IPO NOTE

Leading Through Innovation

ACME SOLAR HOLDINGS LIMITED

05.11.2024

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Canara Bank Securities Ltd
A Wholly Owned Subsidiary Of Canara Bank

- ACME Solar Holdings Limited is a renewable energy company in India with a portfolio of solar, wind, hybrid and firm and dispatchable renewable energy ("FDRE") projects.
- They are one of the largest renewable energy independent power producers ("IPP") in India and among the top 10 renewable energy players in India in terms of operational capacity as of June 30, 2024.
- Over the years, they have diversified and expanded their portfolio from solar power projects to become an integrated renewable energy company in India.
- They develop, build, own, operate and maintain utility-scale renewable energy projects (through their in-house engineering, procurement and construction ("EPC") division and operation and maintenance ("O&M") team, and generate revenue through the sale of electricity to various off-takers including central and state government-backed entities.
- Their Company was established in 2015 to consolidate the ACME Group's renewable energy business and to capitalize on the opportunities in the Indian renewable energy industry.
- The ACME Group was promoted by Manoj Kumar Upadhyay and ACME Cleantech was incorporated in 2003. It originally operated as a provider of energy management solutions to wireless telecommunications operators in India and subsequently entered into the renewable energy generation business in 2009.
- The ACME Group has been one of the early entrants in the solar IPP business in India (Source: CRISIL Report) and commissioned its first solar power plant in Fiscal 2012. The ACME Group has a track record of developing, executing and commissioning a total of 2,719 MW (3,668 MWp) of solar power projects from inception until the date of this Red Herring Prospectus.
- They have an aggregate Operational Project capacity of 1,340 MW (1,826 MWp) solar power projects; Construction Contracted Project capacity of 3,250 MW including solar power projects of 1,500 MW (2,192 243 MWp), wind power projects of 150 MW, hybrid projects of 1,030 MW and FDRE projects of 570 MW; and Construction Awarded Project capacity of 1,730 MW comprising 600 MW (870 MWp) of solar power projects, 450 MW hybrid power projects and 680 MW of FDRE power projects.
- The revenue from their projects in the three months ended June 30, 2024, and June 30, 2023, and Fiscals 2024, 2023 and comprises revenue from their operational solar projects.

Issue Details

Price Band (in ₹ per share)	275-289
Issue size (in ₹ Crore)	2900.00
Fresh Issue (in ₹ Crore)	2395.00
OFS (in ₹ Crore)	505.00
Issue open date	06.11.2024
Issue close date	08.11.2024
Tentative date of Allotment	11.11.2024
Tentative date of Listing	13.11.2024
Total number of shares (lakhs)	1054.94-1003.82
No. of shares for QIBs (75%) (lakhs)	788.18-750.00
No. of shares for NII (15%) (lakhs)	157.64-150.00
No. of shares for S-HNI (33%)(lakhs)	52.55-50.00
No. of shares for B-HNI (66%)(lakhs)	105.09-100.00
No. of shares for retail investors (10%) (lakhs)	105.09-100.00
No of shares for Employee Reservation (lakhs)	4.03-3.82
Minimum order quantity	51
Face value (in ₹)	2.00
Amount for retail investors (1 lot) (in ₹)	14025-14739
Maximum no. of shares for Retail investors at Lower Band	714 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	663 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	196350-191607
Minimum no. of shares for sHNI (2 Lakhs) at upper band	714 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	3417 (67 lots)
Minimum number of shares for bHNI at upper band	3468 (68 lots)
Exchanges to be listed on	BSE & NSE

Promoters

- MAMTA UPADHYAY
- MANOJ KUMAR UPADHYAY
- ACME CLEANTECH SOLUTIONS PRIVATE LIMITED
- MKU HOLDINGS PRIVATE LIMITED
- UPADHYAY FAMILY TRUST

Objects of the Offer

The net proceeds of the Fresh Issue are proposed to be utilised in the following manner:

