

## Waaneep Solar Private Limited

January 07, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	238.32 (Reduced from 308.34)	CARE A- (Under Credit watch with Negative Implications) (Single A Minus) (Under Credit watch with Negative Implications)	Continues to be on Credit watch with Negative Implications
Total Facilities	238.32 (Rs. Two Hundred Thirty-Eight Crore and Thirty Two Lakhs Only)		

Details of facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Waaneep Solar Private Limited (WSPL) continues to derive comfort being part of strong promoter group (HERO Future Energies), successful track record in the renewable energy space, satisfactory Capacity Utilisation Factor (CUF) of the operating solar power plants, long-term PPA signed with Solar Energy Corporation of India (SECI) and Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) with ~54% of the revenue being derived from a strong counter-party i.e., SECI. Further, CARE also takes into account satisfactory debt coverage indicators and liquidity position post refinancing, part prepayment of debt and consolidation of debt resulting in cash flow fungibility across projects, moderate financial risk profile in FY20 (refers to the period between April 01, 2019 to March 31, 2020) and H1FY21 (refers to the period between April 01, 2020 to September 30, 2020) and creation of Debt Service Recovery Account (DSRA). The ratings are however, constrained by WSPL's relatively short track record of operations, ~46% of revenue being derived from a relatively weak counter-party i.e., APSPDCL, delay in receipt of receivables from APSPDCL and exposure of the project towards climatic conditions and technological risks.

The rating assigned to the bank facilities of WSPL continues to be on 'Credit Watch with Negative Implications' in view of uncertainty regarding tariff and recovery thereof from Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) post Government of Andhra Pradesh (GoAP) setting up High Level Negotiation Committee (HLNC) to review the high priced PPAs and renegotiate with the objective to bring down the tariff. Andhra Pradesh High Court order dated Sep 24, 2019 w.r.t petition filed by wind power producers post formation of HLNC, directed dissolution of HLNC and ordered APSPDCL to pay solar power producers at an 'interim' rate of Rs.2.44 per unit. Further, the court has directed Andhra Pradesh Electricity Regulatory Commission (APERC) to resolve the tariff issue within a time frame of six months. The resolution of this issue has got delayed due to Covid-19. The tariff revision has also been challenged by renewable power producers at various legal forums. CARE would be monitoring closely and evaluate the impact of the above developments on the credit quality of the entity and would take a view on the rating when the exact implications of the above are clear with regard to the tariff and release of payment by APSPDCL at the rate agreed in the PPA.

### Rating Sensitivities

#### Positive factors

- CUF at the level of PPA on a sustained basis (MP project: 23.10% & AP Projects: 25%)
- Reinstatement of tariffs at earlier levels for AP projects post resolution of legal dispute

#### Negative factors

- Decline in generation below CUF level of 17.85% for MP project & 16.75% for AP projects on a sustained basis
- Deterioration in credit profile of Counterparty (SECI and APSPDCL)
- Any additional debt taken before tariff issue pertaining to Nagari & Gurramkonda (Andhra Pradesh) projects is resolved.

### Detailed description of key rating drivers

#### Key rating strengths

#### Experience and successful track record of promoters

WSPL is a subsidiary of Hero Solar Energy Private Limited (HSEPL) and indirect subsidiary of Hero Future Energies Private Limited ("HFEPL"). HSEPL is a part of the HERO Group- Munjal family, which is one of the biggest conglomerates in India having strong promoters and management. The group enjoys a dominant position in the two wheeler business with Hero Motocorp

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

Ltd as its flagship company. HFEPL (earlier known as Clean Solar Power (Hiriyur) Pvt. Ltd and parent of HSEPL) is majorly owned by the Munjal family through investment holding companies. The other investors include IFC, Masdar etc. The presence of the Munjal family on the board of HFEPL lends comfort and therefore it is of strategic importance to the HERO Group. The renewable arm of the HERO Group has a strong track record of developing and acquiring wind and solar power projects having large and diverse portfolio.

