ACME SOLAR HOLDINGS LIMITED

November 05, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Solar
Offer for sale (Shares)	17,474,049
Fresh Issue (Shares)	82,871,973
Net Offer to the Public	**100,346,022**
Issue Size (Rs. Cr.)	2759-2900
Price Band (Rs.)	275-289
Employee Discount	Rs.27 per share
Offer Date	23-Oct-24
Close Date	25-Oct-24
Face Value	2
Lot Size	51 Shares

Issue Composition

	In shares
Total Issue for Sale	100,346,022
QIB	75,259,517
NIB	15,051,903
Retail	10,034,602

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	100.00%	83.42%
QIB	0.00%	12.44%
NIB	0.00%	2.49%
Retail	0.00%	1.66%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The Company proposes to utilize the Net Proceeds towards funding the following objects (collectively, the "Objects")

Repayment/prepayment, in full or in part, of certain outstanding borrowings availed by the Subsidiaries; and

General corporate purposes.

Book Running Lead Manager

- Nuwama Wealth Management Limited
- ICICI Securities Limited
- JM Financial Limited
- Kotak Mahindra Capital Company Limited
- Motilal Oswal Investment Advisors Limited

Name of the registrar

- Kfin Technologies Limited

About the company

Incorporated In June 2015, ACME Solar Holdings Limited is an Indian electricity producer from renewable energy sources. The company is one of the largest producers of electricity from wind and solar energy in India. The company specializes in the development, construction, ownership, operation and maintenance of large-scale renewable energy projects. The company achieves this through its in-house engineering, procurement and construction (EPC) division and operations and maintenance (O&M) team. The company's revenue is generated by selling electricity to various customers, including plants supported by the central and state governments. As of March 31, 2024, the company had a total operational project capacity of 1,320 MW (1,802 MWp) in solar power projects. In addition, it had a contracted project capacity of 1,650 MW, comprising 1,500 MW (2,192 MWp) of solar power projects and 150 MW of wind power projects. In addition, the awarded project capacity under construction amounted to 2,380 MW, consisting of 300 MW of solar power projects, 830 MW of hybrid power projects and 1,250 MW of FDRE power projects.

Strength

Positioned to Capitalize on Industry Growth in the IPP Sector: ACME Solar Holdings Limited is a leading renewable energy independent power producer (IPP) in India, ranking among the top 10 renewable energy players in terms of operational capacity as of March 31, 2024. With an aggregate operational capacity of 1,340 MW (1,826 MWp), the company also has 3,250 MW of under-construction contracted projects and 1,730 MW of awarded projects. As of March 2024, grid-connected renewable energy made up about 44% of India's total installed generation capacity, with solar energy accounting for a similar share as of August 2024. The solar power sector has seen robust growth, with approximately 70 GW added between Fiscal 2018 and 2024, marking a CAGR of 24.8%.

Integrated Approach to Project Development Across the Value Chain: ACME Solar Holdings Limited adopts an end-to-end, in-house approach for its renewable projects, covering the full project lifecycle—from PPA signing to commercial operations within 18 to 24 months, and ongoing operations and maintenance (O&M). The company leverages its experience to secure competitive bids and deliver efficient projects across India. Its comprehensive capabilities include tendering, land acquisition, financial closure, design engineering, procurement, construction, and O&M. Since inception, ACME has successfully developed and commissioned 2,719 MW (3,668 MWp) of solar power projects in 12 Indian states.

Diverse Renewable Energy Portfolio Across Key Regions: ACME Solar Holdings Limited has a diversified project portfolio spanning 11 Indian states, including regions with optimal solar and wind conditions such as Gujarat, Rajasthan, and Andhra Pradesh. The portfolio includes 1,340 MW of operational solar projects, 3,250 MW of under-construction projects, and 1,730 MW of awarded projects across solar, wind, hybrid, and FDRE technologies. Recently, ACME acquired projects totaling 2,080 MW (830 MW hybrid and 1,250 MW FDRE) from ACME Cleantech. The company holds 49% equity in these projects, while ACME Cleantech retains 51%, with ACME Solar managing project development, commissioning, and funding.

Long-Term Stable Cash Flows through Government-Backed Contracts: Nearly ACME's entire portfolio is secured by long-term power purchase agreements (PPAs) with central and state government-backed entities, typically for 25 years. As of June 30, 2024, the weighted average residual period for these PPAs was 19.94 years. Most PPAs are executed before construction begins, enabling the company to sell electricity as soon as

projects connect to the grid. Nearly all contracts were awarded through competitive bidding by government-backed entities, which minimize counterparty risk and provides strong regulatory support. These PPAs often feature fixed tariff rates or clearly defined escalation provisions.

