

## Press Release

### Waaree Energies Ltd.

December 8, 2017

## Ratings

Instrument / Facility	Amount	Rating	Rating Action
Long-Term Non-Convertible Debentures – Series I	Rs.45.00 crores	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
Long-Term Non-Convertible Debentures – Series II	Rs.55.00 crores	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned

Details of Facilities are in Annexure 1

### Detailed Rationale

The ratings assigned to the Non-Convertible Debentures of Waaree Energies Ltd (WEL) are constrained by liquidity stress in the past, volatility in raw material prices and exposure to foreign exchange fluctuations and high exposure to group entities.

The ratings however, derive strength from presence of experienced promoter with long track record, profitable operations with moderate gearing, moderate order book and government's thrust on the solar energy sector.

Completion of the sale of subsidiary, Waaneep Solar Pvt. Ltd. (WSPL), maintaining profitability, gearing and liquidity position are the key rating sensitivities.

### List of Key Rating Drivers

- Liquidity stress in the past
- Volatility in raw material prices and exposure to foreign exchange fluctuations
- High exposure to group entities.
- Presence of experienced promoter with long track record
- Profitable operations with moderate gearing
- Moderate order book
- Government's thrust on the solar energy sector.

### Detailed Description of Key Rating Drivers

## Key Rating Weaknesses:

### **Liquidity stress in the past**

There were delays in repayment of term loan obligation in FY17. The delays were pertaining to term loans extended to the company by an NBFC. The delays did not exceed 90 days and were regularised before March 31, 2017. This loan was repaid in full in October 2017.

### **Volatility in raw material prices and exposure to foreign exchange fluctuations**

The main input in the manufacture of PV modules is the silicon wafers. Solar cells are made up of these silicon wafers; volatility in the prices may impact the profitability of the company. Further, most of the raw materials are imported and hence, the company is exposed to foreign exchange fluctuations.

### **High exposure to group entities**

The total exposure to group companies in the form of investments and loans stood at Rs.232.06 crores as on March 31, 2017. The main investment is in Waaneep Solar Private Limited (WSPL), for Rs.123 crores, which is a JV with NEEPCO Ltd (60:40), a central PSU. WSPL is an independent solar power producer with installed capacity of 75 MW (50 MW in Ichhawar, Madhya Pradesh and 25 MW in Gurrankonda, Andhra Pradesh). WEL is in the process of offloading WSPL to another investor, which will improve the liquidity position of the company. However, the scenario will become clearer once the terms of the sale of the unit are finalised. The company has indicated that as against the exposure to group companies, Rs.55 crores has since been recovered (other than WSPL).

## Key Rating Strengths

### **Experienced promoter with long track record**

The group was promoted by Mr. Hitesh Doshi and his brother Mr. Viren Doshi, in the year 1989. It was initially set up as a trading company dealing in instrumentation and pressure gauges and shifted its focus to solar power business in 2007, when WEL was incorporated. The company manufactures solar photovoltaic (PV) modules at its plant in Surat, Gujarat – set up in 2008, with an installed capacity of 30 MW. The company over the years has gradually ramped up the

capacity of the plant to its current capacity of 500 MW. Apart from this, the company also undertakes EPC projects. They have till now installed solar power plants with generation capacity of nearly 400 MW.

The company has established itself as a reliable player and recognised name in the solar power sector. It is ranked as a Tier I manufacturer of solar panels that is curated by Bloomberg to rank solar panel manufacturers in terms of their bankability or financial stability. WEL sells PVs, sets up solar power plants under EPC contracts and also provides operating and maintenance services. This gives WEL a competitive advantage over its competitors as it is able to provide a wide range of products and services to its customers under one roof.

### **Profitable operations with moderate gearing**

The company has consistently posted profits over the last three years and had a PAT margin of 4.37% for FY17 (FY16 – 2.37%). The EBITDA margin increased to 6.84% for FY17 from 5.78% for FY16, on account of better cost absorption. It had a long term debt to equity ratio of 0.02 as on March 31, 2017 (0.04 as on March 31, 2016). The overall gearing ratio and interest coverage were 0.48x and 6.13x, respectively as on March 31, 2017. Considering the high exposure to group companies in relation to the net worth, overall gearing can be considered to be moderate.

### **Moderate Order book position**

The company has an order book of Rs.463.7 crores as on September 30, 2017, of which Rs.292.8 crores pertain to PV module supply contracts and the remaining are EPC contracts. The outstanding order book would be executed over the period of December 2017 to January 2018.

### **Government's thrust on the solar energy sector.**

The Government of India has provided a thrust on developing renewable energy generation including solar power. The cumulative solar capacity in India as of FY17 was 12.3 GW of which 45% (nearly 5.5 GW) was added in FY17. The CAGR of solar capacity in the last five years was 67%. Government of India has targeted

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nearly 100 GW of solar power capacity by FY 2022. It is estimated that around 41 GW of grid scale solar capacity will be added between FY18 and FY22 apart from an additional capacity of 11 GW of solar rooftop taking the total installed capacity to more than 64 GW including the existing capacity of over 12 GW.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Default Recognition and Post-Default Curing Period

### **About the Company**

Incorporated in 2007, Waaree Energies Ltd (WEL) was promoted by Mr. Hitesh Doshi and his brother Mr. Viren Doshi. The company started operations with trading in solar modules and thereafter ventured into manufacturing of solar photovoltaic (PV) modules in Surat, Gujarat in 2008 with an installed capacity of 30 MW. The company over the years has gradually ramped up the capacity of the plant to its current capacity of 500 MW. Apart from this, the company also undertakes EPC projects. They have till now installed solar power plants with generation capacity of nearly 400 MW. Waaree group was established in 1989 as a trading company dealing in instrumentation and pressure gauges and shifted its focus to solar power business in 2007. The group has a JV with NEEPCO Ltd (60:40), a central PSU, Waaneep Solar Private Ltd (WSPL) which is an independent solar power producer with installed capacity of 75 MW (50 MW in Ichhawar, Madhya Pradesh and 25 MW in Gurrankonda, Andhra Pradesh).

### **Financials (Standalone)**

(Rs. Crores)

<b>For the year ended / As on</b>	<b>31-03-2016</b>	<b>31-03-2017</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	998.0	1065.0
EBITDA	57.7	72.8
PAT	22.8	34.7

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Total Debt	117.9	95.9
Tangible Net worth	162.8	197.9
EBIDTA Margin (%)	3.79	6.51
PAT Margin (%)	2.37	4.37
Overall Gearing (x)	0.72	0.48

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Nil

**Rating History for last three years:**

S. No.	Name of Instrument/Facilities	Current Rating (Year 2017-18)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16	Date(s) & Rating(s) assigned in 2014-15
1.	Non-Convertible Debentures-Series I	Long Term	45.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	--	--	--
2.	Non-Convertible Debentures-Series II	Long Term	55.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

## Infomerics Valuation And Rating Pvt. Ltd.



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures- Series I	To be decided	14%	3 years	45.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Non-Convertible Debentures- Series II	To be decided	15.5%	3 years	55.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)