

# ACME Solar Holdings

**BSE SENSEX** 80,335  
**S&P CNX** 24,274



## Stock Info

Bloomberg	ACMESOLA IN
Equity Shares (m)	605
M.Cap.(INRb)/(USDb)	130.2 / 1.5
52-Week Range (INR)	292 / 168
1, 6, 12 Rel. Per (%)	3/-/-
12M Avg Val (INR M)	448
Free float (%)	16.6

## Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	13.8	23.8	43.0
EBITDA	12.0	20.7	38.1
Adj. PAT	2.0	3.5	6.3
EPS (INR)	3.3	5.7	10.4
EPS Gr. (%)	38.6	75.2	82.2
BV/Sh.(INR)	75.3	81.0	91.5

## Ratios

ND/Equity	1.8	4.6	7.6
ND/EBITDA	6.7	10.9	11.1
RoE (%)	5.5	7.3	12.1
RoIC (%)	5.6	5.5	5.2

## Valuations

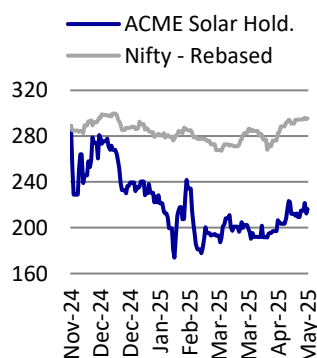
P/E (x)	65.7	37.5	20.6
EV/EBITDA (x)	17.2	16.9	14.4

## Shareholding pattern (%)

As On	Mar-25	Dec-24
Promoter	83.4	83.4
DII	7.1	7.0
FII	4.7	5.5
Others	4.8	4.1

FII Includes depository receipts

## Stock performance (one-year)



**CMP: INR215**

**TP: INR290 (+35%)**

**Buy**

## Lower battery costs creating potential for IRR boost

- **Decline in project costs creating potential for 4-5% equity IRR boost:** A combination of lower battery/module prices and developers' willingness to tweak original configurations of firm and dispatch able renewable energy (FDRE) projects is creating the potential for ACME Solar (and other independent power producers or IPPs) to boost equity IRRs on FDRE projects. We estimate that a decline in battery/module prices by ~20-25% during CY23-25 could lead to ~15% capex savings on select FDRE projects for ACME, boosting equity IRR by ~4-5%.
- **ACME most exposed to FDRE among peers with 2.6GW FDRE pipeline:** Note that ACME has 53% FDRE projects (2.35GW) in its under-construction pipeline, for which letters of award (LoAs) were secured in CY23-24. These projects should benefit from cost deflation in battery/module prices. Overall, ACME stands out as the most exposed to FDRE projects among its peers, with 2.6GW (59% of its RE pipeline) under development, positioning it to benefit significantly from falling battery prices.
- **IRR uplift from change in project configuration but challenges abound:** Further, developers are also experimenting with changes in project configurations so as to take advantage of lower capex solar/storage. This can further boost IRR. However, as per our channel checks, this entails significant operational challenges (e.g., compliance with stringent capacity utilization factor (CUF) norms—minimum declared CUF of 40% and generation to be maintained within +10%/-15% of the declared value over the 25-year term of power purchase agreements), and the actual implementation will have to be watched out.
- **Strong earnings outlook in coming quarters:** We expect ACME to report a 29% QoQ increase in EBITDA in 4QFY25 and expect 1QFY26 to gain from the commissioning of 350MW of new capacity. With 53% of its pipeline PPA-backed and 100%/83% PPA coverage for FY26E/FY27E EBITDA, ACME offers strong earnings visibility. **We maintain a BUY rating on ACME with a TP of INR290/share.**

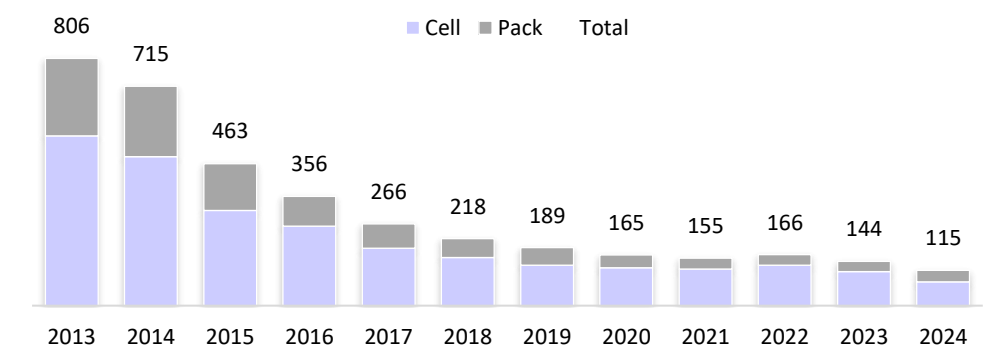
### ~25% decline in battery prices in CY23-25 re-shaping project economics

