

Press Release

Sherisha Rooftop Solar Spv Four Private Limited

February 22, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **'ACUITE BBB-'** (read as **ACUITE triple B 'minus'**) on the Rs.15.00 Cr bank facilities of Sherisha Rooftop Solar SPV Four Private Limited (SRSSFPL). The outlook is **'Stable'**.

Rationale for rating assigned

The rating assigned considers the established market presence of the Refex group in the Renewable energy sector, its extensive experience of the management, expected support in terms of business operations and financial support in forms of corporate guarantee to be derived from the group, presence of strong counterparty profile and structured payment mechanism. These rating strengths are partly offset by high geographical and customer concentration in the revenue profile, past delays in project completion due to external factors and susceptibility of power generation to climate risk.

About the Company

Incorporated in October, 2019, Sherisha Rooftop Solar SPV Four Private Limited (SRSSFPL) is a special purpose vehicle (SPV) of SunEdison Infrastructure Limited (SIL), a part of Refex Group. SRSSFPL has entered into Power Purchase Agreement (PPA) with South East Central Railways (SECR), a part of Indian Railways for executing solar generation project of 50 MW(AC) based on Photo Voltaic technology located at Bhilai, Chhattisgarh. SRSSFPL is a professionally managed company and is promoted by Sherisha Solar LLP and Refex Energy Limited, both entities are part of Refex Group. The Board of Directors consists of Mr. Kalpesh Kumar and Mr. Shankar.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SRSSFPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and Assured off-take through long term power purchase agreement (PPA)**

The Reflex group is involved in business of Refrigerant Gases, Renewable Energy Utility Grade EPC projects, O&M of Solar Power Plants, Solar IPP businesses & Ash Disposal Management, Power Trading and Trading of Coal. Reflex group has commissioned ~1 GW projects under differing conditions of Tamil Nadu, Maharashtra, Gujarat, Uttar Pradesh, Andhra Pradesh and Rajasthan. The group has a strong pipeline of ~250 MW+ under various stages of execution. Reflex Group follows conservative approach towards its capital management and manages the operations majorly through equity and internal accruals. Besides, the EPC and O&M activity would be carried in-house by the group company i.e. SunEdison Infrastructure Limited (SIL). SIL is engaged in the business of rendering engineering, procurement and construction services in respect of solar power plants, setting up of solar power plants, solar water pumps, generating power and also rendering other related services. SIL has more than 2 decades of expertise in solar PV industry and have built solar projects in 8000+ locations across 15+ states and have achieved 25000+ installations and 50+ microgrid projects. SRSSFPL has entered into a 25-year long PPA at a fixed tariff of Rs.2.91 per unit (kWh) of power supplied, with South East Central Railways (SECR), a part of Indian Railways. This substantially mitigates demand and price risk associated with the project. The company entered into an agreement in December, 2019 and the plant is yet to commence its operations. The current scheduled commercial date of operations (SCOD) of power plant is by May 31, 2022. Further, the PPA is also secured by an irrevocable revolving letter of credit (LC) opened by the SECR in favour of the SRSSFPL for payment assurance. SunEdison Infrastructure Limited (SIL), part of Reflex group is expected to manage the O&M activity and EPC part of the solar plant which will ensure efficient operational metrics of the company. Acuité believes that the presence of strong management, assured off-take, long-term PPA and strong counterparty receivable risk keeps the business risk profile moderate and stable over the medium term.

- **Strong counter-party profile**

SRSSFPL has entered into a 25-year long PPA at a fixed tariff of Rs. 2.91 per unit with South East Central Railways (SECR), a part of Indian Railways. The South East Central Railway (SECR) is one of the 18 Railway Zones in India. The Zone Office is headquartered at Bilaspur and comprises the Bilaspur, Nagpur and Raipur Division. This Railway zone plays a paramount role in the transportation of Minerals and Coals to different Power Plants & Industrial Units all over the country. The main commodities being transported are Coal, Iron & Steel, iron ore, cement and fertilizers. Railway Energy Management Company Limited (REMCL) on behalf of Railways has invited proposals in a single stage bidding process for execution of solar power plant of 50MW (AC) for a period of 25 years on Design-Build-Finance-Operate-Transfer (DBFOT) basis. REMCL, on behalf of Railways has prescribed the technical and financial eligibility criteria. SRSSFPL was selected as the successful bidder as the outcome of tendering process declared by REMCL. Acuité believes that the presence of strong counterparty profile mitigates the receivable risk keeps the business risk profile moderate and stable over the medium term.

- **Moderate project risk profile**

The total estimated project cost is around Rs.217.43 Cr with funding pattern of 69:31 (Debt: Equity Ratio). The term loan sanction of Rs.150.57 Cr has been signed between the lender (State Bank of India) and the borrower (SRSSFPL). The disbursement has been around Rs.11.00 Cr as of December'2021. Promoters have infused 100 percent of agreed contribution i.e. around Rs.66.97 Cr in form of equity and unsecured loans as on November 15, 2021 leading to low funding risk. The demand risk is low in the project as the PPA agreement has been signed

between South East Central Railways (SECR), a part of Indian Railways for 25 years. However, the implementation risk of the project stands moderate on account of project completion (physical progress) being around 35 percent in terms of total project cost. SRSSFPL has achieved various critical milestones in the project but the modules are yet to be received and mounted to the structure, which contribute majorly to the entire project cost. Acuité believes that the project risk profile of SRSSFPL will remain moderate and timely procurement of the critical components/materials and achieving the COD timelines will remain key monitorable over the medium term.

