



## Sasan Power Limited

Instrument	Amount (Rs. Cr.)	Rating Action
<b>Rated on Long-Term Scale</b>		
Rupee Term Loans (including Foreign Currency loan in million USD)	19282.0	[ICRA]BBB (Negative) (reaffirmed, Outlook revised from Stable)
Fund Based Working Capital limit	567.50	[ICRA]BBB (Negative) (reaffirmed, Outlook revised from Stable)
Non-fund based limit (Letter of Credit as a sub-limit of the term loan facility)	(10,000.0)	[ICRA]BBB (Negative) (reaffirmed, Outlook revised from Stable)
<b>Rated on Long-Term/Short-Term Scale</b>		
Non-fund based limit (Interchangeable between long term and short term scale)	300.0	[ICRA]BBB (Negative)/ [ICRA]A2 (reaffirmed, Outlook revised from Stable)

ICRA has reaffirmed the [ICRA]BBB (pronounced ICRA triple B)<sup>\*</sup> rating assigned to the long-term Rs. 19,282 crore<sup>†</sup> term loan limit, Rs. 567.50 crore fund based working capital limit and Rs. 10,000 crore long-term non-fund based limit (sublimit of term loan) of Sasan Power Limited (SPL). ICRA has also reaffirmed the [ICRA]BBB (pronounced ICRA triple B) and [ICRA]A2 (pronounced ICRA A two) ratings assigned to short-term Rs. 300 crore non-fund based limit of SPL. The outlook of the long term rating has been revised to 'Negative' from 'Stable'.

The revision in the outlook from Stable to Negative reflects the increased risk profile of the project due to significant cost overrun and time overrun, with the expected CoD having been shifted to March 2015 from June 2014. The significant cost over-run has arisen arising out of INR depreciation against the USD given the large portion of the foreign currency debt availed for the project funding mix, and also, on account of increase in hard cost due to change in law during the construction period. While the company has requested tariff compensation from CERC both on account of change in law and INR depreciation against USD, CERC is yet to issue a final order and timelines for implementation of the same remains uncertain. With debt repayment due from March 2015, the company during the current FY plans to utilize net revenue during construction for meeting debt servicing obligations. ICRA notes that the levellised tariff would increase to Rs 1.3/kwh from FY15-16 onwards (without considering tariff compensation on account of petitions) resulting in improvement in cash flow for the company for meeting debt servicing obligations. However, if the tariff compensation does not materialize, the company would be exposed to cash flow shortfalls in which case funding support from the group would be required for fulfilling its debt servicing obligations. ICRA also takes a note of state policy notification<sup>‡</sup> by Government of Madhya Pradesh for which, the company has applied and if approved, it would provide a cash flow benefit to the extent of deferment in royalty & other duties for the first 12 year period post CoD.

The ratings continue to favorably factor the commencement of operations of five units of the power plant; satisfactory progress on coal production from its mines as well as long term Power Purchase Agreement (PPA) with cost-competitive tariff arising from access to captive mines. The ratings are however constrained by the residual project execution risks, given that the project has already witnessed time overrun by nine months. As typical to the competitively bid projects; costs are not a pass through in the project and hence, ability to meet the operational efficiency & cost parameters within the budgeted levels remains critical as well as the operations remain exposed to interest rate & exchange rate risks. Further, SPL continues to be exposed to counter-party credit risks, however, the same is partially offset by payment security mechanism as put in place in PPAs, competitive nature of

<sup>\*</sup> For complete rating definition please refer to ICRA Website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

<sup>†</sup> 100 lakh = 1 crore = 10 million

<sup>‡</sup> The Madhya Pradesh Government has come out with a new policy as per which the units can defer the payment of royalties and other state levies by 12 years.



tariffs and option available for third party sale of power in case of default by procurers (as allowed under the PPA) particularly in view of continuance of power deficit status in the procuring states.

### **Company Profile**

SPL, is a wholly owned subsidiary of Reliance Power Limited, and is engaged in developing a captive coal based project with a capacity of 3960 MW at Sasan in state of Madhya Pradesh. The project was won by Reliance Energy Limited (which was subsequently transferred to Reliance Power Limited) through competitive bidding. The project is being implemented in six units of 660 MW each based on super-critical technology. SPL has signed power purchase agreements in August 2007 for contracted capacity of 3722 MW with fourteen state utilities in seven states namely Madhya Pradesh (lead procurer), Uttar Pradesh, National Capital Territory of Delhi, Punjab, Haryana, Rajasthan, and Uttaranchal. Levellised tariff for the project (which is competitive bid-based) for PPA period of 25 years is at Rs. 1.19/Unit. As per original PPA schedule, project CoD was scheduled at April 2016, which was subsequently advanced to March 2013 for which supplementary PPA was signed in October 2008. However, the company had revised the implementation schedule and the project COD stands as March 2015 (time overrun of 9 months due to which CoD revised from June 2014). The EPC contract for the project has been awarded to a consortium of Reliance Infrastructure Limited and Reliance Infra Projects (UK) Limited for which NTP was issued in July 2008. In turn Reliance Infra Projects (UK) Limited has awarded BTG contract to Shanghai Electric Corporation, China. The project has been allotted three captive coal mine blocks with estimated coal reserves of about 700 Metric Million Tonnes with an average GCV of 4700 Kcal/Kg. For the project, the captive mine blocks which are advanced stages of development are namely Moher & Moher Amlohri Extension, both of which together attribute to total reserves of 575 MMT, with expected production of 20 MTPA.

The project cost including the capital cost of coal mine development stands at Rs. 27546 crore. Presently, five units have already commenced their operations. Out of the project cost, the company has already incurred 83% of the project cost as on September 30, 2014 funded through term loans 15,578 Cr. and the remaining through equity infusion.

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