



**Press Release**  
**SIKKIM URJA LIMITED (ERSTWHILE TEESTA URJA LIMITED)**  
**January 29, 2025**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10296.00	ACUITE BBB+   Reaffirmed   Rating Watch with Developing Implications	-
Bank Loan Ratings	60.00	-	ACUITE A2+   Reaffirmed   Rating Watch with Developing Implications
Total Outstanding Quantum (Rs. Cr)	10356.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long term rating to ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) and short term rating to ‘**ACUITE A2+**’ (read as **ACUITE A two plus**) on the Rs. 10356.00 Cr. bank facilities of Sikkim Urja Limited (Erstwhile Teesta Urja Limited). The rating has been placed under Watch with Developing Implications for Acuite to evaluate the impact to be made by Government of Sikkim (GOS) to disinvest their stake in the Sikkim Urja Limited (SUL).

**Rationale for Recommendation**

Due to a force majeure event of cloud burst which took place on 3rd October 2023 in the state of Sikkim caused the collapse of hydroelectric dam which halted the operations since then. Prior to this event, the operational performance of the unit remained healthy with high Plant Load Factor (PLF) and Plant Availability Factor (PAF). The company has filed for insurance damages and further expecting receivables from Haryana State Utility DISCOM of approximately Rs. 1500 Cr. for non-operational PPA.

Acuite notes the disinvestment from Government of Sikkim (GOS) its entire stake ~ (60%) from Sikkim Urja Limited to Greenko Energies Private Limited (GEPL) will be key monitor to factor. The documentation of share transfer is under process.

The company is reconstructing the whole dam, however approvals from authorities CWC (Central Water Commission & CEA (Central Electricity Authority) are pending and expected in the month of October 2024. The construction of new dam will be done in two stages and will be funded by mix of equity share capital from Greenko Energies Private Limited (GEPL) and fresh funding from lenders (REC & PFC) under terms of resolution plan. The company is expecting to generate revenues from 1st September 2025 after completion of 1st stage which is expected to be operationalized at 65% of total capacity. The final stage (Main Dam) will be completed by 28th February 2029.

The rating also factors the PPA's from three DISCOMS (UP, Rajasthan & Haryana) which are still active despite having halt in operations for more than a year.

**About the Company**

Incorporated in 2005, New Delhi registered Sikkim Urja Limited (SUL) (erstwhile Teesta Urja Limited (TUL) is promoted by Government of Sikkim (GoS)/ Sikkim Power Investment Corporation Limited (SPICL) holding 60.08 per cent stake. The company is engaged in hydro power generation and has set up 1,200 MW Teesta Stage III

hydroelectric electric project in Sikkim. The project was commissioned in February 2017. However, presently not operational due to the force majeure event in Sikkim since October 2023. SUL has entered into Power Purchase Agreement (PPA) for 35 years with PTC India Limited (PTC) for sale of entire saleable power out of which 70 percent of the power is to be sold under long term basis and balance 30 percent to be sold on short term basis. PTC has entered into Power Sale Agreement (PSA) with four states, Punjab, Haryana, Uttar Pradesh and Rajasthan.

### **Unsupported Rating**

Not Applicable.

### **Analytical Approach**

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

### **Key Rating Drivers**

#### **Strengths**

##### **Strategically important entity for GOS and SPICL**

SUL is a strategically important entity for the state of Sikkim for ensuring uninterrupted power generation and is 60.08 percent owned by GOS/SPICL. SUL has set up the 1,200 MW Teesta Stage III hydroelectric electric project, which is the second largest hydro power project in India. Acuité believes that since the reconstruction of the whole dam under the new management will be key monitorable in near to medium term.

##### **Revenue visibility backed by long term PPA's**

Despite having operations halted for more than 1 year, PPA (Power Purchase Agreement) from UP, Rajasthan & Haryana DISCOMS are still active. The company will start generating revenues once the first stage (Coffer Dam) gets operationalized. Out of total 1200 MW capacity, 840 MW is tied up against the PPAs. The balance will be sold in energy exchanges on merchant rates.

#### **Weaknesses**

##### **Uncertainty over Insurance Claim & Expected Receivables from Haryana DISCOM**

There is always uncertainty regarding the insurance claim against the damages which includes both business and asset loss. As per the management, the insurance claim will be utilized for repaying debt servicing and construction of new dam. Acuité believes that timely insurance claim and upto what extent will be key monitorable for the company.