- Repayment/prepayment, in full or in part, of certain outstanding borrowings availed by the Subsidiaries up to Rs.1795 crores
- General corporate purposes.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	Q1FY25	FY24	FY23	FY22
Share Capital	104.44	104.44	104.44	104.44
Net Worth	1942.12	2590.87	1900.56	1908.76
Revenue from Operations	309.64	1319.25	1294.90	1487.90
EBITDA	271.72	1089.14	1172.59	1240.32
EBITDA Margin (%)	87.75	82.56	90.55	83.36
Profit/(Loss) After Tax	1.39	697.78	(3.17)	62.01
EPS (in Rs.)	0.12^	12.55	(0.06)	1.12
Net Asset Value (in Rs.)	37.19	49.61	36.39	36.55
Total Borrowing	9319.91	8217.59	8657.35	7563.60
P/E#	2408.33^	23.03	NA	NA
P/B#	7.77	5.83	NA	NA

**Restated consolidated financials; #Calculated at upper price band; ^Annualized; !ESOP Allotment*

Particulars (In Crores)	FY2022	FY2023	FY2024
INCOME			
Revenue from operations	1487.90	1294.90	1319.25
Other income	74.82	66.47	147.02
Total Income	**1,562.73**	**1,361.37**	**1,466.27**
YoY Growth (%)	-	-12.97%	1.88%
Employee benefit expenses	38.24	34.64	59.00
Employee Expenses-% of Revenue	2.45%	2.54%	4.02%
Cost of material consumed	93.85		
Cost of material consumed -% of Revenue	2.45%	2.54%	4.02%
Other Expenses	115.49	87.67	171.11
EBIDTA	**1240.32**	**1172.59**	**1089.15**
EBIDTA Margin (%)	83.36%	90.55%	82.56%
Depreciation and amortisation expense	546.28	484.80	308.14
EBIT	**768.87**	**754.26**	**928.03**
EBIT Margin (%)	51.67%	58.25%	70.35%
Finance cost	996.01	809.10	767.29
Profit/ (loss) before exceptional items	**-227.14**	**-54.84**	**160.73**
Exceptional Items	329.56	39.44	748.69
Profit before tax	**102.43**	**-15.40**	**909.43**
Tax expenses			
Current tax	2.73	5.55	106.92
Income tax adjustment relating to earlier year	-13.50	0.15	0.09
Deferred tax (credit)/ expense	51.19	-17.92	104.64
Total tax expenses	**40.42**	**-12.23**	**211.64**
Profit for the year	**62.01**	**-3.17**	**697.78**
PAT Margin (%)	4.17%	-0.25%	52.89%
Earnings per share			
Basic earnings per share (₹)	1.12	-0.06	12.55

