Wisemore Advisory Private Limited

October 07, 2019

Ratings

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Debenture issue (Tranche I)#	209.80 (Rs. Two hundred nine crore and eighty lakhs only)	CARE BB (CE); Stable [Double B (Credit Enhancement)]; Outlook: Stable	Reaffirmed
Non-Convertible Debenture issue (Tranche II)#	65.35 (Rs. Sixty five crore and thirty five lakh only)	CARE BB (CE); Stable [Double B (Credit Enhancement)]; Outlook: Stable	Reaffirmed

Details of instruments/facilities in Annexure-1

 # Credit enhancement in the form of pledge of unencumbered shares of Renew Power Limited (RPL)

Unsupported Rating [2]	**CARE B; Stable (Single B; Outlook Stable)**

Detailed Rationale & Key Rating Drivers

The rating assigned to the Non-Convertible Debentures (NCDs) of Wisemore Advisory Private Limited (WAPL) is based on credit enhancement in the form of pledge of unencumbered shares of Renew Power Limited (RPL, rated CARE A+; Stable, CARE A1+) with the Debenture Trustee (Axis Trustee) for the obligations of WAPL.

The rating continues to derive comfort from pledge of RPL's shares and available coverage as per the recent valuation benchmark. The rating also continues to factor in RPL's position as a leading renewable power company, majority equity stake held by Goldman Sachs group in RPL and significant investments made by GS Wyvern Holdings Limited, Canada Pension Plan Investment Board (CPPIB), GEF SACEF India, Abu Dhabi Investment Authority (ADIA) and Jera Power. As per the agreed terms, the structure is being monitored through the appointment of a Debenture Trustee (Axis Trustee Services Limited) on behalf of the NCD holders which is holding and monitoring the security cover (pledged shares).

The rating is, however, constrained by exposure to the risks of illiquidity of equity shares as RPL is an unlisted company and volatility in share price.

Going forward, one of the events including timely completion of RPL's IPO or stake sale to investor or refinancing of the loan, any deterioration in financial risk profile of RPL impacting valuation of RPL's share price and continued maintenance of adequate coverage would also be the key rating sensitivities.

The unsupported standalone rating assigned to the NCDs of WAPL factors in 100% shareholding of the investment vehicle by Mr. Sumant Sinha (CEO & founder of RPL which is one of the largest renewable energy generator in India). The ratings are, however, constrained by no other income source for WAPL apart from dependency on dividend income from RPL. Also, a key rating sensitivity would be timely raising of funds through IPO/stake sale to investor/refinancing for timely repayment of NCDs.

Detailed description of the key rating drivers

Adequate cover available via shares of RPL

The aggregate cover for the transaction (Tranche I + Tranche II) is comfortable at around 1.8 times the principal and accrued interest amount over the tenor of NCDs considering the recent valuation benchmark of RPL's share. The company raised Tranche I of the NCDs amounting to Rs.209.80 crore in March 2017 and the same has been utilized towards financing the acquisition of 1.08 crore ESOP shares and 0.38 crore Partly Paid rights issue Shares. The first tranche has a tenor of 58 months from the first funding i.e. March 30, 2017. Furthermore, the company raised Tranche II of the NCDs amounting to Rs.65.35 crore in April 2018 and the same has been utilized towards financing the acquisition of 0.275 crore ESOP shares. The NCD issued under Tranche II is having maturity on January 31, 2022 which is same as for Tranche I NCD.

Also, as per the terms of the executed documents, the debentures issued under the separate tranches shall rank pari-passu inter se without any preference or priority of one over the other.

Strong group viz RPL (entity whose shares being pledged) with majority equity stake held by Goldman Sachs

RPL is engaged in renewable power generation business, mainly through its wholly-owned/majority-owned SPVs. Mr. Sumant Sinha, Founder & CEO of RPL, is well-qualified and has more than two decades of experience in leadership roles across various organizations. The Goldman Sachs group, through its investment arm, GSH, has been making significant equity investment in RPL since FY12 and is the majority shareholder. Subsequently, other investors, CPPIB, SACEF, ADIA (through its

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

[2] *As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019*

arm Green Rock A 2014 Ltd) and JERA have made significant investment and also GSH has participated in further rounds of equity fund raising by the company.

One of the largest players in the renewable power segment in India with well diversified portfolio
The company has expanded its capacity significantly to become one of the largest renewable energy company in India. As on August 2019, RPL has operational capacity of more than 4.77 GW (65% Wind and 35% Solar), majority of which have tied up long-term PPAs. In addition, the company has about 3.39 GW of power projects under implementation or in planning stage. Also, in terms of location of the operational projects, the company is diversified. The company is providing power to a diversified set of off-takers having moderate to weak financial risk profile, though the risk is mitigated from diversification.

