

APRIL 22, 2015

CARE ASSIGNS 'CARE BBB+ (SO)' RATING TO THE BANK FACILITIES OF WELSPUN SOLAR PUNJAB PRIVATE LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	201.88	CARE BBB+ (SO) [Triple B Plus (Structured Obligation)]	Assigned
Total Facilities	201.88		

Rating Rationale

The rating assigned to the bank facilities of Welspun Solar Punjab Private Limited (WSPPL) is based on credit enhancement in the form of unconditional and irrevocable corporate guarantee from Welspun Energy Private Limited (WEPL, rated 'CARE A+', 'CARE A1') which is valid up to the later of; a period of one year from Commercial Operation Date (COD), the date on which equitable mortgage on immovable property is created and perfected to the satisfaction of the lenders and the date on which Debt Service Reserve (DSR) is created to the satisfaction of the lenders.

The rating also factors in the strong and experienced promoters viz. Welspun group, with established track record in setting up and operating solar power projects, successful commissioning of the project within the envisaged schedule, WSPPL's long-term off-take arrangement in the form of Power Purchase Agreements (PPAs) signed with Punjab State Power Corporation Limited (PSPCL, rated 'CARE BB+', 'CARE A4+') and elongated repayment tenor leading to moderately comfortable debt coverage indicators along with DSR creation mechanism.

The rating is, however, constrained by exposure to stabilization risks pertaining to recently commissioned capacities, dependence on favorable climatic conditions, technological risks, counter-party credit risk given the relatively weak financial risk profile of PSPCL and exposure to foreign exchange and interest rate fluctuation risk.

The ability of the company to operate the power plant efficiently, achieve expected generation levels along with timely receipt of payments from the off-taker and any change in the financial risk profile of the guarantor viz. WEPL, shall be the key rating sensitivities.

Background

Welspun Solar Punjab Private Limited (WSPPL), a 100% subsidiary of Welspun Renewables Energy Private Limited (WREPL, rated 'CARE A+ (SO)') and a step-down subsidiary of Welspun Energy Private Limited (WEPL; rated 'CARE A+', 'CARE A1') has developed a 32 MW solar power (PV) project in the state of Punjab. The project was awarded by Punjab Energy Development Agency (PEDA) through competitive bidding under the Punjab State Solar Policy (NRSE Policy 2012). The company has signed three Power Purchase Agreements (PPAs) with Punjab State Power Corporation Limited (PSPCL, rated 'CARE BB+', 'CARE A4+') to supply power at Rs.8.33/kWh for 20 MW, Rs.8.42/kWh for 10 MW and Rs.8.56/kWh for 2 MW, for a period of 25 years. The project has been commissioned in three phases (2 MW on February 12, 2015, 10 MW on February 17, 2015 (8 MW) and March 13, 2015 (2 MW) and 20 MW on March 7, 2015), earlier than the scheduled Commercial Operations Date (COD) of March 15, 2015.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

The project has been completed within the envisaged cost of Rs.269.18 crore (Rs.8.41 crore/ MW) which has been funded by bank debt of Rs.201.88 crore and equity of Rs.67.29 crore (D:E ratio of 3:1). The EPC contractor for the project is WEPL.

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CIN - L67190MH1993PLC071691