



Press Release

Acme Cleantech Solutions Private Limited

October 19, 2018

Rating Reaffirmed and Assigned

Total instruments rated*	Rs. 426.00 Cr. (Non- Convertible Debenture)
Long Term Rating	ACUITE A/ Outlook: Stable
Total Bank Facilities Rated*	Rs. 540.00 Cr. (Enhanced from Rs. 455 Cr.)
Long Term Rating	ACUITE A/ Outlook: Stable
Short Term Rating	ACUITE A1

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A**' (**read as ACUITE A**) and short term rating of '**ACUITE A1**' (**read as ACUITE A one**) to the Rs.485.00 crore bank facilities of Acme Cleantech Solutions Private Limited (ACSPL).

Acuité has assigned short term rating of '**ACUITE A1**' (**read as ACUITE A one**) to the Rs. 55.00 crore bank facilities of Acme Cleantech Solutions Private Limited (ACSPL). The outlook is '**Stable**'.

Further, Acuité has also reaffirmed the long-term rating of '**ACUITE A**' (**read as ACUITE A**) to the Rs. 426.00 crore non-convertible debenture (NCD) issue.

Acme Cleantech Solutions Private Limited (ACSPL) incorporated in 2003 and promoted by Mr. Manoj Kumar Upadhyay is the flagship company of Acme Group. ACSPL is primarily engaged into Engineering, Procurement and Construction (EPC) work for solar power plants which are being set up through various SPV's under the management of ACSPL. ACSPL is engaged in providing energy management solutions, operations and asset management services primarily for telecom sector. ACSPL is further engaged in the manufacturing of products which focuses 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 major clients from telecom sector include Airtel, Aircel, Idea Cellular Limited and Tata Teleservices Limited.

Analytical Approach:

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

Key Rating Drivers

Strengths

Established player in the solar energy sector

Mr. Manoj Upadhyay, the promoter has 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 majority of telecom towers commissioned by Bharati Airtel across the country. ACSPL started with EPC contracts in 2011 by setting up different solar projects under its SPVs. ACSPL has so far successfully executed projects with installation of 1364 MW spread across different states, namely, Uttarakhand, Haryana, Jharkhand, Andhra Pradesh, Punjab, Madhya Pradesh, Odisha and Gujarat to name a few. Majority of the projects of Acme group have the long term PPA (tenor of 25 years) signed with NTPC, State Discom and SECI, thereby establishing long term offtake arrangements.

Acuité 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 sector.

Comfortable financial risk profile

The financial risk profile of ACSPL is comfortable marked by healthy net worth and comfortable debt protection metrics. The tangible net worth stood at Rs.1591.25 crore as on 31 March, 2018 (Provisional) as against Rs.1484.73 crore as on 31 March, 2017. The gearing stood at 1.03 times as on March 31, 2018 (Provisional) against 0.54 times as on March 31, 2017. The gearing has increased on account of significant increase in short term borrowings to Rs.1062.83 crore in FY2018 (Provisional) (PY: Rs.315.64 crore). Short term borrowings comprise majorly of the suppliers' credit in FY2018 (Provisional) with tenure of one year and is 100 percent secured by the fixed deposit in the respective TRA accounts. Debt/EBITDA stood slightly higher at 3.78 times in FY2018 (Provisional) (PY: 1.71 times) mainly on account of the increase in debt levels.

The moderate profitability coupled with low gearing levels has resulted in comfortable debt protection metrics, with interest coverage ratio (ICR) of 2.55 times (PY: 4.66 times) and NCA/TD of 0.07 times for FY2018 (Provisional). The decline in the ICR was on account of significant increase in working capital requirements in FY2018 (Provisional) over FY2017.

The Total outside liabilities to tangible net worth ratio (TOL/TNW) remained moderate at around 1.91 times as on March 31, 2018 (Provisional) (PY: 1.96 times). In FY2018 (Provisional), net cash accruals declined to Rs.114.83 crore as against Rs.203.09 crore in FY2017. The net cash accruals have declined on account of decline in net profits due to one-time write off of non-operating expenses relating to provisioning of diminution of value in investments pertaining to overseas subsidiary of ACSPL in FY2018 (Provisional) amounting to Rs.162.93 crore.

Acuité expects moderation in the debt to EBITDA ratio over the near to medium on account of improvement in EBITDA levels and/or maturity of the suppliers' credit by March, 2019 and in the Debt/equity ratio due to monetisation of the investments in its SPVs through a structure like Investment trust (Invits) over the near to medium term. The proceeds from this monetisation are expected to be used primarily for reduction in debt levels. The timely monetisation will be a key rating sensitivity.

