February 2025

Initiating Coverage | Sector: Power Utilities

ACME Solar Holdings

Fueling a greener tomorrow!

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Fueling a greener tomorrow!

- ACME Solar Holdings (ACME) boasts a diversified portfolio of ~7GW of renewable capacity (operational + under construction + pipeline) spanning solar, wind, hybrid, and firm & dispatchable renewable energy (FDRE) projects. As of date, the company has an operational portfolio of ~2.5GW, while the total project pipeline, including under-construction projects, stands at ~4.4GW.
- About 86% of the company's portfolio is contracted with central off-takers, including SECI, NTPC, SJVN, and NHPC, involving minimal counterparty risk. The portfolio consists of about 49% plain vanilla solar projects, 2% plain vanilla wind projects, and 49% hybrid, FDRE, and other projects.

ACME Solar Holdings

BSE Sensex	S&P CNX
78,584	23,739

CMP: INR208 **TP: INR330 (+59%)** **Buy**

Fueling a greener tomorrow!

A focused play on renewable energy generation!

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Modeling a strong 52% EBITDA CAGR over FY24-FY27E

- We estimate ACME's EBITDA to clock a CAGR of 52% over FY24-FY27, as the under-construction pipeline is commissioned and operational capacity surges ~3x over FY24-FY27E.
- The company is set to operationalize the 0.35GW/0.1GW/2.3GW projects in 4QFY25/FY26/FY27 (FY24 operational: 1.34GW). We are modelling a stable EBITDA margin of 87%-89% over FY26-27, in line with peers.
- Also, ACME has continued to bid and win new projects in YTD FY25 (1.9GW in the YTD FY25), and the pipeline has continued to expand given the robust pace of new Letters of Award (LoAs) by SECI and other central agencies in YTD FY25.

ACME's 100%/83% of FY26/FY27 upcoming capacities are PPA backed

- Of the total under-construction projects, amounting to 4.43GW until FY29, the company has already signed power purchase agreements (PPAs) for projects totaling ~2GW. This implies that the entire FY26 revenue/EBITDA is '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 2.1GW projects**.** A few of these projects could be converted into PPAs over 4QFY25-1HFY26 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.

ACME up-trading into complex projects to preserve mid-to-high-teen IRR

- The company's share of complex renewable energy (RE) projects has risen recently, with FDRE and hybrid projects now accounting for 49% of the entire portfolio (including under-construction projects).
- With rising competition in the RE sector, equity IRRs in some segments, such as plain vanilla solar and wind projects, have witnessed deterioration (low teens). The complex projects, though, still enjoy healthy IRRs (mid to high teens), according to our channel checks.

Stock Info

Bloomberg	ACMESOLA IN
Equity Shares (m)	605
M.Cap.(INRb)/(USDb)	125.7 / 1.4
52-Week Range (INR)	292 / 168
1, 6, 12 Rel. Per (%)	-12/-/-
12M Avg Val (INR M)	647
Free float (%)	16.6

Financial Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	14.5	23.8	43.0
Sales Gr. %	9.8	64.1	80.9
EBITDA	12.1	20.7	38.1
EBITDA margin %	83.3	87.2	88.6
Adj. PAT	1.3	3.4	6.3
EPS (INR)	2.2	5.7	10.4
EPS Gr. (%)	-7.2	159.8	82.5
BV/Sh. (INR)	74.2	79.9	90.3
Ratios			
ND/Equity	1.8	4.7	7.8
ND/EBITDA	6.8	10.9	11.1
RoE (%)	3.7	7.4	12.2
RoIC (%)	5.8	5.5	5.2
Valuations			
P/E (x)	94.9	36.5	20.0
EV/EBITDA (x)	16.8	16.7	14.3

- ACME is one of the few players building wind capabilities. This gives the company an edge over peers, such as NTPC Green, which is less focused on wind energy.

EPC margin, debt refinancing, and operating cash flow to fund growth

- We are building in cumulative capex of INR397b over FY25-27 for the 4.43GW pipeline. We believe this would be financed by a combination of: 1) project debt, 2) operating cash flow generated over FY25-27, and 3) debt refinancing of projects being commissioned, raising debt proportion beyond the initial 75%.
- Over FY25-27, 3.93GW of projects entailing a total capex of INR407b are likely to be commissioned, assuming 10% of additional debt refinancing for these projects yields a total cash flow of INR41b.
- In addition, we estimate operating cash flow to remain strong during FY25-27, totaling INR24.8b, which should aid financing for under-construction projects. Of the total under-construction capacity of 4.4GW, the company has already secured debt for 1.7GW, amounting to INR165b.
- While net debt to EBITDA is elevated throughout FY24-27, we anticipate this ratio to taper off by FY28 as the majority of the under-construction pipeline is commissioned.

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Delays in PPA signing and high competitive intensity remain the key risks

- While the company remains confident about signing PPAs for all the under-construction projects in the near to mid-term, this has been a key investor concern in the sector recently (media article).
- Further, with intensifying competition in the RE sector, equity IRRs in a few segments, such as plain vanilla solar/wind projects, have experienced deterioration. However, complex projects enjoy healthy IRRs (in the mid-to-high teens) according to our channel checks. The rising competitive intensity remains a key risk worth monitoring, in our opinion.
- However, we believe that ACME is one of the few players building wind capabilities, enabling it to win complex projects, which offsets competition risk to some extent.

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Valuation gap vs. NTPC Green to narrow; limited downside risk from hereon

- **We initiate coverage on ACME with a BUY rating and a TP of INR330.** We assign an EV/EBITDA multiple of 11x to FY28E EBITDA. Adjusting for net debt, we derive our TP of INR330, implying a 59% upside potential.
- Our EV/EBITDA multiple is at a discount to competitors, such as NTPC Green, which is trading at ~14x FY28 EV/EBITDA. Further, the Street is currently attributing 15x EV/EBITDA to the renewable businesses of JSWE and Tata Power.
- We believe ACME's steep valuation discount vs. NTPC Green is unsustainable and should narrow in the coming quarters. We further believe that NTPC Green's premium valuation is largely a function of lower financing costs (up to a 2% interest rate advantage). However, this advantage is dented given that NTPC Green outsources both EPC and O&M for its projects (which other players perform in-house).
- Assuming a 10% EPC margin and a 50% O&M margin for solar projects, we estimate NTPC Green will lose 79% of the interest cost savings over the project life. While we acknowledge NTPC Green's superior financing cost, we highlight that ACME (as well as other players who undertake in-house EPC/O&M for projects) saves significant costs.

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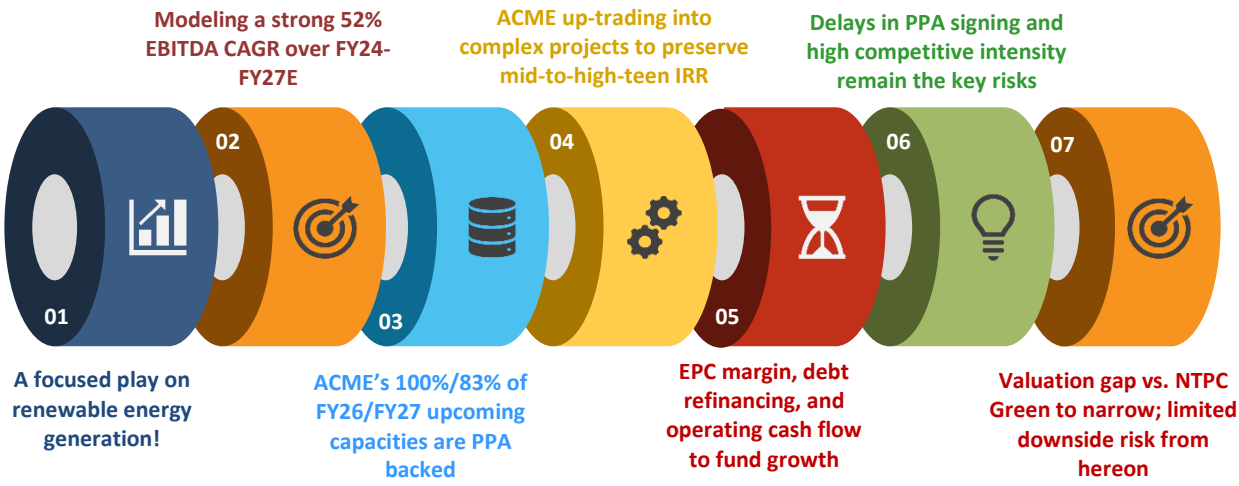
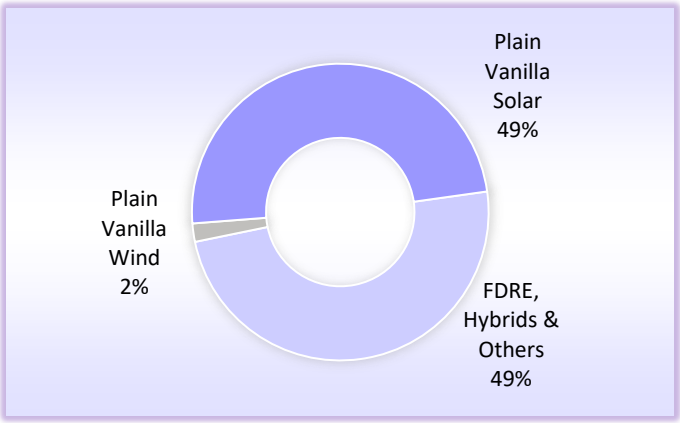
STORY IN CHARTS

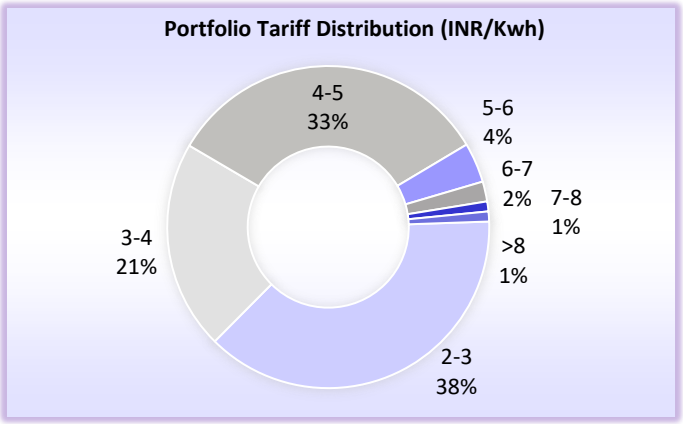
KEY INVESTMENT ARGUMENT



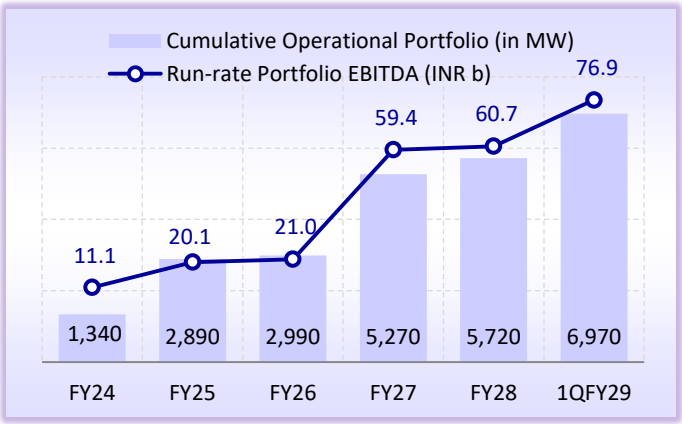
Breakup of ACME's total project portfolio



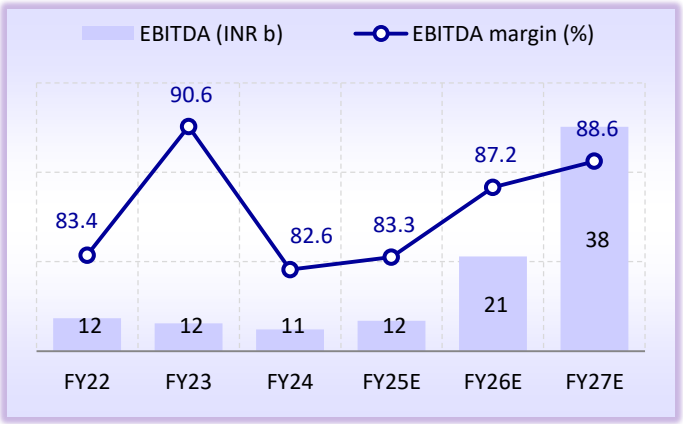
Tariff and off-taker distribution for total projects



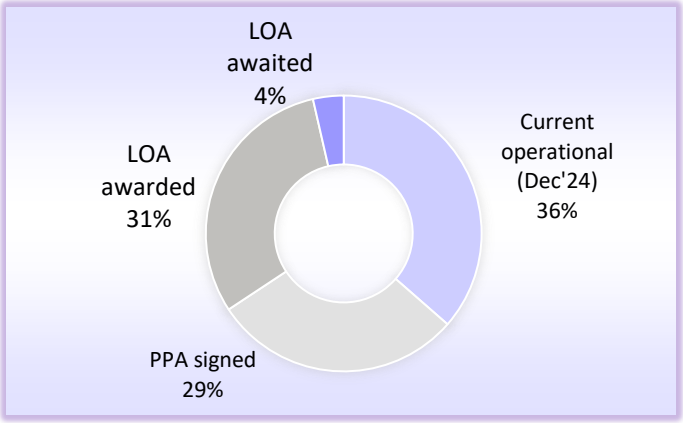
Cumulative operational portfolio and run-rate EBITDA



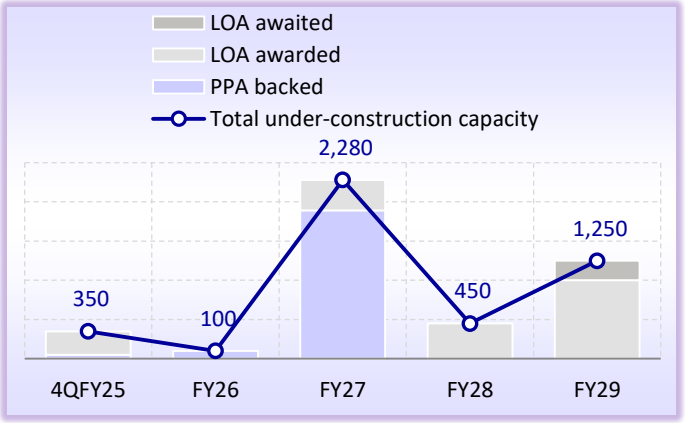
EBITDA and EBITDA margin trend (%)



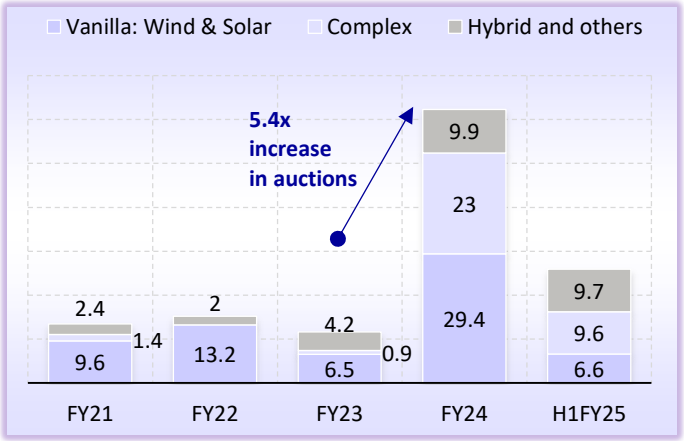
ACME: PPA & LoA status



Year-wise PPA-backed under-construction portfolio (in MW)



