



Press Release
SHERISHA ROOFTOP SOLAR SPV FOUR PRIVATE LIMITED
August 09, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	150.57	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	185.57	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 150.57.00 Cr. bank facilities of Sherisha Rooftop Solar SPV Four Private Limited (SRSSFPL). The outlook is '**Stable**'.

Acuite has also assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 35.00 Cr. bank facilities of Sherisha Rooftop Solar SPV Four Private Limited (SRSSFPL). The outlook is '**Stable**'.

Rationale for rating

The reaffirmation of rating considers 68 Mega watt(MW) solar plant's decent power generation during the initial year, with an average plant load factor (PLF) of 16.83 percent. The plant was operational for 11 months and generated revenue of Rs. 25.93 Cr. during FY2024 (Prov). Additionally, SRSSFPL registered net cash flow of Rs.19.48 Cr. for the year, which was adequate to cover the interest obligations. The rating also factors in, Acuite's expectation of similar power generation over the medium term, ensuring adequate cash flows to meet the repayment obligations. Going forward, timely receipts from SECR and maintaining PLF levels will be a key monitorable.

About the Company

Sherisha Rooftop Solar SPV Four Private Limited (SRSSFPL) a Tamil nadu based company was Incorporated in October 2019, it 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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Stable business risk profile with long-term PPA, strong management and strong counter-party profile:

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. Refex Group follows a conservative approach to its capital management and manages its operations primarily through equity and internal accruals.

SRSSFPL has entered into a 25-year PPA with South East Central Railways (SECR) at a fixed tariff of Rs. 2.91 per unit (kWh) of power supplied. This substantially mitigates the demand and price risk associated with the project. The PPA was signed in December, 2019, and the plant commenced 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, will manage the O&M activity and EPC part of the solar plant, which will ensure efficient operational metrics of the company. Acuité believes that strong management, 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. SECR is key division of Indian Railways, which plays a crucial 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 and SRSSFPL won the contract. Additionally, the PPA has been signed and SECR has opened an irrevocable revolving letter of credit (LC) in favour of the SRSSFPL for payment assurance. 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 6.85 times as of March 31, 2024 (Prov). The total debt stood at Rs.

234.18 Cr. as of March 31, 2024 (Prov), which consists of long-term debt of Rs.183.09 Cr. and an unsecured loan of Rs. 50.29 Cr. However, SRSSFPL's cash flows are adequate enough to service its debt obligations with DSCR of the company stood at 1.26 times in FY2024 (prov). 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 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 Railway (SECR) along with assured offtake of power generated from 50MW (AC) plant at agreed CUF %. However, it can be observed that the contribution from a single customer (i.e. SECR) is 100.00 per cent in any 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 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

Positive:

- Timely receipt of payments from SECR.
- Higher-than expected power generation leading to improvement in financial risk profile and liquidity.

Negative:

- Lower-than expected power generation leading to insufficient cash flows and deterioration of liquidity position.

Liquidity position: Adequate

SRSSFPL registered net cash flows of Rs.23.68 Cr. which was sufficient to meet the interest payment obligations of Rs.12.40 Cr. for FY2024. The repayment of the term loan has started in April 2024 after a moratorium period of 12 months. The company is expected to generate the cash flows in the range of Rs. 25-27 Cr. over the medium term, which would be sufficient to repay the interest, and principal obligations range of Rs. 22-24 Cr. for the same period. Additionally, the company has created part of DSRA and the remaining part will be created in the current year, this further strengthens the liquidity position.

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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	23.75	0.00
PAT	Rs. Cr.	(24.39)	(5.83)
PAT Margin	(%)	(102.69)	0.00
Total Debt/Tangible Net Worth	Times	6.85	3.57
PBDIT/Interest	Times	1.26	(0.17)

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

In order to inform the investors about complexity of instruments, Acuite 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jun 2023	Term Loan	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	135.57	ACUITE BBB- Stable (Reaffirmed)
04 Mar 2022	Term Loan	Long Term	135.57	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
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
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.97	ACUITE BBB- Stable Assigned
Power Finance Corporation Ltd.	Not avl. / Not appl.	Term Loan	01 Mar 2023	Not avl. / Not appl.	01 Apr 2043	Simple	15.00	ACUITE BBB- Stable Reaffirmed
Power Finance Corporation Ltd.	Not avl. / Not appl.	Term Loan	01 Mar 2023	Not avl. / Not appl.	01 Apr 2043	Simple	135.57	ACUITE BBB- Stable Reaffirmed
Power Finance Corporation Ltd.	Not avl. / Not appl.	Term Loan	01 Mar 2023	Not avl. / Not appl.	01 Apr 2043	Simple	34.03	ACUITE BBB- Stable Assigned

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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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