



Teesta Urja Limited

Instrument	Amount	Rating Action
Term Loans	Rs 2800 crore	[ICRA]D revised from [ICRA]B-

ICRA has revised the long term rating assigned to the Rs 2800 crore long-term loans of Teesta Urja Limited (TUL) † from [ICRA]B- (pronounced as ICRA B minus) to [ICRA]D.

The rating revision takes into account delays in servicing of debt by Teesta Urja Limited, which is developing a 1200 MW hydro power project in the state of Sikkim. This followed delays in securing equity and debt funding for meeting cashflow requirements, including debt servicing costs. The project has faced cost and time overrun. While time overruns have followed geological surprises and natural calamities including a landslide at the dam site in June 2010, earthquake in September 2011, collapse of Rangchang Khola bridge (which was a critical link for transferring heavy equipment to the dam site), and flash floods in September 2012, cost overruns have arisen because of damages and change in design aspects following the aforementioned events as well as significant increase in the interest during construction (IDC) element of the project cost because of hardening in the interest rates and also on account of time overrun. Thus ICRA now expects the project to be completed in the last quarter of FY 2017 as against its last estimate of completion of project by first half of FY 2016 while the final project cost is expected to be Rs. 13965 crores as against an initial approved cost of Rs. 5760 crores. Moreover, with the project funding tied up in a debt: equity of 80:20, the financial risk profile is also high. The increase in project cost will have to be approved by CERC for recovery of costs through tariffs for regulated sales.

While the rating had been factoring strengths such as acquisition of majority stake by Government of Sikkim (which now owns 51% shareholding in the company), support extended by investors (Asian Genco and PTC India Ltd) and the consultant (Energy Infratech Limited); limited offtake risk given the expectations of continued energy deficit, signing of firm offtake arrangements for 70%; potential upside in tariff as 30% of the power generated will be sold through merchant route, and deemed generation clauses providing cushion against hydrological and silting risks; improvement in debt servicing will remain the key trigger for change in rating apart from completing the project without any further time and cost overrun.

Company Profile

Teesta Urja Limited (TUL) is a Special Purpose Vehicle (SPV) incorporated on March 11, 2005 for the development of the 1200 MW Teesta Stage III Hydroelectric Electric Project. The company has been promoted by a consortium comprising of Asian Genco Pte Limited, Government of Sikkim (GoS), Athena Projects Private Limited (APPL), PTC India Limited (PTC) and having percentage equity holding shares of 50.1%, 26%, 12.9%, and 11% respectively. However, in August 2015, GoS has increased its stake to 51% (stakes of other shareholders has come down). Till date, the promoters have infused equity of Rs 2420.45 crore in the project. The company has signed a PPA with Power Trading Corporation (PTC) for sale of power wherein PTC will sell 70% of the total generation on Long term basis and rest 30% on merchant basis.

October 2015

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† For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



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