ACME PV Powertech Private Limited

January 07,2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	299.77 (Reduced from 316.21)	CARE BBB; Negative (Triple B; Outlook: Negative)	Reaffirmed
Total Bank Facilities	**299.77 (Rs. Two Hundred Ninety-Nine Crore and Seventy-Seven Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Acme PV Powertech Private Limited (APVPPL) continue to derive strength from experienced promoter, viz, Acme Cleantech Solutions Private Limited (ACSPL) with experience in successfully developing and operating solar power assets across India, operational track record of the project of around 3.5 years , long-term off-take arrangement in the form of Power Purchase Agreement (PPA) with Southern Power Distribution Company of Telangana Limited (TSSPDCL, rated CARE BB; Stable, CARE A4+) for the entire capacity, moderately comfortable debt coverage indicators , sanctioned working capital facilities and Debt Service Reserve Account (DSRA) covering 2 quarter of debt servicing obligations in place.

However, the ratings are continued to be constrained by leveraged capital structure, counter party credit risk on account of relatively weak financial profile of the off-taker (TSSPDCL) along with significant delays in receipt of payments from the Telangana discom, lower generation levels as compared to P-90 levels since commissioning, risks pertaining to interest rate fluctuations and exposure to climatic and technological risks.

Outlook: Negative

The outlook for the rating continue to be 'Negative' on account of continued delays of 8 months in receipt of payments from TSSPDCL, though the same has come down from earlier debtor cycle of around 9 months. The elongation in payment cycle has negatively impacted the overall liquidity profile of the company.

The ratings may get downgraded in case of further elongation in payment cycle leading to deterioration in the liquidity position of the company. The outlook may be revised to 'Stable' if the receivables cycle from TSSPDCL improves to less than 6 months on a sustained basis.

Key Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Actual generation better than base case CUF estimates on sustainable basis leading to better cash accruals thereby positively impacting the coverage indicators of the SPVs.
- Timely receipt of payments from the Telangana discom along with timely clearance of existing outstanding receivables leading to reduction in debtor cycle to at least less than 2-3 months on sustainable basis.
- Improvement in the credit profile of the offtaker viz. TSSPDCL

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Actual generation lower than base case CUF estimates leading to deterioration in cash accruals thereby negatively impacting the coverage indicators at SPV.
- Delays in receipt of payments from the off-taker leading to increase in debtor cycle to more than 9 months on sustainable basis.
- Deterioration in credit risk profile of the off-taker viz. TSSPDCL
- Inability of the SPVs to meet required covenants as per the sanctioned terms leading to breach in terms of financing agreements including maintenance of DSRA

Detailed description of the key rating drivers
Key Rating Strengths
***Experienced Management, successful track record of setting up and operating solar power projects**:*
ACSPL provides O&M and EPC services for solar power plants which are being setup through various SPVs under itself. As on September 2020, the group has an operational capacity of around 1669 MW spread across multiple states in India. Recently, the group successfully monetized 500 MW (AC) of operational assets under 2 separate transactions. However, overall financial risk profile of ACME group continues to be moderate given sizeable corporate debt continues to be there along with significant exposure of the operational capacity towards state discoms having relatively weak financial risk profile.

Operational track record of around 3.5 years:
The project commissioned in phases in July and August 2017 has an operational track record of around 3.5 years.

Long-term PPA providing revenue visibility:
The Company is supplying entire power under long-term PPA to TSSPDCL for a period of 25 years at a fixed tariff of Rs.5.59/kWh. Presence of long-term PPA with TSSPDCL at a fixed tariff provides long-term revenue visibility.

Moderately comfortable debt coverage indicators; DSRA of two quarters already in place, though leveraged capital structure
The coverage indicators are expected to be moderately comfortable for the tenure of the term debt. In line with the sanction terms, the company is maintaining Debt Service Reserve Account (DSRA) of Rs 25 crores equivalent to two quarter of debt obligations in the form of FDs. In addition, the company has a Working Capital limit of Rs 21 crores.
The company reported overall gearing of 3.61x as on March 31, 2020 as against overall gearing of 3.66x as on March 31, 2019. The capital structure of the company, continues to remain leveraged with relatively high overall gearing levels.

Long-term O&M Agreement with ACSPL:
APVPPL has entered into a long-term O&M agreement with ACSPL for a period of 25 years. The O&M agreement provides for guaranteed minimum plant availability of 98.5% and back to back standard warranty from module and inverter suppliers. Further, Acme Fazilka Power Private Limited (step-down subsidiary of ACSPL) has furnished a promoter's undertaking in the favor of the lenders by bringing in additional contribution or in the form of funds in surplus in TRA post cash sweep, to meet operation and maintenance expenses in case the same exceed the base case plan by more than 10% in any year due to any reason other than Force Majeure.

