

Waaree Renewable Technologies Limited

May 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	761.00	CARE A-; Stable / CARE A2	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Waaree Renewable Technologies Limited (WRTL), which is engaged in the business of providing engineering, procurement, and construction (EPC) solutions in the solar power sub-segment, factors in its strong and resourceful parentage by virtue of it being a subsidiary of Waaree Energies Limited (WEL, rated CARE A; Stable/CARE A2+). WEL is the largest solar PV module manufacturer of India with 12 GW of module manufacturing capacity as on March 2024 end.

Further, the rating derives strength from the strong financial position characterised by growth in topline, healthy profitability margins and swift operating cycle. The company has witnessed a significant increase in its scale of operations, as reflected by an improvement in total operating income (TOI) from ~Rs. 350 crore in FY23 to ~Rs. 600 crore in 9M-FY24, healthy operating profitability margins (above 20% since FY23) and moderate working capital intensity with inventory holding period of ~30 days and negligible receivables due for more than 30 days. Moreover, CARE Ratings positively factors in a healthy order position as on February 2024 end, aggregating to gross unexecuted order book of ~2.5 GW accumulating to ~Rs. 3,700 crore.

The aforementioned rating strengths of WRTL are, however, partially offset by the high competitive intensity in the renewable energy EPC segment and susceptibility of profitability margins to volatility in the prices of inputs. Further, CARE Ratings takes into consideration, the nature of business operations which require utilisation of working capital limits in order to extend LCs/BGs to vendors and customers. Going forward, the the ability of the company to execute underlying orders without any material cost or time overrun would be critical from a profitability perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit profile of the parent, i.e., WEL
- Improvement in financial risk profile as reflected by significant improvement in profitability margins on a sustained basis

Negative factors

- Deterioration in financial risk profile as reflected by lower-than-expected profitability margins and increase in operating cycle thereby adversely impacting the liquidity
- Decline in TOL/TNW beyond 3x on a sustained basis
- Weakening of the credit profile of the parent, i.e., WEL, or any change in linkages/support philosophy between the parent and WRTL

Analytical approach: Consolidated plus factoring in parent support

CARE Ratings has considered the consolidated financials of WRTL including all its subsidiaries as on March 31, 2023, owing to strong management, operational and financial linkages.

The list of entities getting consolidated into WRTL is placed at Annexure-6.

Moreover, CARE Ratings expects WRTL's parent, WEL, to be willing to extend need-based support to WRTL, given the high strategic importance of the latter to WEL.

Outlook: Stable

The stable outlook on the CARE A- rating of WRTL reflects CARE Ratings' opinion that the company would benefit from its healthy order book position. Also, the expectation of successful execution of orderbook and sustained improvement in operational performance supports the outlook.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:**Key strengths****Strong and resourceful parentage by virtue of being a part of the Waaree Group:**

WEL is the largest solar PV module manufacturer of India with 12 GW of module manufacturing capacity as on March 2024 end. The company has an established position and clientele across India and overseas. Currently, it derives more than 85% of its revenue from export sales and remaining ~15% revenue from domestic sales to utilities, enterprises, and franchises. WEL has nearly 390 franchisees in 25 states and 2 Union Territories across India, which provides a wide reach. The company is a part of Approved List of Module Manufacturers (ALMM). Apart from the sale and manufacture of PV modules, the company provides EPC for solar power plants in India and overseas, and trades in other solar-related products such as solar water heaters and solar water pumps.

The stated posture of WEL towards WRTL remains strong as reflected by WRTL's contribution of around 10% to group's overall profitability and strong linkages between both the entities.

Strong financial position characterised by growth in topline, healthy profitability margins, and swift operating cycle:

The financial position of the company is strong as reflected by growth in TOI from Rs. 350 crore in FY23 to Rs. 600 crore in 9M-FY24. The company has maintained operating profitability margins above 20% and net margins above 15% since FY23. The working capital intensity is moderate with inventory holding period of ~30 days and negligible receivable due for more than 30 days.

Healthy orderbook position providing revenue visibility over the near term:

The company has a healthy order book position of around 2.5 GW aggregating to gross unexecuted contract value of ~Rs. 3,700 crore providing revenue visibility to the company over the near term. The orderbook to TOI multiple stood at ~10x on TOI of FY23. Moreover, the order book constitutes contracts with reputed counterparties thereby eliminating counterparty credit risk to a meaningful extent.

Key weaknesses**Susceptibility of profitability to volatility in the prices of key inputs:**

WRTL undertakes EPC contracts (Turnkey and BOS - Balance of Supply) for construction of solar power projects across geographies to be commissioned within predefined timelines and cost. CARE Ratings notes that challenges with respect to increase in the prices of various inputs, viz cables, structures, modules etc may impact the TOI and the profitability of the company.

While the risk of increase in the prices of the solar modules is partly mitigated due to the fact that WRTL sources its modules from its parent, WEL; the ability of the company to demonstrate strong project execution capabilities despite disruptions remains crucial from the credit perspective.

Moreover, CARE Ratings also makes a note of the fact that with sharp fluctuations in metal prices coupled with challenges in land acquisition and receipt of prerequisite clearances, profitability of solar EPC players like WRTL may remain vulnerable

High level of competitive intensity in the solar EPC segment:

WRTL is a mid-sized player operating in an intensely competitive and fragmented industry. Its competitors include EPC arms of several independent power producers (IPPs), who comparatively hold a high bargaining power in terms of securing orders from those respective developers. It also faces competition from several medium to small sized players, who provide EPC & O&M services to same target segment.

Dependence on working capital limits to sustain business operations:

Given the nature of business operations, the company requires working capital limits in order to extend LCs/BGs to its vendors and customers. As on March 2024 end, out of the total sanctioned limits, working capital utilisation stood at 91%. Going forward, the ability of the company to execute underlying orders without any material cost or time overrun would be critical from a profitability perspective.

Liquidity: Adequate

As on March 2024 end, the company had free cash and bank balance of around Rs. 10 crore. Apart from this, the company is also maintaining DSRA amounting to Rs. 3.4 crore and unutilized working capital limits of around Rs. 50 crore. Further, due to the nature of the business, the company does not maintain a higher cash balance since working capital requirement is funded through external facilities from time to time.

Environmental, Social, and Governance (ESG) Profile:

WRTL is dedicated to fostering sustainable living by championing environmental preservation, promoting health and safety through adoption of green energy practices, empowering children through educational initiatives, and actively engaging communities in environmental stewardship programs. Notably, 43% of WRTL's board consists of independent directors, ensuring robust governance and diverse perspectives.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

WRTL, incorporated on June 6, 1999, is a wholly owned subsidiary of WEL. WRTL is engaged in the business of providing engineering, procurement, and construction (EPC) solutions to third party renewable energy developers across the country as well as generation of power through renewable energy sources. The company is listed on the Bombay Stock Exchange (BSE).

Brief Financials - WRTL (Consolidated):

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2024 (A)
Total operating income	161.5	351.0	603.2
PBILDT	23.5	83.7	131.9
PAT	8.9	55.3	93.9
Overall gearing (times)	1.4	0.5	0.2
Interest coverage (times)	3.4	15.8	40.9

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	761.00	CARE A-; Stable / CARE A2

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	761.00	CARE A-; Stable / CARE A2				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Sangam Rooftop Solar Fund Private Limited	Full	Subsidiary
2.	Waaree PV Technologies Private Limited	Full	Subsidiary
3.	Wasang Solar One Private Limited	Partial	Subsidiary
4.	Wasang Solar Private Limited	Full	Subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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