Walwhan Solar BH Limited

January 08, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities@	146.00 (Enhanced from 140.00)	CARE AA- (CE); Stable [Double A Minus (Credit Enhancement); Outlook: Stable]	Reaffirmed
Total Bank Facilities	**146.00 (Rs. One Hundred Forty-Six Crore Only)**		

Details of instruments/facilities in Annexure-1

@ backed by unconditional and irrevocable corporate guarantee provided by Walwhan Renewable Energy Limited (WREL, rated CARE AA (CE); Stable/ CARE A1+ (CE), CARE AA-; Stable/CARE A1+) to the lender of Walwhan Solar BH Limited (WSBHL).

Unsupported Rating [1]	**CARE A (Single A)**	**(Reaffirmed)**

Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

CARE has reaffirmed the rating of the long term bank facilities of Walwhan Solar BH Limited. The rating is based on the credit enhancement in the form of an unconditional and irrevocable corporate guarantee extended by Walwhan Renewable Energy Limited (WREL) to the lender of WSBHL.

Detailed Rationale & Key Rating Drivers of Walwhan Renewable Energy Limited (Guarantor)

The credit profile of Walwhan Renewable Energy Limited (WREL) factors in the strategic importance of the renewable business to The Tata Power Company Limited, its strong and steady cash flow generation, established track record of operations and demonstrated support from TPCL as reflected in timely fund infusion and corporate guarantee extended to certain long-term instruments/bank facilities. As on March 31, 2020, TPCL has infused total equity of Rs.1045.11 crore and unsecured perpetual securities of Rs.3895 crore in TPREL (Tata Power Renewable Energy). Further, TPCL has also extended corporate guarantee to the Non-convertible Debenture issue (NCDs) and Bank facilities of TPREL and Walwhan Renewable Energy Limited (WREL).

The ratings also factor in stable revenue stream with satisfactory operational performance in FY20, comfortable capital structure and debt coverage indicators and strong liquidity. The ratings are also strengthened by the successful implementation of solar and wind projects by the companies with the entire operational capacity being secured by long term Power Purchase Agreements (PPAs). Further, the company is in the process of launching Infrastructure Investment Trust (InvIT) and entire operational renewable energy assets under the group are expected to be transferred to the InvIT.

The rating strengths however continue to be tempered by the implementation risks associated with the projects which the company proposes to implement in the medium term, exposure to counter-party risk for power off-take and dependence on favorable climatic conditions for power generation.

Timely commissioning of the projects under implementation without any cost overruns and timely receipt of payments from Discoms/counter party, any large debt funded capex impacting credit risk profile of TPREL, expected continuous support from parent and credit rating of Tata Power are the key rating sensitivities.

Rating Sensitivities (WREL)

Positive rating sensitivities with quantifiable attributes

- Improvement in the credit profile of the parent i.e. Tata Power Company Limited
- Significant deleveraging at TPREL consolidated level resulting in improvement in capital structure with overall gearing below 0.5x and debt protection metrics.

Negative rating sensitivities with quantifiable attributes

- Any Significant debt funded capex resulting in Overall Gearing of more than 2x and Total Debt/EBIDTA of more than 5x

[1] *As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).*

- Any deterioration in the credit profile of TPCL and weakening of financial linkages.
- Any major delay or cost overruns for ongoing under-implementation projects

Key Rating Drivers of Walwhan Solar BH Limited (Issuer)

The unsupported ratings of the long term bank facilities of Walwhan Solar BH limited derive strength from experienced & strong promoter, established track record of the promoter in the renewables business, financial support extended by promoters via unsecured loan, presence of long term PPA offsetting demand and price risk. The rating also factors in the improvement in operational and financial profile of the company in FY20 & H1FY21 along with average PLF levels above 17% over the past 2-3 years, stable collections from off-takers, comfortable financial risk profile and debt coverage indicators.

The ratings are, however, tempered by weak credit profile of counter party, moderate supply risk, climate and technological risk.

Detailed description of the key rating drivers of WREL (Guarantor)

Key Rating Strengths

Experienced promoters and established track record: TPREL is a wholly owned subsidiary of TPCL. The promoters have significant experience and established track record in setting up and operating power projects. TPREL has an operational capacity of approximately 2.6 GW (incl 379 MW capacity under TPCL) as on September 30, 2020. TPREL along with WREL have strong business and financial linkages with TPCL and also share common treasury team. TPREL will benefit from TPCL's long and established track record in implementing and operating various power projects. Moreover, TPREL will remain the growth vehicle for renewable generation capacities under the Tata power group.