Industry Outlook
There is great thrust from Govt. for improving the share of solar power in India's overall power mix which is reflected from various policy initiatives. There had been muted solar power generation capacity additions during FY19 & FY20 on the back of imposition of safeguard duty on import of solar modules, lack of clarity w.r.to GST rate on solar modules and cancellation of large amount of solar auctions. However, looking at the already allotted capacity and govt.'s push for achieving targeted solar capacity of 100 GW by end FY22, capacity additions are likely to improve in next two to three years. Solar projects have relatively lower execution risks, stable long term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, tariffs comparable to conventional power generation, must run status of solar power projects and upward revision in solar RPO achievement targets. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter RPO enforcement by the state regulators, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state Discoms, increased difficulties in debt tie-up. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook. Going forward key monitorables would be prices of solar modules, performance of the modules in Indian conditions, developments in claim of off-takers for renegotiation of PPAs, modalities to compensate under 5 CARE Ratings Limited Press Release change in law for safeguard duty, payment pattern

of off-takers, imposition of any anti-dumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance.

Key Rating Weaknesses

Relatively weak credit profile of the off-taker, elongated receivable cycle of around 8 months

Southern Power Distribution Company of Telangana Limited (TSSPDCL), the off-taker for the project has a relatively weak credit profile having weak debt coverage indicators along with a restrictive regulatory environment. The company has been receiving payments from TSSPDCL with a delay of around 8 months as against stipulation of 30 days as per PPA from the date of invoicing (received payments till invoice for the month of March 2020, last payment received in January, 2021). The outstanding receivable continues to be high, though the same has come down from 9 months as on December 2019 to 8 months as on January 2021.
Going forward, timely receipt of revenue from the off-taker will be critical from cash flow perspective. The financial profile of the discom and timely payments will be a key monitorable.

Lower than envisaged generation levels:

The company achieved CUF of 21.92% during FY20 as against FY19 CUF of 23.73%. The generation was impacted in FY20 on account of relatively lower grid availability in the month of October and November 2019. Also, the solar irradiation levels during October 2020 till January 2021 were lower than usual which affected the generation levels. Further, the plant generated CUF of 21.67% during 8MFY21 vis-a-vis 21.21% during 8MFY20. The overall generation levels continue to be lower than P-90 estimates.

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.

Interest Rate Fluctuation Risks:

The term loans availed for the projects are floating rate loans and the lenders have stipulated annual reset clauses for the interest rates. However, as per the PPA, the tariff for off-take arrangement of the power is fixed, thereby, exposing the company's to risk of any change in the cost factors. The interest cost being the primary cost component on cash basis, any adverse movement in interest rate would impact the overall debt-servicing ability of the SPVs.

Liquidity Position: Adequate

The company's liquidity position is adequate given DSRA covering 2 quarters of debt servicing obligations is in place (Rs.25.00 crore kept in the form of Fixed Deposits). Also, the company has sanctioned working capital limit of Rs.21 Cr out of which Rs. 8.39 Cr is unutilized as on December 2020. Further, the surplus cash & bank balance stood at around Rs.4.83 crore as on December, 2020.
The company has debt repayment obligations of Rs.13.52 crore and Rs.14.17 crore as against projected GCA of Rs.15.61 crore and Rs.15.86 Crore in FY21 and FY22, respectively.

Impact of COVID-19:

There has been no significant impact on the operations of the project. However, the company had availed moratorium on debt servicing for the months of March'20 till May'20 (both interest and principal). However, given the cash flow received from discom under Covid-19 relief package, the same was repaid to the lenders in September 2020.

Analytical Approach: Standalone

Applicable Criteria

CARE's methodology for Infrastructure sector ratings
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Criteria for default recognition
Rating Methodology: Solar Power Projects
CARE's methodology for private power producers
Financial Ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company

Acme PV Powertech Private Limited (APVPPL); is a subsidiary of Acme Fazilka Power Private Limited and step-down subsidiary of Acme Cleantech Solutions Private Limited (ACSPL) and has set up 50 MW of solar power capacity at Sadasivpet, Medak District, Telangana. APVPPL has tied-up entire power capacity with TSSPDCL via long term power purchase agreement (PPA) at a fixed tariff of Rs.5.59 per kWh for 25 Years.

Brief Financials – APVPPL Standalone (Rs. crore)	FY19(A)	FY20(A)
Total operating income	59.07	54.98
PBILDT	55.87	52.91
PAT	3.89	-1.52
Overall gearing (times)	3.66	3.61
Interest coverage (times)	1.71	1.55

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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	-	-	September 2035	278.77	CARE BBB; Negative
Fund-based - LT-Working Capital Limits	-	-	-	21.00	CARE BBB; Negative

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	278.77	CARE BBB; Negative	-	1)CARE BBB; Negative (06-Jan-20) 2)CARE BBB; Negative (12-Aug-19)	1)CARE BBB; Stable (04-Dec-18)	1)CARE BBB; Stable (08-Sep-17)
2.	Fund-based - LT-Working Capital Limits	LT	21.00	CARE BBB; Negative	-	1)CARE BBB; Negative (06-Jan-20) 2)CARE BBB; Negative (12-Aug-19)	1)CARE BBB; Stable (04-Dec-18)	-

Annexure-3: Detailed explanation of covenants of the rated facilities

Name of the Facility – Term Loan	Detailed explanation
A. Financial covenants	
I. Debt Service Coverage Ratio	Borrower is required to maintain Debt Service Coverage Ratio greater than 1.10x at all the times during the tenure of the loan

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT-Working Capital Limits	Simple

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.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact:
Group Head Name - Mr. Kunal Arora
Group Head Contact no - +91-11-4533 3247
Group Head Email ID- kunal.arora@careratings.com

Relationship Contact
Name: Ms. Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careratings.com

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.

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