Acuité expects the coverage indicators of ACSPL to be stabilised by FY2019 (debt/equity to range between 1 time and debt/EBITDA between 2 to 3 times respectively). Any challenges faced by the company to attain this financial metrics could impart the downward revision of the rating.

Weaknesses

Susceptibility of the operating revenues to risk associated with timely completion and funding of the projects

The company undertakes EPC contracts for construction of solar power projects for its subsidiaries. ACSPL enters into fixed price turnkey contract with its SPVs which also stipulates timelines for the completion of the project as per the agreed schedule and the cost.

The operating income of ACSPL stood at Rs.2771.32 crore in FY2018 (Provisional) as compared to Rs.3622 crore in FY2017, the decline in revenues was majorly on account of delay in implementation of two projects (namely SECI-Andhra Pradesh (150 MW) and SECI-Karnataka (160 MW)) and the revenues which were supposed to be booked in FY2018 got deferred in Q1 of FY2019. ACSPL implemented over 600MW+ of solar power projects in FY2018, however, the partial revenues for the SECI-Andhra Pradesh (150 MW) and SECI-Karnataka (160 MW) projects could not be recognised as these projects were still under implementation and the commercial operation date (COD) could not be achieved due to delay in receipt of necessary approvals and clearances from government agencies. Further, the company has registered revenues of Rs.~1849.96 crore for the period April to August, 2018 (Provisional) and has unexecuted order book position of around ~Rs.8000.00 crore to be executed in the near to medium term.

EBITDA margins have remained healthy at 15.69 percent in FY2018 (Provisional) as against 15.82 percent in FY2017 albeit on a declining scale of operations. The net profitability margins declined in FY2018 (Provisional) to 3.86 percent as against 5.40 percent in FY2017 majorly on account of one time write off of non-operating expenses relating to provisioning of diminution of value in investments pertaining to overseas subsidiary of ACSPL in FY2018 (Provisional) amounting to Rs.162.93 crore.

Acuité believes that any delays in completion of the project within stipulated timelines and at envisaged cost resulting in decline in the operating income would be key rating sensitivities.

Exposure to intense competition and regulatory risks related to the solar sector 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. Further, entry of large players has intensified the competitive landscape in the solar sector. However, the intense competition has also resulted in highly competitive prices sometimes going as low as Rs.2.44 per unit as per latest Solar Energy Corporation of India (SECI) bidding.

Acuité believes that this intense competition and 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 may impact the scale of operations for ACSPL.

Outlook –Stable

Acuité believes that ACSPL will maintain a 'Stable' outlook over the medium term on account of the company's established market position in the solar sector and extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure owing to reduction in debt levels. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or deterioration in the financial risk profile due to increase in working capital requirements or elongated working capital cycle.

About the rated entity- Key financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	2,771.32	3,622.71	2,025.48
EBITDA	Rs. Cr.	434.77	573.09	302.45
PAT	Rs. Cr.	106.87	195.53	194.11
EBITDA Margin	(%)	15.69	15.82	14.93
PAT Margin	(%)	3.86	5.40	9.58
ROCE	(%)	10.69	25.42	24.26
Total Debt/Tangible Net Worth	Times	1.03	0.54	0.12
PBDIT/Interest	Times	2.55	4.66	16.26
Total Debt/PBDIT	Times	5.44	1.71	0.47
Gross Current Assets (Days)	Days	262	134	169

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years) for bank instruments rated:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Apr-2018	Cash Credit	Long term	5.00	ACUITE A/Stable (Assigned)
	Bank Guarantee	Short term	200.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short term	150.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short term	100.00	ACUITE A1 (Assigned)

Rating History (Upto last three years) for instruments rated:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Apr-2018	Non-convertible debentures	Long term	426.00	ACUITE A/Stable (Assigned)

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Long term	Not Applicable	Not Applicable	10.00 (Enhanced from Rs. 5 Cr.)	ACUITE A/Stable (Reaffirmed)
Bank Guarantee	Short term	Not Applicable	Not Applicable	200.00	ACUITE A1 (Reaffirmed)
Bank Guarantee	Short term	Not Applicable	Not Applicable	150.00	ACUITE A1 (Reaffirmed)
Bank Guarantee	Short term	NA	NA	125.00 (Enhanced from Rs. 100 Cr.)	ACUITE A1 (Reaffirmed)
Bank Guarantee	Short term	NA	NA	55.00	ACUITE 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/Outlook
Non-convertible debentures	NA	NA	NA	426.00	ACUITE A/Stable (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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