

Wisemore Advisory Private Limited
 October 01, 2020

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
Total Facilities	275.15		

Details of instruments/facilities in Annexure-1

Credit enhancement in the form of pledge of unencumbered shares of Renew Power Private Limited (RPPL, rated CARE A+; Stable, CARE A1+)

Unsupported Rating ²	CARE B (Single B)
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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 Private Limited (RPPL, 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 RPPL's shares and available coverage as per the recent valuation benchmark. The rating also continues to factor in RPPL's position as a leading renewable power company, majority equity stake held by Goldman Sachs group in RPPL 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 put option, exposure to the risks of illiquidity of equity shares as RPPL is an unlisted company and volatility in share price.

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 RPPL 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 RPPL. Going forward, timely raising of funds through IPO/stake sale to investor/refinancing for timely repayment of NCDs would be a key monitorable.

Key Rating Sensitivities**Positive Factors**

- Significant increase in coverage of NCD amount via pledging of additional RPPL shares
- Significant increase in valuation of RPPL leading to increase in share price and subsequently ultimate cover available against the outstanding NCDs

Negative Factors

- Deterioration in financial risk profile of RPPL impacting valuation of RPPL's share price thereby negatively impacting coverage available
- Any decrease in coverage of available RPPL shares lag against the total maturity amount of the NCDs
- Delay in refinancing of the outstanding NCDs and/or delay in timely arranging of funds via RPPL's share sale at the time of exercising of Put Option or redemption at maturity date

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

Detailed description of the key rating drivers

Key Rating Strengths

Adequate cover available via pledged shares of RPPL

The aggregate cover for the transaction (Tranche I + Tranche II) is comfortable at around 1.83 times the principal and accrued interest amount over the tenor of NCDs considering the last valuation benchmark of RPPL'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.

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

RPPL is engaged in renewable power generation business, mainly through its wholly-owned/majority-owned SPVs. Mr. Sumant Sinha, Founder & CEO of RPPL, 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 RPPL since FY12 and is the majority shareholder. Subsequently, other investors, CPPIB, SACEF, ADIA (through its 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.

RPPL being 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, 2020, RPPL has operational capacity of around 5433 MW (60% - Wind and 40% - Solar). In addition, the company also has about 4 GW of projects under construction which are expected to become operational in next 1-2 years in phases.

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.

Moderately comfortable financial risk profile of RPPL

RPPL has a moderately comfortable financial profile owing to long-term revenue visibility along with adequate liquidity built-up. During FY20, RPPL reported y-o-y growth of 10.13% in total operating income backed by an increase in operational capacity. The overall gearing ratio in FY20 has decreased to 3.52x from 3.76x in FY19 as the company was able to successfully raise fresh equity of USD 300 mn (~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 RPPL and SPV levels.

RPPL has strong liquidity as on June, 2020 with an unrestricted cash balance of around Rs. 1157 crore at standalone level and around Rs. 3062 crore at consolidated level.

Key Rating Weaknesses

Illiquidity Risk till RPPL's shares get listed

The shares of RPPL 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 RPPL. Also, if the IPO is completed, exposure of RPPL's shares to market volatility risk will remain.

Put Option

As per the sanctioned terms, the Debenture Holders shall be entitled to redeem all or part of the debentures held by the Debenture Holders at any time after the expiry of 46 months from the Tranche 1 deemed date of allotment (i.e. March 30, 2017).

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 import duties on 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, RPPL operates wind and solar power projects under various state and national level schemes with presence across all major renewable 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.0.73 crore as on March 31, 2020. 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 being accrued and payable at maturity (i.e. January 2022).

Impact of COVID-19: WAPL is an investment company and has no operational projects under its portfolio and hence there was no impact of COVID-19 in the company's performance. The company has not availed any moratorium on any repayments.

Analytical approach:

Standalone/Credit enhancement in the form of pledge of unencumbered shares of Renew Power Private Limited (RPPL, erstwhile Renew Power Limited).

Applicable Criteria

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Financial Ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Credit Enhanced Debt](#)

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 Private Limited (RPPL, rated CARE A+; Stable/CARE A1+, erstwhile Renew Power Limited). WAPL is 93.57% owned by Sivatar Sinha's Family Trust (belongs to Mr Sumant Sinha and family members) and 6.43% directly by Mr Sumant Sinha. WAPL is acting as a holding company which holds around 4.58% shareholding in RPPL as on August 2020. RPPL, 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, 2020, RPPL has operational capacity of around 5433 MW (60% - Wind and 40% - Solar). In addition, the company also has about 4 GW of projects under construction which are expected to become operational in next 2-3 years in phases. 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.

Brief Financials – WAPL Standalone (Rs. crore)	FY19 (A)	FY20 (A)
Total Operating Income	0.15	0.18
PBILDT	-0.05	0.06
PAT	-55.08	-64.79
Overall gearing (times)	1.96	5.94
Interest coverage (times)	0	0

A: Audited

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

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	19%*	January 30, 2022	209.80	CARE BB (CE); Stable
Debentures-Non Convertible Debentures	INE714W07019	April 11, 2018	18%*	January 30, 2022	65.35	CARE BB (CE); Stable
Unsupported Rating	-	-	-	-	-	CARE B;

*-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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	209.80	CARE BB (CE); Stable		1)CARE BB (CE); Stable (07-Oct-19)	1)CARE BB (SO); Stable (03-Oct-18)	1)CARE BB (SO); Stable (07-Feb-18)
2.	Debentures-Non Convertible Debentures	LT	65.35	CARE BB (CE); Stable		1)CARE BB (CE); Stable (07-Oct-19)	1)CARE BB (SO); Stable (03-Oct-18)	1)Provisional CARE BB (SO); Stable (07-Feb-18)
3.	Un Supported Rating	LT	0.00	CARE B		1)CARE B; Stable (07-Oct-19)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument- Term Loan	Detailed explanation
A. Financial covenants	NA
B. Non financial covenants	
<u>Negative Covenants</u>	<p>The Issuer hereby covenants with the Debenture Trustee and the Debenture Holders that, without the prior written approval of the Debenture Holders, the Obligors shall not take any of the following actions, without prior written consent of the Debenture Holders:</p> <ul style="list-style-type: none"> i) Effect any increase or decrease in the authorised share capital of the Issuer or change in capital structure of the Issuer, including by way of reduction, return, purchase, repay, cancellation or redemption or buy back of share capital of the Issuer; ii) Any issue of equity shares or share equivalents, debentures, securities and other such instruments, including convertible securities, by the Issuer other than as contemplated under the Deed; iii) Entering into any amalgamation, consolidation, demerger, merger, restructuring, reorganisation or corporate reconstruction, by the Issuer; iv) Change the rights attached to shares (directly or indirectly) or issuance of shares with differential rights by the Issuer; v) Declare or pay any dividend or other payment or distribution of any kind by the Issuer to its shareholders during any Financial Year; vi) Create any Security Interest, other than the Permitted Encumbrances.

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple
2.	Un Supported Rating	Simple

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

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