

January 21, 2022

ACME Chittorgarh Solar Energy Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund-based Term Loan	911.30	[ICRA]A+ (Stable); assigned
Long Term – Fund-based Proposed Term Loan	138.70	[ICRA]A+ (Stable); assigned
Total	1050.00	

*Instrument details are provided in Annexure-1

Rationale

ICRA's assigned rating for ACME Chittorgarh Solar Energy Private Limited (ACSEPL) factors in the managerial and financial support from a strong parent – Ayana Renewable Power Private Limited (ARPPL; rated [ICRA]AA- (Stable)/[ICRA]A1+) - which acquired the entity from the ACME Group in November 2021. ARPPL's credit profile is supported by its superior financial flexibility by virtue of its strong sponsors and large capital commitments made by the sponsors—National Investment and Infrastructure Fund Limited (NIIF), CDC Group Plc (a UK Government-owned development finance institution) and Green Growth Equity Fund (GGEF). The sponsors have increased their capital commitment to US\$721 million from US\$330 million earlier for the Ayana platform. Further, NIIF increased its shareholding to 51% as of November 2021 from 25.5% as of March 2021, along with a majority board representation.

The rating also considers the limited demand and tariff risks for ACSEPL's 250-MW solar power project, with the presence of a 25-year long-term power purchase agreement (PPA) with Maharashtra State Electricity Distribution Company Limited (MSEDCL) for the entire project capacity at a fixed tariff of Rs. 2.72 per unit. The company has also secured additional tariff from MSEDCL under change in law, in lieu of the safeguard duty imposed on imported solar modules.

Further, ICRA favourably takes note of the cost competitive tariff rate offered by the project, which is lower than the average power procurement cost (APPC) of MSEDCL. Further, the timely payments from MSEDCL so far and a debt service reserve account (DSRA) equivalent to two quarters of interest and principal payments provide comfort from a credit perspective.

While the project leverage remains high as the project cost was largely funded through debt, the debt coverage metrics are expected to be comfortable with the cumulative debt service coverage ratio (DSCR) on the external debt estimated to remain at ~1.3x over the debt tenure. The company is proposing to refinance the project debt at a lower interest rate and longer tenure along with raising a certain quantum of top-up debt. The extent of the additional debt under refinancing and any consequent impact on the debt coverage metrics remains a monitorable.

The rating is, however, constrained by the fact that the company's cash flows and debt protection metrics remain sensitive to its generation performance. Any adverse variation in weather conditions may impact the PLF levels and consequently affect cash flows as the PPA tariff is single part and fixed in nature. This constraint is amplified by the geographic concentration of the asset, with the entire capacity at a single location in Rajasthan. While the plant's generation performance has improved with a PLF of 26.77% in 9M FY2022 against a PLF of 23.15% in 9M FY2021, the PLF remained below the P-90 estimate. Therefore, the completion of the installation of the balance DC capacity of 28.5 MW and demonstration of generation performance remains a key monitorable. The rating also factors in the counterparty credit risk on account of exposure to a single buyer, MSEDCL. Nonetheless, the payments have been timely so far and MSEDCL has also created payment security in the form of letter of credit (LC).

ICRA also notes that ACSEPL's debt coverage metrics remain exposed to the interest rate movement because of the fixed tariff under the PPA and floating interest rates. Further, the company's operations remain exposed to the regulatory risks pertaining to the scheduling and forecasting requirements of solar power projects. However, the risk of variation is lower for solar power projects compared to wind power projects.

The Stable outlook on the [ICRA]A+ rating of ACSEPL reflects ICRA's opinion that the company would benefit from the long-term PPA, improving generation performance, timely receipt of payments and the benefits of being part of the Ayana Group.

Key rating drivers and their description

Credit strengths

ACSEPL is part of Ayana platform that has large capital commitments from strong sponsors – The Ayana Group is backed by CDC Group Plc, NIIF and GGEF. The full ownership of the CDC Group belongs to the Secretary of State for International Development, which is controlled by the UK Government. NIIF is anchored by the Government of India (GoI) in collaboration with leading global and domestic institutional investors and is India's first sovereign investment fund. EverSource Capital, a joint venture between Everstone Capital and Lightsource BP, is the fund manager of GGEF, a \$700-million target private fund, which has NIIF and the UK Government as anchor investors. All the three shareholders have committed a capital of US\$721 million to the Ayana platform, which increased from US\$330 million earlier. Moreover, NIIF increased its shareholding to 51% as of November 2021 from 25.5% as of March 2021, along with a majority board representation. ICRA notes that ARPPL is likely to remain strategically important to NIIF, evident from the largest equity commitment from its master fund. ACSEPL enjoys strong managerial and financial support as part of the Ayana platform.

Revenue visibility due to long-term PPA with MSEDCL - ACSEPL has signed a long-term PPA with MSEDCL for the entire project capacity of 250 MW at a fixed tariff of Rs. 2.72 per unit for a tenure of 25 years, thus limiting demand and tariff risks. The company also secured additional tariff from MSEDCL under change in law, in lieu of the safeguard duty imposed on imported solar modules. The tariff remains competitive for the offtaker, MSEDCL, in comparison to its average power procurement cost.