Sharp increase in complex RE auctions (GW)



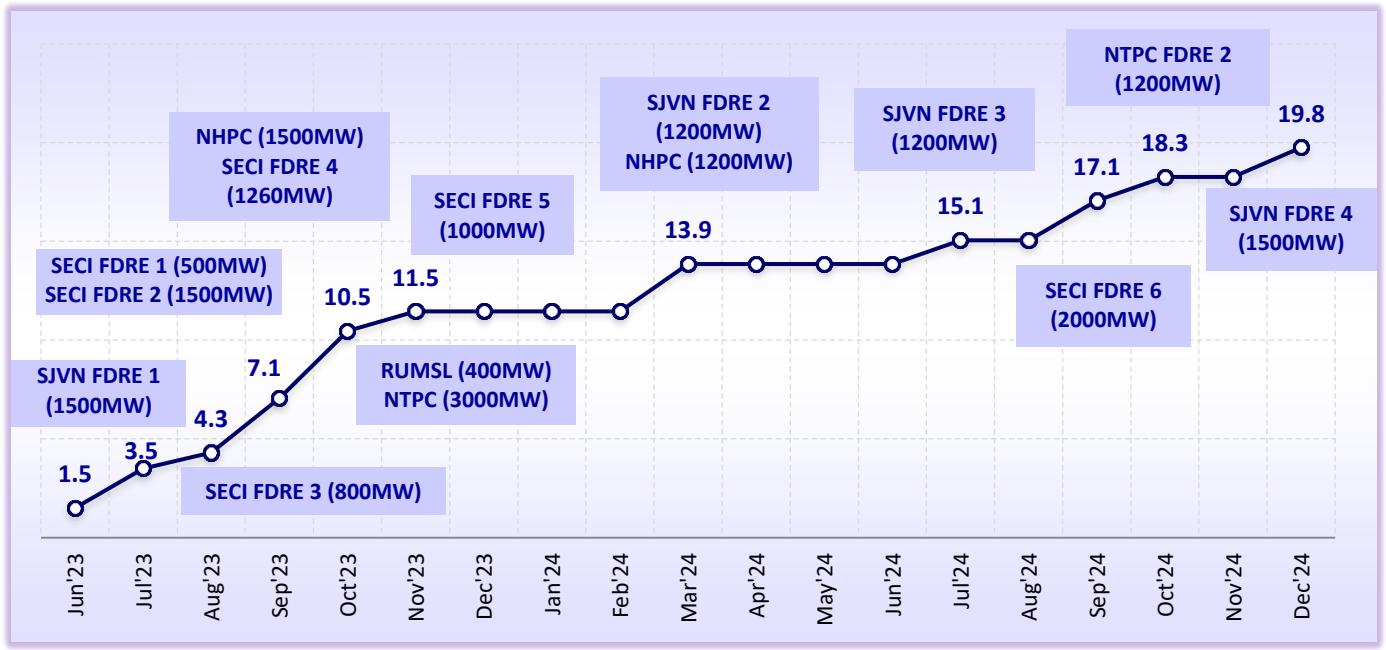
Source: ReNew, MOFSL

Key return metrics across the RE auction segments

Type of Project	Firm Power	Solar and Hybrid	Corporate PPAs	Vanilla Wind
GWs currently up for auction	8-10 GW	30-35 GW	Utility scale projects > 25 MW	5-6 GW
No. of competitors	4-5	~12-14 (Large scale 6-8)	~6-8	~4-5 (Large scale 2-3)
Indicative range of IRRs	High teens	Mid to low teens	Mid-teens	Low teens
Counterparty / offtake	Central bidding agencies	Central + GUVNL	International and domestic corporates	Central + States

Source: ReNew, MOFSL

FDRE tenders – CY23-24 (GW)



Source: SECI, SJVN, JMK Research, MOFSL

Exhibit 1: ACME's competitive strengths…

One of the leading independent power producers in India, ranking among the top 10 players in RE, well positioned to capitalize on strong industry tailwinds
In-house project development, EPC, and O&M teams enable the company to cover the entire value chain and take an integrated approach to renewable power project development
Portfolio diversified across different RE technologies
Design and value engineering leading to high efficiencies
Track record of healthy financial performance
Experienced promoters and senior management team

Exhibit 2: …growth strategies

Aims to become an integrated RE player
Robust capacity expansion plans
Focus on optimum resource utilization
Re-powering helps preserve cash flows
Balanced financing approach

Exhibit 3: Key risks

Highly competitive RE power project auctions
PPAs may expose ACME to certain risks that may affect its future cash flows
ACME's business depends on top 10 off-takers
Dependence on Promoter, ACME Cleantech

A huge multi-decade investment opportunity

- **Investment opportunity of INR45t and more:** In our recently released thematic report, **EmPowering India,** we highlighted the INR42t investment opportunity in the power sector over the next decade. We, however, raise our estimate now to INR45t primarily as we: 1) account for higher transmission capex as per the National Electricity Plan outlined recently (link) and 2) revise our generation capex estimate higher in line with the recent ordering by NTPC. Generation, transmission, and smart metering account for 84%, 13%, and 3% of this spending, respectively. The triple tailwinds driving this mammoth investment opportunity are: 1) **acceleration in power demand** at 6%-7% CAGR (vs. 5% earlier), 2) **the need to upgrade/replace old power infrastructure** as the electricity mix undergoes a shift (more RE all-day), and 3) **the transition to cleaner sources** of energy given India's target of 500GW RE capacity by 2030.
- We estimate the total opportunity size from the power uptrend is INR45t, higher than the INR30t estimate cited by the Union Minister for New and Renewable Energy recently (link).
- This massive investment opportunity in generation is premised upon India's vision to propel its installed power capacity to 900GW in FY32 from 462GW in Dec-24, with solar and wind together accounting for ~53% (32% currently) of the total installed capacity, even as thermal's share is likely to fall to 29%.
- Further, while CEA has a target of 500GW of RE installed capacity by 2030, we see scope for further upside to this number due to India's target to produce 5MMT green hydrogen by 2030. Assuming a 20GW RE installed capacity requirement for every 1MMT of green hydrogen (GH), we estimate another INR5.6t in investment opportunity from GH-related RE investment.
- Such a massive increase in generation capacity will also require substantial investment in transmission infrastructure. As per NEP (2023-32), the transmission sector may need a capex of ~INR9.2t given the need to expand and upgrade the current transmission infrastructure across the country.
- Lastly, given the government's vision to reduce AT&C losses and the ACS-ARR gap, India has undertaken a mission to replace the country's ~250m conventional meters with smart meters. We estimate this will entail a total capex of ~ INR1.2-1.5t. Besides reducing AT&C losses, smart meters can also help lower electricity bills for consumers and help reduce carbon emissions by 30-35%.

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Exhibit 4: Estimated investment opportunity of ~INR45t by FY32

Type of Fuel	Capacity (GW)				Change in Capacity (GW)	Capex per MW (INR m)	Capex (INR b)
	Mar'22	Jun'24	Mar'27	Mar'32			
Fossil Fuel							
Coal & Lignite	210.7	217.6	235.1	259.6	42.0	110.0	4,621.1
Gas	24.9	24.8	24.8	24.8	-	70.0	-
	235.6	**242.4**	**259.9**	**284.4**			**4,621.1**
Non-Fossil Fuel							
Large Hydro (incl. PSP)	46.7	46.9	59.9	88.9	41.9	80.0	3,354.9
Wind	40.4	46.7	72.9	121.9	75.2	70.0	5,266.7
Solar	54.0	85.5	185.6	364.6	279.1	50.0	13,954.6
Small Hydro Power	4.8	5.0	5.2	5.5	0.4	80.0	35.6
Nuclear	6.8	8.2	13.1	19.7	11.5	180.0	2,069.6
	152.7	**192.2**	**336.6**	**600.5**			**24,681.5**
TOTAL	**388.3**	**434.7**	**596.5**	**884.9**			**29,302.6**
Battery Energy Storage System (GW/GWh)	n.a.	n.a.	8.70/34.8	47.24/236.2	236.2	16.8	3,968.2
Transmission opportunity							2,000.0
Smart Metering							1,500.0
Firm capex							**36,770.7**
Optionality							
Green Hydrogen-related RE capex #					100.0	45.0	4,500.0
Transmission additional capex *							4,000.0
Total capex including optionality							**45,270.7**

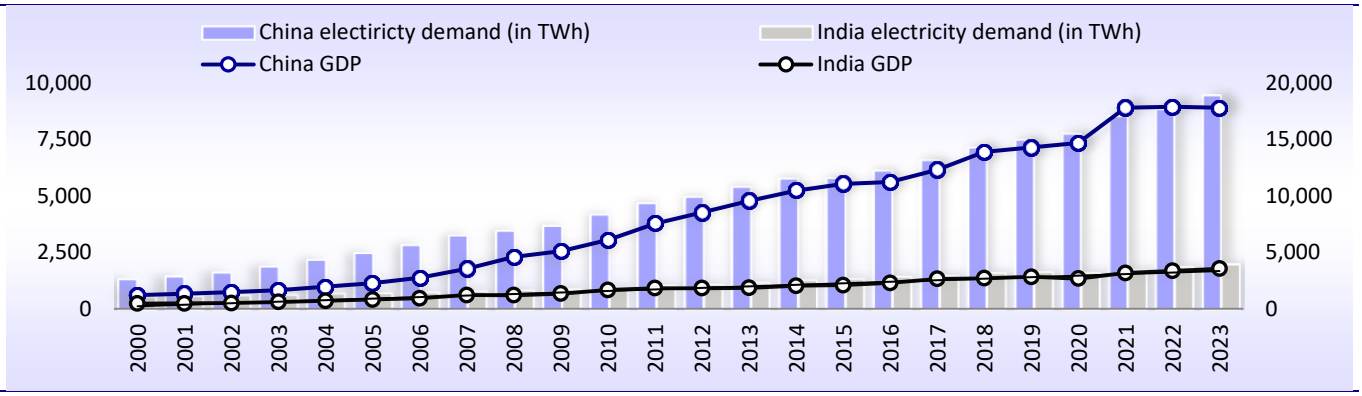
We assume 1 MMT of Green hydrogen production needs 20 GW of RE capacity.

* Additional transmission capex for an upgrade of existing infrastructure

Source: CEA, MOFSL

- **Power demand CAGR accelerating at 6%-7% (vs. 5% earlier):** Across a range of metrics, India's consumption trends today mirror China's during the 2000-03 period. In the following two decades, China's power consumption compounded at ~8% (real GDP CAGR at ~8.7%). With a robust GDP growth outlook for India and the emergence of new demand drivers (electric vehicles, data centers, and electrification of energy demand), we believe domestic power consumption can compound at 6%-7%+ over the next decade (currently at +8-9%).

Exhibit 5: China and India's aggregate electricity consumption and real GDP growth rates during 2000-23



Source: Ember and World Bank, MOFSL

- **By 2035, EVs and data centers to drive one-third of power demand growth:** Electric vehicles (EVs) and data centers account for a negligible share of power demand in India today. Yet, by 2035, we estimate one-third of power demand growth might be attributable to these two sectors. We assume data center capacity in India will compound at 30% over the next decade and expect 60%, 20%, and 20% penetration (in new vehicle sales) for two-wheelers (2Ws), PVs, and CVs by the end of the next decade, respectively.

EVs to fuel power consumption growth in India

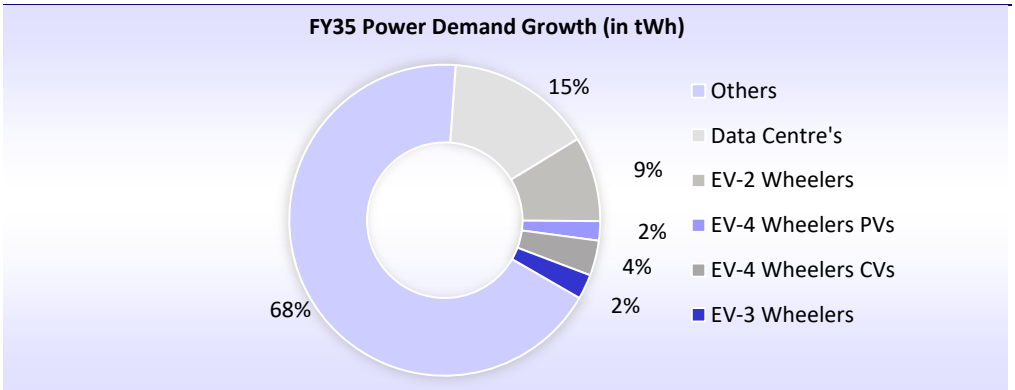
- IEA estimates EVs to account for ~2% of global power demand by 2030. While this looks like a trivial number for now, we note that EV-related demand is growing in double digits (vs. global power demand growth of ~3.4%). As such, ***EVs could account for ~10% of global power demand growth by 2030***.
- In India, electrification of the transport sector is most evident in the 2W category, while progress on 4W electrification has continued at a steady pace. As per Ola Electric, EVs could account for ~50% of domestic 2W sales volume by FY28. Despite robust growth in 2W electrification, India will continue to lag countries like Germany and China, where electric 2W penetration is estimated at ~90%, highlighting the potential for further electrification in the 2W industry.
- In contrast, 4W electrification has been slow but has continued to pick up pace, aided by improved affordability, a fast-expanding network of electric chargers, and the launch of new EV models by automobile companies. Olectra, one of the largest providers of electric buses in India, has experienced steady growth in its order book, with e-bus orders surging 8x over 2021-23.