Access to Diverse Funding Sources for Project Development: ACME Solar Holdings Limited has extensive experience in financing its projects, optimizing capital structure, and enhancing project returns. The company typically invests 25% of a project's cost as equity, securing debt financing for the remaining 75% from various lenders. In addition to debt financing, ACME has raised capital through structured debt from strategic investors and has successfully refinanced some project SPVs through green bonds listed on the Singapore Stock Exchange. Since April 2020, ACME has refinanced ₹32,995.70 million in debt, allowing the company to reduce interest costs and extend loan tenures.

Efficiency Gains through Design and Value Engineering: In bidding for renewable projects, ACME Solar Holdings Limited utilizes value engineering to optimize production costs and capacity utilization factors (CUF). Techniques include adjusting DC ratios, using bifacial modules for solar, and optimizing inverters and other equipment. For wind projects, the company assesses wind resources to enhance turbine placement. A dedicated technology team evaluates new technologies and utilizes advanced software to manage engineering from bidding to execution. ACME employs tools such as SCADA, central monitoring systems, and preventive maintenance portals to ensure efficient operation and performance tracking across its portfolio.

Strategy

Expanding and Diversifying Portfolio to Maintain Leadership: ACME Solar Holdings Limited has grown from a solar power-focused company into an integrated renewable energy leader in India. To maintain its leadership, the company aims to continue expanding its diverse portfolio, which includes a 3,250 MW capacity of under-construction contracted projects and a 1,730 MW capacity of awarded projects, spanning solar, wind, hybrid, and FDRE technologies. Battery energy storage systems have also emerged as a promising technology for grid support and energy storage. ACME's integrated approach leverages its expertise across renewable energy sources, creating solutions that are both feasible and innovative. This cross-disciplinary model enables ACME to identify synergies, mitigate challenges, and drive efficiency across its renewable energy projects.

Investing in an Integrated Business Model for Seamless Growth: ACME plans to continue investing in its integrated business model to scale its operations efficiently. The company follows standardized procedures throughout each project development phase, from auction bids and land evaluation to project design, component procurement, and construction. By having established protocols, ACME aims to reduce development costs and improve project timelines. Through strong supplier relationships, it also ensures a stable supply of high-quality, cost-effective components. As ACME scales, it expects further cost reductions, faster delivery timelines, and minimized lead times between project award and commercial operation.

Enhancing Project Efficiency and Longevity Through Technological Upgrades: ACME Solar Holdings Limited emphasizes technological advancements to increase project efficiency, availability, and profitability. It uses optimal DC ratios, forecasting software, and bifacial modules to boost power generation. To counteract module degradation, the company plans to "repower" its projects, adding modules every few years to maintain output and cash flow. ACME also incorporates robotic cleaning technology at certain sites, which optimizes module cleaning, conserves water in arid regions, and enhances environmental sustainability. This technology reduces reliance on water and chemical cleaners while maintaining high production levels and efficiency.

Diversifying Funding Sources and Optimizing Capital Costs: ACME Solar Holdings Limited finances its projects with a balanced mix of equity and debt, often structured to allow future refinancing on better terms and longer tenures. This approach maximizes the efficient use of capital and maintains borrowing limits for future projects. ACME's access to diverse funding sources, along with a strong credit profile, allows it to secure funding and refinance regularly at competitive rates. As ACME continues to grow, it plans to leverage its relationships with banks and financial institutions to obtain favorable financing, further reducing borrowing costs and enhancing profitability.

Risk factor

- The company may not be able to grow its portfolio of renewable energy power projects as it relies on highly competitive renewable energy power project auctions.
- The company is dependent on its Power Purchase Agreements ("PPA") to sell power and generate its revenue from operations.
- Any constraints in the availability of the electricity grid, including its inability to obtain access to transmission lines in a timely and cost-efficient manner, could adversely affect its business, results of operations and cash flows.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Adani Green	10542.00	1128.00	8.61	187.10	24.13	66.77	10	1610.95	255179.71
Acme Solar Holdings	1466.27	697.78	23.06	12.53	3.51	82.40	2	289.00	17486.81

***Peer comparisons are based on TTM**
***Acme Solar financials are based on Fy24**

Valuation

We are considering the valuation on the basis of book value due to profit and loss includes exceptional item i.e. Net gain on sale of assets/ investments (related to disposal of subsidiary companies i.e. Rs.748.69 crore. Largely the company is profit making and on a proportionate basis around 123 crore profit is earned after tax. Looking at the P/B ratio at upper price band Rs.289, pre issue, book value of Rs.37.19 of P/Bvx 7.77x. Post issue, book value of Rs. 71.68 of P/Bvx 4.03x.

Looking at the P/B ratio at lower price band Rs.275, pre issue, book value of Rs.37.19 of P/Bvx 7.39x. Post issue, book value of Rs. 71.68 of P/Bvx 3.84x.

