018 (Provisional) comprises Rs.83.94 crore as secured term loan from the financial institution and Rs.3.02 crore as working capital facility. The interest coverage ratio and debt service coverage ratio stood at 2.07 times and 2.02 times in FY2018 (Provisional) respectively. The net cash accruals stood at Rs.3.65 crore in FY2018 (Provisional) as against debt obligation of Rs.2.50 crore.

- **Exposure to regulatory risk and changes in the credit profile of NTPC**
  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 NTPC will have an impact on the profitability and debt servicing metrics of the company. Secondly, AYSPPL is exposed to changes in the credit profile of NTPC as AYSPPL has entered into a PPA with NTPC for 25 long years. However, any sharp decline in the credit profile of NTPC could impact its ability to meet the operational or financial commitments, which in turn could impact the cashflows of players such as AYSPPL who are significantly exposed to NTPC. Hence, any major change in the credit profile of NTPC 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 AYSPPL.

Outlook: Stable

Acuité believes that AYSPPL will maintain a 'Stable' outlook over the near to medium term on account of its long term PPA with NTPC. 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 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.60	0.00	0.00
EBITDA	Rs. Cr.	5.76	0.00	0.00
PAT	Rs. Cr.	0.94	0.00	0.00
EBITDA Margin	(%)	75.77	0.00	0.00
PAT Margin	(%)	12.41	0.00	0.00
ROCE	(%)	7.55	-3.19	-127.87
Total Debt/Tangible Net Worth	Times	2.34	0.00	0.00
PBDIT/Interest	Times	2.07	-824.29	0.00
Total Debt/PBDIT	Times	11.76	0.00	0.00
Gross Current Assets (Days)	Days	455	0	0

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
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-14.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	110.00	ACUITE A- / Stable

Contacts

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About Acuité Ratings & Research:
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