

## Press Release

Acme Cleantech Solutions Private Limited

April 05, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	35.00	-	ACUITE A1   Assigned
Bank Loan Ratings	525.00	-	ACUITE A1   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	575.00	-	-

### 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**'.

Acuite has assigned the short term rating of **ACUITE A1 (read as ACUITE A one)** on the Rs. 35.00 crore bank facilities of Acme Cleantech Solutions Private Limited (ACSPL).

### Rationale for the rating

Rating has been on account of improvement in scale of operations, healthy financial risk profile of the group and adequate liquidity position. Group's revenue has improved in FY 2022 after experiencing decline in FY 2021 marked by pickup in pace of execution of under construction SPVs. Group's capital structure is comfortable with adequate tangible net worth and comfortable gearing position. Group has had adequate liquidity to meet its maturing debt obligations and has been able to prepay its NCDs. However, rating is constrained on account of significant investment requirements of the group in its under construction SPVs and green hydrogen project and the ability of the group to generate sufficient accruals to fund the investments will remain key rating sensitivity going forward.

### About 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 37 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 FY 2020.

### About the Group

Acme Cleantech Solutions Private Limited and ACME Solar Holdings Private Limited, together with its subsidiaries, are engaged in the business of establishing, commissioning, setting up, operating and maintaining power generation using solar, fossil and alternate source of energy

and act as owners, manufacturers, engineers, procurers, buyers, sellers, distributors, dealers and contractors for setting up of power plant using glass bases mirrors, photo voltaic, boilers, turbines and/or other equipment's for generating, distribution and supplying of electricity and other products using solar, fossil and alternate source of energy under conditions of direct ownership or through its affiliates, associates or subsidiaries.

### **Analytical Approach**

#### **Extent of Consolidation**

- Full Consolidation

#### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuite has considered consolidated business and financial risk profile of ACME Cleantech Solutions Private Limited and ACME Solar Holdings Private Limited to arrive at this rating. The consolidation has been done on account of operational linkages between the companies wherein both the companies together now are engaged in the business of engineering, procurement and commissioning of solar power plants.

### **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. Acuite 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 Financial Risk Profile**

Group's financial risk profile is healthy marked by high tangible net worth base and comfortable debt protection metrics. Group's tangible net worth stood at Rs. 1987.40 Cr in FY 2022 as against Rs. 1737.26 Cr in FY 2021. Total debt of Rs. 874.36 Cr in FY 2022 consists of Rs. 77.00 Cr of long term debt out of which Rs. 75.00 Cr is NCD in ACME Solar Holding and Rs. 2.00 Cr of Optionally convertible preference shares in ACME Cleantech and Rs. 797.36 Cr of unsecured loans from related parties in ACME Solar Holding which is interest bearable. Gearing has improved year on year from 0.90 times in FY 2020 to 0.66 times in FY 2021 and further improved to 0.44 times in FY 2022 due decline in total debt. Interest coverage ratio improved from 0.84 times in FY 2021 to 2.31 times in FY 2022 while DSCR improved from 0.82 times in FY 2021 to 1.03 times in FY 2022. NCA/TD stood at 0.29 times in FY 2022.

#### **Weaknesses**

##### **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 the group.

#### **ESG Factors Relevant for Rating**

ACME Group is a renewable power producer based on solar photo voltaic technology and

therefore, directly contributes to the reduction of carbon emissions. The other material factors from the environmental perspective are green supply chain and waste management. On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The policies on responsible procurement and product safety as well as quality are of utmost significance. The governance factors that play an important role are ethical business practices, board oversight and management compensation. Further, risk management practices to minimize corruption associated with electricity distribution plays a crucial role. Additionally, regulatory compliance, shareholder's rights and audit control are other material issues in the power generation industry.

### Rating Sensitivities

- Significant and sustained growth in order book, execution and operating profits.
- Any deterioration in liquidity position.
- Timely infusion of equity in under construction SPVs and JVs.

### Material Covenants

None.

### Liquidity Position

#### Adequate

Group has adequate liquidity position. In FY 2022 group generated net cash accrual of Rs. 254.78 Cr against maturing debt obligation of Rs. 240.63 Cr. Group has unencumbered cash and bank position of Rs. 17.72 Cr in FY 2022. Out of total deposits of Rs. 563.40 Cr in FY 2022, Rs. 352.28 Cr is unencumbered while rest of the amount is lien marked.

### Outlook : Stable

Acuité believes that Group will maintain a 'Stable' outlook over the medium term on account of the Group'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

None.

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1605.47	380.09
PAT	Rs. Cr.	248.89	(45.75)
PAT Margin	(%)	15.50	(12.04)
Total Debt/Tangible Net Worth	Times	0.44	0.66
PBDIT/Interest	Times	2.31	0.84

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

Not Applicable.

### Any Other Information

None.

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2022	Proposed Bank Facility	Short Term	55.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	125.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	150.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	200.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
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+)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Renewable Energy Development Agency Ltd. (IREDA)	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	150.00	ACUITE A1   Reaffirmed
Punjab and Sind Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE A1   Reaffirmed
Punjab and Sind Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A1   Assigned
UCO Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A1   Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	115.00	ACUITE A1   Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A   Stable   Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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