

Press Release

Abellon Clean Energy Limited

October 28, 2021



Rating Downgraded, Withdrawn

Total Instruments Rated*	Rs.17.95 Cr.
Long Term Rating	ACUITE BB+/ Stable (Downgraded)
Short Term Rating	ACUITE A4+ (Downgraded)
Total Bank Facilities Rated	Rs.10.05 Cr
Long Term Rating	ACUITE BB+ (Downgraded and Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded its long term rating from 'ACUITE BBB (CE)' (read as ACUITE Triple B Credit Enhancement) to 'ACUITE BB+' (read as ACUITE double B plus) and short term rating from 'ACUITE A3+ (CE)' (read as ACUITE A three plus Credit Enhancement) to 'ACUITE A4+' (read as ACUITE A four plus) on the Rs. 17.95 Cr bank facilities of 'Abellon Clean Energy Limited'. The outlook is 'Stable'.

Acuite has also downgraded and withdrawn long term rating from 'ACUITE BBB (CE)' (read as ACUITE Triple B Credit Enhancement) to 'ACUITE BB+' (read as ACUITE double B plus) on the Rs. 10.05 Cr bank facilities of 'Abellon Clean Energy Limited'.

The downgrade of the ratings takes into account subdued operational performance of the company led by halt in biomass sales for the SPVs, continuous losses during FY19-20 with decline in financial performance in FY21 (Prov.), significant reliance on the SPVs for revenue generation in the form of EPC work for the various greenfield projects, project execution risk of SPVs engaged in waste-to-energy projects with major portion of funding tie-up still pending. Further, the ratings are also underpinned by moderation in credit profile of the parent company which has been extending support to the SPVs. The ratings continue to derive strength from experienced promoters and diversified business portfolio, steady revenue stream from solar EPC and adequate liquidity led by lower debt level of the company.

About the company

Abellon Clean Energy Limited (ACEL) is a Gujarat based company and was incorporated in 2008 by Mr. Aditya Handa. The company along with its SPVs are engaged into clean energy generation through focus on bio-energy which includes bio-fuel and bio-power. ACEL has 12 different projects which are housed in different SPVs.

The business segment of the company involves Solar EPC (installation of solar roof top, solar panels and modules for residential households). The SPVs of the company is involved in greenfield projects w.r.t waste to energy wherein plastic waste recycling is done under Swach Bharat Mission. The SPVs are also involved generating power through compressed bio gas. The company has undertaken the design and project monitoring (EPC) for the set-up of plants in SPV. ACEL had also been involved in supplying of biomass to SPVs through bulk purchases at relatively lower price on behalf of SPVs rather. The company have not made any purchases from Sept 2020- till date, due to halt in operations of plant across all SPVs.

Analytical Approach

The team has considered the standalone financials to Abellon Clean Energy Limited (ACEL) to arrive at the rating. In previous years, the credit ratings were notched up based on the credit enhancement provided by Altheon Enterprises Limited (outstanding rating ACUITE D/ ACUITE C/ ACUITE A4). In this regard the team has decided to withdraw the support arising from the credit enhancement provided by AEL and continue with the standalone financial and business risk profile of ACEL.

Key rating drivers

Strengths

- **Experienced promoters and diversified business portfolio**

Mr. Arjun Handa and Mr. Aditya Handa has extensive experience in diversified segment over the last two decades. Mr. Arjun Handa, promoter of Claris Lifesciences Limited post sale, concentrated on renewable energy segment and treasury business whereas, Mr. Aditya Handa has experience of more than a decade in non-renewable energy segment through Abellon Clean Energy Private Limited, formerly Abellon Clean Gas Private Limited. The long standing presence and extensive experience of the promoters in the diversified business has resulted in building healthy relationship with customers and suppliers.

- **Steady revenue from Solar EPC**

The company has been deriving steady revenue from solar EPC income which involves installation of solar roof top, solar panels and modules for residential households. ACEL derived revenue of Rs.36.36 crore during FY21 (Prov.) vis-à-vis Rs.45.87 crore during FY20, reporting around 23-38% of total operating income during the year.

Weaknesses

- **Continuous losses during FY19-20 with decline in TOI during FY21 (Prov.)**

The company has been reporting continuous losses during FY19-20, due to write-off of investment in one of its SPV. Further, the company also witnessed decline in total operating income of the company during FY21. The company reported total operating income of Rs.122.84 crore in FY21 (Prov.) as against Rs. 153.89 crore in FY20, registering y-o-y de-growth of 20.18%. This is mainly on an account of absence of revenue from EPR power segment which has been reconstituted as separate SPV during the year. The operating profit continues to remain at similar level with marginal decline to Rs.33.72 crore in FY21 as against Rs.35.21 crore in FY20. The company has, further reported net profit of Rs. 17.34 crore in FY21 (Prov.) against net loss of Rs.6.98 crore in FY20.