Exhibit 6: EVs to account for ~17% of power consumption growth in FY35

Number of 2 Wheelers to be added in FY35	m units	30.7
EV penetration rate	%	60%
Number of EV-2Ws to be added in FY35	m units	18.4
Average km travelled per vehicle per day	km	50.0
Number of days p.a.	days	330.0
EV-2Ws – km traveled p.a. in FY35	b km	304.3
EV-2Ws – power consumption per km	kWh/km	0.05
EV-2Ws – total power consumption in FY35	tWh	14.1
Number of 4W passenger vehicles to be added in FY35	m units	7.2
EV penetration rate	%	20%
Number of EV-4Ws to be added in FY35	m units	1.4
Average km travelled per vehicle per day	km	50.0
Number of days p.a.	days	330.0
EV-4Ws – km traveled p.a. in FY35	b km	23.8
EV-4Ws – power consumption per km	kWh/km	0.14
EV-4Ws – passenger vehicles' total power consumption in FY35	tWh	3.2
Number of 4W commercial vehicles to be added in FY35	m units	1.7
EV penetration rate	%	20%
Number of EV-4Ws to be added in FY35	m units	0.3
Average km traveled per vehicle per day	km	200.0
Number of days p.a.	days	330.0
EV-4Ws – km traveled p.a. in FY35	b km	21.9
EV-4Ws – power consumption per km	kWh/km	0.27
EV-4Ws – commercial vehicles' total power consumption	tWh	5.8
Number of 3W commercial vehicles to be added in FY35	m units	1.2
EV penetration rate	%	70%
Number of EV-3Ws to be added in FY35	m units	0.8
Average km traveled per vehicle per day	km	150.0
Number days p.a.	days	330.0
EV-3Ws – km traveled p.a. in FY35	b km	41.0
EV-3Ws – power consumption per km	kWh/km	0.10
EV-3Ws – commercial vehicles' total power consumption	tWh	4.1
Total power consumption by EVs in FY35	tWh	27.2
India's current power consumption	tWh	1,622.0
India's CY34 power consumption (at 7% CAGR)	tWh	3,190.7
India's power consumption growth in CY35 (at +5% YoY)	tWh	159.5
India's FY35 power consumption growth attributable to EVs	**%**	**17.1%**

Source: MOFSL

Exhibit 7: EVs, data centers to power one-third of the electricity demand growth in 10 years



Source: IEA, MOFSL

Exhibit 8: EVs to account for ~17% of India's power consumption growth in FY35

EV-2 Wheelers FY35 total power consumption	14.1
EV-4 Wheelers PVs FY35 total power consumption	3.2
EV-4 Wheelers CVs FY35 total power consumption	5.8
EV-3 Wheelers FY35 total power consumption	4.1
India's power consumption growth in CY35 (at 5% growth YoY)	159.5
India's FY35 power consumption growth attributable to EV's	17.1%

Source: MOFSL

India aims to achieve 500GW of RE capacity by FY30

As of Dec'24, RE installations in India have grown significantly, reaching ~209GW, from about 63GW in Mar'12. This installed grid-connected RE generation capacity, which includes large hydro projects, now accounts for approximately 45% of India's total installed generation capacity.

Power supply mix:

As of Dec'24, India's total installed generation capacity stood at approximately 462GW. During FY18-FY24, around 98GW of capacity was added, reflecting a CAGR of 24.8% for the overall installed generation capacity over that period.

Exhibit 9: India's annual capacity additions and installed capacity (GW)

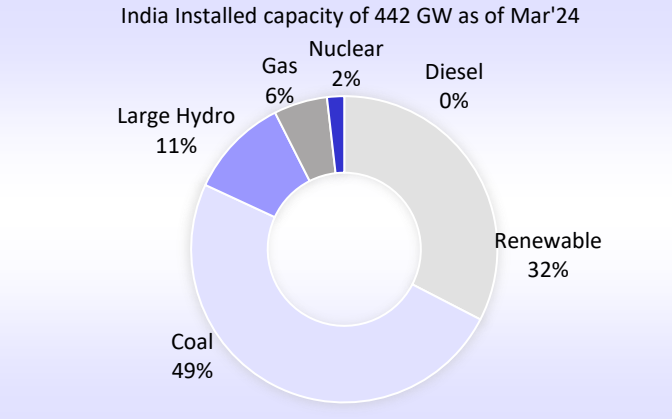
Particulars	GW
FY18	**343**
Nuclear	1
Large Hydro	2
Other RES	3
Wind	12
Coal + Lignite	21
Solar	60
FY24	**442**

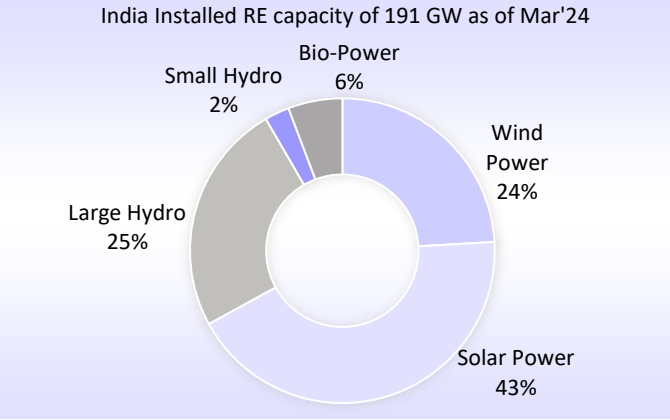
Source: CEA, CRISIL MI&A-Consulting

As of Dec'24, coal and lignite-based power generation capacity comprises ~46% of the total installed generation capacity.

The expansion in RE capacity has been primarily driven by solar power, which has seen a remarkable rise from approximately 22GW in Mar'18 to around 98GW by Dec'24.

Exhibit 10: Breakup of the installed capacity (GW)



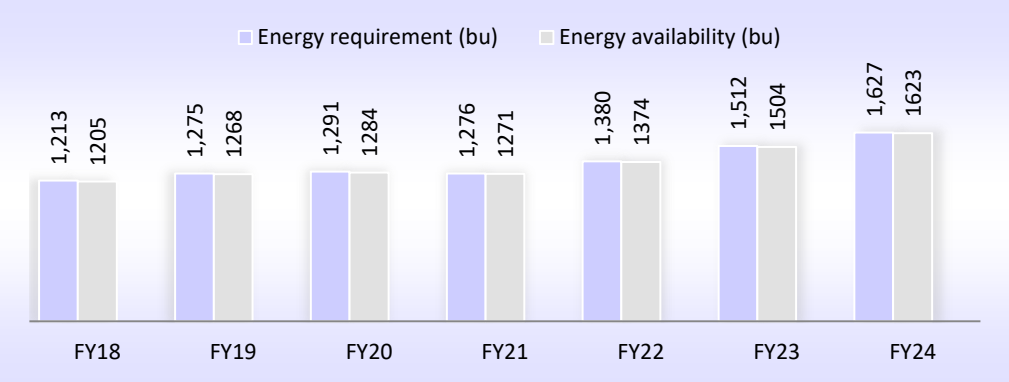


Source: CEA, CRISIL MI&A-Consulting

Demand-supply scenario

Between FY21-FY24, India's electricity demand has grown at a CAGR of approximately 8.4%. This increase in demand has been matched by a corresponding rise in power availability, which expanded at a CAGR of approximately 8.5%. This growth is largely attributed to significant capacity additions in both the generation and transmission sectors. As a result of these developments, India's energy deficit has narrowed consistently. It reduced to 0.5% in FY23 and further improved to 0.3% in FY24, down from 0.7% recorded in FY18.

Exhibit 11: Aggregate power demand-supply scenario (in billion units)



Source: CEA, CRISIL MI&A-Consulting

Capacity addition outlook

- As of Mar'24, India's installed generation capacity has increased to approximately 442GW. This growth has been bolstered by substantial additions in RE capacity, including solar, wind, hybrid, and other renewable sources, while additions in coal and other fuels have slowed down.
- Looking ahead, CRISIL MI&A forecasts the installation of 16GW to 17GW of hydro power, including 8GW to 9GW of pumped hydro storage projects, during FY24-FY29. By FY29, RE capacity (excluding large hydro) is expected to exceed 320GW, driven by government initiatives, supportive policies, competitive tariffs, innovative tenders, and the development of solar parks and green energy corridors. RE is projected to account for approximately 50% of the total installed capacity of 660GW-670GW by FY29.

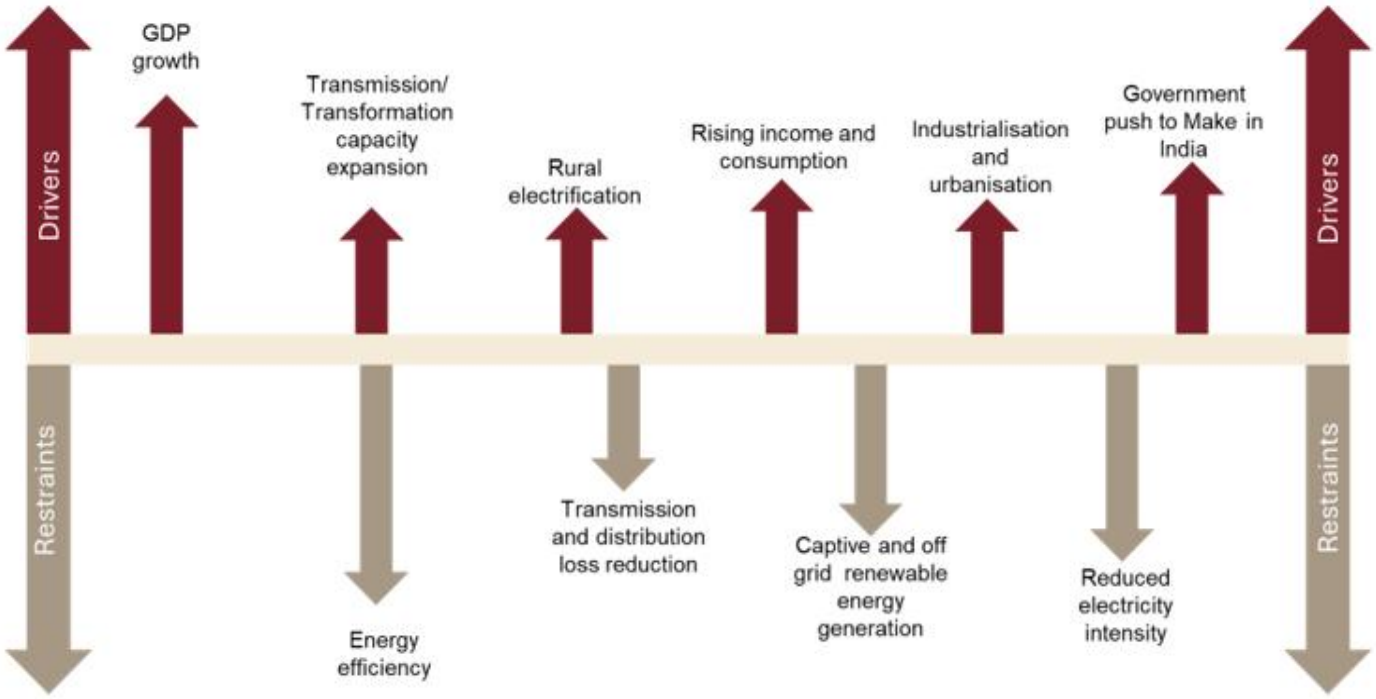
RE is projected to account for approximately 50% of the total installed capacity of 660GW-670GW by FY29.

Exhibit 12: India Annual capacity additions and installed capacity (GW)

Particulars	GW
FY24	**442**
Coal+Lignite	29
Hydro	8
RE	188
Nuclear	5
Retirals	-2
FY29	**670**

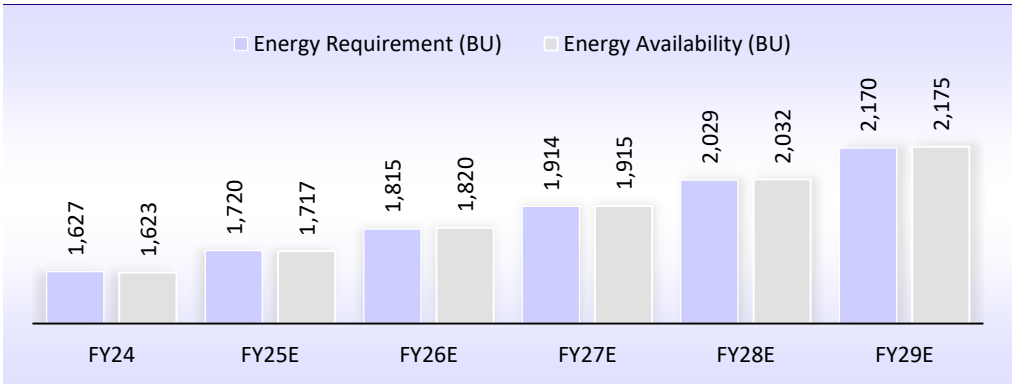
Source: CEA, CRISIL MI&A-Consulting

Exhibit 13: Factors influencing power demand



Source: CEA, CRISIL MI&A-Consulting

Exhibit 14: Energy demand outlook (FY24-FY29) in billion units

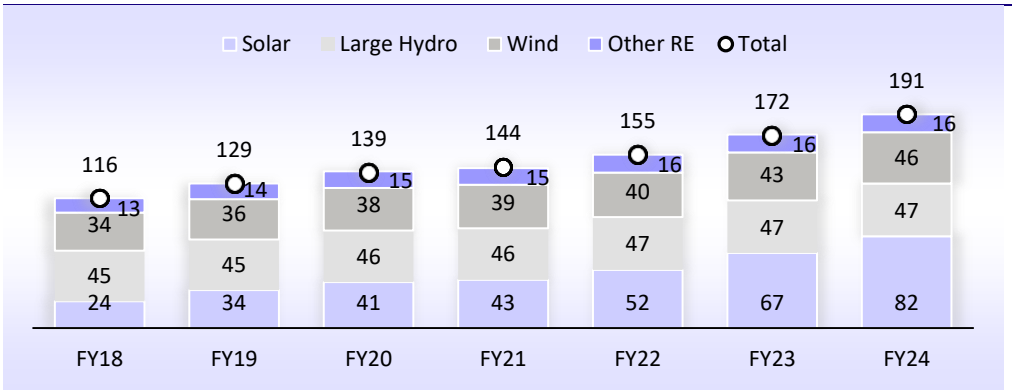


Source: CEA, CRISIL MI&A-Consulting

Overview of the RE sector

The RE installations in India, including large hydro projects, have experienced a remarkable increase, surging fivefold to ~209GW by Mar'24 from ~63GW in Mar'12 (source: MNRE). This massive growth has been driven by various incentives at both the central and state levels aimed at promoting RE adoption and sustainability in the energy sector.

Exhibit 15: India's RE (including large hydro) capacity was 43% at the end of Mar'24



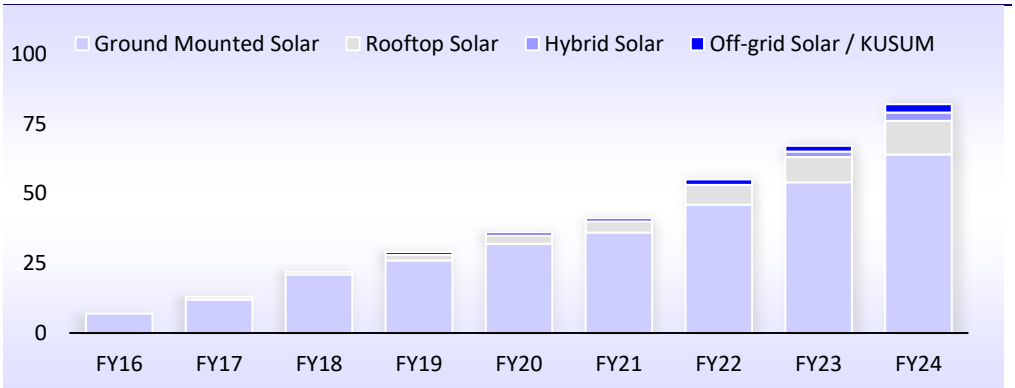
Conventional: Coal, Gas, Lignite and Nuclear

Source: CEA, CRISIL MI&A-Consulting

Solar sector

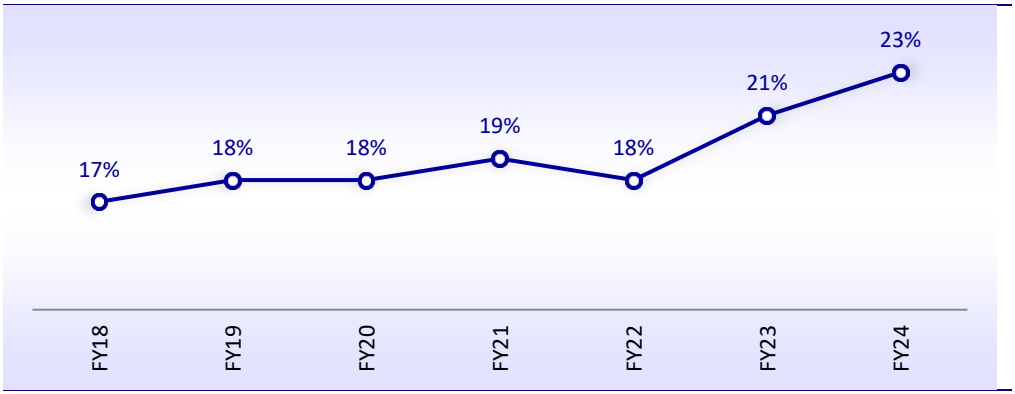
As of Mar'24, within India's RE portfolio (including large hydro), solar energy holds a significant share of 43%. The growth trajectory of the solar power sector has been particularly strong in recent years, with approximately 60GW of capacity added from FY18-FY24. This growth reflects a CAGR of approximately 24.8%, albeit starting from a relatively low initial base.

