

Press Release

Acme Cleantech Solutions Private Limited

March 02, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	530.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	540.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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) on the Rs.540.00 crore bank facilities of Acme Cleantech Solutions Private Limited (ACSPL). The outlook is 'Stable'.

The rating continues to derive strength from extensive experience of the promoters in the solar energy sector, moderate tangible net net-worth with accretion of profit over the years, expected improvement in operational performance backed by healthy order book and adequate liquidity. The above ratings are, however underpinned by subdued financial performance led by COVID induced lockdown and loss on sale of investment, resulting in decline in total operating income and margin and moderation in financial risk profile and exposure to intense competition and regulatory risk related to solar sector in India.

About the Company

Acme Cleantech Solutions Private Limited (ACSPL), incorporated in 2003 is a Delhi based company and is promoted by Mr. Manoj Kumar Upadhyay. It is a flagship company of Acme Group. Acme Group has around 36 operational SPVs across more than 10 states. ACSPL is engaged in procuring solar modules and O&M operations primarily to its SPVs. The company had transferred EPC segment of the company to ACME Solar Holdings Private Limited in FY20.

Analytical Approach

Acuite has considered standalone business and financial risk profile of ACME CLEANTECH SOLUTIONS PRIVATE LIMITED

Key Rating Drivers

Strengths

Established player in 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 entered into 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 more than 2000 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 an established track record of operations and being one of the leading players in the solar sector.

Healthy tangible net worth

The tangible net worth of the company remained at Rs. 1,698.53 crores as on March 31, 2021 as against Rs. 1,707.90 crores as on March 31, 2020. The moderation is mainly on account of net loss reported by the company during FY21. However, despite the same, the tangible net worth continues to remain healthy, led by accretion of profit to reserves.

Expected improvement in operational performance backed by healthy order book

The company has outstanding order book of Rs. 8,118.02 crores as on February 2022 and the same is to be executed in FY23. The orders are w.r.t procurement of solar modules for 6 new SPVs that are being set up under company. Hence, the total operating income of the company is expected to increase significantly going ahead, thereby resulting in overall financial performance of the company.

Weaknesses

Subdued financial performance in FY21, although improvement expected in FY 22.

The company has reported total operating income of Rs.296.67 crores during FY21 as against Rs.588.25 crores, thereby reporting y-o-y de-growth of 50%. The operations of the company remained subdued due to COVID induced lockdown wherein the operations across its group company were impacted and the same resulted in significant decline in revenue derived from sale of procurement and sale of solar modules. In line with decline in operating income, operating margin also declined to Rs.54.09 crores in FY21 as against Rs.126.33 crores in FY20. The operating margin, also declined marginally to 18.23% in FY21 vis-à-vis 21.84% in FY20. The company, further, incurred loss in sale of investment of ACME Tele Power (Mauritius) Private Limited to the tune of Rs.86.18 crores. Hence, this resulted in net loss of Rs.70.03 crores as against net profit of Rs.28.11 crores in FY20.

Acuite believes any loss in sale of investment of its existing SPVs is expected to adversely impact the financial performance of the company. However, the revenue is expected to improve in FY23, led by expected increase in sale of solar modules for 6 new SPVs that are being proposed to be set up.

Moderation in financial risk profile

The net loss reported by the company had impacted related ratios. The interest coverage and Debt/EBITDA remained to negative mainly due to loss before tax. The interest coverage remained at (0.09) times during FY21 as against 1.78 times in FY20. Similarly, debt-EBITDA deteriorated to (31.13) times in FY21 over 3.46 times in FY20. The capital structure as represented by debt-equity ratio, however continues to remain below unity as on March 31, 2021.

The company is not planning to avail any additional debt going ahead, hence, the debt levels are expected to remain same going ahead.

Exposure to intense competition and regulatory risk related to solar sector

The performance of the solar power industry in India is dependent on the regulatory environment surrounding the industry. There has been significant decline in the cost of solar power primarily due to a marked decline in Photo Voltaic (PV) cell prices. The entry of more players have also intensified competitive landscape in solar sector. However, the same has also resulted in highly competitive prices. Acuite believes that the intense competition and change on renewable energy related policies resulting in fewer solar power purchase

commitments for DISCOMS may impact the scale of operations of ACSPL.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- >Significant and sustained growth in order book, execution and operating profits.
- >Any deterioration in liquidity position

Material covenants

None

Liquidity Position: Adequate

The company reported cash loss of Rs.64.10 crore during FY21, mainly due to loss from sale of investments of ACME Tele Power (Mauritius) Private Limited to the tune of Rs.86.18 crores. However, the debt repayment continues to remain at negligible level at Rs.0.06 crores during FY20. However, the company has maintained sufficient cash balance of Rs.23.96 crores as on March 31, 2021. The current ratio continues to remain below unity during the year. Further, ACSPL would be required to support its SPVs whenever required. The company also has investment in its SPVs and ACME Solar Holdings Private Limited to the tune of Rs.2175.96 crores as on March 31, 2021.

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 a substantial increase in net cash accruals along with significant improvement in its capital structure and debt protection indicators owing to a reduction in debt levels. Conversely, the outlook may be revised to 'Negative' in case of a sharp decline in profitability margins or deterioration in the financial risk profile due to increase in working capital requirements or significant support to its SPVs.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	296.67	588.25
PAT	Rs. Cr.	(70.03)	28.11
PAT Margin	(%)	(23.61)	4.78
Total Debt/Tangible Net Worth	Times	0.08	0.30
PBDIT/Interest	Times	(0.09)	1.78

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Dec 2020	Non-Convertible Debentures	Long Term	426.00	ACUITE A (Withdrawn)
	Bank Guarantee	Short Term	125.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Bank Guarantee	Short Term	200.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee	Short Term	170.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Bank Facility	Short Term	35.00	ACUITE A1 (Upgraded from ACUITE A2+)
06 Sep 2019	Bank Guarantee	Short Term	200.00	ACUITE A2+ (Downgraded from ACUITE A1)
	Bank Guarantee	Short Term	125.00	ACUITE A2+ (Downgraded from ACUITE A1)
	Non-Convertible Debentures	Long Term	426.00	ACUITE A- Stable (Downgraded from ACUITE A Stable)
	Bank Guarantee	Short Term	150.00	ACUITE A2+ (Downgraded from ACUITE A1)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Downgraded from ACUITE A Stable)
	Bank Guarantee	Short Term	55.00	ACUITE A2+ (Downgraded from ACUITE A1)
19 Oct 2018	Bank Guarantee	Short Term	55.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	200.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Bank Guarantee	Short Term	150.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	125.00	ACUITE A1 (Reaffirmed)
	Non-Convertible Debentures	Long Term	426.00	ACUITE A Stable (Reaffirmed)
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)
	Non-Convertible Debentures	Long Term	426.00	ACUITE A Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A1 Reaffirmed
UCO Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A1 Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	125.00	ACUITE A1 Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A Stable Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE A1 Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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