- **Presence of Structured payment mechanism**

The bank facilities availed by SRSSFPL are backed by a Debt Service Reserve Account (DSRA) in the form of a fixed deposit, equivalent to 2 quarters' interest and principal for servicing the debt obligation. In addition, the bank facilities are supported by a Trust and Retention account (TRA) through which all receipts from SECR shall be routed. Further, there is presence of cash sweep clause which allows the lender to utilize the surplus amount in the TRA account towards the prepayment of the debt undertaken by the company. Besides, there is presence of a corporate guarantee from sponsor - Sherisha Technology Private Limited up to 3 years from COD of the project or 2 Quarter DSRA creation and Project stabilization, whichever is later. Acuité believes that the lender derives comfort from the structure envisaged to ensure timely repayment of the debt obligations over the medium term.

Weaknesses

- **Past Delays in achieving planned COD; Extension availed**

SRSSFPL is developing a 50 MW (AC)/68 MW (DC) Solar Power Project based on Photo Voltaic technology with Monocrystalline, half cut module technology located Bhilai, Durg District, Chhattisgarh. The PPA was signed in December, 2019 with scheduled commercial date of operations of power plant being 13 months from PPA signed date. However, the project execution was delayed from estimated completion period on account of events such impact of covid-19 pandemic, non-availability of material required from the exporting country amongst others. The management had requested for extension of time from the authority and same has been accepted. The extended SCOD is May 31, 2022 against January 31, 2021 earlier. Acuité believes that any further delay could impact the project risk profile of SRSSFPL over the near to medium term.

- **High customer concentration and geographical concentration in revenue profile**

SRSSFPL has entered into the PPA agreement for sale of power generated from the 50 MW (AC) solar plant located in Chhattisgarh with South East Central Railways (SECR), a part of Indian Railways along with assured offtake. However, it can be observed that the contribution from a single customer (i.e. SECR) will be 100.00 per cent in a given financial year, thereby, leading to significant customer and geographical concentration risk. Above risk is mitigated to an extent on account of strong credit profile of the counterparty.

- **Revenue profile susceptible to climatic risk and government regulation**

The performance of the solar plant is highly dependent on favorable climatic conditions including the solar radiation levels which have direct impact on the plant load factor (PLF). The company is expected to operate at PLF of around 18 percent (DC supply). Acuité believes that the company's business profile and financial profile can be adversely impacted on account of presence of inherent climate risk and also regulatory risk in any instances of tariff revision.

Rating Sensitivities

Positive

- Successful completion of project prior to the estimated timelines and higher PLF generation than estimated levels over the medium term.

Negative

- Any significant delay in completion of project.
- Any significant deterioration in the operating performance of the plant leading to lower than expected PLF post COD
- Delays in receivables from the SECR.
- Any deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.

Material covenants

None

Liquidity Position: Adequate

SRSSFPL's liquidity is adequate marked by expected moderate generation of net cash accruals to its maturing debt obligations. The liquidity position of the company is expected to be comfortable on account of presence of secured payment mechanism with Trust and retention account to monitor the cash flows generated from the projects, presence of 6-month Debt Service Reserve Account (DSRA) in the form of a fixed deposit for interest and principal repayment obligation coupled with moderate DSCR expected until FY2039. Moderate operational metrics of the solar plant and presence of cash sweep clause to utilize the surplus funds for prepayment is expected to lead to average DSCR in range of 1.3x-1.4x times in multiple case scenario. Further, the liquidity position will be supported by presence of corporate guarantee from sponsor- Sherisha Technology Private Limited. SRSFPL is mainly dependent on the receivables from SECR for the electricity generated for the debt repayment. Acuité believes that the liquidity of the company is likely to improve over the medium term on account of stable plant operating metrics, support from management and timely repayment of debt obligation resulting in reduction in interest obligation. However, timely collection of payment from SECR and company's ability to sustain the plant operating performance at favorable level will be key monitorables over the medium term.

Outlook: Stable

Acuité believes that SRSSFPL will continue to benefit over the medium to long term on account of long track record of operations, experience of the management in the industry, long term PPA with SECR and presence of structured payment mechanism. The outlook may be revised to 'Positive', in case of in case of sustainable improvement in PLF resulting in higher power generation, or prepayment of debt leading to higher-than-expected revenues and profitability with improvement in financial risk profile and capital structure. Conversely, the outlook may be revised to 'Negative' in case SRSSFPL registers lower PLF, further significant delays in project or high O&M expenses leading to lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt- funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(2.62)	(0.15)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	(17.44)	(243.02)
PBDIT/Interest	Times	(2.14)	0.60

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	26-05-2020	9.60	28-02-2039	15.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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