OCTOBER 08, 2015

CARE REVISES THE RATINGS ASSIGNED TO BANK FACILITIES OF WAA SOLAR PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	90.56	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)
Long-term / Short-term Bank Facilities	20.00	CARE BBB+/ CARE A2 (Triple B Plus / A Two)	Revised from CARE BBB / CARE A3+ (Triple B / A Three Plus)
Total Facilities	**110.56 (Rupees Hundred and Ten crore and Fifty Six lakh only)**		

Rating Rationale

The revision in the ratings of the bank facilities of Waa Solar Private Limited (WSPL) take into account better than envisaged operational performance of its solar power project supported by track record of almost four years, improvement in its debt coverage indicators during FY15 (refers to the period April 01 to March 31) and satisfactory track record of operations of all Special Purpose Vehicles (SPVs) where WSPL has extended corporate guarantees for their bank facilities.

The ratings continue to take into account vast experience of the promoters of WSPL in the construction industry, low off-take and credit risk on account of long-term Power Purchase Agreement (PPA) with Gujarat Urja Vikas Nigam Limited (GUVNL; rated 'CARE A+/CARE A1+') which has a relatively comfortable credit profile and has demonstrated track record of timely payment of bills raised by WSPL. The ratings also factor the favourable policy framework for solar power generation business on the back of various government-led reforms and incentives to encourage investments in this segment.

The ratings, however, continue to be constrained by the technological risk associated with thin film technology in the absence of its adequate performance track record in Indian conditions and its dependence on favourable climatic conditions at the site of solar power plant. The ratings also continue to be constrained due to client concentration risk as GUVNL is the sole off-taker.

The ability of WSPL to continue to operate its solar power plant at the envisaged capacity utilization factor (CUF) with control over operations and maintenance expenses are the key rating sensitivities. Furthermore, any additional exposure of WSPL towards the group's existing/proposed SPVs which could adversely impact its debt protection indicators would also be a rating sensitivity.

Background

Incorporated in November 2009, WSPL is a wholly-owned subsidiary of Madhav Power Pvt Ltd. (MPPL), promoted by Mr Ashok Khurana and Mr Amit Khurana, erstwhile promoters of MSK Projects India Ltd (MSK).

WSPL has set-up a 10.25-MW grid interactive solar photovoltaic (PV) power project and signed power purchase agreement (PPA) for power generation for 25 years with GUVNL in May 2010 under the Gujarat Solar Policy 2009 framework. The project is located at Surendranagar district in Gujarat and the plant has an operational track record of almost four years since commencement of its operations in January 2012. WSPL has also commissioned a 0.10-MW grid interactive solar PV power project at Rajabhoj Airport, Bhopal, which started operations in July 2013. Apart from this, WSPL has sponsored Madhav group's various project-specific SPVs in the road construction and solar power segments.

During FY15, WSPL reported PAT of Rs.0.44 crore and gross cash accruals (GCA) of Rs.20.96 crore on a total operating income (TOI) of Rs.54.26 crore as against a net loss of Rs.2.22 crore (and GCA of Rs.14.79 crore) on a TOI of Rs.27.71 crore

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

during FY14. During 5MFY16, WSPL reported average CUF of 19.44% and income of Rs.10.88 crore from its Surendranagar solar power unit.

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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