



Press Release

Waaree Energies Limited [WEL]

May 13, 2020

Rating

| Facilities | Amount (Rs. Crore) | Current Ratings | Previous Ratings | Rating Action |
|-----------------|--|---|---|--------------------|
| NCD Series – II | 23.40 (Reduced From Rs. 55.00) | IVR BBB-/ Positive Outlook; (IVR Triple B Minus with Positive Outlook) | IVR BBB-/ Stable Outlook; (IVR Triple B Minus with Stable Outlook) | Outlook Revised |
| Total | 23.40(Twenty Three Crore & Forty Lakhs) | | | |

Details of facilities are in Annexure 1

Rating Rationale

The rating continues to derive strength from presence of experienced promoter with long track record, improving scale of operation and range bound EBITDA Margin, profitable operations with moderate gearing, comfortable order book position, Reduction in exposure to group entities and government's thrust on the solar energy sector. The ratings are however, constrained by the volatility in the raw material prices and high competition and rapidly changing landscape of solar power industry. The change in the outlook from stable to positive is on account of improvement in revenue & EBITDA margin in FY20 (Provisional).

Key Rating Sensitivities:

Upward Rating Factor:

- Maintaining EBITDA Margin
- Maintaining Gearing level

Downward Rating Factor:

- Any increase in exposure to group entity
- Any raw material procurement related challenge
- Decline in debt protection parameters.



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Detailed Description of Key Rating Drivers

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. WEL has Solar Photovoltaic (PV) module manufacturing facilities at Surat (SEZ) and Vapi in Gujarat with total installed capacity of 1500 MW. Apart from this, the company also undertakes EPC projects. They have till now installed solar power plants with generation capacity of over 500 MW. The promoters have more than a decade's satisfactory track record in the in the line of business.

Healthy scale of operation and stable EBITDA Margin

There was a 28.23% Y-O-Y increase in operating income of WEL from FY19 to FY20 Provisional supported by increase in PV modules sales and production due to commissioning of new plant in Vapi, Gujrat. Though there was a decline in average price realisation but company has managed to achieve higher turnover on account of increase in module production and supply. The EBITDA margin has increased and stood at 5.73% for FY20 as compared to 5.63% for FY19, on account of increase in EPC projects execution and export orders, which have relatively higher margin as compared to other business segment of the company.

Profitable operations with moderate gearing

WEL has consistently posted profits over the last three years and had a PAT margin of 2.53% for FY20 (FY19: 2.34% and FY18: 2.05%). It had a long term debt to equity ratio of 0.21x as on March 31, 2020. The overall gearing ratio and interest coverage stood at 0.27 x and 4.16x, respectively as on March 31, 2020

Comfortable Order book position

WEL has an order book of Rs. 821.84 crore as on March 15, 2020, of which Rs.700.59 crore pertain to PV module supply contracts and the Rs.121.25 crore pertain to EPC contracts. The outstanding order book for supply orders for PV modules is scheduled



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to executed within 3-4 months post lockdown and EPC contracts which accounts for 14.75% of the total order book is scheduled to be executed within 4-6 months post lockdown.

Reduction in exposure to group entities

The total exposure to group companies has reduced to Rs. 95.92 Cr. in FY19 as compared to Rs.357.2 Cr. in FY18. The main investment was made in Waaneep Solar Private Limited (WSPL), a SPV for a JV between WEL and NEEPCO Ltd (a central PSU, 40% share). In Dec-17, WEL paid Rs 84 Cr for acquisition of NEEPCO's 40% stake in WSPL. WSPL has an installed capacity of 100 MW (50 MW in Ichhawar, Madhya Pradesh, 25 MW in Gurrankonda, Andhra Pradesh and 25 MW in Nagari, Andhra Pradesh). In FY19, WEL signed a deal with Hero Solar Energy Pvt. Ltd. (HSEPL) for sale of WSPL solar assets and solar projects. Total deal value was of Rs. 326 including Rs. 79 Crore of debtor's outstanding from WSPL to WEL towards EPC works of Nagari Project. WEL has received around 77% of total deal value and the balance consideration of Rs.74 crore is to be received in coming 3-4 months