- The continued decline in battery prices has significantly enhanced the viability and competitiveness of battery energy storage system (BESS) projects. In CY23, average lithium-ion battery pack prices fell by 13% YoY to USD144/kWh, primarily driven by a reduction in raw material and component costs. This trend gained further momentum in CY24, with prices declining by another 20% YoY to USD 115/kWh—the steepest annual fall observed since CY17.
- Falling battery prices (down from over USD200/kWh in CY18 to ~USD115/kWh in CY24 to ~USD100/kWh now) are 1) leading to savings in capex, thus boosting project IRR; 2) giving developers the option to tweak predetermined combinations of solar/wind/storage so as to maximize returns.

### Improved battery economics aid right-sizing wind minimizing penalty risk

- In FDRE projects, developers face performance-linked penalties, typically 1.5x the PPA tariff, for non-compliance with the demand fulfilment ratio (DFR). Meeting DFR targets is especially challenging due to the variability of wind energy generation, unlike solar, which offers greater predictability.
- Wind capacity also exposes developers to penalty risk for under-generation and merchant risk for over-generation. Developers are exploring oversizing solar and battery storage, as solar + tracker systems are achieving plant load factors (PLFs) comparable to or marginally below the wind capacity. Additionally, land and RoW constraints make wind projects more prone to delays than solar.

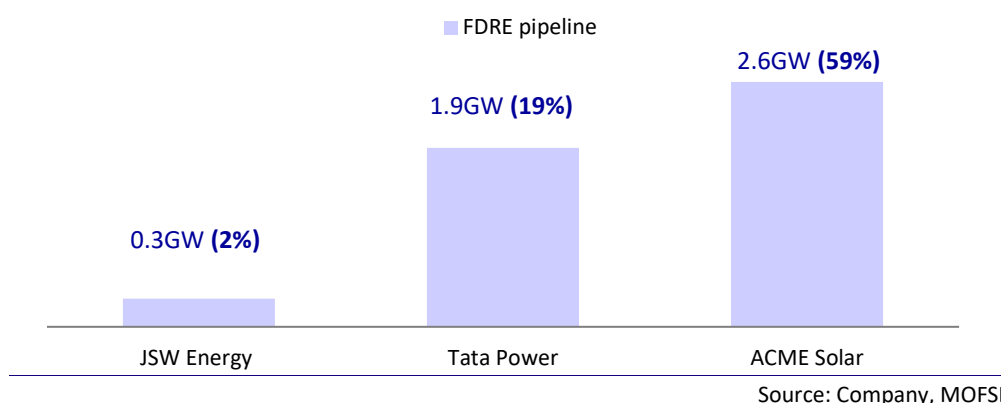
**Exhibit 1: Volume-weighted average lithium-ion battery pack and cell price split (USD/kWh) during CY13-24**



Source: Bloomberg, MOFSL

### We estimate ~4-5% rise in FDRE equity IRR for ACME's projects

- For a 250MW FDRE project—comprising 350MW (AC) of solar, 90 MW of wind, and 700 MWh of battery storage— for which we assume LoA in CY23, we estimate battery costs have declined by ~25% and the capital cost associated with solar modules has also reduced meaningfully, driven by a decline in module prices. We estimate that together, this decline in battery/module costs should lead to 15% savings in project capex. We estimate a potential equity IRR improvement of ~400-500bp, assuming other variables remain constant.
- LoAs for ~2.4GW of FDRE projects were issued in FY24-25 at tariffs ranging from INR3.42 to INR4.73/kWh and given the cost deflation since then, we expect an equity IRR boost across these projects, thereby reinforcing the attractiveness of ACME's 2.6GW FDRE pipeline.

