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IPO Note



Company Name: "ACME Solar Holdings Limited"

Date: November 5, 2024

ACME Solar Holdings Limited

About the Company

Founded in June 2015, Acme Solar Holdings Limited is an Indian company that produces electricity from renewable sources. It is one of the leading producers of wind and solar energy in the country.

The company focuses on the development, construction, ownership, operation, and maintenance of large-scale renewable energy projects. It accomplishes this through its internal engineering, procurement and construction (EPC) division, and operations and maintenance (O&M) team. The company generates revenue by selling electricity to various clients, including those supported by central and state governments.

As of March 31, 2024, Acme Solar Holdings Limited had an operational project capacity of 1,320 MW (1,802 MWp) in solar power projects. Additionally, it had a contracted project capacity of 1,650 MW, which included 1,500 MW (2,192 MWp) of solar power projects and 150 MW of wind power projects. The company also had an awarded project capacity under construction amounting 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.

Outlook & Valuation

In terms of financial performance, over the last three fiscal years, the company has reported (on a consolidated basis) a total income/net profit (loss) of Rs. 1562.73 crore / Rs. 62.01 crore (FY22), Rs. 1361.37 crore / Rs. -3.15 crore (FY23), and Rs. 1466.27 crore / Rs. 697.78 crore (FY24). For Q1 of FY25 ending on June 30, 2024, it posted a net profit of Rs. 1.39 crore on a total income of Rs. 340.01 crore, bolstered by other income of Rs. 147.02 crore and exceptional items worth Rs. 748.69 crore in FY23.

Over the past three fiscal years, the company has achieved an average EPS of Rs. 6.44 and an average RoNW of 13.95%. The issue is priced at a P/BV of 7.77 based on its NAV of Rs. 37.19 as of June 30, 2024, and a P/BV of 4.03 based on its post-IPO NAV of Rs. 71.67 per share (at the upper cap).

When annualizing FY25 earnings to the post-IPO fully diluted equity base, the asking price results in a P/E of 3211.11, while based on FY24 earnings, the P/E stands at 25.06. FY24 appears to be an exceptional year with significantly boosted profits, but otherwise, the company has shown inconsistent top and bottom lines over the reported periods. Its debt-equity ratio of 3.89 as of June 30, 2024, is notably high and raises concerns. Based on its financial metrics, the issue seems aggressively priced.

The company reported PAT margins of 3.97% (FY22), -0.23% (FY23), 47.59% (FY24), and 0.41% (Q1-FY25), but the RoCE margins data is missing from the offer document.

Recommendation : Subscribe for Long Term

Issue Details:

Price Band (Rs)	Rs 275– Rs 289
Issue Size	2900 Cr
Lot Size	51 shares
Issue Opens	November 6, 2024
Issue Closes	November 8, 2024
Lead Manager	Nuvama, ICICI, JM Financial, Kotak, Motilal Oswal
Registrar	KFin Technologies Limited
Listing Date	November 13, 2024
Listing on	BSE, NSE

We recommend to subscribe the IPO with a long-term perspective.

Indicative Timetable

Finalization of Basis of allotment	November 11, 2024
Refund/ Unblocking of ASBA	November 12, 2024
Credit of Equity Shares to DP A/C	November 12, 2024

Issue Breakup

QIB	Not more than 75.00% of the Net offer
RETAIL	Not less than 10.00% of the Offer
NII	Not less than 15.00% of the Offer
TOTAL	100%

Promotor Shareholding

Pre Issue Share Holding	100%
Post Issue Share Holding	-

ACME Solar Holdings Limited

Objective 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

Business Overview

ACME Solar Holdings Ltd. (ASHL) is a leading renewable energy company in India, boasting a diverse portfolio that includes solar, wind, hybrid, and firm and dispatchable renewable energy (FDRE) projects. It is one of the largest independent power producers (IPPs) of renewable energy in India and ranks among the top 10 in terms of operational capacity as of June 30, 2024. Over the years, ASHL has expanded its portfolio from solely solar power projects to become a comprehensive renewable energy company. The company develops, constructs, owns, operates, and maintains large-scale renewable energy projects through its in-house engineering, procurement, and construction (EPC) division and operations and maintenance (O&M) team. It generates revenue by selling electricity to various customers, including entities backed by the central and state governments.