Exhibit 16: Trend in solar capacity installation in India (in GW)



Source: CEA, CRISIL MI&A-Consulting

Exhibit 17: PLF trends for domestic solar power projects



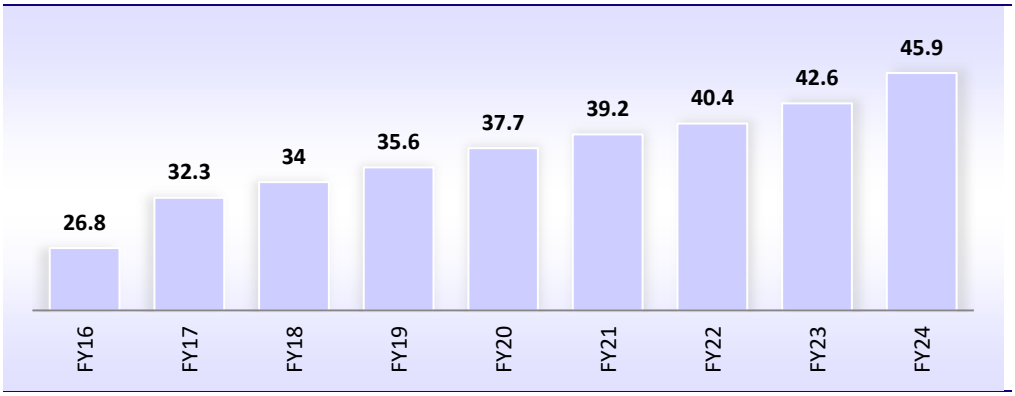
Source: CEA, CRISIL Analysis

Wind sector

India's wind energy potential is indeed vast, estimated at ~695.5GW at a height of 120 meters above the ground level

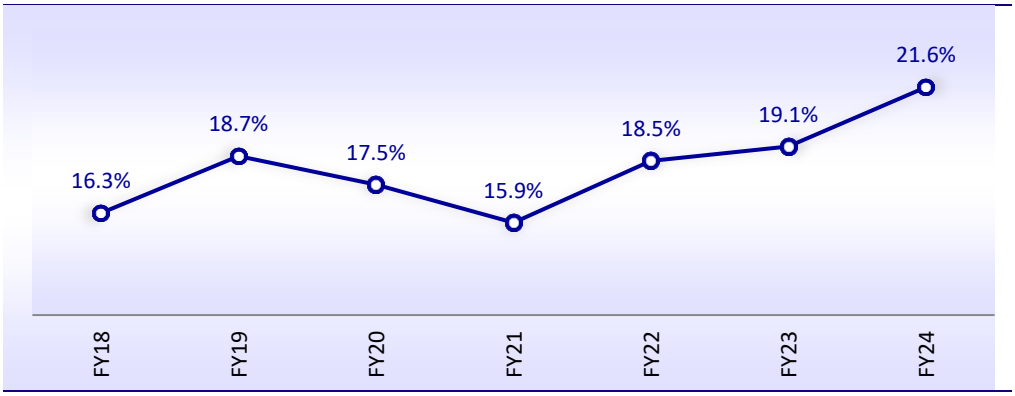
India's wind energy potential is indeed vast, estimated at ~695.5GW at a height of 120 meters above the ground level, according to assessments by the National Institute of Wind Energy. This potential underscores the significant opportunity for further harnessing wind power as an RE source in the country.

Exhibit 18: Wind power installed capacity in India (in GW).



Source: CEA, CRISIL Analysis

Exhibit 19: PLF trends for domestic wind power projects



Source: CEA, CRISIL MI&A-Consulting

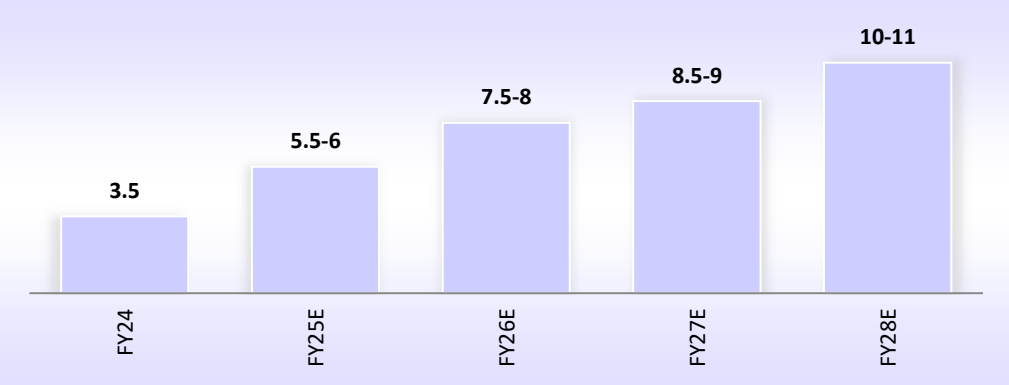
As of 31 Mar'24, the top five states for installed wind capacity in India—Gujarat, Tamil Nadu, Karnataka, Rajasthan, and Maharashtra—collectively accounted for ~84% of the total capacity. Within these states, specific regions host the majority of wind power projects.

Since Apr'21, ~80% of the new capacity additions in the wind energy sector have been concentrated in three states: Gujarat, Tamil Nadu, and Karnataka. These states have been particularly active in expanding their wind power infrastructure, reflecting their strategic focus on RE development.

CRISIL MI&A Consulting forecasts that wind power capacity additions in India will reach ~34-36GW during FY24-FY28.

CRISIL MI&A Consulting forecasts that wind power capacity additions in India will reach ~34-36GW during FY24-FY28. This represents a notable increase compared to ~10GW added between FY18 and FY23. This growth projection highlights a renewed momentum and investment in the wind energy sector, driven by supportive policies, technological advancements, and improving demand for RE sources.

Exhibit 20: Expected annual wind power capacity additions (in GW)



Source: CEA, CRISIL Analysis

Battery energy storage

- Battery Energy Storage System (BESS) represents a promising storage technology that has gained significant traction in recent years. BESS offers high energy density, making it suitable for providing ancillary services that are crucial for grid stability. It features easy installation, quick setup times, and versatility in supporting various grid activities, such as energy time-shifting, distribution deferral, and energy arbitrage.
- Despite its potential, BESS is still evolving in its ability to maximize grid support capabilities and faces challenges such as high initial investment costs and rapidly evolving technology. These challenges entail associated risks. Moreover, batteries typically require replacement or proper disposal every 7-10 years, depending on their usage patterns.

Exhibit 21: Comparison between PHS and BESS technologies

Parameters	PHS	BESS
Capital cost	❖ Total capital cost for a closed loop PHS ranges aboutINR50m-INR60m/MW*	❖ Lithium-ion battery storage can range between USD550 and USD700/kW (for a four-hour storage solution)
Efficiency	❖ 75-80%	❖ 80-85%
Land requirement	❖ Approximately 2,000 m^2/MW	❖ Approximately 100 m^2/MW
Ideal storage duration	❖ 6-12 hours	❖ Up to 4 hours
Response time	❖ 30-90 seconds	❖ In milliseconds
Project life	❖ 40-50 years (life of dam/reservoir is over 80 years)	❖ Up to 8 years
Construction period	❖ 4-5 years, it also depends upon other external and socio-political factors	❖ 1 year
Operating cost	❖ Lower	❖ Higher since batteries need to be replaced after a certain period
Estimated levelized tariff	❖ INR4-6 /kWh	❖ INR5 – 7/kWh
Environmental impact	❖ Need substantial Reservoirs which may cause environmental consequences, such as habitat destruction and changes in water flow downstream.	❖ Disposal of batteries is a major concern. If not taken care of properly, it may end up in landfills, posing risks of corrosion, flammability, and environmental contamination.
Execution and operational risks	❖ The long approval process for land, environmental, and forest clearances	❖ Shortage of rare minerals and metals
	❖ Rehabilitation and resettlement issues	❖ Limited manufacturing capacity
	❖ Limited naturally suitable sites	❖ Cost volatility
	❖ Long gestation period with high construction risk	❖ Performance deterioration and fire risk in extreme ambient conditions
	❖ Managing water requirements, especially in case of any adverse events	❖ Constant degradation and self-discharge

*Capex may vary based on no. of reservoirs to be built, topography/ region, etc.; Source: Industry, CRISIL MI&A-Consulting

Design and value engineering leading to high efficiencies

- When submitting a bid for a renewable power project, precise estimation of production costs and expected output are crucial for ensuring economic viability. ACME uses value engineering to achieve the highest Capacity Utilization Factor (CUF) per unit of capital investment. Additionally, the company integrates advanced technologies such as bifacial modules to maximize power generation whenever feasible. A dedicated technology team evaluates new technologies and utilizes various software tools to manage in-house engineering seamlessly from the bidding phase through to project execution.
- For solar projects, ACME's initiatives include maximizing the number of modules at optimal DC ratios and enhancing the capacity of inverters and balance-of-plant to increase output from the solar power installations.
- In the case of wind projects, the company conducts detailed forecasts and assessments of wind resource availability to improve the selection of turbine sites. Additionally, ACME collaborates closely with vendors and project implementation teams of wind turbine generators to optimize the design and efficiency of the wind power plants.

ACME: A renewable energy company

One of the largest Independent Power Producers (IPPs) in India

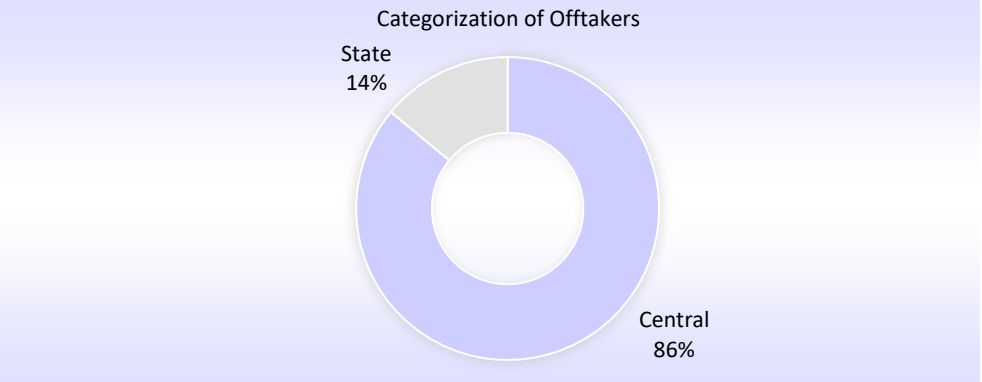
- ACME is a prominent RE company based in India, specializing in a diverse portfolio of solar, wind, hybrid, and FDRE projects. The company's core capabilities cover the complete lifecycle of utility-scale RE projects—from development and construction to ownership, operation, and maintenance.
- Through its dedicated in-house Engineering, Procurement, and Construction (EPC) division, along with a proficient operation and maintenance team, ACME ensures seamless execution and sustained performance of its projects. The company's revenue model hinges on supplying electricity to a diverse range of off-takers, including government-backed entities at both central and state levels.

The company also has an under-construction project portfolio of 4.4GW, including 3.4GW in hybrid & FDRE projects, 0.9GW solar power projects, and 0.15GW in wind power projects.

Robust operational and upcoming capacities

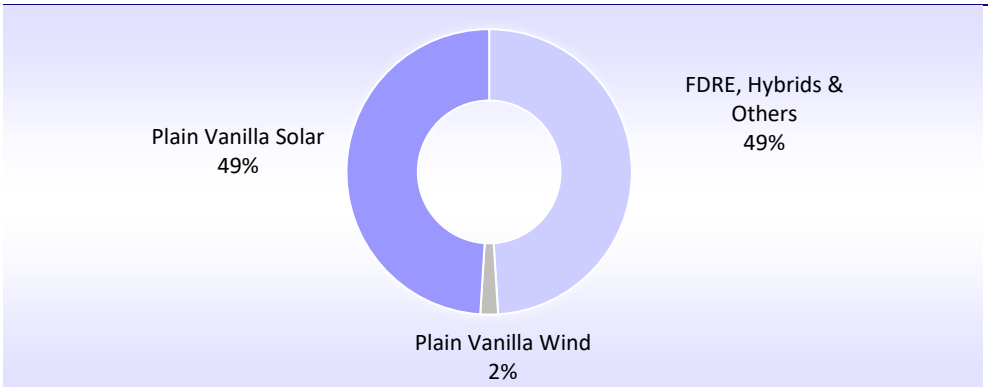
- Currently, the company has a total operational solar power capacity of ~2.5GW (3.6GWp). The company also has an under-construction project portfolio of 4.4GW, including 3.4GW in hybrid & FDRE projects, 0.9GW solar power projects, and 0.15GW in wind power projects.
- The company has acquired a 100% stake in ACME Urja Two Private Limited, developing a 600MW closed-loop pump storage project in Uttar Pradesh. In Jun'24, ACME entered into a non-compete agreement with MKU Holdings and ACME Cleantech, under which the MOUs will be transferred to ACME, and the company will assume full responsibility for these projects going forward.