**Exhibit 2: FDRE pipeline as a percentage of total pipeline**

**Exhibit 3: ACME's under construction FDRE pipeline of 2.6GW**

Project Name	Contracted Capacity (MW)	Off-taker	Tariff (INR/kWh)	Status	LoA Month
ACME Surya Power Private Limited	250	SJVN	4.38	PPA signed	Nov'23
ACME Sun Power Private Limited	320	SJVN	4.38	PPA signed	Dec'23
ACME Urja One Private Limited	380	SECI	4.73	PPA signed for 190MW	Apr'23
ACME Platinum Urja Private Limited	350	SECI	3.42	PPA signed for 150MW	July'24
ACME Venus Urja Private Limited	400	NHPC	4.64	PPA signed	Mar'24
ACME Hybrid Urja Private Limited	280	NHPC	4.64	PPA signed	Mar'24
ACME Marigold Urja Private Limited	400	NTPC	4.7	LoA awarded	Dec'24
SPV 3	250	NHPC	4.56	LoA awaited	-

Source: Company, MOFSL

### Upsizing solar/storage to drive up IRR, but beset with challenges

- A decline in battery prices is enabling developers to re-evaluate whether wind capacity can be right-sized and solar/storage capacity can be upsized without compromising the energy output. We estimate that tweaking project configuration by lowering capex costs can increase equity IRR as the optimized project combination can lower overall project capex without compromising the total energy output.
- However, in reality, this is beset with challenges due to the existence of regulatory constraints mandating developers to
  - Projects that require maintaining an annual CUF of not less than 40%; and
  - Maintaining actual generation within a range of +10% to -15% of the declared CUF over the 25-year tenure of the PPA.

### INR25b refinancing at 8.8% to cut interest costs

- On 3rd Apr'25, ACME announced the successful closure of a long-term project finance facility (extended by SBI and REC) of INR24.91b for a tenure of 18-20 years. This refinancing facility is aimed at replacing existing high-cost debt tied to its 490MW operational RE portfolio across Andhra Pradesh (160MW), Rajasthan (300MW), and Punjab (30MW) at a reduced weighted average interest rate of 8.8%.
- Structured under a co-obligor framework, the refinancing has improved credit ratings for the Andhra Pradesh and Punjab entities, backed by a strong operational track record (~9 years for AP & Punjab, ~3 years for Rajasthan).

### Earnings momentum picking up over next few quarters

- We expect 4QFY25 EBITDA to jump 29% QoQ, driven by the full contribution from the 1,200MW of newly commissioned solar capacity. 1QFY26 will witness earnings contributions from the commissioning of an additional 350MW of capacity in 4QFY25. This includes a 300MW solar project and a 50MW wind project.
- The company is set to operationalize ~0.35GW/0.1GW/2.3GW projects in 4QFY25/FY26/FY27 (9MFY25-end operational: 2.5GW). We are modelling a stable EBITDA margin of 87%-89% over FY26-27E, in line with peers.

### FY27 EBITDA visibility high; largely backed by PPA

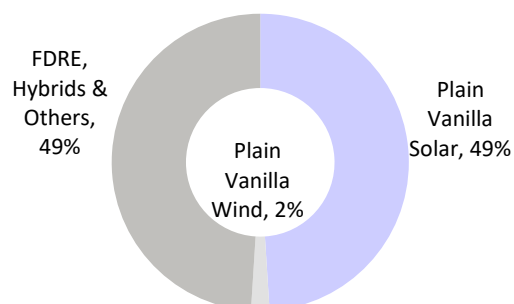
- Overall ACME has 53% of its project pipeline backed by PPAs. Its 100%/83% of FY26/FY27 upcoming capacities are also backed by PPAs.
- Of the total under-construction projects, amounting to 4.43GW until FY29, the company has already signed PPAs for projects totaling 2.3GW. This implies that the entire FY26 revenue/EBITDA are 'in the bag' (i.e., backed by PPAs). With PPAs signed for 83% of the capacity coming up in FY27, a significant portion of the FY27 revenue/EBITDA is also 'in the bag'.
- Additionally, LoAs have been granted for the other 1.8GW projects. A few of these projects could be converted into PPAs over 1HFY26 in our opinion, thus enhancing the visibility of FY27 earnings further. Additionally, ACME has grid connectivity in place for all its under-construction projects, with an additional ~2GW of connectivity (both applied and secured) available for future bids. This alleviates any concerns regarding grid availability.