Successful track record of commissioning and operations of projects, though large expansion plans
Despite a rapid scale up of capacity, the company has been able to complete majority of the projects in a timely manner. Although a significant portion of the capacity has short to medium track record of operations, the operational track record has been satisfactory, so far.

Comfortable financial risk profile of RPL, though increase in debt level and exposure to refinancing risk
RPL has a moderately comfortable financial profile owing to long-term revenue visibility along with adequate liquidity built-up. During FY19, RPL reported y-o-y growth of 76.85% in total operating income backed by an increase in operational capacity. However, overall gearing ratio increased to 3.76x as on March 31, 2019 from 3.16x as on March 31, 2018. Increase in overall gearing was primarily on account of incremental debt availed for new capacity commissioned. Nevertheless, the same is expected to improve on account of recent equity infusion of USD 300 million (~Rs.2100 crore) in June 2019. Also, the company is exposed to refinancing risks in the near to medium term pertaining to masala bonds and various NCDs issued at RPL and SPV levels.

Illiquidity Risk till RPL's shares get listed
The shares of RPL are the only coverage available against the debenture issue, which presently is unlisted, entailing illiquidity risk.

Exposure of security to volatility risk
The share prices are volatile in nature and hence exposed to volatility risk as there is risk of change in valuation of RPL. Also, once the IPO is completed, exposure of RPL's shares to market volatility risk will remain.

Regulatory and policy uncertainty risk in renewable energy sector:
There are concerns in the renewable energy sector in India like delays in land acquisition, imposition of safeguard duty on import of solar modules and lack of stricter RPO enforcement by the state regulators which may impact the under implementation capacities of the group, going forward. Also, RPL operates wind and solar power projects under various state and national level schemes with presence across 7 states in India including AP, MP, Telangana, Gujarat, Karnataka, Maharashtra and Rajasthan. This exposes the company to uncertainties and unfavorable changes in policies across various states for all operational as well as under implementation projects.

Liquidity Analysis: **Stretched**
The company had cash and bank balance of Rs.0.55 crore as on March 31, 2019. Liquidity position of the company is stretched. However, it is an investment company with no operations and operational expenses and as per the sanction terms of NCDs, interest on NCDs is payable on maturity (i.e. January 2022).
Analytical approach:
Standalone/Credit enhancement in the form of pledge of unencumbered shares of Renew Power Limited (RPL).

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Factoring Linkages in Ratings
Financial ratios – Non-financial sector

About the Company
Wisemore Advisory Private Limited (WAPL), incorporated in January 2017, is a closely-held investment company of Mr. Sumant Sinha, founder of Renew Power Limited (RPL, rated 'CARE A+; Stable', 'CARE A1+'). WAPL is 100% owned by Sivatar Sinha's Family Trust (belongs to Mr Sumant Sinha and family members).
RPL, founded by Mr Sumant Sinha in 2011, is engaged in renewable power generation business (wind and solar power). GS

Wyvern Holdings Limited (GSH), an investment arm of Goldman Sachs group holds majority stake in the company, while other investors [GEF SACEF India (SACEF), Abu Dhabi Investment Authority (ADIA), Jera Co. Inc and Canada Pension Plan Investment Board (CPPIB)] and WAPL, Mr Sumant Sinha & Cognisa Investment are minority shareholders. As on August 2019, with the commissioned renewable power capacity of more than 4.77 GW spread over Gujarat, Maharashtra, Rajasthan, Madhya Pradesh, Andhra Pradesh, Telangana and Karnataka states, the company has established itself as one of the largest renewable energy players in India. Also, the company has a large pipeline of under implementation and planned projects in both solar and wind power segments.

Brief Financials – WAPL Standalone (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	0.15	0.15
PBILDT	-0.94	-0.05
PAT	-38.28	-55.08
Overall gearing (times)	1.80	1.96
Interest coverage (times)	NM	NM

A: Audited, NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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.*

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE714W07019	March 30, 2017	16.06%*	January 30, 2022	209.80	CARE BB (CE); Stable
Debentures-Non Convertible Debentures	INE714W07019	April 11, 2018	16.06%*	January 30, 2022	65.35	CARE BB (CE); Stable
Unsupported Rating		March 30, 2017	16.06%	January 30, 2022	0.00	CARE B; Stable

**-interest being accrued at 16.06% for first 2 years, 18% for next 2 years and 19% for remaining tenor of NCDs*

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debentures-Non Convertible Debentures	LT	209.80	CARE BB (CE); Stable	-	1)CARE BB (SO); Stable (03-Oct-18)	1)CARE BB (SO); Stable (07-Feb-18)	1)Provisional CARE BB (SO); Stable (16-Mar-17)
2.	Debentures-Non Convertible Debentures	LT	65.35	CARE BB (CE); Stable	-	1)CARE BB (SO); Stable (03-Oct-18)	1)Provisional CARE BB (SO); Stable (07-Feb-18)	-
3.	Unsupported Rating	LT	0.00	CARE B; Stable	-	-	-	-

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