Exhibit 22: Off-takers' concentrated capacity for the total portfolio



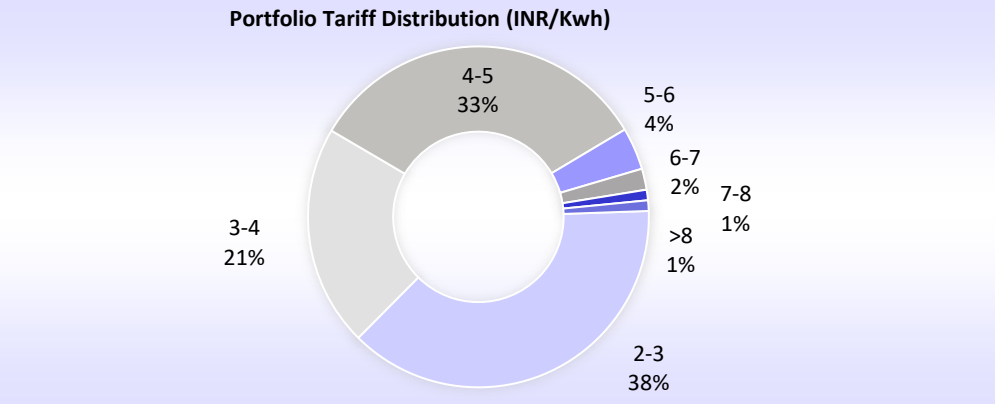
Source: Company

Exhibit 23: Breakup of ACME's total portfolio (operational and under construction)



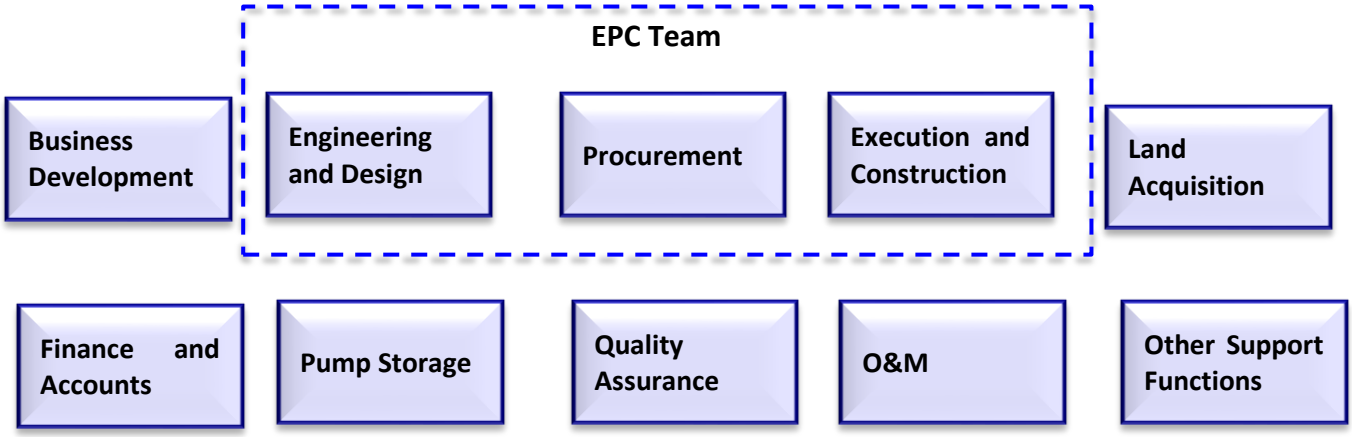
Source: Company

Exhibit 24: Tariff and off-taker distribution for total projects



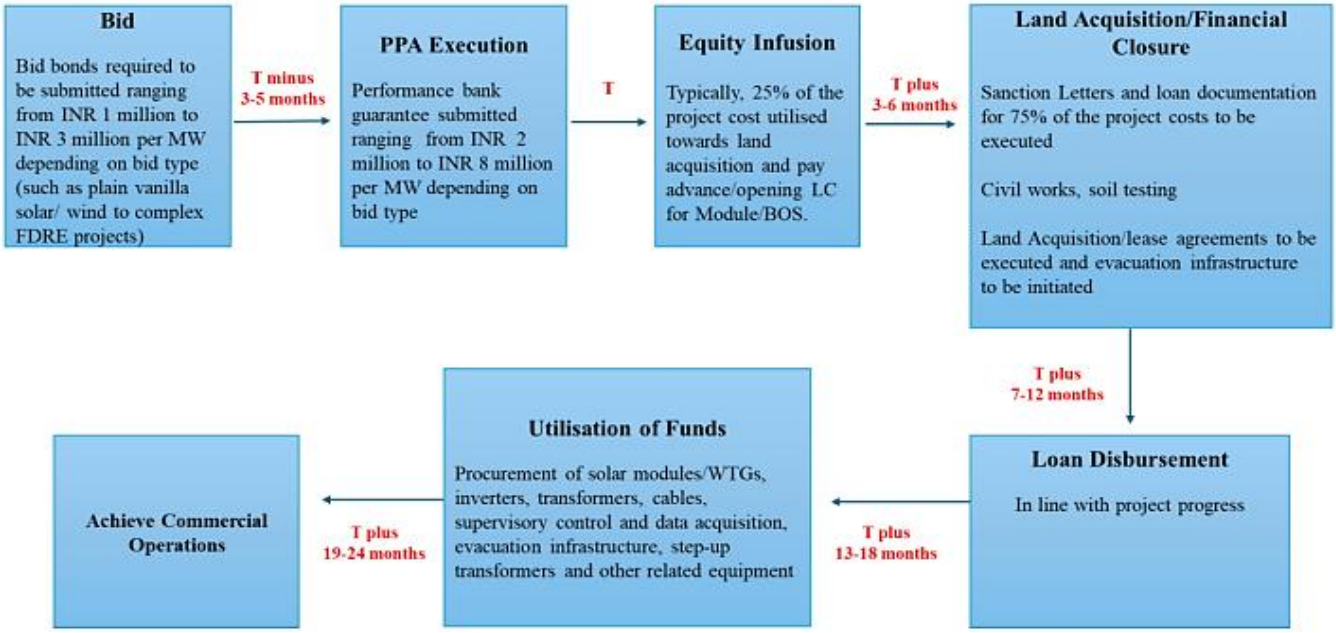
Source: Company

Exhibit 25: ACME's key business divisions



ACME's project development mechanism

Exhibit 26: Indicative timeline and key activities for the development of renewable power projects



Source: Company

Promoted by Mr. Manoj Kumar Upadhyay and ACME Cleantech

- Mr. Manoj Kumar Upadhyay is the Chairman and Managing Director, as well as one of the promoters, of ACME. He holds a degree in Electronics Engineering from Government Polytechnic, Shahjanpur (Uttar Pradesh). He is the founder of the ACME Group. He was awarded the Entrepreneur of the Year Award (start-up) in 2007 by Ernst & Young, the Business Excellence Award in 2015 at the CESS Symposium, and was named one of the Top & Most Powerful People in the RE sector (private) in 2022 by eqmagpro.com. He has extensive experience in the power, telecommunications, energy management, and storage sectors.

Exhibit 27: ACME: Under-construction projects portfolio

Project Name	Type	Contracted Capacity (MW)	Tariff (INR/kWh)	Off-taker	PPA Tenor (years)	PPA/ LoA Status	Funding Status
ACME Pokhran Solar Private Limited	Wind	50	2.90	GUVNL	25	PPA signed	Secured
ACME Eco Clean Energy Private Limited	Wind	100	3.01	GUVNL	25	PPA signed	Secured
ACME Sikar Solar Private Limited	Solar	300	3.05	SECI	25	LoA awarded	Secured
ACME Surya Power Private Limited	FDRE	250	4.38	SJVN	25	PPA signed	Secured
ACME Sun Power Private Limited	FDRE	320	4.38	SJVN	25	PPA signed	Secured
ACME Urja One Private Limited	Hybrid	380	4.73	SECI	25	PPA signed for 190MW	Secured
ACME Renewtech Private Limited	Hybrid	300	3.36	NTPC	25	PPA signed	Secured
ACME Platinum Urja Private Limited	Solar+ ESS	350	3.42	SECI	25	PPA signed for 150MW	Pending
ACME Gamma Urja Private Limited	FDRE	400	4.64	NHPC	25	PPA signed	Pending
ACME Hybrid Urja Private Limited	FDRE	280	4.64	NHPC	25	PPA signed	Pending
ACME Alpha Renewables Private Limited	Hybrid	150	3.32	NTPC	25	LoA awarded	Pending
ACME Sigma Urja Private Limited	Solar	300	2.53	NTPC	25	LoA awarded	Pending
ACME Omega Urja Private Limited	Solar	300	2.52	SJVN	25	LoA awarded	Pending
SPV 1 (#)	Hybrid	300	3.25	SECI	25	LoA awarded	Pending
SPV 2 (#)	FDRE	400	4.70	NTPC	25	LoA awarded	Pending
SPV 3 (#)	FDRE	250	4.70	NHPC	25	LoA awaited	Pending
Total		**4430**					

(#) The LoA/capacity has been secured in the name of the Company. Source: Company, MOFSL

Exhibit 28: ACME Group's track record of developed, executed, and commissioned solar power projects

Financial Year	Prior to FY19	FY19	FY20	FY21	FY22	FY23	FY24
Capacity Commissioned (MW)	1,054	760	335	20	-	300	250

Source: Company

Exhibit 29: ACME: Operational portfolio

Name of Project (SPVs)	State	Type	Capacity (in MW)	Off-taker	Tariff (INR/kWh)	COD	PPA Tenor (years)
ACME Solar Technologies (Gujarat) Private Limited	Gujarat	Solar	15	GUVNL	First 12 years - 15.00; Next 13 years - 5.00	Mar'12	25
ACME Solar Energy MP Private Limited	Madhya Pradesh	Solar	25	MPPMCL	8.05	Dec'13 & Jan'14	25
ACME Odisha Solar Power Private Limited	Odisha	Solar	25	Off-taker	7.28	Jun'15	25
ACME Raipur Solar Power Private Limited	Chhattisgarh	Solar	30	CSPDCL	6.46	Jan'16 & Mar'16	25
ACME Solar Rooftop Systems Private Limited	Punjab	Solar	30	PSPCL	7.57	May'16	25
Aarohi Solar Power Private Limited	Andhra Pradesh	Solar	50	APSPDCL	5.63	Mar'16	25
ACME Jaisalmer Solar Power Private Limited		Solar	20	APSPDCL	5.63	May'16	25
Dayanidhi Solar Power Private Limited		Solar	40	APSPDCL	5.97	Apr'16	25
Niranjana Solar Power Private Limited		Solar	20	APSPDCL	5.71	Mar'16	25
Viswatma Solar Energy Private Limited		Solar	30	APSPDCL	5.71	Apr'16	25
ACME Magadh Solar Power Private Limited	Bihar	Solar	10	SBPDCL and NBPDCL	8.73	Jun'16	25
ACME Nalanda Solar Power Private Limited		Solar	15	SBPDCL and NBPDCL	8.73	Jun'16	25
Dayakara Solar Power Private Limited	Telangana	Solar	30	TSSPDCL	6.85	Jun'16 & Jul'16	25
Grahati Solar Power Private Limited		Solar	50	TSSPDCL	6.74	Jul'16 & Aug'16	25
ACME PV Powertech Private Limited		Solar	50	TSNPDCL	5.60	Jul'17 & Aug'17	25
ACME Solar Power Technology Private Limited		Solar	50	TSNPDCL	5.59	Feb'18	25
ACME Yamunanagar Solar Power Private Limited		Solar	20	NTPC	4.67	Sep'17	25
ACME Mahbubnagar Solar Energy Private Limited		Solar	30	NTPC	4.67	Sep'17	25
Nirosha Power Private Limited	Uttar Pradesh	Solar	30	UPPCL	8.93	Sep'16	12 (renewable for another 13 years)
ACME Sidlaghatta Solar Energy Private Limited	Karnataka	Solar	20	BESCOM	2.97	Oct'19	25
ACME Jodhpur Solar Power Private Limited	Rajasthan	Solar	100	SECI	2.44	Sep'18	25
ACME Rewa Solar Power Private Limited		Solar	100	SECI	2.44	Oct'18	25
ACME Heergarh Powertech Private Limited		Solar	300	MSEDCL	2.74	Apr'22 & May'12	25
ACME Aklera Power Technology Private Limited		Solar	250	SECI	2.48	Jul'23 & Jan'24	25
ACME Raisar Solar Energy Private Limited	Rajasthan	Solar	300	SECI	2.44	Oct'24	25
ACME Dhaulpur Powertech Private Limited	Rajasthan	Solar	300	SECI	2.44	Oct'24	25
ACME Deoghar Solar Power Private Limited	Rajasthan	Solar	300	SECI	2.44	Oct'24	25
ACME Phalodi Solar Energy Private Limited	Rajasthan	Solar	300	SECI	2.44	Oct'24	25
Total			**2540**				

Source: Company, MOFSL

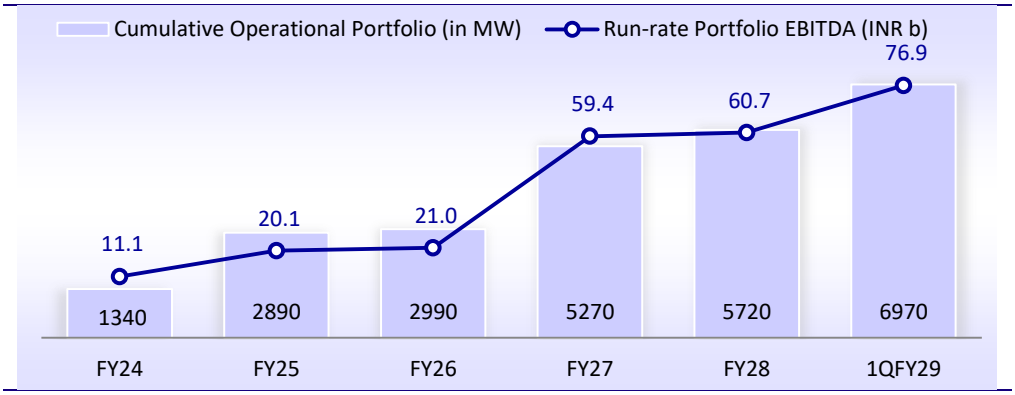
Modeling a 52% EBITDA CAGR over FY24-FY27E

Strong profitability growth as capacity expands

- We estimate ACME's EBITDA to post 52% CAGR over FY24-FY27, reaching INR38b. This growth is driven by a 3x increase in operational capacity over FY24-FY27E, along with robust EBITDA margins.
- Additionally, 1HFY29 is expected to see an increase in operational capacity to ~7GW. FY28 will also mark the first full year of operations for the ~2.3GW capacity, which will commence in FY27. As such, according to our back-of-the-envelope estimation, FY28 EBITDA/PAT could reach INR61.4b/INR11.6b.
- Further, we note that ACME has consistently bid for new RE energy projects, and its pipeline is expected to continue evolving in the coming years.
- **0.35GW/0.1GW/2.3GW to become operational in 4QFY25/FY26/FY27**
  - While projects totaling 1.2GW have already become operational in FY25, an additional 0.35GW of projects will become operational in the same year. These projects are set to generate additional Revenue/EBITDA of INR10.7b/INR8.9b on a full-year operating basis. The company is also set to operationalize additional 0.1GW/2.3GW projects in FY26/FY27. These projects are expected to generate EBITDA of INR1b/INR38.4b on a full-year operating basis.
  - We are building in the company's operational portfolio to reach ~5.3GW/~7GW by FY27/1HFY29.