Strategic importance of TPREL considering thrust of parent to increase its renewable portfolio: *TPREL* is strategically important to TPCL given the thrust of TPCL to increase its non-fossil generation capacity to about 50-60% by 2025. The combined portfolio of WREL and TPREL add up to around 2.2 GW, making it a significant proportion of Tata Power's generation capacity (~30%). TPCL has been continuously providing financial support to TPREL in the form of infusion of share capital and unsecured perpetual securities. Moreover, TPCL has also extended corporate guarantee to the Non-convertible Debenture issue (NCDs) and various bank of bank limits of TPREL and WREL. Given the high strategic importance, TPREL is expected to receive continuous need based support from its parent i.e. TPCL.

Presence of long term PPA offsetting demand and price risk; satisfactory operational performance during FY20: Operational projects have PPAs signed with different counter parties including with its parent, TPCL, thereby diversifying revenue streams. Presence of most of the PPA's having tenure of around 25 year mitigates the demand and price risk. TPREL has 75% capacity in solar and 25% capacity in wind with demonstrated operational track record of more than 3 years for majority of the projects. The average PLF (Plant Load Factor) for TPREL (standalone) has improved marginally from 21.20% in FY19 to 21.33% in FY20 with total generation of 2153 MU in FY20. The average PLF for WREL (consolidated) has declined from 19.10% in FY19 to 18.04% in FY20 with total gross generation of 1048 MU in FY20.

Comfortable capital structure with healthy debt coverage indicators: TPREL at consolidated level has a comfortable capital structure with healthy debt coverage indicators. The parent, TPCL has been infusing equity in the company on a regular basis for capacity expansion which supports capital structure. As on March 31, 2020 The overall gearing levels stood at 1.95x (1.69x as on March 31, 2019), TD/GCA stood at 11.20x years (9.38x in FY19), total debt/EBITDA stood at 5.65x (4.88x in FY19) and interest coverage ratio stood at 2.09x (2.43x in FY19). TPREL has 820 MW pipeline of capacities under implementation having estimated project cost of about Rs. 4326 crore out of which 650 MW is expected to be commissioned by end of FY21. The projects are likely to be funded in debt: equity ratio of 3:1. The capital structure is expected to remain stable in the medium term despite capex due to healthy cash accruals and support from parent.

Key Rating Weaknesses

Counter party risk impacting working capital cycle: TPREL remains exposed to high counterparty credit risks given the presence of long-term PPAs with state Discoms having inferior credit profile such as Andhra Pradesh, Tamil Nadu and Telangana. The average receivable days has increased from 89 days as on March 31, 2019 to 164 days as on March 31, 2020 mainly on account of delay in receipt of payments from Andhra Pradesh, Telangana and Tamil Nadu state distribution companies. The counter party risk is however partially mitigated by the diversified counter party mix with the PPA in place with financially strong off-takers such as NTPC, GUVNL, SECI, NVVN etc. Also, for some of the projects, the company also has PPA with the parent which also mitigates the counter party risk to some extent. TPREL Group is however implementing the growth plan based on the viability of the project and after considering the appropriate risk mitigation plans with respect to counter party.

Exposure to project execution risk: TPREL has an operational capacity of 1010 MW (as on March 31, 2020), wherein all the projects have commissioned. As on March 30, 2020, under TPREL, the company has an operational capacity of 1187 MW, while 820 MW capacities are under execution out of which 650 MW expected to be commissioned by FY21. Thus, the company is exposed to project implementation risk, which to an extent is mitigated by successful track record of execution and commissioning of projects.

Climatic and technological risks, though consistent generation track record provides comfort: Achievement of desired CUF going forward would be subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks. Thus, the company continues to remain exposed to climatic changes and technological risks.

