

Rating Rationale

Brickwork Ratings assigns ratings for Bank Credit Facilities aggregating ₹ 55 Crores of ACME Solar Technology (Gujarat) Pvt Ltd. (ASTG)

Bank Loan Rating: BWR BB+	Outlook : Stable
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Brickwork Ratings (BWR) has assigned the rating of ‘**BWR BB+**’ (Pronounced BWR Double B Plus) with a stable outlook for the long term Bank credit outstanding facilities of ₹ 55 Crores of ACME Solar Technology (Gujarat) Pvt Ltd. (ASTG).

Facility	Limits outstanding (Rs. In Crs)	Tenure	Rating
Fund Based-Term Loan	55.00 (sanctioned amount ₹ 75 Crs)	Long Term	BWR BB+/Stable (Pronounced BWR Double B Plus) (Outlook-Stable) <i>Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations</i>
Total	55.00 (INR Fifty five Crores only)		

BWR has principally relied upon the audited financial results up to FY12, projected financials of FY13 & FY 14 of ASTG, publicly available information and information/clarification provided by the Company management.

The rating factors in successful commissioning of the project strong parentage, sourcing of key equipment’s from suppliers with international repute, assured offtake given the firm Power Purchase Agreement (PPA) in place with Gujarat Urja Vikas Nigam Limited (GUVNL) and stable solar irradiation levels. The rating has also drawn comfort from the management team comprising well qualified and experienced personnel. The rating is however constrained due to delay in actual commencement of power supply and limited track record of the company.

Company Background

ASTG is a Special Purpose Vehicle (SPV) and a wholly-owned subsidiary of ACME Tele Power Ltd. (ATPL). Incorporated in 14th January 2003, ATPL was set-up with a primary objective to develop grid-connected solar PV power projects in India. ATPL plans to establish 500 MW of solar based installed capacity by FY16. Currently, ASTG has set-up a 15 MW Thin Film Photovoltaic (PV) power plant at Wadgam, Anand District, Gujarat. The plant was successfully commissioned on 13 March, 2012.

The total project cost of Rs 228.01 crore has been funded with Debt to Equity ratio of 2:1. The company has entered into a 25 year Power Purchase Agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL) at a tariff of ₹ 15 per unit. Although the project was successfully commissioned, the delay in setting up of evacuation facility by Gujarat Energy Transmission Corporation Limited (GETCO) resulted in delay in commercial operations.

Management Profile

While ASTPL has a qualified and experienced management team deployed on the project, their previous experience in solar project's is limited. Mr. R. M. Samy, Mr. Deepak Sharma and Mr. Ashish Kumar hold decades of experience and hold Directors position in several ACME Group Companies.

Financial Performance

During FY12, income from operations stood low at ₹ 2.11 Crores since the plant was operational only from March 2012. Operating expenses were ₹ 3.14 Crores resulting in operating loss of ₹ 1.02 Crores. Loss after tax stood at ₹ 30.34 Crores due to provision for taxation of ₹ 26.9 Crores. (Key financials of ASTG for the past years are given in Annexure I & II)

During H1FY13, ASTG reported net operating income of Rs. 17.69 Crores and loss after tax at Rs.7.6 crore. The loss incurred was largely due to high depreciation and high finance charges.

Outlook

The ACME group has forayed into solar power generation with the commissioning of 15 MW solar power project. Going forward, ASTG’s ability to achieve the envisaged generation levels coupled with timely stabilization of its operations shall remain the key rating sensitivities. Further, the project is subject to regulatory risk as it is associated with state electricity board.

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Annexure I- Balance Sheet – ACME Solar Technology (Guj) Pvt Ltd.

Crores	31-03-2012(Audited)
EQUITY AND LIABILITIES	44.67
Share capital	7.5
Reserves and Surplus	37.18
Non-current liabilities	241.58
Long-Term Borrowings	156.2
Deferred tax Liabilities (Net)	26.92
Other Long Term liabilities	58.46
Current liabilities	14.45
Short-Term Borrowings	-
Current Portion Of Long Term Debt	11.37
Trade Payables	0.17
Other Current Liabilities	0.32
Short-Term Provisions	2.59
Total Liabilities	300.71
ASSETS	
Non-current assets	289.06
Net Fixed assets	226.24
Capital Work-In-Progress	-
Long Term Loans and Advances	0.01
Other Non Current Assets	62.82
Current assets	11.65
Trade Receivables < Six Months	-
Cash and Cash Equivalents	9.36
Short-Term Loans and Advances	0.17
Other Current Assets	2.11
Total Assets	300.71

Annexure II- Profit & Loss Statement – ACME Solar Technology (Guj) Pvt Ltd.

Crores	31-03-2012
Result Type	Audited
Gross Sales	2.11
Net Sales	2.11
Total Operating Income	2.11
Operating & Maintenance	0
Cost of Goods Sold	0
Selling, General and other Administrative expenses	0.53
Miscellaneous Expenditure written Off	2.60
Less :Expenditure Capitalized (If shown on the face sheet)	0
Operating Expenses	3.14
Operating Profit Before Depreciation, Interest and Taxes	-1.02
Depreciation/Amortization/Impairment	1.77
Operating Profit Before Interest and Tax	-2.80
Interest and Finance Charges	0.64
Operating Profit Before Tax	-3.44
Non Operating Income(Expenses)	0.02
Profit Before Tax	-3.42
Provision for Taxes	26.92
Adjusted Profit After Tax(Continuing Operations)	-30.34
Adjusted Profit After Tax	-30.34