0.35GW/0.1GW/2.3GW to become operational in 4QFY25/FY26/FY27

Exhibit 30: Cumulative operational portfolio and run-rate EBITDA



Source: Company, MOFSL

EBITDA margins to remain strong at ~87-89%

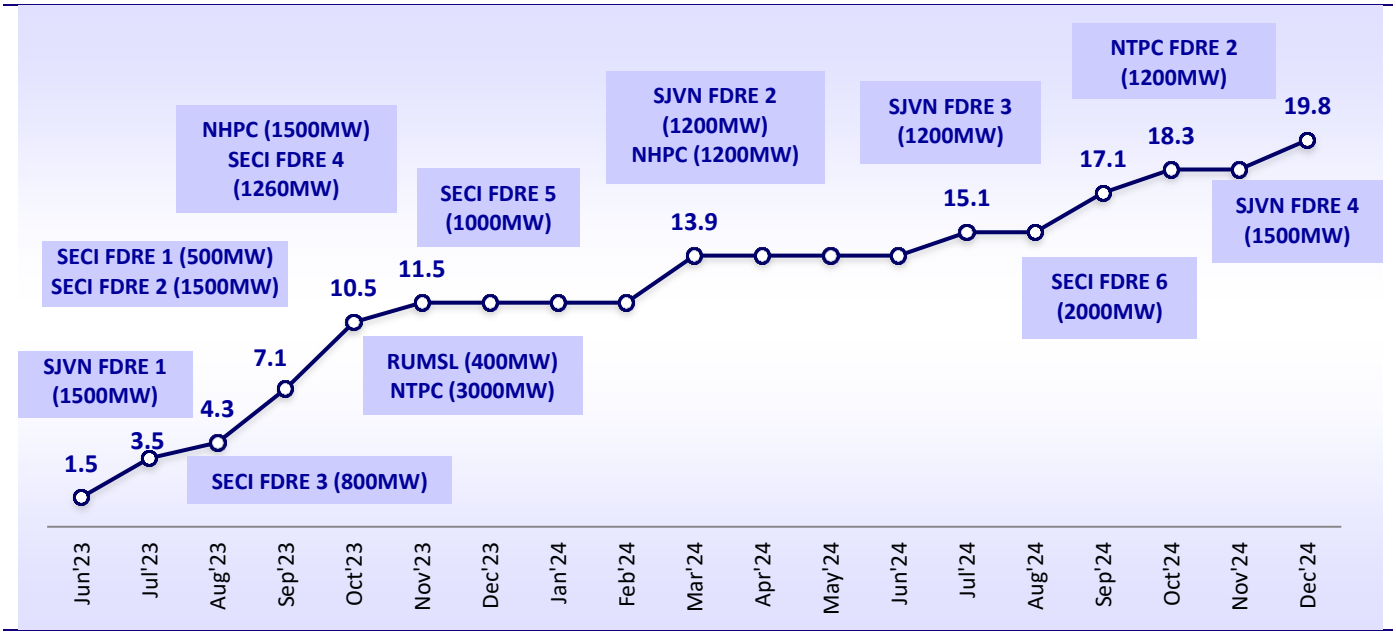
ACME has posted EBITDA margins between 83% and 91% during FY22-FY24.

ACME has posted EBITDA margins between 83% and 91% during FY22-FY24. These margins are in line with those reported by peers, such as NTPC Green (~89% in FY23/FY24). Going forward, we estimate EBITDA margins to remain robust at 87%+.

ACME's development of wind capabilities positions it strongly to win FDRE tenders

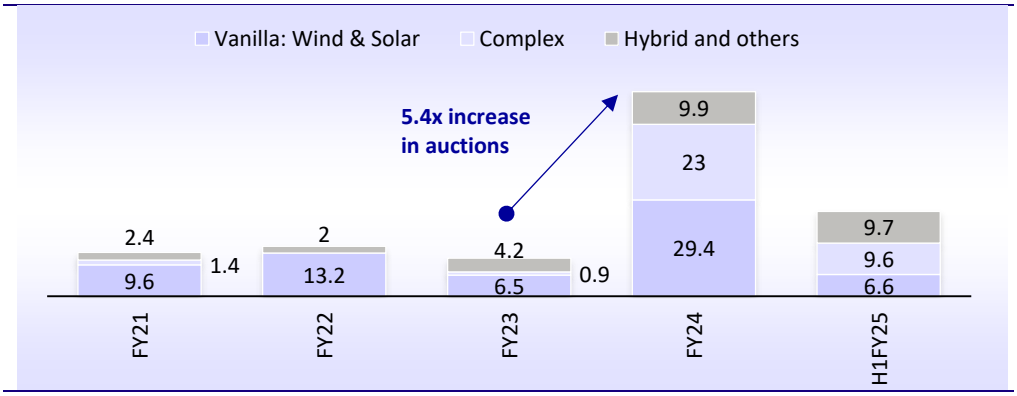
Over 11GW of FDRE tenders were issued in 2023, and this figure has remained strong at 9GW through Dec'24, driven by nodal agencies such as SECI and SJVN. Given the need for discoms to meet base demand, we believe FDRE tenders could dominate future bids and become the preferred tendering model (over plain vanilla RE) for RE procurement.

Exhibit 31: FDRE tenders – CY23-24 (GW)



Source: SECI, SJVN, JMK Research, MOFSL

Exhibit 32: Increase in RE auctions (GW)



Source: ReNew, MOFSL

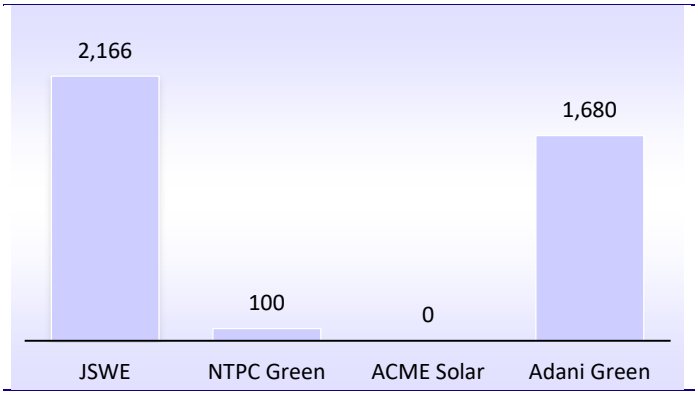
Exhibit 33: Key metrics across the RE auction segments

Type of Project	Firm Power	Solar and Hybrid	Corporate PPAs	Vanilla Wind
GWs currently up for auction	8-10 GW	30-35 GW	Utility scale projects > 25 MW	5-6 GW
No. of competitors	4-5	~12-14 (Large scale 6-8)	~6-8	~4-5 (Large scale 2-3)
Indicative range of IRRs	High teens	Mid to low teens	Mid-teens	Low teens
Counterparty/ offtake	Central bidding agencies	Central + GUVNL	International and domestic corporates	Central + States

Source: ReNew, MOFSL

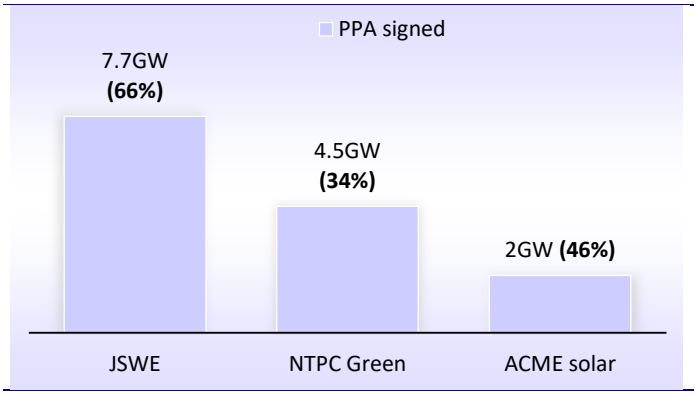
FDRE tenders typically involve solar + wind + battery deployment. As such, having an established track record in operating wind assets is crucial for successfully executing these tenders. While ACME currently does not have any operational wind capacity, it is actively building its wind capabilities, positioning itself to bid for more complex projects. By 2HFY26, ACME is set to build 150MW of plain vanilla wind projects. In addition, the company has successfully won multiple FDRE and hybrid projects, which now account for 49% of its entire portfolio (incl. under-construction projects). This gives ACME an edge over peers such as NTPC Green, which are less focused on wind energy.

Exhibit 34: Current operational wind capacity (MW)



Source: Company, MOFSL

Exhibit 35: PPA signed as a % of the total RE pipeline



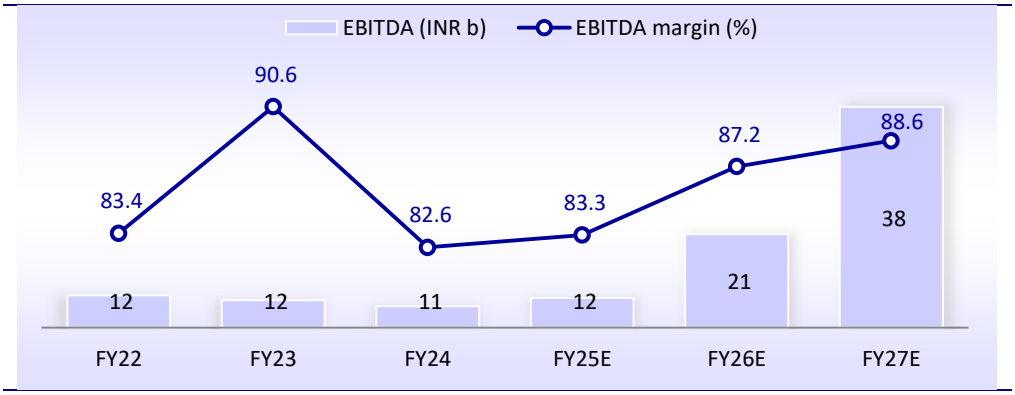
Source: Company, MOFSL

While there have been recent concerns that solar + storage could replace the need for wind, ReNew, a leading RE player in India, estimates that adding wind to solar + storage could reduce the levelized cost of energy by INR0.2-INR0.3 per kWh and lead to ~1% higher project IRR.

64%/72% YoY rise in Revenue/EBITDA in FY26E

While only 0.1GW is expected to become operational in FY26, a 64%/72% YoY rise will be observed in FY26E Revenue/EBITDA. This growth is driven by the robust ramp-up in operational capacity during FY25. By FY25'end, 1.55GW of new capacity will be commercialized, with the entire capacity becoming operational in 2HFY25, bringing the total operational capacity to 2.9GW. With this ~2.9GW portfolio operating for the entire year, we expect this significant spike in Revenue/EBITDA in FY26.

Exhibit 36: ACME: EBITDA & EBITDA margin trends

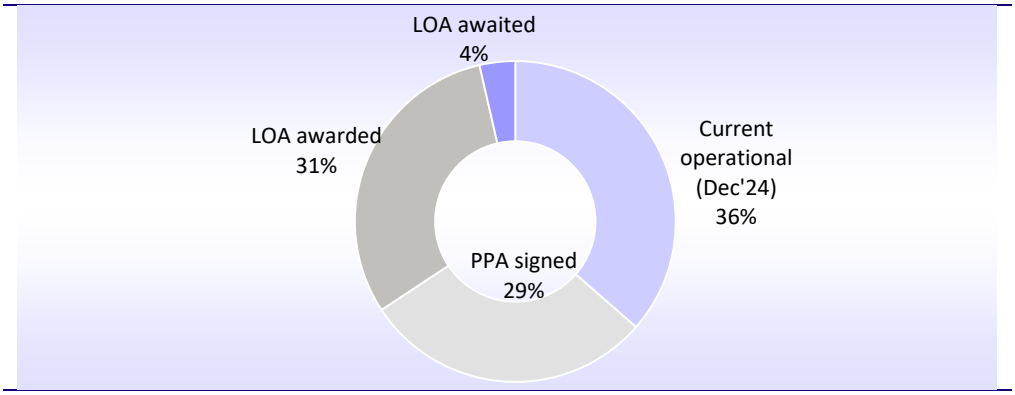


Source: Company, MOFSL

Majority of FY27 EBITDA 'in the bag'

- Out of the under-construction projects totaling 4.4GW, the company has already signed PPAs for projects totaling ~2GW. This implies that the entire FY26 revenue/EBITDA is '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 awarded for additional projects, some of which are expected to be converted into PPAs during 4QFY25-1HFY26, further increasing visibility on FY27 earnings.

Exhibit 37: ACME: Portfolio (in MW)

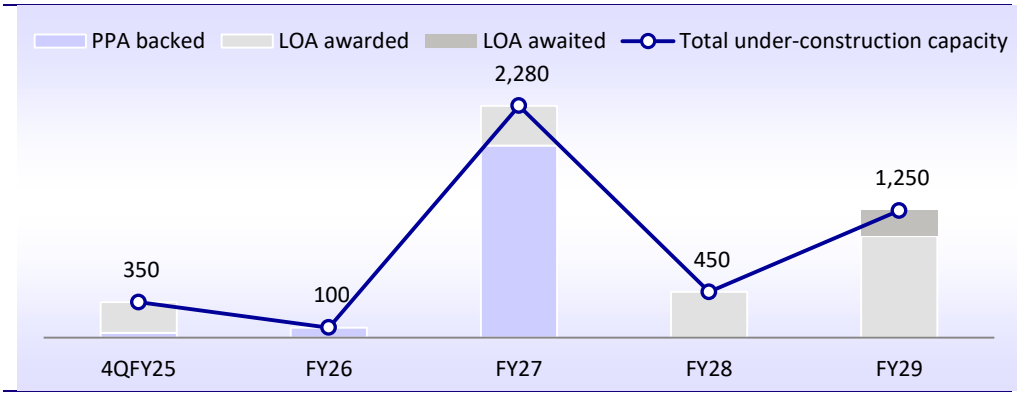


Source: Company, MOFSL

100%/83% of FY26/FY27 under-construction portfolio is backed by PPAs

- With PPAs already in place for 0.1GW/1.9GW projects—out of 0.1GW/2.3GW set to become operational in FY26/FY27, a significant portion of the run-rate revenue for these projects is already tied up.

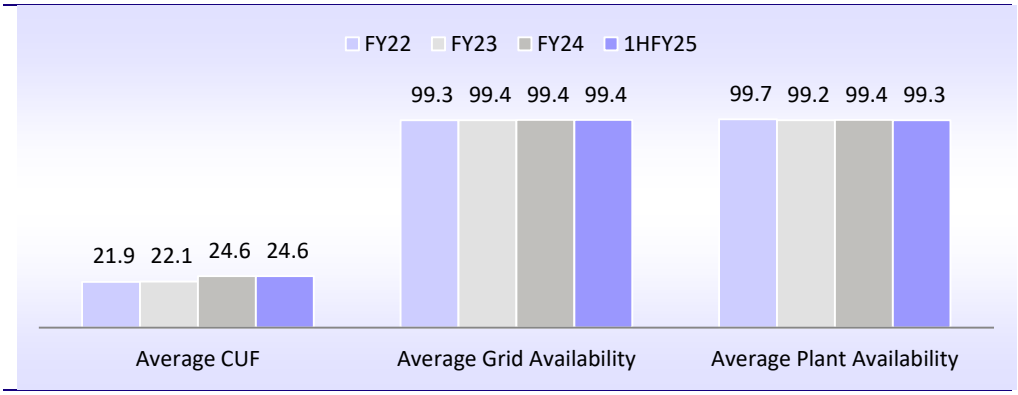
Exhibit 38: Year-wise PPA-backed under-construction portfolio (in MW)



Source: Company, MOFSL

- **Grid connectivity not a concern!**
  - ACME has grid connectivity in place for all projects. Additionally, the company has connectivity (applied + secured) of ~2GW available for future bids. The plant and grid availability has remained above 99% historically, alleviating any concerns around grid availability.

