

## Acme Solar Energy (Madhya Pradesh) Private Limited

February 22, 2017

### Ratings

| Facilities                  | Amount<br>(Rs. crore)  | Rating <sup>1</sup>  | Rating Action |
|-----------------------------|--|--|---------------|
| Long-term Bank Facilities # | 191.00   | <b>CARE A (SO); Stable</b><br>[Single A (Structured Obligation);<br>Outlook: Stable] | Assigned      |
| Short-term Bank Facilities  | 14.29  | <b>CARE A2+</b><br>[A Two Plus]  | Assigned      |
| <b>Total Facilities</b>     | <b>205.29</b><br><b>(Rs. Two Hundred Five crore</b><br><b>and Twenty Nine lakh only)</b> |  |               |

# backed by unconditional & irrevocable co-obligor undertaking provided by Acme Solar Technologies (Gujarat) Private Limited

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The long-term rating assigned to the bank facilities of Acme Solar Energy (Madhya Pradesh) Private Limited (ASEMPPL) is based on credit enhancement in the form of an irrevocable and unconditional co-obligor undertaking provided by Acme Solar Technologies (Gujarat) Private Limited [ASTGPL, rated CARE A(SO)/CARE A2+], as per which ASTGPL (co-obligor) has 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 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 3-5 years of the projects with satisfactory generation levels, 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, 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 one quarter of debt obligations already in place 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), 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 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 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.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Comfortable operational performance:** The 25-MW capacity has an operational track record of 3 years. Net CUF during FY16 (refers to the period April 1 to March 31) stood at 22.15% as against net CUF of 22.30% during FY15 (first full year of operations). Net CUF during the period 9MFY17 was slightly lower at 20.58% as against 21.35% during the same period last year on account of heavy rainfall during the period. Since commissioning, the generation levels have been better than P-90 levels.

**Long-term PPA:** The company is supplying entire power under long-term PPA to MPPMCL for a period of 25 years at a tariff of Rs.8.05/kWh. Presence of long-term PPA with MPPMCL at a fixed tariff provides long-term revenue visibility. 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.

**Comfortable liquidity position:** The company's liquidity position is comfortable with DSRA covering 3 months of debt servicing obligations already in place. As per the sanctioned terms, additional DSRA of 3 months need to be in place within 24 months of first disbursement through internal accruals. Apart from this, the company has received sanction of working capital limit covering around 6 months of debt servicing providing additional comfort.

**Satisfactory financial performance:** In FY16, ASEMPL reported total operating income of Rs.40.23 crore and PAT of Rs.3.48 crore as against total operating income of Rs.40.23 crore and PAT of Rs.3.13 crore in FY15. During H1FY17, the company reported total operating income of Rs.18.14 crore and PAT of Rs.1.22 crore.

**Experienced Management:** The management of ASEMPL is experienced with track record of setting up and operating solar power projects. ACSPL, the ultimate holding company of ASEMPL has commissioned 494 MW of solar capacity as on September 2016.

#### Key Rating Weaknesses

**Relatively weak credit profile of the off-taker:** MPPMCL, the sole off-taker, 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.

**Analytical Approach followed:** Another SPV of ACME group, Acme Solar Technologies (Gujarat) Pvt. Ltd. (ASTGPL), and ASEMPL 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

Acme Solar Energy (Madhya Pradesh) Private Limited (ASEMPL), 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 Poly-Crystalline & 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 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.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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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                   | -                | -           | Mar-32        | 191.00                        | 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 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              | -                              | -                   | 1)Withdrawn (03-Feb-17)<br>2)CARE A- (19-Apr-16) | 1)CARE BBB+ (27-Apr-15)                   | -   | -   |
| 2.      | Fund-based - LT-Term Loan                   | LT              | 191.00                         | CARE A (SO); Stable | -  | -   | -   | -   |
| 3.      | Fund-based - ST-Working Capital Demand loan | ST              | 14.29                          | CARE A2+            | -  | -   | -   | -   |

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