Renewable Industry Outlook:
The Ministry of New and Renewable Energy (MNRE) is aiming to achieve 225 GW of renewable energy capacity by 2022, much ahead of its target of 175 GW as per the Paris Agreement. Under Union Budget 2018-19, Rs 3,762 crore (US$ 581.09 million) has been allocated for grid-interactive renewable energy schemes and projects. Encouraging policy framework in renewable energy (RE) sector has resulted in rising share of installed capacity of RE from 5.83% of total energy capacity (approx. 7.7 GW out of 132 GW) as on March 31, 2007 to around 25.61% (approx. 87 GW out of 350 GW) as on April 30, 2020. The Ministry of New and Renewable Energy (MNRE) is aiming to achieve 225 GW of renewable energy capacity by 2022. Renewable energy technologies have been supported by a number of fiscal and policy initiatives taken by the central and various state governments, While the government's focus on renewable power is expected to result in long-term opportunities for the sector, With the decline in project cost and government capacity addition targets, the sector has moved from preferential tariffs to auction based tariff bidding over the last 3-4 years or so, which has resulted in steep fall in tariffs with high competitive intensity. However, there are concerns pertaining to stricter RPO enforcement by state regulators, level of degradation of the modules given relatively lesser track record of technology in Indian conditions, regulatory uncertainty for IPP's, execution delays witnessed for land acquisition, variation in wind patterns, transmission connectivity approvals, tight financing environment over the last 8-10 months period. Going forward, success of the UDAY scheme in addressing the financial woes of the Discoms is crucial.

Liquidity Analysis: Strong – TPREL (Consolidated)
TPREL at consolidated level has strong liquidity profile marked by strong cash accruals and available cash and cash equivalent of Rs.165.59 crore as on March 31, 2020 (PY Rs. 166.75 crore). The liquidity is also supported by unutilized fund based working capital limits. TPREL on consolidated basis is expected to generate sufficient gross cash accruals which is adequate to meet its debt repayment obligation of Rs.1879 crore in FY21. Further being part of Tata group and strategic arm of TPCL, TPREL and WREL enjoys significant level of financial flexibility and access to capital market as and when required.

Analytical approach:
Credit Enhancement Ratings: The rating of the bank facility of WSBHL is based on the assessment of WREL, Guarantor which has provided an unconditional and irrevocable corporate guarantee to WSBHL's lenders. CARE has adopted combined approach for arriving at the ratings of WREL. CARE has combined the business and financial risk profiles of TPREL, WREL and its subsidiaries as these companies are in the renewable energy segment and together represent the renewable energy business of TPCL. The companies are under a common management and share a common treasury with TPCL. List of companies which are getting combined are annexed as **Annexure-5**.
Unsupported Rating: Standalone, WSBHL is a 100% subsidiary of WREL managed by common management and also share common treasury team. The standalone assessment also factors in financial and operational linkages with it's parent and strong promoter group.

Applicable Criteria
Criteria on assigning rating outlook and credit watch
CARE's Policy on Default Recognition
Criteria for Solar Power Projects
Financial ratios - Non-Financial sector
Rating Methodology - Infrastructure Sector
Rating Methodology – Liquidity analysis for non-financial sector entities
Rating methodology- Factoring Linkages in ratings
Rating methodology – Credit enhanced debt

About the Company – Walwhan Renewable Energy Limited (Guarantor)
Walwhan Renewable Energy Limited (WREL) was earlier a part of the Welspun Group and was an asset holding company having multiple renewable energy (Solar and Wind) assets on its books directly as well as through its subsidiaries. The company along with the asset holding SPVs was acquired by Tata Power through its wholly owned subsidiary Tata Power Renewable Energy Limited (TPREL). The transaction was executed in September 2016. The total operational capacities under WREL for solar and wind capacities are 1010 MW as on June 30, 2020. TPREL with all these assets, has renewable assets portfolio of about 2.6 GW making it one of the largest Renewable Power Companies in India. Going forward, all the further capacity additions will be housed under TPREL. TPREL has pipeline of 820 MW projects under implementation as on June 30, 2020

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	1285.53	1216.98
PBILDT	1169.93	1087.38
PAT	300.10	182.76
Overall gearing (times)	2.39	2.26
Interest coverage (times)	2.58	2.43

A: Audited
Note: The financials have been reclassified as per internal standards of CARE.

