

Press Release

Acme Cleantech Solutions Private Limited

05 April, 2018

Rating Assigned



Instruments Rated	Rs. 426.00 Cr.
Long Term Rating	SMERA A / Outlook: Stable
Total Bank Facilities Rated*	Rs. 455.00 Cr.
Long Term Rating	SMERA A / Outlook: Stable
Short Term Rating	SMERA A1

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long-term rating of '**SMERA A' (read as SMERA A)** and short-term rating of '**SMERA A1' (read as SMERA A one)** on the Rs.455.00 crore bank facilities of Acme Cleantech Solutions Private Limited (ACSPL). The outlook is '**Stable**'.

Further, SMERA has also assigned the long-term rating of '**SMERA A' (read as SMERA A)** on the Rs. 426.00 crore non-convertible debenture (NCD) issue.

Acme Cleantech Solutions Private Limited (ACSPL) incorporated in 2003 is promoted by Mr. Manoj Kumar Upadhyay as a flagship company of Acme Group. ACSPL is engaged in providing energy management solutions, operations and asset management services primarily for telecom sector. ACSPL is also engaged into Engineering, Procurement and Construction (EPC) work for solar power plants which are being set up through various SPV's under its subsidiaries.

ACSPL is further engaged in the manufacturing of products which focus on planning and operation of energy consuming units in the telecom industry and energy efficient Power Interface Units (PIUs), Integrated Power Management Systems (IPMS), Line Conditioner Units (LCUs) and Energy Management Units (EMUs). ACSPL provides products for efficiently managing power in telecom industry and it has developed products such as the Telecom grade DC Power House (DCPH) which reduces the overall diesel consumption at the project/telecom tower sites and also provides installation of roof top solar panels for providing power to the telecom towers. The manufacturing facility is located at Pantnagar in Uttarakhand. The major clients for telecom sector include Airtel, Aircel, Idea Cellular Limited and Tata Teleservices Limited.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced management and one of the leading players in the solar industry**

Mr. Manoj Upadhyay, the promoter is having almost two decades of experience in the power and telecom sector. ACSPL started operations by providing energy saving products to telecom operators and later included consultancy, design, manufacture and maintenance of integrated passive infrastructure, especially for the telecom sector. Till FY2009, the company rolled out 95 percent of telecom towers commissioned by Bharati Airtel across the country. ACSPL started with EPC contracts in the year 2011 setting up different solar projects under its SPV. Solar segment contributes to ~92 percent of the total revenue mix as on 31 March, 2017.

SMERA believes that the company will sustain its existing business profile on the back of established track record of operations and being one of the leading players in the solar industry over the near to medium term.

- **Large scale of operations with healthy profitability**

ACSPL has large scale of operations marked by operating income of Rs.3622.71 crore in FY2017 as against Rs.2025.45 crore in FY2016 and Rs.993.42 crore in FY2015. Further, the company has booked operating income of Rs.2389.03 crore for the period April to December 2017 (Provisional). This is majorly on account of more execution of projects and significant increase in solar EPC income from FY2016. The EBITDA margins stood at 15.82% in FY2017 as against 14.93% in FY2016. The reason for EBITDA to increase is majorly on account of decline in employee cost in FY2017 over FY2016. The PAT margins stood at 5.40% in FY2017 as against 14.93% in FY2016. The reason for PAT margins to go down in FY2017 was majorly on account of significant increase in interest cost to Rs.100.94 crore in FY2017 as against Rs.19.70 crore in FY2016 as the company has taken working capital demand loan from Reliance Capital of Rs. 50.00 crore.

SMERA believes that ACSPL will sustain the large scale of operations with healthy profitability on the back of healthy order book position to be executed over the near to medium term.

- **Healthy financial risk profile**

The financial risk profile of ACSPL is healthy marked by healthy tangible net worth of Rs.1486.73 crore as on 31 March 2017 as against Rs.1291.62 crore as on 31 March 2016. The debt/equity ratio stood at 0.54 times as on 31 March 2017 as against 0.12 times as on 31 March 2016. The reason for increase in debt/equity ratio in FY2017 is because of increase in short term borrowings to Rs.315.64 crore as against Rs.50.00 crore in FY2016. The Interest Coverage Ratio (ICR) stood at 4.66 times in FY2017 as against 16.26 times in FY2016. The reason for ICR to go down is on account of significant increase in interest cost to Rs.100.94 crore in FY2017 as against Rs.19.70 crore in FY2016 as the company has taken working capital demand loan from Reliance Capital of Rs.250.00 crore. The net cash accruals of the company stood at Rs.203.09 crore in FY2017 as against Rs.203.57 crore in FY2016.

SMERA believes that ACSPL will sustain its healthy financial risk profile on the back of healthy net cash accruals over the near to medium term.

- **Diversified project portfolio**

ACSPL's portfolio for solar power assets is diversified with projects both including operational and under WIP located in different states namely Uttarakhand, Haryana, Jharkhand, Andhra Pradesh, Punjab, Madhya Pradesh, Odisha and Gujarat to name a few. All these projects of ACSPL falls under the SPV's with PPA tenure of minimum of 25 years signed with NTPC, Discom and SECI thereby establishing long term offtake arrangements.

Weaknesses

- **Risk associated for timely completion of the projects**

The company undertakes EPC contracts for construction of solar power projects for its subsidiaries. ACSPL enters into contract with its SPVs which also stipulates timelines for the completion of the project as per the agreed schedule and the cost. Further, these contracts have requirement of the performance and equipment warranties to be taken from equipment suppliers. However, the risk associated with timely completion of the projects is mitigated as the time taken for completion of the solar projects is relatively shorter and there are lesser execution challenges.

SMERA believes any delays in completion of the project within stipulated timelines and at envisaged cost would be key rating sensitivities.

- **Exposure to regulatory risks related to the solar power industry in India**

The performance of the solar power industry in India is dependent on the regulatory environment surrounding the industry. There has been a significant decline in cost of solar power primarily due to a

marked decline in Photo-Voltaic (PV) cell prices in the recent past.

SMERA believes that changes in renewable energy related policies resulting in fewer solar power purchase commitments for Discoms and/or availability of low cost power from other sources can result in increased off take risk for ACSPL.

Analytical Approach

SMERA has considered standalone business and financial risk profile of ACSPL to arrive at the rating.

Outlook: Stable

SMERA believes that ACSPL will maintain a 'Stable' risk profile over the near to medium term on account of the presence of a Power Purchase Agreement for its SPVs and experienced management. The outlook may be revised to 'Positive' in case of significant improvement in the PLF and/or in case of substantial improvement in the credit risk profile of ACSPL. Conversely, the outlook may be revised to 'Negative' in case of lower than expected PLF of the project or in case of significant delays in collection of receivables from the discoms. Significant deterioration in the credit risk profile of ACSPL may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3622.71	2025.48	993.42
EBITDA	Rs. Cr.	573.09	302.45	67.27
PAT	Rs. Cr.	195.53	194.11	36.19
EBITDA Margin	(%)	15.82	14.93	6.77
PAT Margin	(%)	5.40	9.58	3.64
ROCE	(%)	25.42	24.26	11.02
Total Debt/Tangible Net Worth	Times	0.54	0.12	0.07
PBDIT/Interest	Times	4.66	16.26	9.81
Total Debt/PBDIT	Times	1.71	0.47	1.01
Gross Current Assets (Days)	Days	134	169	188

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infrastructure.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of bank instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	200.00	SMERA A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	150.00	SMERA A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	SMERA A1 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	426.00	SMERA A/Stable (Assigned)

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ABOUT SMERA

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