- **Significant reliance on SPV for revenue generation**

The company derives around 63-72% through service carried out for its SPVs. The company derived around 50% of the revenue in FY20 through biomass sale to its SPVs. However, the same were discontinued from September 2020-March 2021, resulting in decline in revenue from Rs.76.40 crore in FY20 to Rs.41.94 crore in FY21 (Prov.). Further, the company has also been reporting revenue to the tune of Rs.29.88 crore during FY21 through EPC for SPVs involved in waste-to-energy projects. However, the major funding tie-up of SPVs greenfield projects are still pending. With halt in biomass trading as on date and pending funding tie-up, the ability of the company to maintain the revenue would be key monitorable factor.

- **Project execution risk of SPVs**

The SPVs of the company is involved in greenfield projects w.r.t waste to energy wherein plastic waste recycling is done under Swach Bharat Mission. The SPVs are also involved generating power through compressed bio gas. The company has undertaken the design and project monitoring (EPC) for the set-up of plants in SPV. The aggregate expected project cost SPVs is Rs.1,546.56 crore, which is being funded through equity and debt with D-E ratio of 2.33 times. The projects are expected to be completed between Nov 2021-October 2024. As on October 2021, the pending funding tie-up is to the extent of Rs.953.80 crore. Hence, the project off-take of SPVs are yet to be seen. ACEL has also extended corporate guarantee to the tune of Rs.515.53 crore. Any further deviation in the commencement of the plant leading to cost overrun is further expected to impact the revenue segment of the company.

- **Moderation in credit profile of parent company**

Abellon Clean Energy Limited (ACEL) is a wholly owned subsidiary of Atheon Enterprises Limited (AEL). The company has also been supporting the funding requirements of the SPVs through infusion of funds in the form of loans and advances routed through ACEL. However, there had been moderation in credit profile of the parent, wherein the rating had been downgraded to ACUITE C/ACUITE D/A4 from ACUITE BBB; Stable/ACUITE A2. The same was due to liquidity stretch. Further, the company had been diluting investments to pay off debts.

Liquidity Position: Adequate

The liquidity position of the company remains at adequate level, led by net cash accruals of Rs.18.49 crore against repayment of Rs.0.47 crore during current fiscal, thereby providing sufficient cushion. The cash and balance as on March 31, 2021, remained at Rs.2.80 crore vis-à-vis Rs.1.77 crore as on March 31, 2020. The current ratio continues to remain above unity at 1.19 times during FY21. The company is not planning to avail any additional debt in medium term.

Rating Sensitivities

- Increase in revenues while improvement in profitability
- Any delay in funding tie-up of SPVs, thereby impacting revenue segment of the company

Outlook: Stable

Acuité believes that the outlook on ACEL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or any significant cost or time overrun in its proposed capex leading to deterioration of its revenue stream.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	122.84	153.89
PAT	Rs. Cr.	17.34	(6.98)
PAT Margin	(percent)	14.11	(4.54)
Total Debt/Tangible Net Worth	Times	0.35	0.10
PBDIT/Interest	Times	5.98	1.15

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

Not Applicable

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
14 Aug 2020	Secured Overdraft	Long Term	0.55	ACUITE BBB (CE)/Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB (CE)/Stable (Assigned)
	Cash Credit	Long Term	3.50	ACUITE BBB (CE)/Stable (Assigned)
	Letter of credit	Short Term	4.32	ACUITE A3+ (CE) (Assigned)
	Proposed Bank Facility	Long Term	13.63	ACUITE BBB (CE)/Stable (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
South Indian Bank	Cash Credit	Not Applicable	11.00%	Not Applicable	3.50	ACUITE BB+ (Downgraded and Withdrawn)
South Indian Bank	Cash Credit	Not Applicable	11.00%	Not Applicable	6.00	ACUITE BB+ (Downgraded and Withdrawn)
Central Bank of India	Overdraft	Not Applicable	11.00%	Not Applicable	0.55	ACUITE BB+ (Downgraded and Withdrawn)
Central Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.32	ACUITE A4+ (Downgraded)
Not Applicable	Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	13.63	ACUITE BB+/Stable (Downgraded)

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About Acuité Ratings & Research:

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