NOVEMBER 09, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF WAA SOLAR PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	80.44 (reduced from Rs.90.56 crore)	**CARE BBB+ (Triple B Plus)**	Reaffirmed
Long term / Short term Bank Facilities	20.00	**CARE BBB+/ CARE A2 (Triple B Plus / A Two)**	Reaffirmed
Total	**100.44 (Rupees One Hundred crore and Forty Four lakh only)**		

Rating Rationale

The ratings assigned to the bank facilities of WAA Solar Private Limited (WSPL) continue to derive comfort from vast experience of the promoters 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+'), better than envisaged operational performance of its solar power project during FY16 (refers to the period April 01 to March 31) supported by a track record of more than four years and improvement in its leverage as on March 31, 2016. The ratings also take into account satisfactory track record of operations of all Special Purpose Vehicles (SPVs) where WSPL has extended corporate guarantees for their bank facilities along with 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 susceptibility of power generation to variation in climatic conditions as well as technological risk given the relatively short performance track record of equipment in Indian conditions and client concentration risk as GUVNL is the sole off-taker; though the same is mitigated by a relatively comfortable credit profile and demonstrated track record of timely payment of bills raised by WSPL.

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 (O&M) 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 more than 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 the above, WSPL has sponsored Madhav group's various project-specific SPVs in the road construction and solar power segments.

During FY16, WSPL incurred loss of Rs.0.90 crore and gross cash accruals of Rs.15.78 crore on a total operating income of Rs.46.90 crore as against a PAT of Rs.0.44 crore and gross cash accruals of Rs.20.96 crore on a total operating income of Rs.54.26 during FY15.

The solar power plant reported an average CUF of 20.11% during past 57 months of its operations (till September 2016). Operating performance in terms of CUF improved during FY16 with CUF of 20.24% in FY16 as against 20.19% in FY15.

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

During H1FY17, the unit reported CUF of 18.05% as compared to CUF of 19.60% during H1FY16. CUF during H1 remains lower mainly on account of monsoon season.

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

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CIN - L67190MH1993PLC071691