

September 11, 2019

Tidong Power Generation Private Limited: [ICRA]A+ (CE) (Stable) and [ICRA]A- (CE) (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loan	560.00	[ICRA]A+ (CE) (Stable); Assigned
Long-term fund based / non-fund based	420.00	[ICRA]A- (CE) (Stable); Assigned
Total	980.00	

Rating Without Explicit Credit Enhancement **[ICRA]BBB+**

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

For the [ICRA]A+(CE)(Stable) rating

The above rating is based on the strength of the corporate guarantee provided by Statkraft AS (Statkraft, rated Moody Baa1 (Stable)/P2), the ultimate parent of Tidong Power Generation Private Limited (TPGPL), for the rated Rs. 560 crore bank lines. The Stable outlook on this rating reflects the outlook on the rating of the guarantor, Statkraft.

Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the guarantee issued by Statkraft in favour of the said instrument. While the guarantee is legally enforceable, irrevocable, unconditional and covers the entire amount and tenure of the rated instrument, it does not have a well-defined invocation and payment mechanism. Taking cognizance of the above, ICRA has assigned a rating of **[ICRA]A+(CE)** to the said instrument against the Unsupported Rating of [ICRA]BBB+. In case the rating of the guarantor or the Unsupported Rating of TPGPL was to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility as well. The rating of this facility may also undergo a change in scenario if, in ICRA's assessment, there is a change in the strength of the business links between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants related to the credit enhancement, as specified in the guaranteed documents

- » *The guarantors would be the principal debtors jointly with the borrower; accordingly, the guarantors shall not be entitled to and hereby waive all the rights conferred on the guarantors under Sections 133, 134, 135, 139, 140 and 141 of the Indian Contract Act, 1872*
- » *The guarantee is a continuing one for all the amounts advanced to the borrower under the said facilities and also for all interest, costs, charges, expenses and/ or other monies which may from time to time become due and remain unpaid to the bank*

- » *The guarantors shall, forthwith on demand by the bank, deposit such sum or security as the bank may specify for the due fulfilment of its obligations*

For the [ICRA]A-(CE)(Stable) rating

The above rating factors in the letter of understanding (LoU) extended by Statkraft for the Rs. 420 crore fund-based and non-fund based limits of TPGPL. In addition, Statkraft's intent to support TPGPL is also reflected by the arrangement of an irrevocable standby letter of credit from Handelsbanken for Rs. 420 crore bank lines. The Stable outlook on this rating reflects the outlook on the rating of the guarantor, Statkraft.

Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the LoU provided by Statkraft in favour of the said facility. Taking cognizance of the above credit enhancement, ICRA has assigned a rating of **[ICRA]A-(CE)** to the said facility, against the Unsupported Rating of [ICRA]BBB+. In case the rating of the support provider or the Unsupported Rating of TPGPL was to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility as well. The rating of this facility may also undergo a change in scenario whereby, in ICRA's assessment, there is a change in the strength of the business links between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants related to the credit enhancement, as specified in the LoU document

- » *The LoU provider ensures due and punctual observance and performance by TPGPL pertaining to latter's all payment obligations in pursuant to the loan agreement.*
- » *The LoU covers the entire loan amount and loan tenure specified in the loan agreement.*

Key rating drivers and their description

Credit strengths

Explicit support in form of corporate guarantee for Rs. 560 crore bank lines - Statkraft provided support in the form of irrevocable and unconditional corporate guarantee to the Rs. 560-crore debt (availed from BNP Paribas) of TPGPL. Statkraft has a credit opinion of Baa1 (Stable)/P2 from Moody's.

Explicit support in form of letter of understanding for Rs. 420 crore bank lines – Statkraft provided a letter of understanding to the Rs. 420-crore debt availed from Barclays Bank Plc.

Liquidity position: Strong (reflects the liquidity position of Guarantor)

Statkraft's liquidity profile is **Strong** as evident from the high cash balance of 23.1 NOK billion (as on December 31, 2018) with limited near-term commitments.

ICRA expects Statkraft to support the near-term commitments of TPGPL as it a project company and does not have any operational cash flow of its own.

Rating sensitivities

The ratings assigned would remain sensitive to any movement in the rating or outlook of the guarantor, Statkraft.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Support from parent - Statkraft AS Explicit support in the form of corporate guarantee to Rs. 560 crore of debt Explicit support in the form of letter of understanding to Rs. 420 crore of debt
Consolidation/Standalone	Standalone

About the company

In September 2018, Statkraft Group acquired 100% shares in TPGPL (earlier promoted by Nuziveedu Seeds Limited (NSL) group). The total project cost would be funded in a debt-to-equity ratio of 75:25. The project is estimated to achieve COD in May 2021.

TPGPL is developing a 100-MW hydro power plant on the Tidong river (a tributary of Sutlej river) in the Kinnaur district of Himachal Pradesh (HP). Under the Memorandum of Understanding (MOU) with the Government of Himachal Pradesh (GoHP), the project was awarded to Nuziveedu Group in September 2004 on built, own, operate and transfer (BOOT) basis for a period of 40 years from the commercial date of operation.

Key financial indicators (audited) - Guarantor:

Statkraft AS Group	CY2017	CY2018
Operating Income (NOK Million)	50,778	55,350
PAT (NOK Million)	11,710	13,390
OPBDIT/OI (%)	24.3%	33.1%
RoCE (%)	10.6%	14.7%
Total Debt/TNW (times)	0.4	0.3
Total Debt/OPBDIT (times)	3.2	2.0
Interest coverage (times)	10.0	20.2

CY refers to calendar year starting January to December

Source: ICRA estimates, Statkraft AS annual report 2018

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current Rating (FY2020)			Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating 11-September 2019	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
					-	-	-
1	Fund-based – Term loan	Long Term	560.00	215.00	[ICRA]A+ (CE) (Stable)	-	-
2	Fund based/non fund based	Long Term	420.00	239.00	[ICRA]A- (CE) (Stable)	-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	Aug-2018	9.50%	Aug-2021	560.00	[ICRA]A+ (CE) (Stable)
NA	Fund based / Non fund based	Aug-2018	8.80%	Sep-2021	420.00	[ICRA]A- (CE) (Stable)

Source: Tidong Power Generation Private Limited.

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