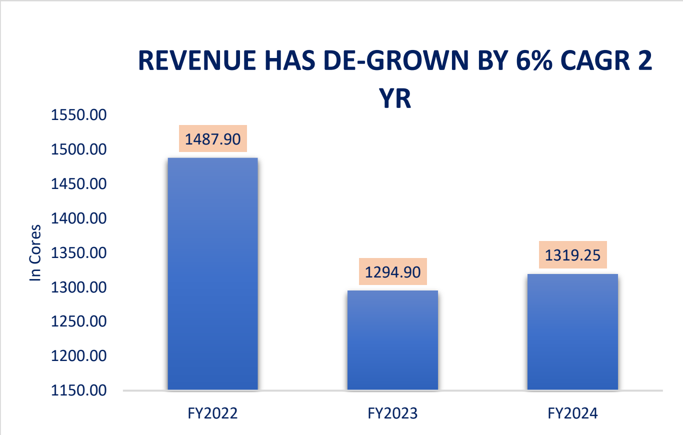
Cashflow Statement

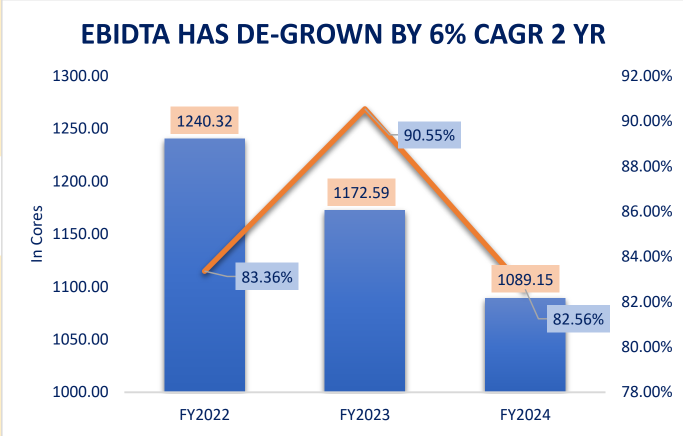
Particulars (In Crores)	FY2022	FY2023	FY2024
Cash generated from operating activities	980.54	1318.23	1445.33
Income tax paid (net of refunds)	-25.58	-54.74	-11.17
Net cash generated from operating activities	954.96	1263.48	1434.17
Net cash used in investing activities	-374.06	-1409.92	-1730.69
Net cash used in financing activities	-555.81	215.43	215.78
Net increase/ (decrease) in cash and cash equivalents	**25.10**	**68.99**	**-80.73**
Cash and cash equivalent as at 1 April	503.83	478.46	547.45
Cash and cash equivalents transferred on sale of subsidiaries	-50.46		-157.56
Cash and cash equivalent as at year end	**478.46**	**547.45**	**309.16**

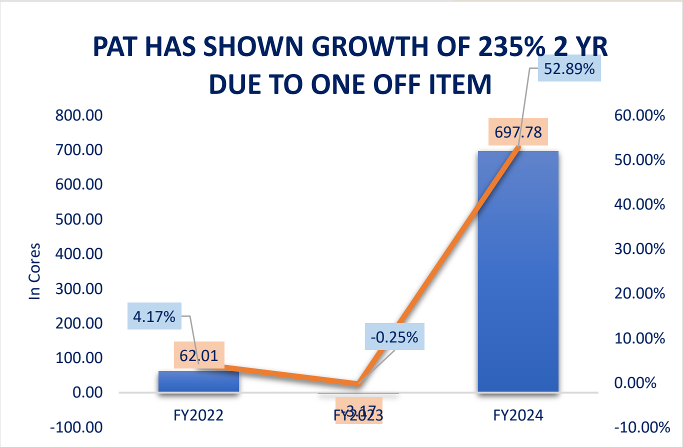
Balance Sheet

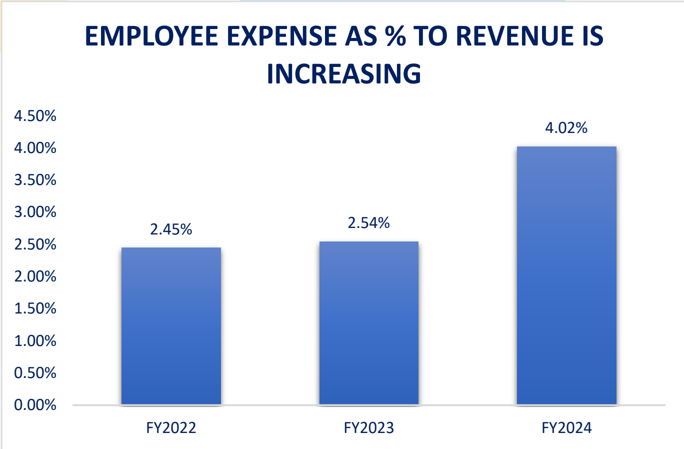
Particulars (In Crores)	FY2022	FY2023	FY2024
Assets			
Non-current assets			
Property, plant and equipment	5721.06	6172.39	6352.53
Investment property	-	-	1.40
Right-of-use assets	456.02	458.52	403.96
Capital work-in-progress	1272.80	2147.34	2828.43
Intangible assets	0.03	0.03	0.03
Financial assets			
Investments	24.53	22.67	-
Loans	-	-	116.80
Other financial assets	122.34	161.83	54.94
Deferred tax assets (net)	159.76	247.55	192.85
Non current tax assets (net)	41.27	89.81	31.56
Other non current assets	749.00	184.68	261.99
Total non- current assets	**8546.81**	**9484.81**	**10244.49**
Current assets			
Financial assets			
Investments	-	-	149.87
Trade receivables	931.44	699.30	420.89
Cash and cash equivalents	478.46	547.45	309.16
Other bank balances	284.64	791.01	1005.72