Established in 2015 to consolidate the ACME Group's renewable energy business and leverage opportunities in India's renewable energy sector, ASHL is promoted by Manoj Kumar Upadhyay. The ACME Group, founded in 2003 as ACME Cleantech, initially provided energy management solutions to wireless telecommunications operators in India before entering the renewable energy generation business in 2009. As an early entrant in India's solar IPP market (Source: CRISIL Report), the ACME Group commissioned its first solar power plant in Fiscal 2012. The group has since developed, executed, and commissioned a total of 2,719 MW (3,668 MWp) of solar power projects up to the date of this Red Herring Prospectus.

ASHL's operational project capacity includes 1,340 MW (1,826 MWp) of solar power projects. It has an under-construction contracted project capacity of 3,250 MW, comprising 1,500 MW (2,192 MWp) of solar power projects, 150 MW of wind power projects, 1,030 MW of hybrid projects, and 570 MW of FDRE projects. Additionally, it has an under-construction awarded project capacity of 1,730 MW, which includes 600 MW (870 MWp) of solar power projects, 450 MW of hybrid power projects, and 680 MW of FDRE power projects, as of the date of this Red Herring Prospectus.

Financials

Income Statement			(Rs in million)
Particulars	FY24	FY23	FY22
Revenue from Operation	13,192.50	12,949.04	14,879.02
Other income	1470.17	664.69	748.24
Total Income	14662.67	13613.73	15627.26
Cost of Raw material consumed	0.00	0.00	938.50
Employee Benefit Exp	589.95	346.44	382.37
Finance Cost	7,672.93	8,090.97	9,960.08
Depreciation	3,081.38	4848.02	5,462.75
Other expenses	-5,775.84	482.31	-2,140.70
Total expenses	5,568.42	13,767.74	14,603.00
Profit before tax	9,094.25	-154.01	1,024.26
Total Tax expenses	2116.44	-122.27	404.16
Profit after tax	6977.81	-31.74	620.1
Basic EPS	12.55	-0.06	1.12

Cash Flow Statement			(Rs in million)
Particulars	FY24	FY23	FY22
Net Profit before tax	9094.25	-154.01	1024.26
Cash generated from Operating Activity	14,453.34	13,182.25	9,805.39
NET CASH FLOW FROM OPERATING ACTIVITY	14341.68	12634.83	9549.62
NET CASH FLOW FROM INVESTING ACTIVITY	-17306.85	-14099.16	-3740.59
NET CASH FLOW FROM FINANCING ACTIVITY	2157.84	2154.26	-5558.08
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	-807.33	689.93	250.95
Cash and Cash Equivalent at the beginning of the year	3898.91	4784.56	4533.61
Cash and Cash Equivalent at the end of the year	3091.58	5474.49	4784.56

