

## Press Release

### Abellon Clean Energy Limited

August 14, 2020



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.28.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB (CE) / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3+ (CE)

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB (CE)**' (read as ACUITE triple B Credit Enhancement) and the short-term rating of '**ACUITE A3+ (CE)**' (read as ACUITE A three plus Credit Enhancement) on the Rs.28.00 Cr bank facilities of Abellon Clean Energy Limited (ACEL). The outlook is 'Stable'.

#### About the Company

Gujarat based, ACEL was incorporated in 2008 by Mr. Aditya Handa. ACEL is a wholly-owned subsidiary of Altheon Enterprises Limited (AEL). The company is engaged in the supply of bio-fuel to its SPVs, undertakes solar installation projects for government and private organizations and EPC projects (includes technical support) majorly for SPVs.

ACEL has 16 SPVs, engaged in renewable power and waste-to-energy business. The subsidiaries include 5 regional waste-to-energy plants of 43.82 MW and 2 solar plants which are operational and 5 Waste-to-Energy (WTE) Gujarat government PPA projects of 67.10 MW which are at various stages of completion.

#### Standalone (Unsupported) Rating

ACUITE BBB-/ Stable

#### Analytical Approach

To arrive at the rating, Acuité has considered the standalone business and financial risk profile of ACEL and notched up the standalone rating by factoring in the financial support extended by Altheon Enterprises Limited (ACUITE BBB/Stable/A2).

#### Key Rating Drivers

##### Strengths

- **Experienced promoters and diversified business portfolio**

ACEL was founded by Mr. Aditya Handa in 2008 with intent of renewable power generation. ACEL started with two solar plants and one biomass-based power plant. Mr. Aditya Handa has experience of more than a decade in renewable power and waste-to-energy sector. The company underwent into a composite scheme of corporate restructuring with its group companies in FY2018 and FY2019 to reorganize different businesses in separate subsidiaries for better management. As a result, solar and biomass plants in ACEL were transferred to separate SPVs.

Currently, ACEL has various revenue streams viz. supply of bio-fuel to its operational SPVs; solar installation projects under SKY (Suryasakti Kisan Yojana) and SRT (Solar Roof Top); EPC work (thermal & process engineering, operations & maintenance and project management) for WTE projects under subsidiaries and EPR income (Extended Producer Responsibility). The revenue of ACEL stood at Rs.156.50 crore in FY2020 (Provisional) as against Rs.64.78 crore in FY2019. Acuité believes that the ACEL promoter's established presence in the renewable power and waste-to-energy sector will continue to support its business risk profile over near to medium term.

- **Steady financial Support from AEL**

ACEL is a wholly-owned subsidiary of AEL. AEL is engaged in manufacturing of bio-pellet and treasury business management. AEL has strong financial flexibility in the form of an investment portfolio of Rs.974.31 crore (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.

AEL has infused Rs.355.59 crore as on March 31, 2020 (Provisional) in the form of Compulsorily Convertible Debentures (CCD) as against Rs.167.29 crore as on March 31, 2019. ACEL's Debt as on March 31, 2020 (Provisional) consists of Rs.53.73 crore of NCD and other loans, and working capital borrowings of Rs.9.52 crore. ACEL's net worth remained healthy at around Rs.494.37 crore as on March 31, 2020 (Provisional) as compared to Rs.283.45 crore as on March 31, 2019. The increase in net worth is attributable to AEL's investment of Rs.185.00 crore in the form of compulsorily convertible debentures. Further, ACEL follows conservative financial policy reflecting in low gearing of 0.13 times as on March 31, 2020 (Provisional) as against 0.33 times as on March 31, 2019 and expected to remain below 1.00. TOL/TNW stood at 0.36 times as on March 31, 2020 (Provisional) as against 0.60 times as on March 31, 2019. The infusion of funds by AEL utilizes in extending further support to SPVs. Acuité believes, the AEL has supported ACEL in the past in the form of a timely infusion of funds and going ahead, the same is likely to continue whenever required.

## Weaknesses

- **Significant exposure to SPVs and project execution risk**

ACEL has extended significant funding support to its SPVs marked by Rs.265.91 crore as on March 31, 2020 (Provisional) in the form of equity and debentures. The group is setting up five city Waste to Energy plant (WTE) Gujarat government PPA projects of 67.10 MW. However, the successful operations of WTE plants are yet to be demonstrated. The total cost of the five WTE projects is Rs.1058.29 crore. Out of which, Rs.740.51 crore is to be funded by bank borrowing and rest Rs.317.80 crore is the promoter's contribution. ACEL, as on June, 2020 has infused ~Rs.244.15 crore and additional Rs.73.65 crore will be infused over the next three years for setting up these plants. One WTE plant is expected to achieve COD in Q3 FY2021; three are expected to be operational in March, 2021 and one is expected to complete in FY2022. Acuité believes that timely stabilization of the operations of the plant, thereby reducing its dependence on ACEL's support will be key rating sensitivity. Any major deviation in the commencement of the plants leading to cost overrun will impart negative bias to the rating.

- **Working capital intensive operations**

The company operates in a working capital intensive nature of business marked by high Gross Current Asset (GCA) days of 671 in FY2020 (Provisional) as against 743 in FY2019. This is on account of high other current assets, which includes a major amount of loans to related Parties or SPVs of Rs.197.14 crore as on March 31, 2020 (Provisional). The debtor and inventory days stood at 135 and 2 in FY2020 (Provisional) 89 and 15 in FY2019, respectively. The creditor days stood at 121 days for FY2020 (Provisional) as against 73 days for FY2019. However, the liquidity has been supported in the form of an infusion of capital and unsecured loans from promoters, which has led to moderate bank lines. Further, the company's ability to maintain liquidity will remain a key monitorable.

## Liquidity position: Adequate

The liquidity of ACEL is adequate, marked by the cash and bank balance of Rs.14.48 crore as on March 31, 2020 (Provisional). The debt outstanding as on March 31, 2020 (Provisional) consists of Rs.53.73 crore of NCD and other loans, Rs.9.52 crore of working capital borrowings. The liquidity position is also supported by timely infusion of funds from AEL, which is expected to continue over the medium term. .

## Rating Sensitivity

- Timely project execution and stabilization of the plants as per schedule
- Any dilution of support from the parent, AEL and credit profile of AEL

## Material covenants

None

## Assessment of Adequacy of Credit Enhancement

Acuité has conducted sensitivity on the operating performance of AEL and has found that even in the stress scenarios, the credit enhancement is likely remain adequate.

## Outlook: Stable

Acuité believes that ACEL will maintain a 'Stable' outlook over the medium term on account of promoter's experience in the power generation sector and consistent financial support from AEL. The outlook may be revised to 'Positive' in case of timely completion and stabilization of WTE plants in SPVs. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or reduction in financial support from AEL or in case of delays in project completion under SPV's resulting in cost overruns.

### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	156.50	64.78
PAT	Rs. Cr.	22.56	-15.75
PAT Margin	(%)	14.42	-24.31
Total Debt/Tangible Net Worth	Times	0.13	0.33
PBDIT/Interest	Times	9.99	-0.66

### 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>
- Entities in Infrastructure Sector - <https://www.acuite.in/view-rating-criteria-51.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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	3.50	ACUITE BBB (CE) / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB (CE) / Stable
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	0.55	ACUITE BBB (CE) / Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.32	ACUITE A3+ (CE)
Proposed Bank facility	Not Applicable	Not Applicable	Not Applicable	13.63	ACUITE BBB (CE) / Stable

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