Loans	162.32	343.94	-
Other financial assets	318.89	215.44	158.35
Other current assets	164.17	105.00	1098.73
	2339.91	**2702.13**	**3142.71**
Assets held for sale	0.01	0.01	12.61
Total Current Assets	**2339.91**	**2702.14**	**3155.32**
Total assets	**10886.72**	**12186.95**	**13399.80**
Equity and liabilities			
Equity			
Equity share capital	104.44	104.44	104.44
Instrument entirely in the nature of equity	650.00	650.00	650.00
Other equity	1154.32	1146.12	1836.43
Equity attributable to Shareholders of the Compa	**1908.76**	**1900.56**	**2590.87**
Non-controlling interests	100.39	29.90	0.00
Total equity	**2009.16**	**1930.46**	**2590.87**
Liabilities			
Non-Current liabilities			
Financial liabilities			
Long term borrowings	6950.90	8099.26	7696.43
Lease liabilities	319.80	325.33	288.20
Other financial liabilities		38.11	103.51
Provisions	2.44	5.29	6.51
Deferred tax liabilities (net)	90.13	160.01	211.99
Other non current liabilities	268.20	658.89	1070.22
Total Non-Current liabilities	**7631.46**	**9286.89**	**9376.85**
Current liabilities			
Financial liabilities			
Short term borrowings	612.70	558.09	521.17
Lease liabilities	31.13	30.87	30.56
Trade payables			
Total outstanding dues of micro enterpris	36.60	7.04	6.69
Total outstanding dues of creditors other	236.41	55.07	67.07
Other financial liabilities	286.83	240.34	676.93
Other current liabilities	41.82	77.70	103.20
Provisions	0.24	0.48	0.51
Current tax liabilities (net)	0.36	0.01	25.97
Total Current liabilities	**1246.10**	**969.60**	**1432.08**
Total liabilities	**8877.56**	**10256.49**	**10808.93**
Total equity and liabilities	**10886.72**	**12186.95**	**13399.80**