ACME Solar Holdings Limited

Balance Sheet			(Rs in million)
Particulars	FY24	FY23	FY22
ASSETS			
Non Current Assets			
Property, Plant and Equipment	63525.3	61,723.93	57,210.63
Investment Property	14.0	0.00	0.00
Right to use Assets	4039.6	4,585.18	4,560.17
Capital WIP	28284.3	21,473.36	12,728.02
Intangible Assets	0.3	0.30	0.32
Investment	0.0	226.67	245.33
Loans	1168.0	0.00	0.00
Other Financial Assets	549.4	1,618.32	1,223.37
Deffered Tax Assets	1928.5	2,475.51	1,597.55
Non Current Tax Assets	315.6	898.05	412.69
Other Non current Assets	2619.9	1,846.82	7,489.98
Total Non Current Assets	102444.9	94848.1	85468.1
Current Assets			
Investments	1498.7	0.0	0.0
Trade Receivable	4,208.85	6,992.97	9,314.38
Cash and cash equivalent	3091.59	5,474.49	4,784.56
Bank	10057.2	7,910.09	2,846.35
Loans	0.0	3,439.39	1,623.18
Other Financial Assets	1583.48	2,154.37	3,188.85
Other current assets	11113.39	1,050.08	1,641.79
Total Current Assets	31553.2	27021.4	23399.1
Total Assets	133998.0	121869.5	108867.2
EQUITIES AND LIABILITIES			
Equity Share Capital	1,044.42	1,044.42	1,044.42
Other Equity	24,864.31	18,260.20	19,047.13
Total Equity	25,908.73	19,304.62	20,091.55
Non Current Liabilities			
Long term Borrowings	76,964.28	80,992.60	69,508.98
Lease liability	2,882.00	3,253.29	3,198.00
Other Financial liabilities	1,035.10	381.06	0.00
Provisions	65.10	52.89	24.36
Deffered Tax liability	2,119.85	1,600.13	901.29
Other Non current liability	10,702.16	6,588.91	2,681.99
Total Non Current Liabilities	93768.49	92868.88	76314.62
Current Liabilities			
Borrowings	5211.69	5580.89	6127.04
Lease liability	305.55	308.73	311.34
Trade Payable	738	621	2730.1
Other Financial liability	6769	2403	2868.27
Other Current liabilities	1032	777	418.18
Provisions	5	5	2.43
Current Tax Liability	260	0	3.64
Total Current liabilities	14321	9696	12461
Total Equities and Liabilities	133998	121870	108867

ACME Solar Holdings Limited

Directors Profile

Manoj Kumar Upadhyay is the Chairman and Managing Director and one of the Promoters of Company. He has cleared the examination for a diploma in electronics engineering from Government Polytechnic, Shahjanpur, Uttar Pradesh, India. He is the founder of the ACME Group and is responsible for establishing the ACME Group.

Nikhil Dhingra is the Whole-Time Director and Chief Executive Officer of Company. He has been associated with Company since February 3, 2023. He holds a bachelor's degree in engineering (electrical) from Kurukshetra University and a post-graduate diploma in management from Indian Institute of Management, Bangalore, Karnataka.

Shashi Shekhar is the Whole-Time Director and Vice Chairman of Company. He has been associated with Company since April 9, 2018. He holds a bachelor's degree in science (Geology) from the Patna University and has served as an officer of the Indian Administrative Service.

Atul Sabharwal is an Independent Director of Company. He has been associated with Company since September 18, 2017. He has cleared the examination for a bachelor's degree in science from the University of Calcutta and holds a post-graduation degree in business administration from the University of New South Wales, Australia.

Sanjay Dhawan is an Independent Director of Company. He has been associated with Company since June 29, 2024. He holds a bachelor's degree in technology (chemical engineering) from Banaras Hindu University, Varanasi and holds a post-graduate diploma in management from Indian Institute of Management, Ahmedabad, Gujarat.

Anuranjita Kumar is an Independent Director of Company. She has been associated with Company since April 25, 2024. She holds a bachelor's degree of arts in psychology from Indraprastha College of Women, University of Delhi and a post graduate diploma in personnel management and industrial relations from XLRI, Jamshedpur, Jharkhand.

Competitive Strength

- ❑ Largest renewable energy company with strong industry growth in the IPP business;
- ❑ End-to-end value chain and integrated approach to renewable energy project development through in-house project development, EPC and O&M teams;
- ❑ An expansive portfolio diversified across different renewable energy technologies;
- ❑ Long-term stable cash flows based on contracts with central and state government agencies;
- ❑ Access to diversified funding sources;
- ❑ Design and value engineering leading to greater efficiency; and
- ❑ Experienced promoters and management team

Key Risk of The Business

- ❑ Concentrated revenue risk: 63.22% of revenue from Andhra Pradesh, Rajasthan, and Telangana.
- ❑ Dependence on government-owned transmission grids and infrastructure.
- ❑ Growth relies on winning highly competitive project bids.

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