### Valuation and view

- In the last one month, ACME has outperformed NTPC Green, with ACME stock price up 14% compared to a 3% rise in NTPC Green's share price.
- **We maintain a BUY rating on ACME with a TP of INR290/share.** We assign an EV/EBITDA multiple of 11x to FY28E EBITDA. Adjusting for net debt, we derive our TP of INR290, implying 35% potential upside.

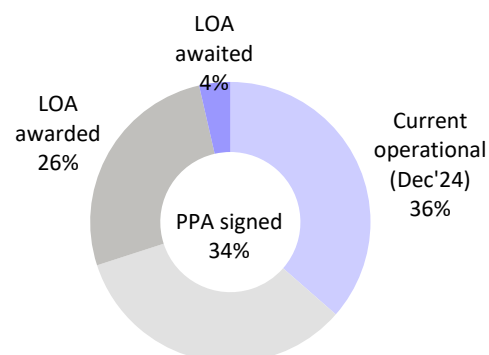
## Story in charts

**Exhibit 4: Breakup of total project portfolio 6,970MW**



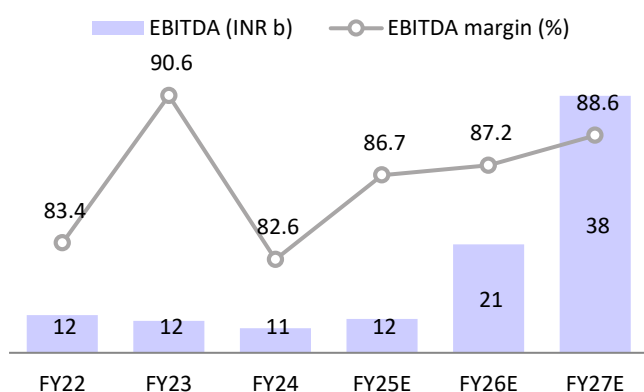
Source: Company, MOFSL

**Exhibit 5: PPA & LoA status of total project portfolio– 6,970MW**



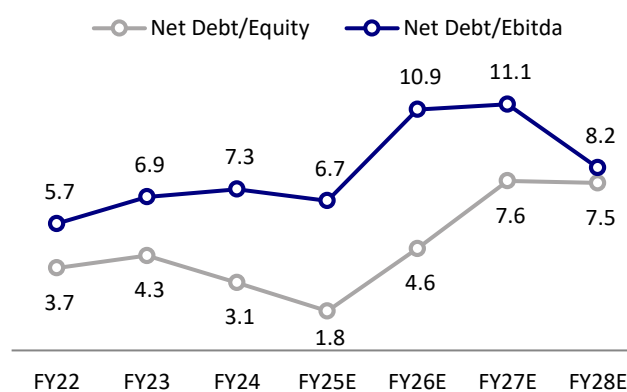
Source: Company, MOFSL

**Exhibit 6: EBITDA and EBITDA margin trends**



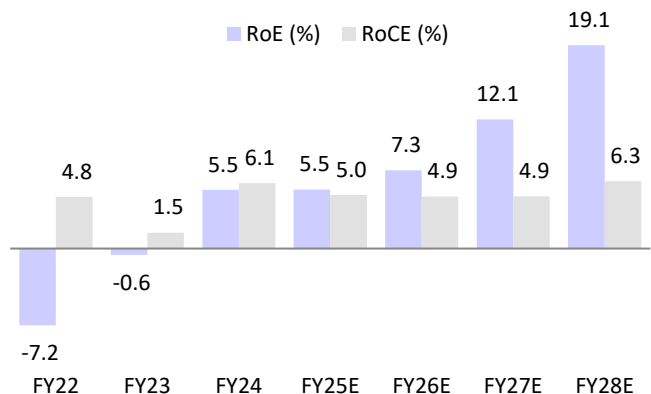
Source: Company, MOFSL

**Exhibit 7: ND/Equity & ND/EBITDA trends**



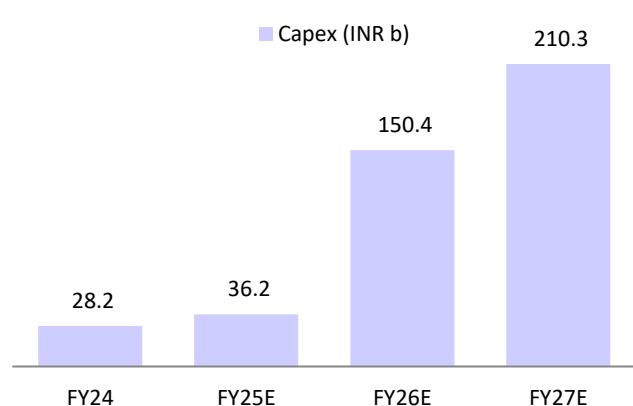
Source: Company, MOFSL

**Exhibit 8: RoE and RoCE trends**



Source: Company, MOFSL

**Exhibit 9: Capex trend (INRb)**



Source: Company, MOFSL

## Financials and valuations

Consolidated - Income Statement						(INR m)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	14,879	12,949	13,193	13,808	23,777	43,007
Change (%)		-13%	2%	5%	72%	81%
EBITDA	12,403	11,726	10,891	11,968	20,722	38,110
Change (%)		-5%	-7%	10%	73%	84%
Margin (%)	83.4	90.6	82.6	86.7	87.2	88.6
Depreciation	5,463	4,848	3,081	3,117	4,455	8,813
EBIT	6,940	6,878	7,810	8,851	16,267	29,296
Net forex loss	0	0	0	0	0	0
Int. and Finance Charges	9,960	8,091	7,673	7,431	11,276	19,961
Other Income	748	665	1,470	1,627	347	390
PBT bef. EO Exp.	-2,271	-548	1,607	3,046	5,338	9,725
EO Items	3,296	394	7,487	0	0	0
PBT after EO Exp.	1,024	-154	9,094	3,046	5,338	9,725
Total Tax	404	-122	2,116	1,066	1,868	3,404
Tax Rate (%)	39.5	79.4	23.3	35.0	35.0	35.0
Minority Interest/Share of JVs/associates						
Reported PAT	620	-32	6,978	1,980	3,470	6,321
Adjusted PAT	-1,375	-113	1,233	1,980	3,470	6,321
Change (%)		Loss	LP	61%	75%	82%