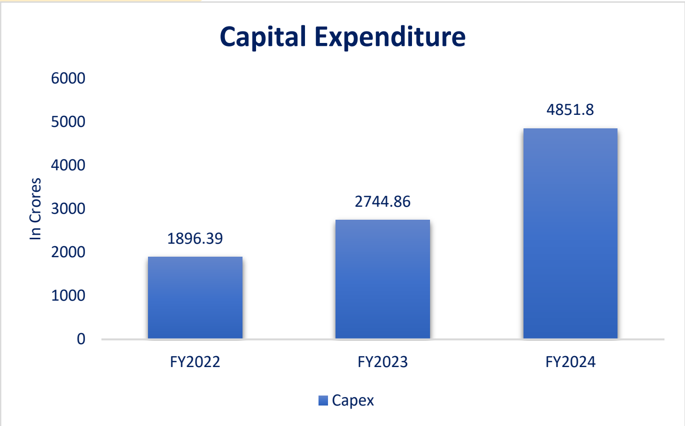
PERFORMANCE

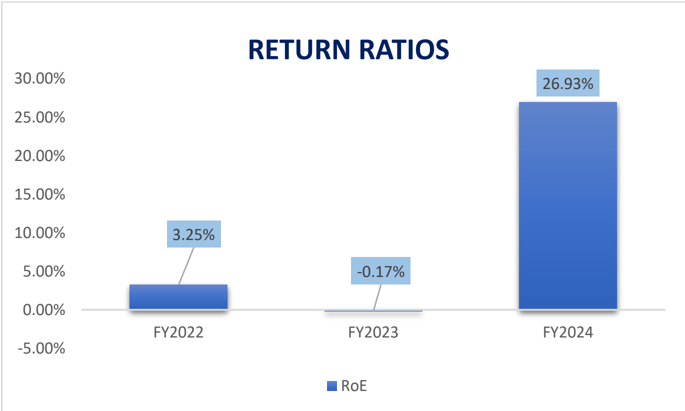


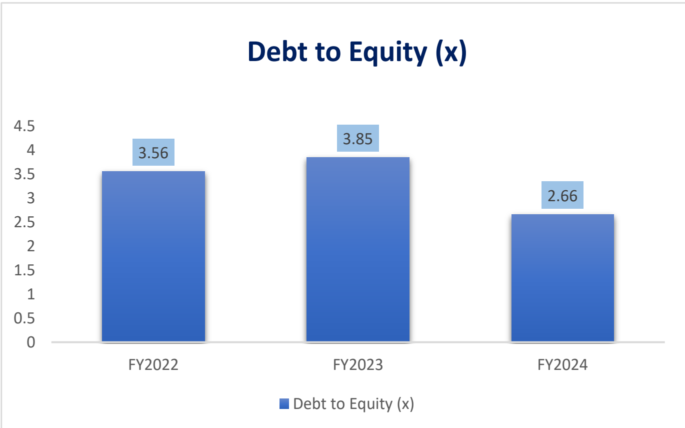












INDUSTRY REVIEW

Tendering activity in renewable energy;

- In the last three Fiscals, India issued over 150 GW of utility-scale renewable energy tenders across all technologies including ESS.
- However, the auction has been about half of the tendering capacity over the same period whereas the allocation has been at around 44% of the tendering capacity and 86% of the auctioned capacity.
- The tendering activity increased about three-fold between Fiscal 2023 and 2024 due to a significant increase in government targets, innovative tendering solutions, the discom's shift to offtake more stable and firm power and an increase in power sector investment.
- The tendering activity for utility-scale RE projects has outpaced the government's target of 50 GW for Fiscal 2024. The government selected SECI, NTPC, SJVN and NHPC as RE implementing agencies ("REIA").
- However, there was a shortfall of about 6 GW in the cumulative target set for these REIAs due to the non-issuance of wind tenders.
- The tender issuance in the first quarter of Fiscal 2024 was a bit slow but it picked up in the subsequent quarters to surpass the overall target of 50 GW due to participation from other state nodal agencies and state discoms.
- Apart from this, over 20 GW of standalone ESS tenders were also issued including pumped hydro storage.
- The average allocation of tenders has been above 85% of the auctioned capacity in the last three years.
- During the first five months of Fiscal 2025, the total auctioned capacity has been 12 GW, of which 6.2 GW was auctioned in the first quarter of Fiscal 2025.

Solar sector;

- In the renewable energy basket (including large hydro) as of August 2024, solar energy accounted for a share of approximately 44%.
- Growth in the solar power sector over the last five years has been robust. As much as approximately 70 GW capacity was added in the segment over Fiscals 2018-24, registering a CAGR of approximately 24.8%, although on a low base.
- Despite the second wave of COVID-19 infections, Fiscal 2022 witnessed solar capacity additions of approximately 14 GW. In a relief to developers, the MNRE provided a total extension of seven-and-a-half months for the projects affected by the first and second waves of the pandemic.
- This is estimated to have delayed commissioning in Fiscal 2022, leading to a spillover into Fiscals 2023 and 2024.
- In Fiscal 2023, solar capacity additions stood at approximately 13 GW, with approximately 2.2 GW coming from rooftop solar projects.
- Similarly, in Fiscal 2024, solar capacity additions stood at approximately 15 GW, with approximately 3 GW coming from grid-connected rooftop solar projects.
- The first five months of Fiscal 2025 saw a capacity addition of approximately 7.6 GW.
- During Fiscals 2018 to Fiscal 2024, approximately 70 GW of solar capacity was commissioned.
- Despite the second pandemic wave, approximately 14 GW of solar capacity was added in Fiscal 2022.
- The momentum continued in Fiscal 2023 and 2024, with robust solar capacity additions of approximately 13 GW and approximately 15 GW respectively.
- The first five months of Fiscal 2025 saw a capacity addition of approximately 7.6 GW.