Industry Outlook

Renewable sources are a clean source of energy, preventing the release of pollutants into the air. While there are multiple renewable sources that can be utilised, solar, wind, small hydro, biomass, and bagasse remain key sources. (Source: CRISIL Report) Renewable energy installations have increased to approximately 200 GW as of August 2024. As of March-2024, installed grid connected renewable energy generation capacity (including large hydro) in India constituted approximately 44% of the total installed generation base in India. (Source: CRISIL Report)

Outlook

ACME Solar Holdings is a leading player in India's renewable energy sector, specializing in the generation of electricity from wind and solar power. The company is involved in the development, construction, ownership, operation, and maintenance of large-scale renewable energy projects. ACME Solar generates revenue by selling electricity to a range of customers, including government-supported facilities at both central and state levels. It attributed fall in profits for FY23 due to impact of amortization and sale of some projects, and the sudden boost in bottom lines in FY24 for higher other income and exceptional items. The company relies heavily on its relationship with one of its key promoters, ACME Cleantech. Additionally, its concentration of power projects in Rajasthan, Andhra Pradesh, and Telangana exposes it to policy changes in these states. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	06-November-24
BID/ISSUE CLOSES ON	08-November-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	11-November-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	12-November-24
Credit of Equity Shares to Demat Accounts of Allottees	12-November-24
Commencement of trading of the Equity Shares on the Stock Exchanges	13-November-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (3 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	309.64	1319.25	1294.90
Total expenditure	37.92	230.10	122.31
Operating Profit	**271.72**	**1089.15**	**1172.59**
OPM%	87.75	82.56	90.55
Other Income	30.37	147.02	66.47
PBDIT	**302.10**	**1236.17**	**1239.06**
Depreciation	55.56	308.14	484.80
PBIT	**246.53**	**928.03**	**754.26**
Interest	196.28	767.29	809.10
Profit Before Tax	**50.25**	**160.73**	**-54.84**
Exceptional item	0.00	748.69	39.44
Profit Before Tax after exceptional item	**50.25**	**909.43**	**-15.40**
Tax	48.86	211.64	-12.23
PAT	**1.39**	**697.78**	**-3.17**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	6297.35	6352.53	6172.39
Investment Property	1.40	1.40	0.00
Capital Work-in-Progress	3850.39	2828.43	2147.34
Right-of-use	415.87	403.96	458.52
Intangible Assets	0.03	0.03	0.03
Financial Assets			
Investments	275.00	0.00	22.67
Loans	187.44	116.80	0.00
Other financial assets	147.94	54.94	161.83
Deferred tax assets (net)	186.85	192.85	247.55
Non current assets	31.11	31.56	89.81
Other non current assets	92.23	261.99	184.68
Total non-current assets	**11485.60**	**10244.49**	**9484.81**
Current assets			
Financial Assets			
Investment	0.50	149.87	0.00
Trade Receivables	380.69	420.89	699.30
Cash and Cash Equivalents	1020.72	309.16	547.45
Bank Balances Other than (ii) above	753.12	1005.72	791.01
other current assets	158.28	158.35	215.44
Loans	0.00	0.00	343.94
Assets held for sale	11.92	12.61	0.01
Other Financial assets	174.30	1098.73	105.00
Total current assets	**2499.54**	**3155.32**	**2702.14**
Total Assets	**13985.14**	**13399.80**	**12186.95**
Non-current liabilities			
Borrowings	8852.20	7696.43	8099.26
Lease Liabilities	302.03	288.20	325.33
Other Financial Liabilities	132.51	103.51	38.11
Provisions	7.17	6.51	5.29
Deferred Tax liabilities (Net)	207.94	211.99	160.01
Other Non-Current Liabilities	1320.55	1070.22	658.89
Total non-current liabilities	**10822.40**	**9376.85**	**9286.89**
Current liabilities			
Financial Liabilities			
Borrowings	467.71	521.17	558.09
Lease Liabilities	30.76	30.56	30.87
Trades Payable - MSME	6.64	6.69	7.04
Trade Payables - other than MSME	85.11	67.07	55.07
Other Financial Liabilities	493.37	676.93	240.34
Other Current Liabilities	67.33	103.20	77.70
Provision	0.83	0.51	0.48
Current Tax Liabilities (Net)	68.87	25.97	0.01
Total current liabilities	**1220.61**	**1432.08**	**969.60**
Total	**12043.01**	**10808.93**	**10256.49**
Net worth represented by:			
Equity Share Capital	104.44	104.44	104.44
Non controlling interest	0.00	0.00	29.90
Instrument entirely in the nature of equity	0.00	650.00	650.00
Other equity	1837.68	1836.43	1146.12
Net Worth	**1942.13**	**2590.87**	**1930.46**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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