



**Press Release**  
**SHERISHA ROOFTOP SOLAR SPV FOUR PRIVATE LIMITED**  
**June 02, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.57	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	150.57	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**Acuite BBB-**' (read as '**Acuite t riple B minus**' ) on the Rs. 150.57.00 Cr bank facilities of Sherisha Rooftop Solar SPV Four Private Limited (SRSSFPL). The outlook is '**stable**'.

**Rationale for rating reaffirmation:**

The rating reaffirmation takes into account the completion of the project in April 2023. It also considers the established market presence of the Refex group in the renewable energy sector, the extensive experience of the management, expected support in terms of business operations and financial support in the form of corporate guarantees to be derived from the group, the presence of a strong counterparty profile, and structured payment mechanisms. These rating strengths are partly offset by high geographical and customer concentration in the revenue profile, a below-average financial risk profile, and the susceptibility of power generation to climate risk. Going forward, timely receipt of payments of SECR and generation of adequate PLF levels will be key ratings monitorable.

**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 a Power Purchase Agreement (PPA) with South East Central Railways (SECR), a part of Indian Railways, for executing a 50 MW (AC) solar generation project based on photovoltaic technology located at Bhilai, Chhattisgarh. SRSSFPL is a professionally managed company and is promoted by Sherisha Solar LLP and Refex Energy Limited, both of which are part of the 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 a long term power purchase agreement (PPA)**

The Refex group is involved in the 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 coal trading. Refex Group has commissioned 1 GW of projects under

differing conditions in Tamil Nadu, Maharashtra, Gujarat, Uttar Pradesh, Andhra Pradesh, and Rajasthan. The group has a strong pipeline of 250 MW+ under various stages of execution. Refex Group follows a conservative approach to its capital management and manages its

operations primarily through equity and internal accruals. Besides, the EPC and O&M activities would be carried out 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, the setting up of solar power plants, solar water pumps, generating power, and other related services. SIL has more than two decades of expertise in the solar PV industry and has built solar projects in 8000+ locations across 15+ states and achieved 25000+ installations and 50+ microgrid projects. SRSSFPL has entered into a 25-year 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 the demand and price risk associated with the project. The company entered into an agreement in December, 2019, and the plant started its COD on April 22, 2023. 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 the Refex 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, a 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 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 in Bilaspur and comprises the Bilaspur, Nagpur, and Raipur Divisions. This railway zone plays a paramount role in the transportation of minerals and coal to different power plants and industrial units all over the country. The main commodities being transported are coal, iron and steel, iron ore, cement, and fertilisers. Railway Energy Management Company Limited (REMCL), on behalf of Railways, has invited proposals in a single stage bidding process for the execution of a 50 MW (AC) solar power plant for a period of 25 years on a design-build-Finance-Operate-Transfer (DBFOT) basis. REMCL, on behalf of the railways, has prescribed the technical and financial eligibility criteria. SRSSFPL was selected as the successful bidder as a result of the tendering process declared by REMCL. Acuité believes that the presence of a strong counterparty profile mitigates receivable risk and keeps the business risk profile moderate and stable over the medium term.

### **Presence of structured payment mechanisms**

The bank facilities availed by SRSSFPL are backed by a Debt Service Reserve Account (DSRA) in the form of a fixed deposit, equivalent to one quarter's 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 a cash sweep clause, which allows the lender to utilise the surplus amount in the TRA account towards the prepayment of the debt undertaken by the company. Besides, there is the presence of a corporate guarantee from the sponsor, Sherisha Technology Private Limited, up to three years from COD of the project or one quarter of DSRA creation, creation and perfection of security, or project stabilisation, 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**

#### **Below-average financial risk profile.**

The financial risk profile of the company is constrained by high gearing (debt-to-equity), below-average net worth, and an above-average Debt Service Coverage Ratio (DSCR). The gearing ratio stood at 3.12 times as of March 31, 2023. The total debt stood at Rs. 208.66 crore as of March 31, 2023. It consists of long-term debt of Rs. 184.60 crore and an unsecured loan of Rs. 24.06 crore. However, SRSSFPL's cash flows are adequate enough to service its debt obligations. Acuité believes that the financial risk profile of the company will remain stable over the medium term on account of the stable operating performance of the solar plant over the years.

## **High customer concentration and geographical concentration in the revenue profile**

SRSSFPL has entered into a PPA agreement for the 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 an assured offtake. However, it can be observed that the contribution from a single customer (i.e., SECR) will be 100.00 percent in a given financial year, thereby leading to significant customer and geographical concentration risk. The above-mentioned risk is mitigated to an extent on account of the 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 favourable climatic conditions, including solar radiation levels, which have a direct impact on the plant load factor (PLF). The company is expected to operate at a PLF of around 18 percent (DC supply). Acuité believes that the company's business profile and financial profile can be adversely impacted by the presence of inherent climate risk and regulatory risk in any instances of tariff revision.

## **Rating Sensitivities**

- Generation of adequate PLF levels
- Timely receipt of payments from SECR.
- Sustainable improvement in Leverage and Solvency position of the company.
- Any deterioration in working capital cycle and liquidity profile of the company.

## **Material covenants**

In addition to the applicable interest rate and other additional interest/ liquidated damages, further 1% additional interest shall be payable in case there is any adverse deviation by more than 20% in the Debt Service Coverage Ratio (DSCR) and Debt Equity Ratio (D:E).

## **Liquidity Position : Adequate**

SRSSFPL's liquidity is adequate, marked by the 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 the presence of a secured payment mechanism with a trust and retention account to monitor the cash flows generated from the projects and the presence of a one-quarter Debt Service Reserve Account (DSRA) in the form of providing BG or depositing cash equivalent into TRA through funds from promoters or by way of loan disbursement, coupled with a moderate DSCR expected until FY2043. Moderate operational metrics of the solar plant and the presence of a cash sweep clause to utilise the surplus funds for prepayment are expected to lead to an average DSCR in the range of 1.2x–1.4x times in multiple-case scenarios. Further, the liquidity position will be supported by the presence of a corporate guarantee from the sponsor, Sherisha Technology Private Limited. SRSSFPL 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 obligations, resulting in a reduction in interest obligations. However, timely collection of payment from SECR and the company's ability to sustain the plant's operating performance at a favourable 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 its long track record of operations, the experience of its management in the industry, its long-term PPA with SECR, and the presence of a structured payment mechanism. The outlook may be revised to 'positive' in the case of sustainable improvement in PLF resulting in higher power generation or prepayment of debt leading to higher-than-expected revenues and profitability with improvements in financial risk profile and capital structure. Conversely, the outlook may be revised to 'negative' in case SRSSFPL registers lower PLF, further high O&M expenses leading to lower-than-expected revenues and profitability, any

significant stretch in its working capital management, or a larger than expected debt-funded capital expenditure.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.33	(2.62)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	3.58	(17.44)
PBDIT/Interest	Times	1.84	(2.14)

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

None

### 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Mar 2022	Term Loan	Long Term	15.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	135.57	ACUITE BBB-   Stable (Assigned)
22 Feb 2022	Term Loan	Long Term	15.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Power Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.00	ACUITE BBB-   Stable   Reaffirmed
Power Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	135.57	ACUITE BBB-   Stable   Reaffirmed



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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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