Margin (%)		-0.9	9.3	14.3	14.6	14.7

Consolidated - Balance Sheet						(INR m)
Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1,044	1,044	1,044	1,210	1,210	1,210
Total Reserves	18,043	17,961	24,864	44,344	47,814	54,135
Net Worth	19,088	19,006	25,909	45,554	49,024	55,345
Minority Interest	1,004	299	0	0	0	0
Loans	69,509	80,993	76,964	89,091	2,27,384	4,23,890
Deferred Tax Liabilities	901	1,600	2,120	2,120	2,120	2,120
Other non-current liabilities	2,682	6,589	10,702	10,702	10,702	10,702
Lease liabilities, Provisions, etc.	3,222	3,687	3,982	3,982	3,982	3,982
Non-current liabilities	76,315	92,869	93,768	1,05,895	2,44,188	4,40,694
Capital Employed	96,406	1,12,173	1,19,677	1,51,450	2,93,213	4,96,040
Gross Block	84,614	94,054	90,355	1,33,479	2,87,599	4,97,980
Less: Accum. Deprn.	22,843	27,744	22,775	25,893	30,348	39,161
Net Fixed Assets	61,771	66,309	67,579	1,07,587	2,57,251	4,58,819
Capital WIP	12,728	21,473	28,284	21,328	17,600	17,560
Investments & other financial assets	1,469	1,845	549	549	549	549
Non-current tax assets (net)	413	898	316	316	316	316
Deferred tax assets (net)	1,598	2,476	1,929	1,929	1,929	1,929
Other non-current assets	7,490	1,847	2,620	2,620	2,620	2,620
Non-current assets	85,468	94,848	1,01,277	1,34,329	2,80,264	4,81,792
Curr. Assets, Loans&Adv.	23,399	27,021	32,721	31,442	27,269	28,568
Account Receivables	9,314	6,993	4,209	2,521	4,185	6,709
Cash and Bank Balance	7,631	13,385	13,149	13,557	7,720	6,496
Loans and Advances	1,623	3,439	1,168	1,168	1,168	1,168
Investments	0	0	1,499	1,499	1,499	1,499
Other Current Asset	4,831	3,204	12,697	12,697	12,697	12,697
Curr. Liability & Prov.	12,461	9,696	14,321	14,321	14,321	14,321
Account Payables	2,730	621	738	738	738	738
Loans	6,127	5,581	5,212	5,212	5,212	5,212
Provisions	2	5	5	5	5	5
Other Current Liability	3,601	3,489	8,367	8,367	8,367	8,367
Net Current Assets	10,938	17,325	18,400	17,121	12,948	14,248
Appl. of Funds	96,406	1,12,174	1,19,677	1,51,450	2,93,213	4,96,040