The company is expecting Rs. 1,535 Cr. from Haryana State Utility for non-operational of PPA as CERC & APTEL (Appellate Tribunal for Electricity) gave order in the favour of Sikkim Urja Limited. However, due to natural disaster SUL has been asked to give Bank Guarantee against it.

### **Rating Sensitivities**

1. Share transfer from GOS to GEPL.
2. Timely execution of reconstruction of new dam.
3. Receivables from Haryana State Utility DISCOM & insurance claim.

### **Liquidity Position**

#### **Adequate**

The liquidity position of the company is adequate marking net cash accruals against the maturing debt obligations of the current year. Currently having irrevocable and unconditional guarantee upto an extent of Rs. 375 Cr. for the loans borrowed by SUL from REC and PFC, which provides financial flexibility to the company. Further having DSRA of equivalent to 1.3 times debt servicing obligation of one quarter as per the sanction terms provides further comfort to the lenders. Also expected proceeds from insurance company and Haryana State Utility Discom may ease out liquidity for the company. Acuité believes that going forward the liquidity position of the company will remain adequate backed by irrevocable and unconditional guarantee.

### **Outlook: Not Applicable.**

### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	2599.58	3108.53
PAT	Rs. Cr.	(456.77)	1274.24
PAT Margin	(%)	(17.57)	40.99
Total Debt/Tangible Net Worth	Times	2.46	2.47
PBDIT/Interest	Times	1.30	3.13

### 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>
- 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Oct 2024	Bank Guarantee (BLR)	Short Term	36.00	ACUITE A2+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A1)
	Bank Guarantee (BLR)	Short Term	13.00	ACUITE A2+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A1)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A2+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A1)
	Working Capital Demand Loan (WCDL)	Long Term	94.00	ACUITE BBB+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A   Stable)
	Working Capital Demand Loan (WCDL)	Long Term	33.00	ACUITE BBB+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A   Stable)
	Working Capital Demand Loan (WCDL)	Long Term	28.00	ACUITE BBB+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A   Stable)
	Term Loan	Long Term	3351.85	ACUITE BBB+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A   Stable)
	Term Loan	Long Term	3351.61	ACUITE BBB+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A   Stable)
	Proposed Long Term Bank Facility	Long Term	3437.54	ACUITE BBB+ (Downgraded (Rating Watch with Developing Implications) from ACUITE A   Stable)
19 Jul 2023	Working Capital Demand Loan (WCDL)	Long Term	94.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Working Capital Demand Loan (WCDL)	Long Term	33.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Working Capital Demand Loan (WCDL)	Long Term	28.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Term Loan	Long Term	5067.89	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Term Loan	Long Term	5073.11	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Bank Guarantee (BLR)	Short Term	36.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	13.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A1 (Upgraded from ACUITE A2+)
21 Apr 2022	Working Capital Demand Loan (WCDL)	Long Term	94.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Working Capital Demand Loan (WCDL)	Long Term	33.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Working Capital Demand Loan (WCDL)	Long Term	28.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	5067.89	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	5073.11	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Issuer Rating	Long Term	0.00	ACUITE A- (IR) (Upgraded & Withdrawn from ACUITE BBB+ (IR)   Stable)
	Bank Guarantee (BLR)	Short Term	36.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee (BLR)	Short Term	13.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Proposed Non Convertible Debentures	Long Term	11028.00	ACUITE Provisional A- (Upgraded & Withdrawn from ACUITE BBB+   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	36.00	Simple	ACUITE A2+   Reaffirmed   Rating Watch with Developing Implications
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.00	Simple	ACUITE A2+   Reaffirmed   Rating Watch with Developing Implications
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE A2+   Reaffirmed   Rating Watch with Developing Implications
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3437.54	Simple	ACUITE BBB+   Reaffirmed   Rating Watch with Developing Implications
Rural Electrification Corporation Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2047	3351.85	Simple	ACUITE BBB+   Reaffirmed   Rating Watch with Developing Implications
Power Finance Corporation Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2047	3351.61	Simple	ACUITE BBB+   Reaffirmed   Rating Watch with Developing Implications
Punjab National Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	94.00	Simple	ACUITE BBB+   Reaffirmed   Rating Watch with Developing Implications
Canara Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.00	Simple	ACUITE BBB+   Reaffirmed   Rating Watch with Developing Implications
Bank of Baroda	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	28.00	Simple	ACUITE BBB+   Reaffirmed   Rating Watch with Developing Implications

## Contacts

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