Government's thrust on the solar energy

The Government of India has provided a thrust and policy initiatives to encourage domestic manufacturing of solar modules and this would remain a growth driver for WEL. The tariff competitiveness of solar power has improved significantly in comparison to other power generation sources. In addition, the policy initiatives to encourage the use of domestically manufactured solar modules; Government of India has targeted nearly 100 GW of solar power capacity by FY 2022. The demand outlook seems healthy for solar power sector supported by various state and Central Government initiatives and increase in cost competitiveness in comparison to other power sources. Additionally, the Government has approved schemes such as KUSUM and CPSU Scheme II, which focus upon utilisation of domestically manufactured modules and provide near-to-medium term demand visibility for players like WEL.



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Key Rating Weaknesses

Volatility in raw material prices

The main inputs required in the manufacturing of PV modules are 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 that are managed through hedging contracts.

High competition and rapidly changing landscape of solar power

The growth of renewable energy industry backed by the government push has also meant there is increased competition. A number of new and small players in the solar power industry have increased, while the favourable environment has also attracted international giants to foray in to the Indian solar market. Established players such as WEL, would be in a position to benefit by earning better returns as compared to the smaller contractors. WEL mainly faces competition in the solar module space from international players like China which caters around 90% of India's domestic demand. However, the policy changes by the government in the form of levy of Safeguard Duty on import of components of PV modules has meant that the landscape of the solar power industry is ever changing

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

WEL has sold its main subsidiary WSPL and has received 77% of deal value and remaining value of deal will be received by August 2020. The sale proceeds from these transactions have improved capital structure. Current and Quick ratio are 1.24x and 1.07x as on March, 2020. Average utilisation of the working capital limit has been comfortable at 46.94% over the last 12 months ending Mar-20.



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About the company

Incorporated in 2007, Waaree Energies Ltd (WEL) was promoted by Mr. Hitesh Doshi and his brother Mr. Viren Doshi. 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 with an installed capacity of 1500 MW. Apart from this, the company also undertakes EPC projects.

Financials (Standalone)

INR in Crore

| For the year ended / As on | 31-Mar-18 (Audited) | 31-Mar-19 (Audited) |
|----------------------------|------------------------|------------------------|
| Total Operating Income | 1277.26 | 1604.57 |
| EBITDA | 57.37 | 90.38 |
| PAT | 25.30 | 37.97 |
| Total Debt | 154.08 | 105.48 |
| Tangible Net Worth | 219.75 | 261.24 |
| EBIDTA Margin (%) | 4.49 | 5.63 |
| PAT Margin (%) | 2.05 | 2.34 |
| Overall Gearing ratio (x) | 0.70 | 0.40 |

* Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

| Name of Instrument/ Facility | Current Rating (Year:2020-21) | | | Rating History for the past 3 years | | |
|---------------------------------|-------------------------------|----------------------------------|----------------------------|-------------------------------------|---|--|
| | Type | Amount outstanding (INR Crore) | Rating | Rating assigned in 2019-20 | Rating assigned in 2018-19 (March 07, 2019) | Rating assigned in 2017-18 (December 08, 2017) |
| NCD (Series- II) | Long Term | 23.40 (Reduced from Rs. 55.00Cr) | IVR BBB- /Positive outlook | -- | IVR BBB- /Stable outlook | IVR BB+ /Stable outlook |
| | Total | 23.40 | | | | |



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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.

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About Infomerics:

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Annexure 1: Details of Facilities

| Sr. No | Name of Facility | Date of Issuance | Coupon Rate/IRR | Maturity Date | Size of Facility (INR Crore) | Rating Assigned/ Outlook |
|--------------|------------------|------------------|-----------------|---------------|------------------------------|----------------------------|
| 1 | NCD Series – II | Dec-6,2017 | 15.5% | Dec-10,2020 | 23.40 | IVR BBB- /Positive outlook |
| Total | | | | | 23.40 | |