

## India Ratings Affirms WAA Solar's Bank Facilities at 'IND BBB+'/Stable; Rates Additional Limits

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India Ratings and Research (Ind-Ra) has taken the following rating actions on WAA Solar Limited's (WSL) bank facilities:

### Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Bank guarantee	-	-	-	INR23.80	IND BBB+/Stable/IND A2+	Assigned
Term loan	-	-	31 March 2032	INR260	IND BBB+/Stable	Assigned
Term loan	-	-	28 February 2038	INR1,840	IND BBB+/Stable	Affirmed

### Analytical Approach

Ind-Ra continues to take a standalone view of WSL while assigning the rating, considering the ring-fencing structure of cashflows for project at Surendranagar and under Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyan (PM-KUSUM).

### Detailed Rationale of the Rating Action

The ratings reflect the stable performance of WSL's operational assets for the past several years, the construction progress of the project awarded under PM-KUSUM (as of mid-March 2025), and infusion of the required equity in FY25. The ratings are supported by the presence of long-term power purchase agreements (PPAs) with strong counterparties and a moderate debt structure, including comfortable debt coverages and liquidity, according to Ind-Ra's base case projections. However, the rating is constrained by the risks associated with the construction stage of the ongoing projects and any delays in commissioning. The commissioning and operational stability of these projects would be key rating monitorables.

### List of Key Rating Drivers

#### Strengths:

- Long-term PPA secures cash flows
- Low operating risk, in-house operations & maintenance (O&M)
- Minimal technology risk
- Experience in operating renewable assets
- Moderate debt structure

#### Weaknesses:

- Moderate completion risk
- Inherent risks associated with solar project, including solar resource variations

## Detailed Description of Key Rating Drivers

**Long-term PPA Secures Cash Flows:** WSL has entered into several 25-year PPAs with Paschim Gujarat Vij Company Limited (PGVCL), under PM-KUSUM for the entire capacity at a fixed tariff of INR3.00/kWh. The presence of long-term PPAs assures cash flows to the project and largely mitigates the revenue risk. The PPAs stipulate a guaranteed offtake corresponding to a plant load factor (PLF) of 30% every year. Any generation above this level may be purchased by PGVCL at a tariff of 75% of the original tariff for each project. As per the PPAs, the projects are obligated to generate a minimum PLF of 19% every year.

It also has a 25-year PPA with Gujarat Urja Vikas Nigam Limited (GUVNL) for its 10.25MW operational asset in Surendranagar, at a fixed tariff of INR15.00/kWh for the first 12 years, which ended in January 2024, followed by INR5.00/kWh for the balance period. The PPAs specify a late payment penalty in case of payments being delayed beyond the due date. Overall, Ind-Ra considers the revenue risk associated with the project to be low.

**Low Operating Risk, In-house O&M:** The O&M of the projects is carried out in-house by WSL. Also, the limited technological complexities involved in the O&M of solar projects provide comfort to the rating. Ind-Ra has considered operating costs as per the management estimates in its base case with a fixed annual escalation. Considering the operating cost is a key factor for the debt service coverage ratio (DSCR), any sustained increase in operating expenses would be a rating monitorable.

**Minimal Technology Risk:** The project uses monocrystalline modules from Tier I suppliers. The manufacturers have provided industry standard warranties for power output and annual degradation for a period of 25 years. Overall, Ind-Ra does not foresee any significant technology-related risks for the project.

**Experience in Operating Renewable Assets:** WSL has existing solar assets in Surendranagar (10.25MW) and Bhopal airport (0.1MW), which have been operational for more than 10 years, thereby providing WSL with the requisite experience and operational track record. The PLF for Surendranagar project was at 18.90% during the trailing 12 months ended January 2025 as compared to 17.75% in FY24.

**Moderate Debt Structure:** The rated debt will amortise in 155 structured monthly instalments, commencing from April 2025. Furthermore, the debt for Surendranagar project will amortise in 140 structured monthly instalments, with the final instalment scheduled in March 2032. The debt has standard project finance features, including a cash flow waterfall and a DSR equivalent to one quarters' principal and interest obligations. Ind-Ra understands that cashflows will be utilised for debt reduction. Any deviation from this or the providing of any significant need-based support to the entities for which guarantees have been given would be a key monitorable.