## Financials and valuations

### Ratios

Y/E March (INR)	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>						
<b>EPS</b>	<b>-2.6</b>	<b>-0.2</b>	<b>2.4</b>	<b>3.3</b>	<b>5.7</b>	<b>10.4</b>
Cash EPS	7.8	9.1	8.3	8.4	13.1	25.0
BV/Share	36.6	36.4	49.6	75.3	81.0	91.5
<b>Valuation (x)</b>						
P/E	-81.7	NA	91.1	65.7	37.5	20.6
Cash P/E	27.5	23.7	26.0	25.5	16.4	8.6
P/BV	5.9	5.9	4.3	2.9	2.7	2.4
EV/Sales	11.9	14.5	14.1	14.9	14.7	12.7
EV/EBITDA	14.3	16.0	17.1	17.2	16.9	14.4
FCF per share	-58.7	9.5	-26.6	-48.6	-238.2	-326.8
<b>Return Ratios (%)</b>						
RoE	-7.2	-0.6	5.5	5.5	7.3	12.1
RoCE	4.8	1.5	6.1	5.0	4.9	4.9
RoIC	5.4	1.8	7.0	5.6	5.5	5.2
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	0.2	0.1	0.1	0.1	0.1	0.1
Asset Turnover (x)	0.2	0.1	0.1	0.1	0.1	0.1
Debtor (Days)	228	197	116	67	64	57
Creditor (Days)	67	18	20	19	11	6
<b>Leverage Ratio (x)</b>						
Current Ratio	1.9	2.8	2.3	2.2	1.9	2.0
Interest Cover Ratio	0.7	0.9	1.0	1.2	1.4	1.5
Net Debt/Equity	3.7	4.3	3.1	<b>1.8</b>	<b>4.6</b>	<b>7.6</b>
Net Debt/EBITDA	5.7	6.9	7.3	6.7	10.9	11.1

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,024	-154	9,094	3,046	5,338	9,725
Depreciation	5,463	4,848	3,081	3,117	4,455	8,813
Direct Taxes Paid	-256	-547	-112	-1,066	-1,868	-3,404
(Inc)/Dec in WC	3,318	8,488	2,278	1,687	-1,664	-2,524
<b>CF from Operations</b>	<b>9,550</b>	<b>12,635</b>	<b>14,342</b>	<b>6,785</b>	<b>6,261</b>	<b>12,611</b>
(Inc)/Dec in FA	-40,186	-7,688	-28,241	-36,169	-1,50,391	-2,10,341
<b>Free Cash Flow</b>	<b>-30,637</b>	<b>4,947</b>	<b>-13,899</b>	<b>-29,384</b>	<b>-1,44,130</b>	<b>-1,97,731</b>
(Pur)/Sale of Investments	36,446	-6,411	10,934	0	0	0
<b>CF from Investments</b>	<b>-3,741</b>	<b>-14,099</b>	<b>-17,307</b>	<b>-36,169</b>	<b>-1,50,391</b>	<b>-2,10,341</b>
Inc/(Dec) in Debt	3,698	9,832	9,913	12,127	1,38,293	1,96,506
Issuance of Equity	0	0	0	24,166	0	0
Others	-9,256	-7,678	-7,755	-6,500	0	0
<b>CF from Fin. Activity</b>	<b>-5,558</b>	<b>2,154</b>	<b>2,158</b>	<b>29,792</b>	<b>1,38,293</b>	<b>1,96,506</b>
<b>Inc/Dec of Cash</b>	<b>251</b>	<b>690</b>	<b>-807</b>	<b>408</b>	<b>-5,837</b>	<b>-1,225</b>
Opening Balance		4,785	5,474	13,149	13,557	7,720
<b>Closing Balance</b>		<b>5,474</b>	<b>4,667</b>	<b>13,557</b>	<b>7,720</b>	<b>6,496</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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