#### ***Long term PPAs with power off-takers provides a long-term revenue visibility***

WSPL has signed a 25 year PPA with Solar Energy Corporation of India (SECI) for the power-off take from its 50 MW project at Madhya Pradesh at the rate of Rs.5.45 per unit. Furthermore, for its 25MW project at Gurramkonda, Andhra Pradesh and 25MW project at Nagari, Andhra Pradesh, the company has entered into 25 year PPA with Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) at the rate of Rs.5.76 per unit and Rs.3.74 per unit respectively plus escalation @ 3% p.a up to 10 years. Such PPAs in place for a long tenure provides a firm source of revenue to the company. As per the Andhra Pradesh Court order dated September 24, 2019, the court has asked APSPDCL to make an interim payment of Rs.2.44 per unit and also directed APERC to resolve the pricing issue within 6 months. The tariff revision has also been challenged by renewable power producers at various legal forums. The resolution of this issue has got delayed due to Covid-19.

#### ***VGF funding for the project at Madhya Pradesh provides cushion to the coverage indicators***

WSPL's project at Madhya Pradesh is set up under Jawaharlal Nehru National Solar Mission (JNNSM) Phase 2 Batch 1 scheme of Central Government. As per the terms of agreement with SECI, the company is eligible for a VGF funding of Rs.117.50 crore (2.35 crore per MW) in six tranches. As on Nov 30, 2020, the company has already received five of six such tranches aggregate receipt being Rs.105.75 crore (90% of the amount).

#### ***Moderate financial risk profile; adequate DSRA as per agreement with lenders providing liquidity cushion***

The total operating income of WSPL witnessed y-o-y increase of 13.39% from Rs.90.12 crore in FY19 to Rs.102.18 crore in FY20 owing first full year of operations of 25MW plant in Nagari, Andhra Pradesh (commissioned on Aug, 2018). This led to the improvement in PBILDT from Rs.82.55 crore in FY19 to Rs.88.91 crore in FY20. PBT of the company in FY20 stood at Rs. 12.62 cr (PY: Rs. 14.99 cr). The company reported a loss of Rs.18.03 crore in FY20 against PAT of Rs.23.14 crore in FY19 on account of provision for deferred tax of Rs.28.5 crore in FY20. GCA remained stable at Rs.42.47 crore in FY20 as compared to Rs.41.97 crore in FY19.

As on March 31, 2020, the overall gearing deteriorated to 2.29x vis-à-vis 2.16x as on March 31, 2019 due to erosion in net worth on account of losses incurred in FY20 mainly due to provision of deferred tax. The company has earned cash accruals of Rs.42.47 crore in FY20 vis-à-vis debt repayment obligation of Rs.20.56 crore. During H1FY21, the company has got its loan refinanced at a lower interest rate of 10.25% p.a. (Earlier weighted average Interest rate in the range of 10.25%-11.00%) and also prepaid a part of its term loan in H1FY21. This has resulted in reduction of external loan from around Rs.295 crore as on March 31, 2020 to Rs.238.3 cr as on Nov 30, 2020. Reduction in the said loan has been financed through infusion of unsecured loan from promoters to the tune of Rs.50 crore and the rest through internal accruals.

#### **Key rating weakness**

##### ***Relatively Short track record of operations; however, satisfactory CUF***

The 25 MW solar power plant at Gurramkonda, Chittoor District, Andhra Pradesh is into operation since September 2016 and has operated at an average CUF of 18.31% in FY20. In 7MFY21, CUF for the plant stood at 19.47% vis-à-vis 18.21% in 7MFY20. The improvement in H1FY21 is on account of higher radiation levels.

The 25 MW solar power plant at Nagari, Chittoor District, Andhra Pradesh is into operation since August, 2018 and has operated at an average CUF of 18.59% in FY20 as against average CUF of 13.67% in FY19 being FY19 its first full year of operation. In 7MFY21, CUF for the plant stood at 16.49% (7MFY20:17.18%). The average CUF declined in 7MFY21 on account of failure of 25 MVA power transmissions in Feb 2020, due to which the plant had to replace 25 MVA with 16 MVA. The plant become fully operational with 25MVA power transmission on Sep 23, 2020.

Furthermore, WSPL's 50 MW solar power plant at Ichhawar, Sehore District, Madhya Pradesh is operating since May 2015 (actual commissioning was phase-wise between May 04, 2015 and June 15, 2015). In FY20, the plant has operated at an average CUF of 19.77% as against CUF of 20.45% in FY19. In 7MFY21, CUF for the plant stood at 19.98% vis-à-vis 18.36% in 7MFY20.

