



Company Overview

ACME Solar Holdings, founded in 2015 under the ACME Group, was established to consolidate and expand the Group's renewable energy business in India. ACME Solar is a prominent renewable energy company in India, managing a diversified portfolio that includes solar, wind, hybrid, and firm and dispatchable renewable energy (FDRE) projects. Recognized as one of India's largest independent power producers (IPPs), it ranks among the top ten regarding operational capacity. The company is involved in the development, construction, ownership, operation, and maintenance of large-scale renewable energy projects. It generates revenue by selling electricity to various buyers, including entities backed by central and state governments. Since its inception, the ACME Group has developed and commissioned 2,719 MW (3,668 MWp) of solar power projects. Its current operational capacity includes 1,340 MW (1,826 MWp) of solar projects, with additional contracted projects under construction totaling 3,250 MW—comprising 1,500 MW (2,192 MWp) of solar, 150 MW of wind, 1,030 MW of hybrid, and 570 MW of FDRE projects. Additionally, the company has an awarded project capacity of 1,730 MW under construction, consisting of 600 MW (870 MWp) of solar, 450 MW of hybrid, and 680 MW of FDRE projects. Over 80% of ACME's operational and in-progress projects are located in high-irradiance states such as Gujarat, Rajasthan, Madhya Pradesh, Andhra Pradesh, Karnataka, and Tamil Nadu, which are ideal for solar installations.

Objects of the issue

The company proposes to utilize the net proceeds towards funding the following objects:

- ⇒ Investment in its Subsidiaries for repayment/prepayment, in full or in part, of certain outstanding borrowings availed by the Subsidiaries; and
- ⇒ General corporate purposes.

Investment Rationale

Strong industry positioning and diversified portfolio drive growth and control

ACME Solar Holdings is India's largest renewable energy independent power producer (IPP), ranking among the top 10 players within the segment for its operational capacity. The company has an aggregate operational project capacity of 1,340 MW (1,826 MWp), a contracted project capacity of 3,250 MW under construction and an additional 1,730 MW awarded project capacity in the construction phase. It has an expansive portfolio of projects diversified across different renewable energy technologies spread across 11 states of India that offer more solar irradiance than other parts of India, which makes it ideal for installing solar projects. Additionally, states like Gujarat, Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh have excellent wind and solar potential, providing strong prospects for hybrid power supply projects where ACME already has operational setups. The company is majorly invested in solar projects, which comprise more than 54% of its portfolio, and the second highest is the hybrid project, followed by the FDRE and wind projects. In line with the country's push for round-the-clock clean power generation through hybrid tenders, which integrate solar, wind, and storage technologies, ACME has recently acquired additional projects from ACME Cleantech. These projects have a contracted capacity of 2,080 MW, comprising 830 MW of hybrid and 1,250 MW of FDRE projects. As part of this acquisition, ACME Solar entered into a share purchase and shareholder agreement for 450 MW of capacity with ACME Cleantech and associated SPVs, where it acquired 49% of the equity share capital of such SPVs. The company exercises control over SPVs in this agreement and is responsible for the relevant project's overall development, commissioning, and funding.

End-to-end value chain and in-house teams improve efficiency

ACME Solar Holdings has a fully integrated in-house approach for executing its renewable projects, managing each phase from signing the PPA to commercial operations and ongoing maintenance. The company's project development team is well-experienced in the renewable energy industry and ensures projects are completed in a timely and cost-efficiently. ACME's comprehensive value chain capabilities cover all aspects, including tendering and bidding, land acquisition, obtaining necessary approvals, financial closure, design engineering, procurement and construction and operations and maintenance. The company carefully selects renewable energy auctions, bidding only where it aligns with favorable policies, incentives, and credit history of the off-takers and where there is access to

Issue Details

Offer Period	6 th Nov 2024 - 8 th Nov 2024
Price Band	Rs. 275 to Rs. 289
Bid Lot	51
Listing	BSE & NSE
Issue Size (no. of shares in mn)	100.35
Issue Size (Rs. in bn)	29
Face Value (Rs.)	2

Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM	Nuvama Wealth-Management Ltd. , ICICI Securities Ltd., JM Financial Ltd., Kotak Mahindra Capital Company Ltd., Motilal Oswal Investment Advisors Ltd.
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Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	100	83
Public	0	17
Total	100	100

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

ACME Solar Holdings Limited

evacuation infrastructure, transmission systems, water, roads and communications networks and other ancillary infrastructure, competitive intensity, capacity on offer and restrictions on maximum/minimum bid quantity. Additionally, ACME's land acquisition team is well-versed in local practices, facilitating their land acquisition without disruptions. Due to its scale, size, and experience, the company successfully maintains a full-fledged EPC team that handles project-specific EPC-related activities. The in-house O&M team monitors all plants using a supervisory control and data acquisition (SCADA) system, which enables real-time performance tracking through networked data communications, computers, and a graphical interface to supervise its machines and processes. The company's dedicated technology team evaluates new technologies and utilizes specialized software to help manage in-house engineering from bidding to final project execution. This integrated approach allows ACME to maintain control over its processes and keep track of its costs, ensuring it completes its projects on time.