About the Company – Walwhan Solar BH Limited (Issuer)
Incorporated in the year 2010, WSBPL is wholly owned subsidiary of Walwhan Renewable Energy Limited [(WREL, rated CARE AA-; Stable/CARE AA (CE); Stable]. The Company is involved in generation of solar energy and it currently has solar power project with capacity of 40MW (10MW+15MW+15MW) commissioned in the district of Gaya, Bihar, having exclusive PPA arrangement for a period of 25 years with North Bihar Power Distribution Company and South Bihar Power Distribution Company Limited. The project has successfully achieved COD in July 16, 2016. The tariff as per PPA for 10 MW is Rs. 8.70/-unit for 15 MW is Rs.8.64/-unit and 15 MW is 8.65/-unit. The total project cost was Rs. 244 crore which was funded in the debt equity ratio of 3:1.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	52.00	55.18
PBILDT	46.59	51.43
PAT	18.80	23.23
Overall gearing (times)	1.51	1.23
Interest coverage (times)	3.38	3.61

A: Audited
Note: The financials have been reclassified as per internal standards of CARE.
Status of non-cooperation with previous CRA: NA

Any other information: NA

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	-	-	-	146.00	CARE AA- (CE); Stable
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	0.00	CARE A

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	146.00	CARE AA- (CE); Stable	-	1)CARE AA- (CE); Stable (07-Jan-20)	1)CARE AA- (SO); Stable (08-Oct-18)	1)CARE AA- (SO); Stable (06-Oct-17)
2.	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE A	-	1)CARE A (07-Jan-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
I) Debt Equity Ratio (DER)	Shall not exceed 3:1 for term liabilities and 3.2:1 including working capital limits if availed by the company
II) Fixed Assets Coverage Ratio (FACR)	Shall not fall below 1.25
III) Debt Service Coverage Ratio (DSCR)	Minimum average Annual DSCR should be equal to or above 1.15x
B. Non-financial covenants	
I) Promoter Undertaking	To retain minimum 51% management control of the company during the tenure of the loan
II) Promoter Loans	Promoter contribution by way of unsecured loans, Preference shares shall not be repaid during the loan tenure except with prior lender approval.

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
2.	Un Supported Rating-Un Supported Rating (Long Term)	Simple

Annexure- 5: List of subsidiaries, associates and joint ventures of TPREL getting consolidated (list as on March 31, 2020)

Sr.No.	Name of the company	% shareholding of TPREL
1	Walwhan Renewable Energy Ltd.	100.00%
2	Indo Rama Renewables Jath Ltd.	100.00%
3	Nivade Windfarm Ltd.	100.00%
4	Supa Windfarm Ltd.	100.00%
5	Poolavadi Windfarm Ltd.	74.00%
6	Vagarai Windfarms Ltd.	72.00%
7	TP Solapur ltd	100.00%
8	TP Kirnali Ltd	100.00%
9	Clean Sustainable Solar Energy Pvt. Ltd.@	99.99%
10	Dreisatz Mysolar24 Pvt. Ltd.@	100.00%
11	MI Mysolar24 Pvt. Ltd.@	100.00%
12	Northwest Energy Pvt. Ltd.@	100.00%
13	Solarsys Renewable Energy Pvt. Ltd.@	100.00%
14	Walwhan Solar Energy GJ Ltd.@	100.00%
15	Walwhan Solar Raj Ltd.@	100.00%
16	Walwhan Solar BH Ltd.@	100.00%
17	Walwhan Solar MH Ltd.@	100.00%
18	Walwhan Wind RJ Ltd.@	100.00%
19	Walwhan Solar AP Ltd.@	100.00%
20	Walwhan Solar KA Ltd.@	100.00%
21	Walwhan Solar MP Ltd.@	100.00%
22	Walwhan Solar PB Ltd.@	100.00%
23	Walwhan Energy RJ Ltd.@	100.00%
24	Walwhan Solar TN Ltd.@	100.00%
25	Walwhan Solar RJ Ltd.@	100.00%
26	Walwhan Urja Anjar Ltd.@	100.00%
27	Walwhan Urja Anjar (India) Ltd.@	100.00%

@Consolidated with Walwhan Renewable Energy Limited (WREL)

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 for any clarifications.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact
Mr. Ratnam Raju Nakka
Group Head Contact no.: +91-22- 6837 4472
Group Head Email ID: ratnam.nakka@careratings.com

Relationship Contact
Mr. Saikat Roy
Contact no. : +91-22- 68754 3404
Email ID: saikat.roy@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**