Satisfactory debt coverage metrics – The debt coverage metrics for the company remain comfortable with a projected cumulative DSCR of over 1.3x over the debt repayment tenure supported by the long-term PPA, the long tenure of the project debt and competitive interest rates.

Comfortable liquidity supported by timely payments and presence of DSRA – The liquidity profile of ACSEPL is adequate, supported by timely receipt of payments from MSEDCL and cash DSRA equivalent to two quarters of interest and principal payments.

Credit challenges

Single-asset operations; sensitivity of debt metrics to energy generation – The debt metrics for the solar power project under ACSEPL remains sensitive to the PLF level, given the one-part tariff structure under the PPA. Hence, any adverse variation in the weather conditions and/or module performance may impact the PLF and consequently the cash flows. The geographic concentration of the asset amplifies the generation risk. While the generation performance improved in 9M FY2022 over 9M FY2021, the PLF remains below the P-90 estimate. The completion of the balance DC capacity of 28.5 MW and demonstration of generation performance remains important.

Counterparty credit risk due to exposure to a single buyer - The company remains exposed to counterparty credit risks due to the exposure to a single buyer, MSEDCL. MSEDCL's financial profile is dependent on timely pass-through of cost variations

to customers under its distribution licensee operations and subsidy payments from the state government. Nonetheless, the payments have been timely so far and MSEDCL has also created payment security in the form of letter of credit (LC).

Leveraged capital structure and exposure to interest rate movement – The capital structure of the company is leveraged as reflected in the debt-funded capex deployed to set up the project. The company’s debt coverage metrics remain exposed to interest rate movement because of the fixed tariff under the PPA and the floating interest rates.

Regulatory challenges arising from implementation of scheduling and forecasting framework - The regulatory challenges from the implementation of a scheduling and forecasting framework for solar power projects pose a risk, given the variable nature of solar energy generation. However, the risk is less prominent for solar power projects compared to wind power projects.

Liquidity position: Adequate

ACSEPL’s liquidity position is supported by adequate cash flows from operations in relation to the debt servicing obligations and the DSRA equivalent to two quarters of interest and principal obligations. The company had cash and bank balances, including DSRA, of Rs. 93.09 crore as on November 15, 2021.

Rating sensitivities

Positive factors - ICRA could upgrade ACSEPL’s rating in case of demonstrated track record of generation performance above the P90 estimate along with continuation of timely payments from the off-taker. Also, the rating could improve if the credit profile of its parent, Ayana Renewable Power Private Limited, improves.

Negative factors - The ratings could be downgraded in case of a significant underperformance in generation that will adversely impact the cash flows. Specific credit metrics that could lead to a rating downgrade include cumulative DSCR on the project debt falling below 1.25 times. Further, any significant delays in receiving payments from the offtaker adversely impacting the company’s liquidity would be a negative trigger. Also, any weakening of the credit profile of the parent, or any change in linkages/support philosophy between the parent and ACSEPL would be negative factors.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Solar Energy Projects Implicit parent or group support
Parent/Group Support	Parent/Group Company: Ayana Renewable Power Private Limited. ICRA expects ACSEPL’s parent, ARPPL, to be willing to extend financial support to ACSEPL, should there be a need, given the strategic importance that ACSEPL has for ARPPL
Consolidation/Standalone	The rating is based on the standalone financial profile of the rated entity

About the company

ACSEPL, an SPV of the Ayana Group, is operating a 250-MW (AC Capacity) solar power plant in the Jodhpur district of Rajasthan. The company was incorporated by ACME Solar Holdings Limited in March 2018 and the project was fully commissioned on January 01, 2020. In November 2021, the Ayana Group fully acquired the project from the ACME Group.

Key financial indicators

ACSEPL Standalone	FY2020 (Audited)	FY2021 (Audited)
Operating Income (Rs. crore)	45.4	149.0
PAT (Rs. crore)	-13.9	-0.9
OPBDIT/OI (%)	92.4%	93.2%
PAT/OI (%)	-30.6%	-0.6%
Total Outside Liabilities/Tangible Net Worth (times)	7.9	7.9
Total Debt/OPBDIT (times)	28.0	8.5
Interest Coverage (times)	1.1	1.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Nov 15, 2021 (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
				Jan 21, 2022			
1 Term loans	Long Term	911.30	911.30	[ICRA]A+ (Stable)	-	-	-
2 Proposed Term Loans	Long Term	138.70	-	[ICRA]A+ (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Term Loan	Simple
Fund-based – Proposed Term Loans	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Term Loan – 1	Feb 2019	-	Oct 2039	656.00	[ICRA]A+ (Stable)
NA	Term Loan – 2	Feb 2019	-	Oct 2039	255.30	[ICRA]A+ (Stable)
NA	Proposed Term Loan	-	-	-	138.70	[ICRA]A+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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