Review of Wind Solar Hybrid sector in India;

- WSH is increasingly gaining traction over plain vanilla RE projects in India.
- Although MNRE has not yet set a generation target, the nascent sector has received strong support from SECI and several state governments.
- There are two types of WSH projects — pure-play ones and those with storage.
- Some projects may come up under the government's RTC power scheme. India has introduced RTC generation tenders, including hybrid tenders to strengthen clean generation by combining solar, wind and storage technologies.
- The MNRE introduced the National WSH Policy on May 14, 2018. The main objective of the policy is to provide a framework for promoting large grid-connected WSH systems and efficient utilisation of transmission infrastructure and land.
- It also aims to reduce the variability in RE generation and achieve better grid stability.
- As of June 30, 2024, hybrid projects with an aggregate capacity of 12,884.35 MW are under construction in the country.
- It is expected that India will witness 21 to 24 GW of WSH capacity in the next five years (Fiscal 2024 to Fiscal 2029) out of which around 12 to 13 GW will be from wind.

COMPETITIVE STRENGTHS OF THE COMPANY

Large renewable energy player well positioned to capitalize on strong industry tailwinds in their IPP business;

- They are one of the largest renewable energy independent power producers ("IPP") in India and among the top 10 renewable energy players in India in terms of operational capacity as of March 31, 2024, in India.
- As of the date of this Red Herring Prospectus, they have an aggregate Operational Project capacity of 1,340 MW (1,826 MWp); Under Construction Contracted Project capacity of 3,250 MW and Construction Awarded Project capacity of 1,730 MW.
- According to the 250 CRISIL Report, renewable energy installations (including large hydroelectric projects) have increased fivefold to approximately 200 GW as of August 2024, as compared with approximately 63 GW as of March 2012, led by various central and state-level incentives.
- As of March 2024, installed grid-connected renewable energy generation capacity (including large hydroelectric projects) in India constituted approximately 44% of the total installed generation base in India.
- In the renewable energy basket (including large hydroelectric projects) as of August 2024, solar energy accounted for a share of approximately 44%.
- Growth in the solar power sector over the last five years has been robust.
- As much as approximately 70 GW capacity was added in the segment over Fiscals 2018 to 2024, representing a CAGR of approximately 24.8%, although on a low base.

An expansive portfolio diversified across different renewable energy technologies;

- They have an expansive portfolio of projects diversified across different renewable energy technologies.
- Their projects are located across 11 Indian states Rajasthan, Gujarat, Punjab, Madhya Pradesh, Uttar Pradesh, Bihar, Chattisgarh, Andhra Pradesh, Odisha, Karnataka and Telangana.
- According to the CRISIL Report, states like Gujarat, Rajasthan, Madhya Pradesh, Andhra Pradesh, Karnataka, and Tamil Nadu offer more solar irradiance as compared to other parts of India which makes them desirable for installing solar projects.
- Further, states such as Gujarat, Maharashtra, Karnataka, Tamil Nadu and Andhra Pradesh have excellent wind as well solar potential and provide great opportunities for supply of hybrid power.
- They have an aggregate Operational Project capacity of 1,340 MW (1,826 MWp) solar power projects; Construction Contracted Project capacity of 3,250 MW including solar power projects of 1,500 MW (2,192 MWp), wind power projects of 150 MW, hybrid projects of 1,030 MW and FDRE projects of 570 MW; and Under Construction Awarded Project capacity of 1,730 MW comprising 600 MW (870 MWp) of solar power projects, 450 MW hybrid power projects and 680 MW of FDRE power projects, as of the date of this Red Herring Prospectus.

Long-term stable cash flows based on contracts with central and state government entities;

- Almost all of their portfolio is contracted through long-term power purchase agreements with central and state government-backed entities typically for 25 years.
- As of June 30, 2024, the weighted average residual period (based on the contracted capacity) under the PPAs for all their Operational Projects was 19.94 years.
- They generally execute their PPAs before they commence the development and construction of their projects.
- As a result, once the project is commissioned and connected to the grid, they can immediately sell electricity under their contractual arrangements.
- Their portfolio offtake for their projects is with central and state government entities and government-backed entities, except for one Construction Contracted solar merchant project of 300 MW.
- Almost all of their PPAs (apart from the contracted capacity of 40 MW across two projects, one each in Gujarat and Madhya Pradesh, which were awarded under earlier project tendering regimes) were won based on transparent competitive biddings that were conducted by central and state government-backed entities that have strong regulatory support, which in their experience has minimal counter-party risk.
- Their PPAs typically provide for fixed tariff rates or, in some cases, clearly defined tariff escalation provisions.