Exhibit 39: CUF, plant, and grid availability (%)

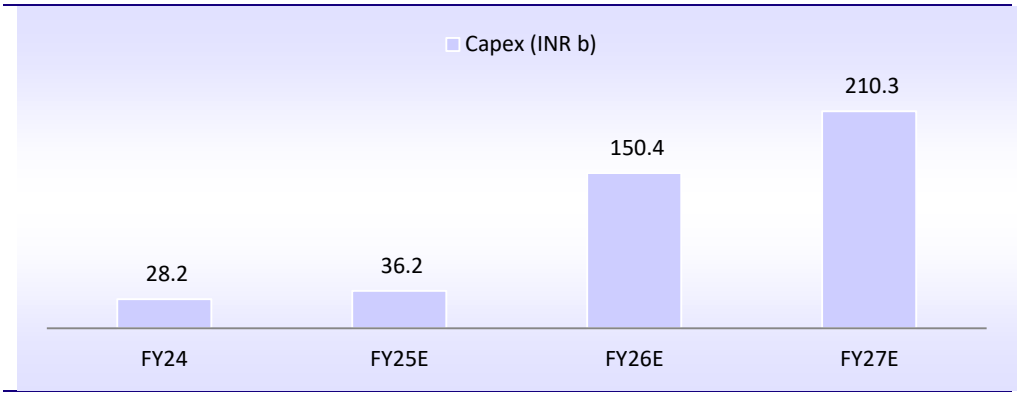


Source: Company, MOFSL

ACME to incur ~INR397b capex over FY25-27

- ACME is expected to incur ~INR397b capex over FY25-FY27, with INR36b/ INR143b/INR198b planned for FY25/FY26/FY27.
- While projects of 1.2GW have already become operational in 9mFY25, the remaining under-construction projects involve a capex of INR339b.

Exhibit 40: Capex trend (INR b)

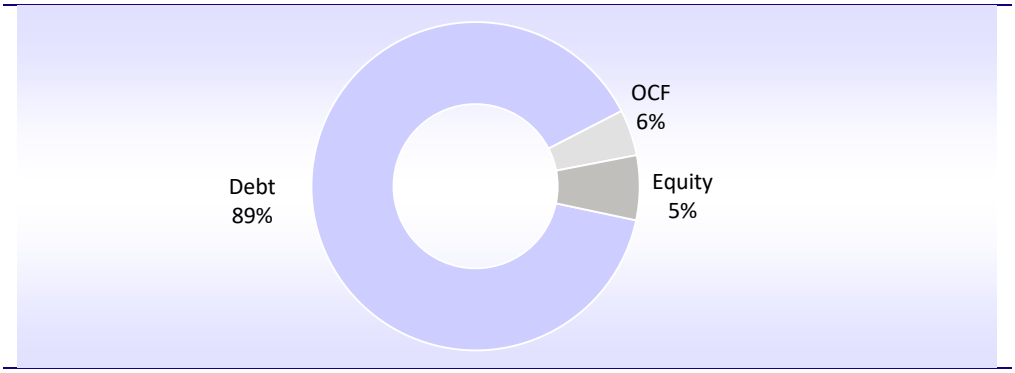


Source: Company, MOFSL

EPC margin, debt refinancing, and operating cash flow to fund growth

- Long-term debt, usually repaid over 18 to 20 years, is arranged by ACME through the respective project companies to match the 25-year duration of the PPAs. These projects are typically funded with a 75:25 D/E ratio during the construction phase.
- Out of the total capital expenditure of ~INR397b over FY25-FY27, we estimate that ~INR347b will be incurred via debt, and remaining amount will be financed via equity raised during IPO listing and OCF.
- Out of the total under-construction capacity of 4.4GW, the company has already secured debt for 1.7GW, amounting to INR165b.

Exhibit 41: FY25-FY27E capex financing (%)



Source: Company, MOFSL

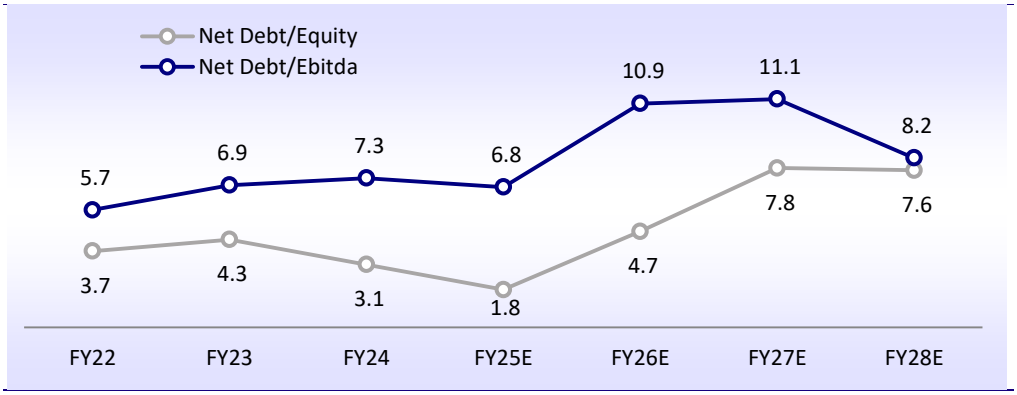
Re-financing drives D/E from 75% to 85%, freeing up equity!

- Once the projects become operational, ACME will leverage this opportunity by refinancing to achieve better interest rates, improved repayment terms, and additional cash flow through re-leveraging. This strategy enables the release of surplus cash from projects, which serves as a source of equity to finance new projects.
- The company maintains strong relationships with renowned lenders, including SBI, REC, PFC, and IREDA, along with other prominent private and public institutions.

ND/EBITDA elevated due to strong under-construction pipeline

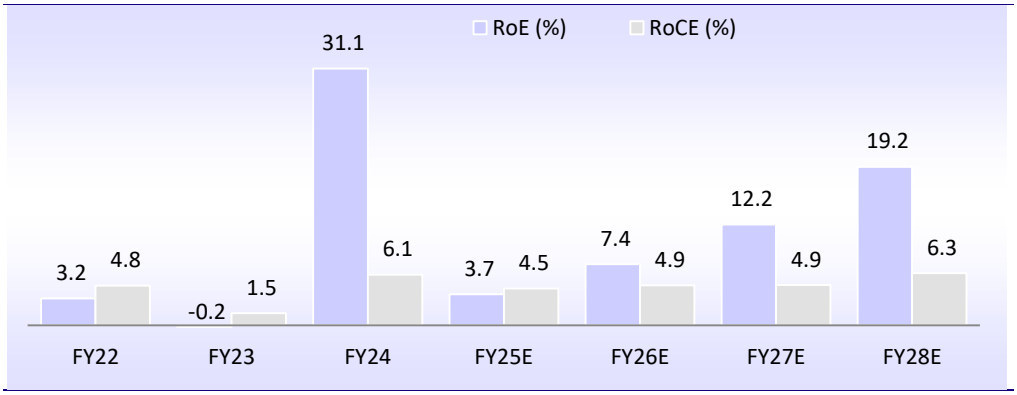
- ACME's ND/EBITDA ratio is expected to be at 11.1x in FY27. ND is likely to appear inflated in the next couple of years amid heavy capex on under-construction projects.
- In addition, under-construction projects are expected to start posting full-year EBITDA from FY28. After peak capex in FY27, the company anticipates a normalized ND/EBITDA from FY28 onwards. As such, according to our back-of-the-envelope estimation, FY28 ND/EBITDA could be ~8.2x.

Exhibit 42: ACME: ND/Equity & ND/EBITDA trends



Source: Company, MOFSL

Exhibit 43: ACME: RoE and RoCE trend



Source: Company, MOFSL

Valuation and view

- **We initiate coverage on ACME with a BUY rating and a TP of INR330/share.** We assign an EV/EBITDA multiple of 11x to FY28 EBITDA. Adjusting for net debt, we derive our TP of INR330, implying 59% potential upside.
- Our EV/EBITDA multiple implies a sharp discount to competitors such as NTPC Green. Further, the street is currently attributing 15x EV/EBITDA to the renewable businesses of JSWE and Tata Power.
- We believe ACME's steep valuation discount compared to NTPC Green's is unsustainable and should narrow in the coming quarters. NTPC Green's superior valuation, in our view, is largely a function of lower financing costs (up to a 2% interest rate advantage). While we acknowledge NTPC Green's superior financing costs, we highlight that ACME (and other players that undertake in-house EPC/O&M for projects) achieves significant cost savings.
- Assuming 10% EPC margin and 50% O&M margin for solar projects, we estimate that NTPC Green loses 79% of the interest cost savings over the project life.

Valuation gap compared to NTPC Green likely to narrow

- We acknowledge NTPC Green's superior financing cost advantage, with borrowing costs up to 1%-1.5% lower than ACME's. However, we believe that the valuation gap is likely to narrow down due to ACME's strategic move to build wind capabilities and in-house EPC and O&M, which helps save costs. ACME's diverse capabilities position it well to protect IRRs, especially as returns in plain vanilla solar/wind projects have been under pressure.
- **We estimate NTPC Green to lose bulk of its interest cost benefit over time,** based on the fact that ACME handles in-house EPC and O&M of its projects. To derive this, we analyzed a 100MW solar project with a 20-year lifespan, assuming INR50m/MW capex for the project, 75:25 debt-to-equity ratio, an interest cost differential of 2%, O&M cost of INR0.3m/MW p.a., O&M margins of 50%, and an EPC margin of 10% of the capex cost.
- While NTPC Green saves the present value of interest expense differential over the 20-year project life, it loses the present value of EPC and O&M margins.
- ➢ We estimate **NTPC Green's net cost benefit** compared to peers for a 100MW plain vanilla solar project **to be a mere INR153m (~21% of the interest cost saved),** which can be broken down into three parts:

Exhibit 44: Net interest savings lost by NTPC Green over project life

Particulars	INR m
NPV of interest cost saved	741
Less: NPV of EPC margin paid	414
Less: NPV of O&M margin paid	173
Net savings by NTPC Green	**153**
% of interest savings lost	**79%**

Source: Company, MOFSL

The present value of interest cost saved amounts to INR741m.

Exhibit 45: Interest costs saved over the project life

Particulars	Unit	Particulars
Type of project		Plain Vanilla Solar
Capacity	MW	100
Capex per MW assumed	INR m	50
Capex for the project	INR m	5,000
Debt-to-equity ratio assumed	x	75:25
Debt for the project	INR m	3,750
Project life assumed	years	20
Interest rate assumed		
for NTPC Green	%	7
for others	%	9
Discount rate assumed	%	10
Sum of interest cost saved	INR m	1,515
NPV of interest cost saved	**INR m**	**741**

Source: Company, MOFSL

Present value of EPC margin foregone amounts to **INR414m**.

Exhibit 46: Present value of EPC margin incurred

Particulars	Unit	Particulars
EPC margin	%	10
Capex for the project	INR m	5,000
EPC margin forgone	INR m	500
Expected time of completion	years	3
Discount rate assumed	%	10
PV of EPC margin forgone	**INR m**	**414**

Source: Company, MOFSL

Present value of O&M margin foregone amounts to **INR173m**.

Exhibit 47: Present value of O&M margin incurred

Particulars	Unit	Particulars
O&M cost p.a.	INR m/MW	0.3
O&M margin of 3rd party	%	50
O&M margin paid to 3rd party in the first year	INR m	15
Increment in O&M margin p.a.	%	3
Discount rate assumed	%	10
PV of O&M margin paid	**INR m**	**173**

Source: Company, MOFSL

- We further believe that the benefit lost might be even higher, as we are assuming:
  - ✓ 10% EPC margins, while they can be as high as ~15%.
  - ✓ O&M margin to be ~50%, while Suzlon guides ~60-65% gross margin for its O&M business.
  - ✓ INR0.3m/MW p.a. O&M cost for plain vanilla solar projects, while the cost can be as high as INR0.4/MW p.a.
  - ✓ 3% annual O&M cost increment, while Suzlon guides for ~5% increment p.a.
  - ✓ Interest cost difference of ~2%. However, this difference can be ~1%-1.5% in the longer run.
- While we have conducted this study for a solar project, the economics should be similar for FDRE/hybrid projects.

Key risks

Highly competitive RE power project auctions

ACME Group participates in competitive project award processes where various criteria influence the outcome, including pricing, technical and engineering proficiency, financing capabilities, experience, and proven track record. The selection process is also influenced by external factors beyond the company's control, such as market conditions and government incentive programs. Additionally, the rules of the auction process may change. Hence, the company cannot assure that it will be successful in winning bids.

Exhibit 48: Percentage of bids ACME Group won against the total bids

Particulars	FY22	FY23	FY24
Capacity of bids auctioned (in MW)	18,000	12,000	49,000
Capacity of bids participated in (in MW)	6,185	4,800	18,850
Quoted capacity (in MW)	4,485	2,300	3,900
Allotted capacity (in MW)	675	150	2,380
Percentage of bids won against capacity of total bids quoted	15.05%	6.52%	61.03%

Source: Company

PPAs may expose ACME to risks that may affect future cash flows

ACME typically enters into long-term PPAs spanning 25 years, through which it sells the power generated by its projects to central and state government entities and government-backed corporations at predetermined tariffs. When seeking an extension of a PPA's term, renegotiating for a higher tariff rate is generally unlikely. Delays in PPA execution can hinder project development timelines, impacting the company's operational capacity and resulting in revenue loss from power sales. Since PPA counterparties are primarily central or state government entities or government-backed corporations, the company's ability to negotiate terms is limited, as these agreements typically follow standard contract formats.

ACME's business is dependent on the top 10 off-takers

The company's business heavily relies on the top 10 off-takers that accounted for 87.77%, 89.15%, and 89.97% of its revenue from operations in FY22, FY23, and FY24, respectively. The potential loss of any of these off-takers poses a significant risk to the company's business, financial condition, operational results, and cash flows. A scenario involving the loss of a key off-taker or a substantial decrease in demand from these critical partners could adversely impact the company's overall business, operational performance, and cash flow stability.

Exhibit 49: Revenue from top off-takers

Particulars	FY22		FY23		FY24	
	Amount (INR m)	Percentage of Revenue from Operations (%)	Amount (INR m)	Percentage of Revenue from Operations (%)	Amount (INR m)	Percentage of Revenue from Operations (%)
Top 1 off-taker	2,587.27	18.82%	2,574.55	20.26%	2,949.62	22.36%
Top 5 off-takers	9,266.87	67.40%	9,159.05	72.08%	9,890.78	74.97%
Top 10 off-takers	12,068.47	87.77%	11,327.48	89.15%	11,868.75	89.97%

Source: Company

Exhibit 50: Total purchases from top suppliers

Category	FY22		FY23		FY24	
	Amount (INR m)	Percentage of Total Purchase (%)	Amount (INR m)	Percentage of Total Purchase (%)	Amount (INR m)	Percentage of Total Purchase (%)
ACME Cleantech – Top One Supplier	9,585.87	69.95%	8,256.57	69.84%	15,043.61	79.37%
Top Five Suppliers	12,263.97	89.49%	11,005.00	93.09%	17,417.07	91.89%
Top 10 Suppliers	12,897.34	94.11%	11,348.96	96.00%	18,373.11	96.94%

Source: Company

Relationship with the promoter entity, ACME Cleantech

ACME Cleantech, the promoter entity, has been the largest supplier of components, which primarily include solar PV modules, in the last three fiscals. Any changes in the relationship with ACME Cleantech may adversely affect the company's reputation, business, operations, financial condition, and results of operations. Furthermore, ACME Cleantech has made substantial investments in the company's business through equity and debt financing as well as Special Purpose Vehicles (SPVs). Going forward, Acme Solar Holding will be purchasing solar modules directly, and not via ACME Cleantech. Hence, this risk is mitigated to a large extent.

