Waaree Energies Limited

November 02, 2017

Ratings

Sl. No	Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
1.	Long-term bank facilities – Term Loan	- (Reduced from 3.33)	-	Revised from CARE BBB-;Stable (Triple B Minus; Outlook: Stable) to CARE D and withdrawn
2.	Long-term Bank Facilities – Proposed term loan	- (reduced from 50.78)	-	Withdrawn
3.	Long-term Bank Facilities – Proposed Fund based working capital	- (reduced from 35.00)		Withdrawn
4.	Long-term Bank Facilities – Fund based working capital	- (reduced from 35.00)	-	Revised from CARE BBB-;Stable (Triple B Minus; Outlook: Stable) to CARE BB; Stable (Double B; Outlook: Stable) and withdrawn
5.	Short-term Bank facilities – Proposed Non fund based working capital	- (reduced from 49.50)	-	Withdrawn
6.	Short-term Bank facilities –Non fund based working capital	- (reduced from 65)	-	Revised from CARE A3 (A three) to CARE A4 (A four) and withdrawn
	Total Facilities	-		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

For Sl. No 1, the revision in ratings assigned to the term loan of Waaree Energies Limited (WEL) takes into account delays made by the company in repayment of dues to the financier during FY17. CARE has also withdrawn the rating assigned to the said term loan of WEL with immediate effect as the company has repaid the aforementioned term loan in full and there is no amount outstanding under the said facility as on date.

For Sl. No. 2, WEL has confirmed that it has not been sanctioned the proposed term loan rated by CARE and there is no outstanding under the said facility as on date. Hence, CARE has withdrawn the rating assigned to the aforementioned bank facility with immediate effect.

For Sl. No. 3 & Sl. 5, CARE has withdrawn the rating assigned to the proposed facilities of WEL on the request of the company. The same was not yet sanctioned.

For Sl. No. 4 & Sl. No. 6, the revision in rating assigned to the said bank facilities is on account of continued high level of exposure to its group companies (though reduced marginally during the current year i.e. FY18) vis-à-vis networth leading to tight liquidity. Furthermore, the rating also takes into account performance risk of SPV modules, volatility in prices of raw materials and exposure to foreign exchange fluctuation risks. However, the rating derives comfort from experienced promoters, strong technical competence and Government's push for promoting solar projects in India. Furthermore, CARE has withdrawn the outstanding ratings of 'CARE BB; Stable/ CARE A4' [<in words>] assigned to the said bank facilities with immediate effect. The above action has been taken at the request of WEL and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

<u>Key Rating Weakness</u>

Delays in debt servicing

The company has delayed in debt servicing of term during FY17.

High Exposure to group companies

WEL's aggregate exposure to its group entities increased from 273.45 crore as on Mar.31, 2016 to Rs.292.65 crore as on Mar.31, 2017 accounting for 147% of the networth. The funded exposure has reduced to Rs.242.06 crore as on Sep.30, 2017. Further, the company has also extended corporate guarantees to the tune of Rs.407.87 crore as on March 31, 2017

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

(Rs. 415.53 crore as at march 31, 2016) mainly on account of borrowings availed by one of its JV company 'Waaneep Solar Private Limited. High exposure in group companies has led to tight liquidity position of the company. Overall gearing considering WEL's exposure to group companies stood at 4.13x as on March 31, 2017 as against 5.09x as on March 31, 2016.

Volatility in raw-material prices

Solar panel prices have witnessed sharp decline over the past few years on account of the significant improvement in technology and economies of scale. Solar panel prices have significantly dropped since 2009. Thus, the profitability of the company remains exposed to the volatility in solar cell prices, if it maintains a very high inventory of solar modules in a declining price scenario.

Foreign currency fluctuation risk

The company has forex exposure in the form of forex payable (for import of raw materials), foreign currency borrowings (buyers' credit for raw materials) and forex receivable (for export of SPV modules). Although the exports of the final goods and import of the raw materials provide a natural hedge to the company and mitigate the risk to a certain extent, the higher value of the imports as compared to that of the exports exposes the company to the volatile foreign currency movement.

Key Rating strengths

Experienced promoter

Waaree Group, promoted by the Mumbai-based Doshi family, was engaged in manufacturing of Process & Temperature Gauge & Flow and Level measurement instruments since 1990.

Analytical approach: Standalone

Applicable Criteria

Policy on Withdrawal of ratings
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology-Manufacturing Companies

Company's Background

Waaree Energies Limited (incorporated in 2007 as Waaree Energies Private Limited) is involved in manufacturing of Solar Photo Voltaic (SPV) modules at its manufacturing facility located at Surat in Gujarat. The company stared operations with trading in solar modules and thereafter ventured into manufacturing of solar photovoltaic (PV) modules in Surat, Gujarat in 2010. The company over the years has increased its installed capacity from 30 MW in FY11 to its current operating capacity of 500 MW *(250 MW added during FY15).* Apart from sale of SPV modules, WEL is also engaged in setting up of solar power plants- EPC (like on-grid system, off-grid system, roof-top applications) which contributed about 29.59% to the total turnover of the company in FY16. Further, WEL also deals in solar products like solar lantern, solar street lights, home lighting systems, etc. Waaree Group is promoted by Mr. Hitesh Doshi and his brother Shri Viren Doshi.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	998.02	1,065.04
PBILDT	63.55	72.03
PAT	22.80	34.69
Overall Gearing Ratio (times)	0.87	0.60
Overall gearing considering Exposure in group companies (times)	5.09	4.13
PBILDT/Interest Coverage (times)	2.96	6.06

A: Audited

Status of Status of non-cooperation with other CRA: Not applicable

Any other information: Not applicable

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

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Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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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.

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-Cash Credit	-	-	-	35.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	64.00	Withdrawn
Non-fund-based - ST-Forward Contract	-	-	-	1.00	Withdrawn
Term Loan-Long Term	-	-	-	50.78	Withdrawn
Fund-based - LT-Term Loan	-	-	-	3.33	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	35.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	49.50	Withdrawn

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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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB-; Stable (19-Jan-17)	1)CARE BBB (27-Aug-15)	1)CARE BBB- (05-Dec-14)
2.	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A3 (19-Jan-17)	1)CARE A3+ (27-Aug-15)	1)CARE A3 (05-Dec-14)
3.	Non-fund-based - ST-Forward Contract	ST	-	-	-	1)CARE A3 (19-Jan-17)	1)CARE A3+ (27-Aug-15)	1)CARE A3 (05-Dec-14)
4.	Term Loan-Long Term	LT	-	-	-	1)CARE BBB-; Stable (19-Jan-17)	1)CARE BBB (27-Aug-15)	1)CARE BBB- (05-Dec-14)
5.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	-
6.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	-
7.	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	-

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