RISK FACTORS

They may not be able to grow their portfolio of renewable energy power projects as they rely on highly competitive renewable energy power project auctions;

- As of the date of this Red Herring Prospectus, they have an aggregate Operational Project capacity of 1,340 MW (1,826 MWp); Under Construction Contracted Project capacity of 3,250 MW and Under Construction Awarded Project capacity of 1,730 MW.
- Their strategy to grow their business includes expanding and diversifying their renewable energy portfolio to include hybrid, FDRE and pump storage projects for which they have to participate in bids and bid against other renewable energy players.
- They compete for project awards based on, among other things, pricing, technical and engineering expertise, financing capabilities, experience and track record.
- The bidding and selection process is also affected by several factors, including those beyond their control, such as market conditions or government incentive programs.
- However, it is difficult to predict whether and when they will be awarded a new renewable power project.
- Further, post-June 2025, an annual increase of 25% in the inter-state transmission system charges ("ISTS") will be applicable for solar, wind, hydro PSP, and Battery Energy Storage System sources, resulting in the applicability of 100% of ISTS charges from July 2028.
- In addition, the government-conducted tender processes may be subject to changes in qualification criteria, unexpected delays and uncertainties.
- There can be no assurance that the projects for which they bid will be tendered within a reasonable time, or at all.
- If new projects that have been announced and which they plan to bid for are not put up for tender within the announced timeframe, or qualification criteria are modified such that they are unable to qualify, their business, prospects, financial condition, cash flows and results of operations could be materially and adversely affected.

They are dependent on their Power Purchase Agreements ("PPA") to sell power and generate their revenue from operations. Further, the terms of their PPAs may expose them to certain risks that may affect their future results of operations and cash flows;

- As of the date of this Red Herring Prospectus, all of their Operational Projects were with central and state government entities and government-backed corporations at pre-determined tariffs.
- Further, all of their Under Construction Contracted Projects and Under Construction Awarded Projects are with central and state government entities and government-backed corporations, except their solar Under Construction Contracted Project which is being developed by one of their Subsidiaries, ACME Sikar Solar Private Limited with a contracted capacity of 300 MW located at Bikaner, Rajasthan for which no power purchase agreement has been signed and it is categorized as a merchant power plant.
- They typically enter into long-term PPAs for 25 years and sell power generated from their power projects to central and state government entities and government-backed corporations at pre-determined tariffs.
- While there have been no such instances where their performance bank guarantees have been invoked in the last three Fiscals, they cannot assure you that such instances will not happen in future.
- Further, in the event they seek an extension of the term of a PPA, they are not likely to be able to renegotiate the terms of the PPA to include a higher tariff rate.

They are dependent on their relationship with one of their Promoters, ACME Cleantech and any adverse developments in such relationship may adversely affect their business and reputation;

- The trademark "ACME" registered under class 35, "ACME Logo" registered under classes 9 and 38 and "ACME Label" registered under classes 37, 40, 29, 31 and 32, in India ("ACME Trademarks"), have been assigned to them and ACME Solar Energy for an indefinite period by ACME Cleantech under an assignment deed dated February 14, 2017, by and among ACME Cleantech, their Company and ACME Solar Energy for a one-time consideration of ₹ 1,000.00 each by their Company and ACME Solar Energy.
- Under such an assignment deed, the Company has the right to use the trademark and logo for their business.
- They believe their use of the name and logo is vital to their competitiveness and their brand success.
- Further, they have executed a trademark license agreement dated September 12, 2024, under which a certain trademark has been licensed to MKU Holdings by their Company and their Subsidiary, ACME Solar Energy on a non-exclusive, irrevocable, and perpetual basis, and to sublicense the right to use, trademarks, worldwide with the business of manufacturing of solar modules, manufacturing of any kind of electric apparatus for transmission of electricity and power and any business or other activity that is ancillary to, necessary for, incidental to, useful to, arising out of, supportive of related to, connected to or a reasonable extension, development or expansion of any of the foregoing.