Valuation

ACME Solar Holding is a renewable energy company in India with a diverse portfolio spanning solar, wind, hybrid and firm and dispatchable renewable energy ("FDRE") projects. ACME builds, owns, operates, and maintains utility-scale renewable energy projects through its dedicated in-house engineering, procurement and construction (EPC) division and operation and maintenance team. The company generates revenue by selling electricity to various off-takers, including central and state government-backed entities. Renewable energy installations in India have increased to approximately 200 GW, with renewable energy generation, including large hydro, now comprising about 44% of the country's total installed capacity. ACME has an extensive portfolio across various renewable energy technologies and is constantly growing its portfolio by adding to its capacity. It has an in-house approach to end-to-end execution, completion and maintenance of its projects. This helps the company improve its efficiency and manage costs, boosting revenue and strengthening reliability. On the financial front, ACME has demonstrated remarkable growth, with its PAT increasing from Rs. 620 million in FY22 to Rs. 6,978 million in FY24. Additionally, the company achieved an ROE of 38.83% in FY24. **The current issue is priced at a P/E ratio of 23.03x on the upper price band based on FY24 earnings, which is relatively lower than its peers. Therefore, we recommend a SUBSCRIBE rating with a medium to long-term investment perspective for this issue.**

Key Risks

- ⇒ 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. Therefore, the company significantly depends on successfully executing our Under Construction Awarded Projects and Under Construction Contracted Projects. If it is unsuccessful in implementing its future projects, the business and results of operations may be adversely impacted.
- ⇒ The company has prior experience commissioning solar power projects but does not have any experience commissioning wind, hybrid, FDRE power projects, or closed-loop pump storage projects. Without previous experience in such projects, delays and unexpected costs could occur, affecting the project's viability and profitability.
- ⇒ The company's major operational projects are located in Andhra Pradesh, Rajasthan and Telangana, contributing to a significant portion of its revenue. Any change in governmental policies or occurrence of natural disasters within any of these states may impact its business, results of operations and cash flows.

ACME Solar Holdings Limited

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue			
Revenue from Operations	14,879	12,949	13,193
Total Revenue	14,879	12,949	13,193
Expenses			
Cost of materials consumed	939	-	-
Employee benefits expense	383	346	590
Other expenses	1,155	877	1,711
Total Operating Expenses	2,476	1,223	2,301
EBITDA	12,403	11,726	10,891
Depreciation and Amortization expense	5,463	4,848	3,081
Other income	748	665	1,470
EBIT	7,688	7,543	9,280
Finance costs	9,960	8,091	7,673
Exceptional Item	3,296	394	7,487
PBT	1,024	(154)	9,094
Tax expense			
Current tax	27	55	1,069
Income tax adjustment relating to earlier year	-135	1	1
Deferred tax (credit)/ expense	512	(179)	1,046
Total tax	404	-122	2,116
PAT	620	(32)	6,978
Diluted EPS	1	0	13

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	9,550	12,635	14,342
Cash flow from investing activities	(3,741)	(14,099)	(17,307)
Cash flow from financing activities	5,558	2,154	2,158
Net increase/(decrease) in cash and cash equivalents	11,367	690	(807)
Cash and cash equivalents at the beginning of the period	5,038	4,785	5,474
Cash and cash equivalents at the end of the period	4,785	5,474	3,092

Source: RHP, BP Equities Research

ACME Solar Holdings Limited

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
ASSETS			
Non-current assets			
Property, plant and equipment	57,211	61,724	63,525
Investment property	-	-	14
Right-of-use assets	4,560	4,585	4,040
Capital work-in-progress	12,728	21,473	28,284
Intangible assets	-	-	-
Financial assets			
(i) Investments	245	227	-
(ii) Loans	-	-	1,168
(iii) Other financial assets	1,223	1,618	549
Deferred tax assets (net)	1,598	2,476	1,929
Non current tax assets (net)	413	898	316
Other non current assets	7,490	1,847	2,620
Total Non-Current Asset	85,468	94,848	102,445
Current assets			
Financial Assets			
(i) Investments	-	-	1,499
(ii) Trade receivables	9,314	6,993	4,209
(iii) Cash and cash equivalents	4,785	5,474	3,092
(iv) Other bank balances	2,846	7,910	10,057
(v) Loans	1,623	3,439	-
(vi) Other financial assets	3,189	2,154	1,583
Other current assets	1,642	1,050	10,987
Assets held for Sale	-	-	126
Total Current Asset	23,399	27,021	31,553
Total Assets	108,867	121,870	133,998
EQUITY AND LIABILITIES			
Equity			
Equity share capital	1,044	1,044	1,044
Instrument entirely in the nature of equity	6,500	6,500	6,500
Other equity	11,543	11,461	18,364
Equity attributable to owners of the parent company	19,088	19,006	25,909
Non-controlling interest	1,004	299	-
Total Equity	20,092	19,305	25,909
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Long term borrowings	69,509	80,993	76,964
(ii) Lease liabilities	3,198	3,253	2,882
(iii) Other financial liabilities	-	381	1,035
Provisions	24	53	65
Deferred tax liabilities (net)	901	1,600	2,120
Other non-current liabilities	2,682	6,589	10,702
Total Non-Current Liabilities	76,315	92,869	93,768
Current Liabilities			
Financial liabilities			
(i) Short term borrowings	6,127	5,581	5,212
(ii) Lease liabilities	311	309	306
(iii) Trade payables	2,730	621	738
(iv) Other financial liabilities	2,868	2,403	6,769
Other current liabilities	418	777	1,032
Provisions	2	5	5
Current tax liabilities (net)	4	-	260
Total Current Liabilities	12,461	9,696	14,321
Total Equity and Liabilities	108,867	121,870	133,998

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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