

Rating Rationale

Abellon Cleanenergy Ltd.

6 May 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 21.11 Crore of Abellon Cleanenergy Ltd. (ACEL)

Particulars

Facility	Amt Rated (Rs. Cr)		Tenor	Rating History with BWR	Rating History with BWR	Rating based on current review
	Previous	Present				
				Sep-17	Dec-18	
Working capital limits	24.68	21.11	Long Term	BWR BBB- (Stable)	BWR BBB- (Stable) (RNR)	BWR BBB- (Stable)
Term Loans	62.86#	-		BWR BBB- (Stable)	BWR BBB- (Stable) (RNR)	Withdrawn
Total	87.54	21.11				

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

These loans are moved to different SPVs of the company and hence not outstanding in the books of Abellon Cleanenergy Ltd.

BWR has essentially relied on audited financials of Abellon CleanEnergy Ltd. upto FY18, management certified provisional financials for FY19, projected financials, publicly available information and information/clarifications provided by the company.

The reaffirmation of rating takes into account the Group's specialized business model, the current restructuring done at the group level wherein ACEL will act as a holding company of various Solar Power, Bio Power SPVs and Waste To Energy SPVs and at standalone level ACEL will handle "Surya Shakti Kisan Yojana(SKY)" business and Fuel supply business which provides cash flow visibility. This strength is further augmented by infusion of funds by the promoters with an undertaking of maximum debt cap of Rs.50 Cr at ACEL at standalone level. The rating is, however, constrained by relatively shorter track record in this line of business, major restructuring happening within the Group which will take some time to stabilise, and the overall higher industry risk relating to management of Municipal Solid

Waste (NSW) and generation of quality power, which is yet to show commercial viability on a sustained basis.

Analytical Approach

The rating is done considering the current reorganized structure of the group. Abellon Group is an integrated sustainable energy solutions provider with a vision to contribute to clean energy generation through bioenergy including solid biofuel, biopower and other forms of clean energy generation. The group level reorganization has happened in November 2018 through composite scheme of arrangement which has been concluded successfully under provision of company's act & various other applicable norms.

Post this exercise, the group level ultimate holding company has been formed, known as Altheon Enterprises Ltd which is having direct ownership of group promoters Mr Arjun Handa & Mr Aditya Handa. The combined strength is expected to achieve desired results, but both of them will focus on respective businesses and territories to achieve focused growth.

ACEL is now a wholly owned subsidiary of Altheon Enterprise Ltd (AEL). Pellets business from ACEL is transferred to Altheon Enterprise Ltd. and all the operating Solar as well as Bio Power Plants are divested into separate SPVs which are wholly owned subsidiaries of ACEL. ACEL on standalone level will be having the business of SKY (Surya Shakti Kisan Yojana) scheme which was launched by the government in June 2018 for farmers enabling them to generate electricity for captive consumption and to sell surplus power to the grid to earn extra income. Other business under ACEL will be that of supplying bio-fuel to its power plants for which it will be paid an appropriate price on an 'arm's length' principle.

As such, BWR has analysed ACEL on standalone basis considering these two businesses with its historical performance along with its projections which will provide cash-flows for debt repayment.

Key Risk Drivers:

Support from promoters: Continuous support from promoters in the form of financial assistance is the key rating driver for ACEL. As per provisional FY19, the company had total



networth of Rs.336 Cr which included Compulsorily Convertible Debentures (CCDs) and other forms of Promoters' Funds of Rs. 209.6 Cr. Of this amount, Rs.204 Cr was investment by ACEL into its various under development including Waste to Energy (WTE) projects of 65 MW.

Low Gearing : The existing term loans were transferred to the respective SPVs, . As such, ACEL has very nominal amount of debt at standalone level. Adjusted gearing is presently at 0.3x.

Business Risk in power generation from agro or bio waste: ACEL is into renewable energy business, which essentially involves manufacturing fuel out of agri-waste or generation of power out of MSW. Sustained viability of such projects is yet to be established at national level. Such businesses also are required to follow all the regulatory guidelines of local Pollution Control Boards or Environment Management Authorities.

Rating Outlook: Stable

BWR believes the ACEL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Negative' if the revenues and profit margins show lower than expected figures. Guarantees or other comforts given to the borrowings of SPVs, and consolidated gearing levels would be key monitorables.

About Abellon Cleanenergy Ltd:

Abellon CleanEnergy Ltd. (ACEL) is a 100% subsidiary of Altheon Enterprise Ltd. promoted by Mr. Aditya Handa and Mr. Arjun Handa. BWR is informed that the Networth of AEL is Rs. 1019 Crores as on March 31, 2018. ACEL on standalone level will be having the business of SKY (Surya Shakti Kisan Yojana) scheme which was launched by the government in June 2018 for farmers enabling them to generate electricity for captive consumption and to sell surplus power to the grid to earn extra income. Other business under ACEL will be that of supplying bio-fuel to its power plants. Through various SPVs, company operates 45 MW Regional Waste Based Power Plant in Gujarat and 5MW Solar Power Plant at Modassa, North Gujarat. The company is also venturing into Waste to Energy Power Plants out of which one of the plants is expected to become operational this fiscal.

List of their domestic subsidiaries/SPVs is as under:

Sr. No.	Name of subsidiaries
1	Goodwatts Solar Modasa Pvt. Ltd.
2	Goodwatts Solar Modasa 2MW Pvt. Ltd.
3	Goodwatts WTE Botad Pvt. Ltd.
4	Abellon Co-Gen Limited
5	Junagadh Power Projects Pvt. Ltd.
6	Goodwatts WTE Ahmedabad Pvt. Ltd.
7	Goodwatts WTE Jamnagar Pvt. Ltd.
8	Goodwatts WTE Vadodara Pvt. Ltd.
9	Goodwatts WTE Surat Pvt. Ltd.
10	Goodwatts WTE Rajkot Pvt. Ltd.
11	Jamnagar Wastefuels Pvt. Ltd.
12	Gandhinagar Wastefuels Limited
13	Vadodara Wastefuels Pvt. Ltd.

Company's Financial Performance:

Rs. Crore	FY18	FY19
	Audited	Provisional
Revenue	43.89	97.73
PBDIT	10.32	16.15
Networth	163.32	127.10
Adjusted Networth	207.32	336.7
Adjusted Debt to Equity (Times)	0.5	0.3
Current Ratio (Times)	4.8	1.8

Note: Financial numbers of FY18 and FY19 are not strictly comparable due to change in business model, as explained above.

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2019)			Rating History		
		Type (Long Term/Short Term)	Amount	Rating	Dec 2018	Sep 2017	July 2016
1.	Working Capital Limits	Long Term	21.11	BWR BBB- (Stable)	BWR BBB- (Stable) (Rating Not Reviewed)	BWR BBB- (Stable)	BWR BB (Stable)
2.	Term Loan	Long Term	-	Withdrawn	BWR BBB- (Stable) (Rating Not Reviewed)	BWR BBB- (Stable)	BWR BB (Stable)
	Total		21.11				

Status of non-cooperation with previous CRA (if applicable): Reason and comments N/A

Any other information: N/A

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)



For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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