PEER COMPARISON

Name of the company	Total Income (in Cr.)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoNW (%)	P/E*	P/B*
ACME Solar Holdings Limited	1319.25	2.00	12.55	49.61	26.93	23.03	5.83
Adani Green Energy Limited	9220.00	10.00	6.21	85.86	7.22	259.57	18.77

**P/E & P/B ratio based on closing market price as of November 4th, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24.*

OUR VIEWS

- ACME Solar Holdings Ltd. (ASHL) is a significant player in India's renewable energy sector, with a diversified portfolio spanning solar, wind, hybrid, and firm and dispatchable renewable energy (FDRE) projects.
- Initially focused on energy management for telecom operators, ACME pivoted toward renewable energy in 2009, and by FY2012, it launched its first solar power plant in Gujarat. As of March 2024, ACME ranks among India's top 10 renewable energy companies by operational capacity, having commissioned over 2,719 MW of solar projects.
- ACME's business model centres around the development, ownership, and management of large-scale renewable projects, generating revenue through electricity sales primarily to government-backed entities.
- ACME's current portfolio and project pipeline reflect this strategic expansion. By June 2024, it had an operational solar capacity of 1,340 MW, with ongoing contracted projects totalling 3,250 MW. This pipeline includes 1,500 MW in solar, 150 MW in wind, 1,030 MW in hybrid power, and 570 MW in FDRE.
- Further, the company is developing awarded projects amounting to 1,730 MW across various renewable sources. This extensive portfolio positions ACME as a major contributor to India's renewable capacity, which has grown fivefold since 2012, largely due to favourable policies and incentives.
- CRISIL estimates that Indian renewable tariffs, now between Rs. 3 to Rs. 5 per unit, are becoming competitive with conventional sources, bolstering the attractiveness of companies like ACME in this rapidly expanding market.
- ACME's financial performance has shown strong top-line growth with variability in net earnings. For FY22 through FY24, the company recorded revenues of Rs. 1,562.73 crore, Rs. 1,361.37 crore, and Rs. 1,466.27 crore, respectively. However, net profit has been inconsistent, reflecting high initial capital requirements and fluctuations from amortization and project divestment impacts.
- ACME's net profit rose sharply to Rs. 697.78 crore in FY24, largely due to exceptional income from asset sales, which is a one-off gain rather than indicative of steady profit growth. In Q1 FY25, ACME reported Rs. 1.39 crore in net profit on a revenue of Rs. 340.01 crore, showing modest gains but underscoring a need for stable revenue from operational assets.
- ACME has adopted a strategic approach by divesting select solar projects, thereby freeing capital to reinvest in growth and diversify its offerings. This approach, while supporting expansion, has also led to fluctuations in short-term profitability.
- The higher pricing of its IPO of 2400x, based on annualized FY25 earnings, may seem aggressive, though it reflects expectations for growth across hybrid and FDRE projects with a timeline till 2027.
- Additionally, renewable tariffs have trended upwards, which could benefit ACME's margins in the long term, though competitive dynamics may affect this outlook.
- Risks for ACME include high initial investment requirements, as renewable projects have long gestation periods before reaching profitability. Although the company's FDRE model offers a consistent power supply, the financial viability of these projects depends on stable government policies and tariffs.
- Market competition is also expected to rise as the renewable sector continues to attract significant interest, which could pressure future margins.
- The company's reliance on one-off gains to boost profits in FY24 and debt to equity of 3.89x of FY24 also raises questions about sustained profitability as finance cost constitutes 60% of revenue, although ongoing project development efforts along with a capex plan to be executed by 2027 and a growing market support long-term revenue potential.
- With the government's ambitious renewable targets, ACME's diverse and scalable portfolio, combined with its in-house engineering, procurement, and construction (EPC) capabilities, strengthens its position to leverage these industry tailwinds effectively.
- In summary, while ACME's profitability has been inconsistent due to project divestments and high capital needs, its significant pipeline of contracted projects, including FDRE solutions, highlights its long-term growth potential in a favourable policy environment. However, investors also need to be cautious about concerns arising out of its unsteady profitability.
- Given ACME's extensive project pipeline, strategic focus on hybrid and FDRE projects, and anticipated gains from rising renewable tariffs, the company is well-positioned to grow in a sector with strong demand fundamentals.

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Sources: Company website and red herring prospectus

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