##### ***Exposure of the project towards climatic conditions and technological risk***

The power generation level of a solar power plant primarily depends upon factors like solar radiation levels, temperature and climatic conditions, losses in PV systems and transmissions efficiency of the design parameters of the plant and inverters installed, module aging and degradation etc. While losses in PV systems, design parameters, inverter efficiency and module degradation depend on the overall manufacturing pattern and technical soundness of the modules, solar irradiance levels and

overall climatic conditions are beyond human control and thus have the potential to adversely affect the operational efficiency of a solar power plant.

#### **Counterparty credit risk**

The company is exposed to credit risk related to off-takers SECI and APSPDCL. Payment from SECI is being received within 2 months of billing. While the credit profile of APSPDCL is satisfactory, the same is not making any payments for the units purchased on account of dispute between APSPDCL and solar power generators in Andhra Pradesh with regard to the high tariff contracted as per the PPA. However, as per the Andhra Pradesh Court order dated September 24, 2019, the court has asked APSPDCL to make an interim payment of Rs.2.44 per unit and also directed APERC to resolve the pricing issue within 6 months. The tariff revision has also been challenged by renewable power producers at various legal forums. The resolution of this issue has got delayed due to Covid-19. Regular receipt of payment at the interim rate of Rs.2.44/unit from APSPDCL remains a key rating monitorable.

#### **Liquidity: Adequate**

The company earned a GCA of Rs.42.47 crore vis-à-vis debt repayment obligation of Rs.20.56 crore in FY20. The debt repayment obligation for in FY21 (for L&T Infra Finance Loan of Rs. 240 cr) stands at Rs. 5.22 crore out of which Rs.1.68 cr has already been paid as on Sep 30, 2020. As on Nov 30, 2020, the company has outstanding term loan of Rs. 238.32. Further, the company has maintained a DSRA balance of around Rs. 24.33 cr (as on November 30, 2020) from previous lenders which is expected to get release shortly and the same shall be utilized for maintaining DSRA to the tune of Rs. 8.4 cr for L&T Infra Finance loan and the remaining amount of Rs. 16 cr is expected to be utilized for payment of unsecured loan availed from HSEPL. In addition with the DSRA, the company has cash & bank balance of Rs. 6.56 cr as on Nov 30, 2020. As per discussion with management, the Hero Group will support the entity in case of any cash flow mismatch in view of delay in payments from APSPDCL although there is no contractual obligation on Hero Group for the same.

**Analytical approach:** Standalone

#### **Applicable criteria:**

[Criteria on assigning 'outlook' and 'credit watch' to credit ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology – Solar Power Rating](#)

[Rating methodology for Infrastructure sector ratings](#)

[Liquidity analysis of Non-financial sector entities](#)

#### **About the company**

Waaneep Solar Private Limited (WSPL), initially incorporated in March 2014, as a 60:40 joint venture between Waaree Energies Limited (WEL) and North Eastern Electric Power Corporation Limited (NEEPCO). However, in December 2017 NEEPCO has sold its 40% share to WEL, making WSPL 100% subsidiary of WEL. WEL sold 100% shareholding in WSPL to HSEPL, part of the Hero Future Energies Group.

WSPL is a solar power generator with 100 MW solar plants operating at Madhya Pradesh (50 MW) , Gurramkonda, Andhra Pradesh (25 MW) and Nagari, Andhra Pradesh (25MW).

<b>Brief Financials (Rs. crore)</b>	<b>FY19 (A)</b>	<b>FY20 (A)</b>
Total operating income	90.12	102.18
PBILDT	82.55	88.91
PAT	23.14	-18.03
Overall gearing (times)	2.16	2.29
Interest coverage (times)	2.18	2.01

A: Audited

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	FY2037	238.32	CARE A- (Under Credit watch with Negative Implications)

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	238.32	CARE A- (Under Credit watch with Negative Implications)	-	1)CARE A- (Under Credit watch with Negative Implications) (08-Jan-20) 2)CARE A- (Under Credit watch with Developing Implications) (04-Jul-19)	1)CARE A-; Stable (14-Sep-18) 2)CARE BBB+; Stable (07-Jun-18)	1)CARE BBB+; Stable (20-Oct-17) 2)CARE BBB+; Stable (06-Oct-17)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-** Not applicable

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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