ACME Odisha Solar Power Private Limited

May 31, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities #	175	**CARE A- (SO); Stable [Single A Minus (Structured Obligation); Outlook: Stable]**	Assigned
Short-term Bank Facilities #	12	**CARE A2+ (SO) [A Two Plus (Structured obligation)]**	Assigned
Total Facilities	**187 (Rs. One hundred eighty seven crore only)**		

 # backed by unconditional and irrevocable co-obligor undertaking provided by ACME Raipur Solar Power Private Limited
Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of ACME Odisha Solar Power Private Limited (AOSPPL) are based on credit enhancement in the form of an irrevocable and unconditional co-obligor undertaking provided by ACME Raipur Solar Power Private Limited [ARSPPL, rated 'CARE A- (SO)', 'CARE A2+ (SO)'], as per which ARSPPL (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 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 profiles of AOSPPL and ARSPPL for analysis.

The ratings also factor in experienced and resourceful promoters viz. ACME Cleantech Solutions Private Limited (ACSPL, rated 'CARE BBB+', 'CARE A2') with established track record in setting up and operating solar power projects, operational track record of 1-2 years of the 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, 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 further liquidity support.

The ratings are, however, constrained by counter-party credit risks given the relatively weak financial risk profiles of the discoms, though payments continue to be received in a timely manner, moderate track record of operations 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 undertakings executed between AOSPPL and ARSPPL (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 suppliers as well as off-takers. On a combined basis, coverage indicators are comfortable.

Long-term PPA: The company is supplying entire power under long-term PPA to GRIDCO for a period of 25 years at a fixed tariff of Rs.7.28/kWh. Presence of long-term PPA with GRIDCO at a fixed tariff provides long-term revenue visibility. The company has been receiving payments in about 10-15 days.

Operational track record of more than 1.75 years: The 25 MW solar plant under AOSPPL was commissioned in June 2015 and has an operational track record of more than 1.75 years. The project achieved a net CUF of 20.37% since commissioning and 21.21% during FY17 as against envisaged net CUF of 21.30% (P-90). CUF was broadly in-line with the envisaged level. In order to achieve higher CUF, the company plans to repower the plant i.e. install additional modules (DC capacity) to the tune of 2.30 MW in May 2017, with which generation levels are expected to improve. The co-obligor, viz. ARSPPL has a track record of more than 1 years of operations.

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

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 company has received sanction of working capital limit covering around 6 months of debt servicing providing additional comfort.

Experienced Management: The management of ARSPPL is experienced with track record of setting up and operating solar power projects. ACSPL, the holding company of ARPPL has commissioned 649 MW of solar capacity as on May 2017.

Key Rating Weaknesses

Relatively weak credit profile of the off-taker: GRIDCO, the sole off-taker for AOSPPL, has a relatively weak credit profile; however, the payments are being received in about 10-15 days. Also, CSPDCL, the off-taker for the other co-obligor viz. ARSPPL, also has a relatively weak credit profile; however, the payments are being received in a timely manner.

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.

Analytical approach: Another SPV of the ACME group, ACME Raipur Solar Power Pvt Ltd (ARSPPL) along with AOSPPL 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
Rating Methodology: Factoring Linkages in Ratings
Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-financial sector
CARE's Policy on Default Recognition

About the Company

AOSPPL, a 100% subsidiary of ACME Solar Energy Private Limited (ASEPL), has set up a 25 MW grid connected solar photovoltaic (PV) power project in District Balangir, Odisha using Poly-Crystalline Silicon technology. ASEPL is a 100% subsidiary of ACSPL.
The plant, set up at a total project cost of Rs.206 crore (Rs.8.24 crore/MW) was funded through term debt of Rs.144 crore and promoter contribution of Rs.62 crore (debt-equity ratio of 2.32x).
The EPC work for the project was done by ACSPL on a fixed time-fixed price basis and the company achieved COD on June 22, 2015 for the entire capacity. The company is supplying entire power to GRIDCO Limited (GRIDCO) under a 25-year Power Purchase Agreement (PPA), which was signed on March 6, 2013 at a fixed tariff of Rs.7.28/kWh. During FY17, the company refinanced the initial project debt through new term debt along with additional top-up.

During FY16 (refers to the period April 1 to March 31), the company reported total operating income of Rs.24.26 crore with a net loss of Rs.2.30 crore. During 9MFY17 (refers to the period April 1 to December 31), the company reported total operating income of Rs.25.40 crore with a net loss of Rs.0.57 crore.

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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	-	-	Dec-2034	175.00	CARE A- (SO); Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	12.00	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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	175.00	CARE A- (SO); Stable	-	-	-	-
2.	Fund-based - ST-Working Capital Demand loan	ST	12.00	CARE A2+ (SO)	-	-	-	-

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CIN - L67190MH1993PLC071691