

Press Release

Altheon Enterprises Limited

February 19, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.50.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short-term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs.50.00 crore bank facilities of Altheon Enterprises Limited (AEL). The outlook is '**Stable**'.

Gujarat-based, Altheon Enterprises Limited (AEL) (erstwhile Abellon Clean Gas Limited) was incorporated in 2013 by Mr. Arjun Handa and Mr. Aditya Handa. The company underwent into composite scheme of corporate restructuring with its group companies in FY2018 to reorganize different businesses in separate subsidiaries for better management. The company is engaged in manufacturing of bio-pellet and treasury management business taken over from its group companies post restructuring. Abellon Cleanenergy Limited (ACEL) is wholly-owned subsidiary of AEL, engaged in generation of non-renewable energy through biomass, solar and waste to energy sources.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AEL and has additionally factored in the support which is likely to extend by AEL to its group companies in the form of equity and debt funding to arrive at this rating.

Key Rating Drivers

Strengths

- **Healthy financial flexibility imparted by its treasury business**

AEL's net worth remained healthy at around Rs.1,815.47 crore as on March 31, 2019 as compared to Rs.1,835.76 crore as on March 31, 2018. AEL acquired the treasury division along with bio pellet plant post composite scheme of corporate restructuring among its group companies. The company has strong financial flexibility in the form of investment portfolio of Rs.974.31 crores (including pledged securities of Rs.304.22 crore) as against long-term debt of Rs.112.49 crore as on November 30, 2019. The company derives ~58 percent of its revenue from treasury business and rest from bio pellet division. The company has defined investment philosophy whereby, it maintains short-term fund equivalent to three months debt obligation and rest in debt and mutual funds along with limited exposure to equity shares of listed companies. AEL follows conservative financial policy reflecting in low gearing of 0.20 times as on March 31, 2019. The coverage indicators also stood moderate with interest coverage ratio of 2.90 times for FY2019. The debt exposure is expected to remain low on account of limited capex plan over the medium term.

Acuité believes, AEL's credit profile will continue to benefit from strong financial flexibility and conservative financial policy adopted by the management.

Weaknesses

- **Exposure to market-related risks in the value of investment**

The treasury division contributes to majority of AEL's operating revenue marked by ~58 per cent in FY2019 as compared to ~54 per cent in FY2018. The treasury business is highly susceptible to any diminution in the value arising on account of market risk/credit risk therefore, can substantially reduce its value of investment portfolio. Although, the investment philosophy of not maintaining any exposure in high – risk avenues partly mitigate the risk of diminution in value of investment, it will remain a key rating sensitivity.

• **Significant exposure in subsidiary companies**

AEL has extended significant funding support to its group companies for setting up five Waste to Energy plant (WTE) in the state of Gujarat. The operational success of these plants is yet to be tested. AEL, as on Nov 2019 has infused ~Rs.170.00 crore and additional Rs.151.00 crore will be infused over the next three years for setting up these plants.

Acuité believes that timely stabilization of the operations of the plant thereby reducing its dependence on AEL's support will be key rating sensitivity. Any major deviation in commencement of the plants leading to cost overrun will impart negative bias to the rating.

Liquidity position: Adequate

The company has outstanding long term debt of Rs. 112.49 crore against which it has diversified investment portfolio in the mutual funds, bonds, commercial papers, private equity investments, bank FDRs, among others to the tune of Rs.670.09 crore (unencumbered) as on Nov 30, 2019. Thus, the company has adequate liquidity position marked by about 5.52x cover of its debt.

Rating Sensitivities

- Any significant deterioration in the market value of investments causing an impact on the net worth of the company.
- Diversification of funds in high-risk investment avenues or higher than expected support to the subsidiaries for the WTE plants.

Outlook: Stable

Acuité believes that AEL will maintain its credit risk profile backed by its healthy treasury operations and promoter's experience in non-renewable energy segment of more than a decade. The outlook may be revised to 'positive' in the case company's earns higher than expected return from their pellet business while maintaining short- term liquidity position for timely servicing of debt obligation. Conversely, the outlook may be revised to 'negative' in case of deployment of funds in the high-risk avenues or slowdown in the bio pallet business, which contributes ~42 per cent to the total revenue of the company.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	222.33	292.97
PAT	Rs. Cr.	38.19	(1,608.30)
PAT Margin	(%)	17.18	(548.97)
Total Debt/Tangible Net Worth	Times	0.20	0.59
PBDIT/Interest	Times	2.90	(1.74)

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB / Stable
Term Loan-I	Not Applicable	Not Applicable	March-24	21.25	ACUITE BBB / Stable
Term Loan-II	Not Applicable	Not Applicable	Not Applicable	5.04	ACUITE BBB / Stable
Term loan-III	Not Applicable	Not Applicable	March-22	5.56	ACUITE BBB / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.15	ACUITE BBB / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022 49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Simranjeet Kaur Analyst - Rating Operations Tel: 022-49294052 simranjeet.kaur@acuite.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.