Exhibit 51: Total purchase sourced from ACME Cleantech

FY22		FY23		FY24	
Cost of Total Purchase (INR m)	Percentage of Total Purchase (%)	Cost of Total Purchase (INR m)	Percentage of Total Purchase (%)	Cost of Total Purchase (INR m)	Percentage of Total Purchase (%)
9,585.87	69.95%	8,256.57	69.84%	15,043.61	79.37%

Source: Company

SWOT analysis

S – STRENGTH

- Comprehensive value chain capabilities, supported by an integrated approach to renewable project development through in-house expertise in project development, EPC, and O&M.
- Developing wind capabilities gives the company an edge over peers that are less focused on wind energy.

W – WEAKNESS

- Despite diversification efforts, plain vanilla solar and wind projects still form ~51% of the overall project portfolio (installed plus under-construction).

O – OPPORTUNITY

- Well-placed to capture new opportunities in battery storage, and other renewable projects.
- With complex tenders expected to become the preferred model for RE procurement in future, the company is better placed in comparison to peers that are less focused on wind energy.

T – THREATS

- The energy sector is highly competitive, with both domestic and international players, which could pressure margins and profitability.
- Delay in PPAs signing may expose ACME to risks that may affect its future cash flows.

Bull and Bear cases

Bull case

- ☑ In our Bull case scenario, we anticipate project commissioning to be preponed by three months for the entire pipeline vs our base case. We also increase our valuation multiple to 12x given quicker rate of EBITDA growth.
- ☑ Based on the above assumptions, the company's bull case valuation would be INR425/sh.

Bear case

- ☑ In our Bear case scenario, we anticipate project commissioning to be postponed by three months for the entire pipeline vs our base case. We also moderate our valuation multiple to 10x given slower rate of EBITDA growth.
- ☑ Based on the above assumptions, the company's bear case valuation would be INR125/sh.

Exhibit 52: Scenario analysis – Bull case

INR m	FY25E	FY26E	FY27E
Net revenues	14,575	24,156	55,913
EBITDA	12,135	21,054	45,013
PAT	1,374	3,667	10,635
Target price (INR)	**425**		
Upside (%)	**95%**		

Source: MOFSL, Company

Exhibit 53: Scenario analysis – Bear case

INR m	FY25E	FY26E	FY27E
Net revenues	14,067	23,202	37,873
EBITDA	11,712	19,291	33,645
PAT	1,098	2,445	3,255
Target price (INR)	**125**		
Downside (%)	**-43%**		

Source: MOFSL, Company

ESG initiatives

Environment

- In 2QFY25, the company achieved a 66.6% reduction in Scope 1 emission QoQ.
- In 2QFY25, the company's renewable power generation helped prevent the production of ~0.53m tons of CO2e.
- In 2QFY25, the company saved 84,460kl of water through the waterless cleaning of solar PV modules using robots.

Social

- The company is committed to maintaining high standards of workplace health and safety and aims to become a zero-accident organization.
- There have been zero fatalities in FY25'TD.
- In 2QFY25, the company provided 497 hours of training to employees.

Governance

- The company has a robust governance structure in place.
- Its operations adhere to state-specific solar policies that govern the implementation of solar power projects. These policies define industry regulations, bidding processes, renewable purchase obligations, grid connectivity requirements, and incentives such as tax benefits and R&D support to foster the growth of solar energy.
- Backed by a robust management team with extensive expertise in RE, the company has a proven track record of successfully managing solar and wind power projects. Guided by its Board of Directors, the senior leadership team brings decades of experience in the Indian power sector, offering strategic vision and leadership that the company believes will sustain its growth and success.

Management team

Mr. Manoj Kumar Upadhyay
Chairman and Managing Director

Mr. Upadhyay is the Chairman and Managing Director, as well as one of the promoters, of ACME. He holds a degree in Electronics Engineering from Government Polytechnic, Shahjanpur (Uttar Pradesh). He is the founder of ACME Group. He was awarded the Entrepreneur of the Year Award (start-up) in 2007 by Ernst & Young, the Business Excellence Award in 2015 at the CESS Symposium, and was named one of the Top & Most Powerful People in the RE sector (private) in 2022 by eqmagpro.com. He has extensive experience in the power, telecommunications, energy management, and storage sectors.

Mr. Nikhil Dhingra
Group CEO & Wholetime Director

Mr. Dhingra joined the company in Feb'23. He holds a bachelor's degree in Electrical Engineering from Kurukshetra University and a post-graduate diploma in Management from the Indian Institute of Management, Bangalore. He is responsible for developing and executing the company's long-term growth strategies and overseeing all operational aspects.

Mr. Shashi Shekhar
Wholetime Director

Mr. Shekhar has been with the company since Apr'18. He holds a bachelor's degree in Science (Geology) from Patna University. He has served as an officer in the Indian Administrative Service and has held key leadership roles, including Managing Director at PTC Energy and Indian Energy Exchange. At ACME, he is responsible for policy advocacy, business strategy, and regulatory issues. He has experience in administration and policy.

Mr. Atul Sabharwal
Non-Executive Independent Director

Mr. Sabharwal has been associated with the company since Sep'17. He holds a bachelor's degree in Science from the University of Calcutta and a postgraduate degree in Business Administration from the University of New South Wales. He has been the founder and CEO of Snipp Interactive Inc. since 2012.

Mr. Sanjay Dhawan
Non-Executive Independent Director

Mr. Dhawan joined the company in June'24. He holds a bachelor's degree in Technology (Chemical Engineering) from Banaras Hindu University, Varanasi, and a post-graduate diploma in Management from the Indian Institute of Management, Ahmedabad. He is currently the Managing Director of Puchline Energy Private Limited. He has experience in power solutions and technology.

Ms. Anuranjita Kumar
Non-Executive Independent Director

Ms. Kumar joined the company in Apr'24. She holds a bachelor's degree in Arts (Psychology) from Indraprastha College for Women, University of Delhi, and a post-graduate diploma in Personnel Management and Industrial Relations from XLRI, Jamshedpur. She is currently the co-founder and CEO of We-Ace. She has experience in human resources and organizational development.

Organization structure

Board of Directors

Manoj Kumar Upadhyay	Shashi Shekhar	Nikhil Dhingra	Atul Sabharwal	Sanjay Dhawan	Arunjita Kumar
Chairman and Managing Director	Whole Time Director and Vice Chairman	Whole Time Director and Chief Executive Officer	Non-Executive Independent Director	Non-Executive Independent Director	Non-Executive Independent Director

KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

- Purushottam Kejriwal, Chief Financial Officer
- Rajesh Sodhi, Company Secretary & Compliance Officer
- Manish Jha, Chief Operating Officer- Renewables Business
- Rahula Kumar Kashyapa, Chief Commercial Officer- Renewables Business
- Tushar Goyal, Assistant Vice President, Regulatory
- Ankit Verma, Executive Vice President, Corporate Finance
- Ashutosh Singh, Vice President, Operations & Maintenance (O&M Head)
- Devendra Singh, Chief Development Officer - Renewables Business
- Atma Godara, Vice President - Human Resources
- Amit Maheshwari, Executive Vice President - Legal
- Rishi Kumar Mishra, Senior Vice President – Engineering and Strategic Procurement

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**	**14,488**	**23,777**	**43,007**
Change (%)		*-13%*	*2%*	*10%*	*64%*	*81%*
EBITDA	**12,403**	**11,726**	**10,891**	**12,063**	**20,722**	**38,110**
Change (%)		*-5%*	*-7%*	*11%*	*72%*	*84%*
Margin (%)	*83.4*	*90.6*	*82.6*	*83.3*	*87.2*	*88.6*
Depreciation	5,463	4,848	3,081	2,982	4,455	8,813
EBIT	**6,940**	**6,878**	**7,810**	**9,081**	**16,267**	**29,296**
Net forex loss	0	0	0	0	0	0
Int. and Finance Charges	9,960	8,091	7,673	7,231	11,276	19,961
Other Income	748	665	1,470	191	311	339
PBT bef. EO Exp.	**-2,271**	**-548**	**1,607**	**2,041**	**5,301**	**9,674**
EO Items	3,296	394	7,487	0	0	0
PBT after EO Exp.	**1,024**	**-154**	**9,094**	**2,041**	**5,301**	**9,674**
Total Tax	404	-122	2,116	714	1,856	3,386
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**	**1,327**	**3,446**	**6,288**
Adjusted PAT	**-1,375**	**-113**	**1,233**	**1,327**	**3,446**	**6,288**
Change (%)		*Loss*	*LP*	*8%*	*160%*	*82%*
Margin (%)		*-0.9*	*9.3*	*9.2*	*14.5*	*14.6*

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	43,691	47,137	53,425
Net Worth	**19,088**	**19,006**	**25,909**	**44,901**	**48,347**	**54,635**
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**	**1,50,796**	**2,92,535**	**4,95,329**
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	25,757	30,212	39,026
Net Fixed Assets	**61,771**	**66,309**	**67,579**	**1,07,722**	**2,57,387**	**4,58,954**
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**	**1,34,464**	**2,80,400**	**4,81,928**
Curr. Assets, Loans&Adv.	**23,399**	**27,021**	**32,721**	**30,653**	**26,456**	**27,723**
Account Receivables	9,314	6,993	4,209	3,323	4,185	6,709
Cash and Bank Balance	7,631	13,385	13,149	11,966	6,907	5,650
Loans and Advances	1,623	3,439	1,168	1,168	1,168	1,168
Investmens	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**	**16,332**	**12,135**	**13,402**
Appl. of Funds	**96,406**	**1,12,174**	**1,19,677**	**1,50,796**	**2,92,535**	**4,95,329**

Financials and valuations

Ratios

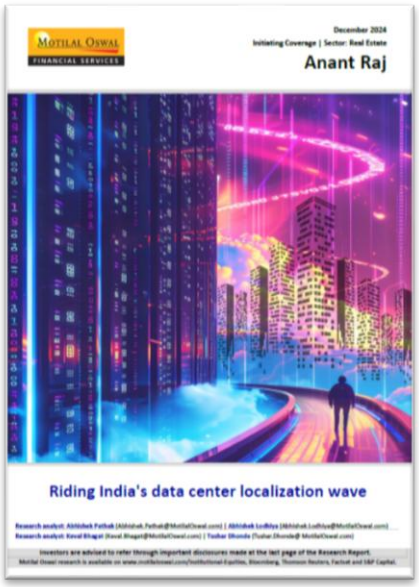
Y/E March (INR)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)						
EPS	**-2.6**	**-0.2**	**2.4**	**2.2**	**5.7**	**10.4**
Cash EPS	7.8	9.1	8.3	7.1	13.1	25.0
BV/Share	36.6	36.4	49.6	74.2	79.9	90.3
Valuation (x)						
P/E	-79.0	NA	88.1	94.9	36.5	20.0
Cash P/E	26.6	22.9	25.2	29.2	15.9	8.3
P/BV	5.7	5.7	4.2	2.8	2.6	2.3
EV/Sales	11.7	14.2	13.8	14.0	14.6	12.7
EV/EBITDA	14.0	15.7	16.8	16.8	16.7	14.3
FCF per share	-58.7	9.5	-26.6	-51.2	-236.9	-326.9
Return Ratios (%)						
RoE	-7.2	-0.6	5.5	3.7	7.4	12.2
RoCE	4.8	1.5	6.1	4.5	4.9	4.9
RoIC	5.4	1.8	7.0	5.8	5.5	5.2
Working Capital Ratios						
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	84	64	57
Creditor (Days)	67	18	20	19	11	6
Leverage Ratio (x)						
Current Ratio	1.9	2.8	2.3	2.1	1.8	1.9
Interest Cover Ratio	0.7	0.9	1.0	1.3	1.4	1.5
Net Debt/Equity	3.7	4.3	3.1	1.8	4.7	7.8
Net Debt/EBITDA	5.7	6.9	7.3	6.8	10.9	11.1

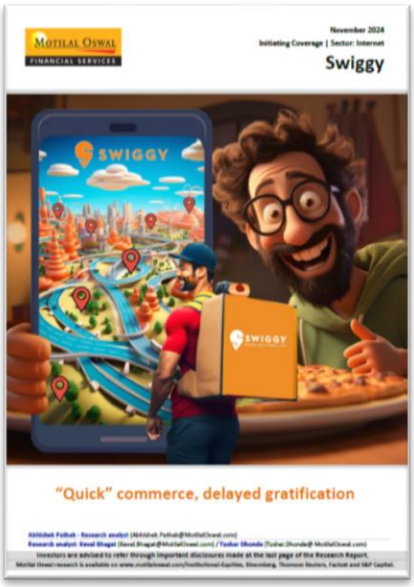
Consolidated - Cash Flow Statement

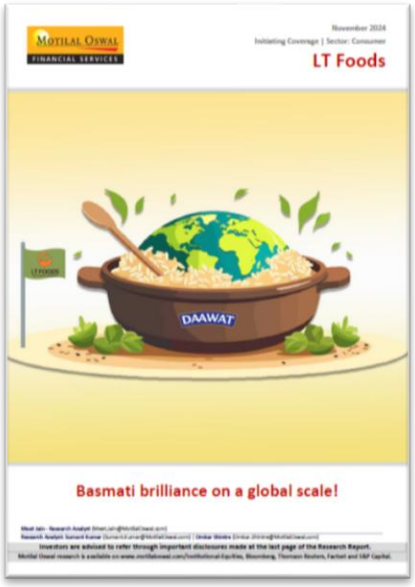
(INR m)

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,024	-154	9,094	2,041	5,301	9,674
Depreciation	5,463	4,848	3,081	2,982	4,455	8,813
Direct Taxes Paid	-256	-547	-112	-714	-1,856	-3,386
(Inc)/Dec in WC	3,318	8,488	2,278	886	-862	-2,524
CF from Operations	**9,550**	**12,635**	**14,342**	**5,194**	**7,039**	**12,578**
(Inc)/Dec in FA	-40,186	-7,688	-28,241	-36,169	-1,50,391	-2,10,341
Free Cash Flow	**-30,637**	**4,947**	**-13,899**	**-30,975**	**-1,43,352**	**-1,97,764**
(Pur)/Sale of Investments	36,446	-6,411	10,934	0	0	0
CF from Investments	**-3,741**	**-14,099**	**-17,307**	**-36,169**	**-1,50,391**	**-2,10,341**
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
CF from Fin. Activity	**-5,558**	**2,154**	**2,158**	**29,792**	**1,38,293**	**1,96,506**
Inc/Dec of Cash	**251**	**690**	**-807**	**-1,183**	**-5,059**	**-1,258**
Opening Balance		4,785	5,474	13,149	11,966	6,907
Closing Balance		**5,474**	**4,667**	**11,966**	**6,907**	**5,650**

RECENT INITIATING COVERAGE REPORTS







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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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