Teesta Urja Limited

Instrument	Amount (Rs Crore)	Rating Action
Term Loans	3328.90 enhanced from 2800.00	[ICRA]D reaffirmed

ICRA has reaffirmed long term rating of [ICRA]D (pronounced as ICRA D) to the Rs 3328.90 crore (enhanced from Rs 2800.00 crore) long-term loans of Teesta Urja Limited (TUL)[†].

The rating action takes into account delays in servicing of debt by Teesta Urja Limited, which is developing a 1200 MW Teesta III 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 in December,2011 (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. 14000 crores (after 3rd time & cost overrun) as against an initial approved cost of Rs. 5700 crores. Moreover, with the project funding tied up in a debt: equity of 78.73:21.27 (after 2nd time & cost overrun with estimated project Cost of Rs.11382 Crores), the financial risk profile is also high. The increase in project cost will have to be approved by CERC empanelled agency 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 (NHPC Limited and WAPCOS Limited); limited off-take risk given the expectations of continued energy deficit, signing of firm off-take arrangements for 100% power; potential upside in tariff as 30% of the power generated will be sold on short term basis, 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 become a Government of Sikkim (GoS) enterprise in August 2015 as GoS has increased its shareholding in TUL to 51%. Other investors in the company are Asian Genco Pte Limited (AGPL), Athena Projects Private Limited (APPL) and PTC India Limited (PTC) and having percentage equity holding shares of ~37%, 5% and 7% respectively. Till date, the promoters have infused equity of Rs 2420.45 crore in the project. The company has signed a PPA for sale of 100% of saleable power with Power Trading Corporation (PTC) wherein PTC will sell 70% of the total generation on Long term basis and rest 30% on short term basis.

May 2016

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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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