**Moderate Completion Risk:** The company has executed an engineering, procurement and construction agreement with a group company, Madhav Infra Projects Ltd. Given the expertise of the group in executing infrastructure projects, the construction and completion risks are moderate. Of the total capacity, 15MW has started commercial operations; for the remaining capacity, WSL has received extension for commissioning up to June 2025. Thus, the commissioning of the entire project capacity of 47.5MW without any major debt-funded cost overrun or penalties by PGVCL, along with timely receipt of central financial assistance remain key rating monitorables.

**Inherent Risks Associated with Solar Project, including Solar Resource Variations:** The project solely depends on power generation from the solar project for generating cash surplus for its debt servicing. Any decline in the power generation due to variability in solar irradiance remains a key rating sensitivity.

## Liquidity

**Adequate:** The financing documents stipulate the maintenance of a DSR equivalent to one quarter of debt servicing. The company has already created a DSR of INR16.5 million for the Surendranagar project, which is equivalent to one quarter of debt servicing, while the DSR for PM-KUSUM project will be created after receipt of central financial assistance

(CFA). According to Ind-Ra's base case, with an average forward-looking DSCR of over 1.15x, the project cash flows provide adequate liquidity for the project's debt obligations. Any significant reduction in the liquidity profile related to the revenue uncertainties will be a rating sensitivity.

## Rating Sensitivities

**Positive:** Events that could, individually and collectively, lead to a positive rating action are:

- commissioning of the entire project capacity without any major debt-funded cost-overrun or penalties by PGVCL;
- a reduction in leverage, leading to an improvement in the DSCR.

**Negative:** Events that could, individually and collectively, lead to a negative rating action are:

- project cost being significantly higher than estimated, leading to lower-than-estimated DSCR and/or penalties by PGVCL due to delays in commissioning;
- a significant delay in the receipt of CFA post commissioning of the projects;
- providing of significant need-based support to the entities for which guarantees have been given;
- a depletion in the liquidity position, including accessing of DSR for debt servicing.

## About the Company

WSL, a subsidiary of Madhav Power Private Limited, was incorporated in November 2009. WSL has commissioned two solar power projects – a 10.25MW unit in Surendranagar, Gujarat (operational since January 2012) and a 0.10MW unit in Rajabhoj airport, Bhopal (operational since July 2013). WSL is executing projects at multiple locations in Gujarat under 25-year PPAs with PGVCL under PM-KUSUM. WSL also sponsors various project-specific special purpose vehicles within the Madhav group, focusing on road construction and solar power segments.

## Key Financial Indicators

Particulars (INR million)	1HFY25	FY24	FY23
Revenue from operations	144	261	258
Total revenue	147	267	262
Finance cost	22	39	47
EBITDA	48	177	210
EBITDA margin (%)	33	68	81
Interest coverage (EBITDA/Interest) (x)	2	5	4
Gross Debt/EBITDA (x)	N.M	2	2
Cash and cash equivalents (INR Million)		185	127
Source: Waa Solar, Ind-Ra			

## Status of Non-Cooperation with previous rating agency

WSL has been placed in the non-cooperating category by CARE Ratings Ltd due to inadequate information provided by the company.

## Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings/Outlook	Historical Rating/Outlook
				21 January 2025
Term loan	Long-term	INR1,840	IND BBB+/Stable	IND BBB+/Stable

Term loan	Long-term	INR260	IND BBB+/Stable	-
Bank guarantee	Long-term/ Short-term	INR23.8	IND BBB+/Stable/A2+	-

## Bank wise Facilities Details

The details are as reported by the issuer as on (24 Mar 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	State Bank of India	Term Loan	1840	IND BBB+/Stable
2	State Bank of India	Term loan	260	IND BBB+/Stable
3	State Bank of India	Bank guarantee	23.8	IND BBB+/Stable/IND A2+

## Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank guarantee	Low
Term loan	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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## **APPLICABLE CRITERIA AND POLICIES**

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### **Evaluating Corporate Governance**

### **Short-Term Ratings Criteria for Non-Financial Corporates**

### **Rating Criteria for Infrastructure and Project Finance**

### **The Rating Process**

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