



Press Release

SIKKIM POWER TRANSMISSION LIMITED (ERSTWHILE TEESTA VALLEY POWER TRANSMISSION LIMITED)

August 05, 2024

Rating Reaffirmed and Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	199.40	ACUITE BBB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	715.60	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	99.55	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	715.60	-	-
Total Withdrawn Quantum (Rs. Cr)	298.95	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating at '**ACUITE BBB+**' (read as **ACUITE Triple B Plus**) on the Rs. 715.60 crore bank facilities of Sikkim Power Transmission Limited (Erstwhile Teestavalley Power Transmission Limited) (SPTL). The outlook is '**Stable**'.

Acuite has reaffirmed and withdrawn the long-term rating at '**ACUITE BBB+**' (read as **ACUITE Triple B Plus**) on the bank loan facilities of Rs. 199.40 Cr. of Sikkim Power Transmission Limited (Erstwhile Teestavalley Power Transmission Limited) (SPTL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and NOC (No Objection Certificate) received from the banker.

In addition to that, Acuite has withdrawn its rating on proposed long term bank facilities of Rs. 99.55 Cr. without assigning any rating of Sikkim Power Transmission Limited (Erstwhile Teestavalley Power Transmission Limited) (SPTL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company.

Rationale for Rating

The rating on SPTL takes into account the steady business risk profile of the company marked by the transmission line availability. The rating also factors the improving financial risk profile and strong liquidity position of SPTL. Moreover, the rating derives comfort from the fiscal profile of the Government of Sikkim which is expected to provide significant support to SPTL through Sikkim Urja Limited. These strengths are partly offset by the inherently regulated nature of operations in the electricity transmission business.

About the Company

Incorporated in 2006, Sikkim Power Transmission Limited. (SPTL) is a joint venture between Sikkim Urja Limited (SUL) and Power Grid Corporation of India Ltd. (PGCIL), holding 69.08 per cent and 30.92 percent of shares respectively. The Central Electricity Regulatory Commission (CERC) had granted a transmission license to SPTL and for that purpose, the company constructed a 400 kV Double Circuit Quad Moose 215 km Interstate Transmission Line from 1200 MW Teesta-III HEP in Sikkim to PGCIL sub-station at Kishanganj, Bihar. Additionally, the operation and maintenance of the transmission line is being carried out by SPTL itself. The company has achieved its commercial operation date (COD) on 13th February, 2019 and presently has around 100 per cent transmission line availability.

The Directors of the company are Mr. Gopalam Adiseshu, Mr. Dondla Nagendra Prasad, Mr. Yugesh Kumar Dixit, Mr. Ther Tshering Lepcha, Mr. Ravindra Kumar Tyagi, Mr. Nirmal Agarwal, Mr. Sonam Rinchen Bhutia and Mr. Alok Kumar Sharma.

About the Group

Incorporated in 2005, Sikkim Urja Limited (Erstwhile Teesta Urja Limited) is promoted by Government of Sikkim (GOS) through Sikkim Power Investment Corporation Limited (SPICL), which is holding 60.08 percent 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. 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. However, pending the operationalization of PPA for Punjab and Haryana and additional PPA with UPPCL and NDMC, TUL currently sells 41 percent of power on long term basis to Uttar Pradesh and Rajasthan and 55 percent via merchant sale through Indian Energy Exchange (IEX).

The company operates from its registered office located in Delhi.

The director of the company is Mr. Dondla Nagendra Prasad, Mr. Naredla Venugopala Rao, Ms. Stuti Kacker, Mr. Lov Verma, Mr. Gopalam Adiseshu, Mr. Hemant Das, Mr. Pankaj Goel, Mr. Nirmal Agarwal, Ms. Sonam Rinchen Bhutia, Mr. Arun Tyagi and Mr. Ther Tshering Lepcha.

Unsupported Rating

Acuite BBB-/Stable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SPTL to arrive at the rating. However, the rating factors in the support from the Government of Sikkim, through its relationship and holding in SUL which in turn holds majority stake in this entity apart from the strategic importance to the state.

Key Rating Drivers

Strengths

Support from the Government of Sikkim, SUL, and PGCIL

SPTL is a subsidiary of Sikkim Urja Limited (SUL), which in turn is a 60.08 per cent owned body of the Government of Sikkim, and a strategically important entity of the power sector infrastructure for PGCIL. The ownership structure of 69.08 per cent shareholding by SUL and 30.92 per cent of shareholding by PGCIL provides adequate financial flexibility. It is an Inter State Transmission System catering to the states of Sikkim, West Bengal and Bihar, covering a total distance of 215 Km. Being the transmission licensee by CERC, SPTL is mandated to ensure the development of an efficient, coordinated and economical transmission network for smooth flow of power in 400 kV Double Circuit Quad Moose Interstate Transmission Line (ISTS line) from 1200 MW Teesta-III HEP in Sikkim to PGCIL sub-station at District Kishanganj, Bihar. SPTL's credit profile is also supported by its access to funds at low cost and its ability to mobilise financial resources from several financial institutions, multilateral development institutions and banks. The rating factors in the financial flexibility of SPTL.

Acuité believes that SPTL, which is a step down subsidiary and a strategically important entity for the state of Sikkim, shall continue to benefit from the financial, operational and management support from the state government as and when required. Further, PGCIL has demonstrated financial support by way of loans to SPTL on a regular basis. Any changes in the ownership pattern of SPTL or any event that impinges GoS's overall credit profile shall remain a key rating sensitivity.

'Cost plus' tariff mechanism and approval of final capital cost

The annual transmission charges for the line laid by SPTL is determined by CERC primarily on

cost plus method and reviewed annually or under Multi Year Tariff (MYT) regime by CERC. The annual transmission charges determined by CERC are recovered by raising bills through PGCIL, acting as Central Transmission Utility (CTU), based on the monthly availability of the transmission line during the billing period. PGCIL makes billing based on cost approved by CERC in point of connection pool for further recovery from Designated ISTS Customers (DIC). Acuité believes the 'cost-plus' based tariff mechanism will continue to sustain the stable business outlook for the company.

Moderate Financial Risk Profile

The company's financial risk profile is marked by net worth, gearing and moderate debt protection metrics. The tangible net worth of the company improved to Rs. 399.82 Cr. as on March 31, 2024 (Provisional) from Rs. 322.35 Cr. as on March 31, 2023, due to accretion of profits in reserves. The Gearing of the company improved and stood at 1.71 times as on March 31, 2024 (Provisional) as against 2.45 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also improved and stood high at 2.01 times as on March 31, 2024 (Provisional) as against 2.76 times as on March 31, 2022. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 3.71 times as on March 31, 2024 (Provisional) and Debt Service Coverage Ratio at 1.28 times as on March 31, 2024 (Provisional) which stood at same level in previous year. Net Cash Accruals/Total Debt (NCA/TD) stood modest at 0.22 times as on March 31, 2024 (Provisional). Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals.

Weaknesses

Regulated nature of operations

The revenues are influenced by the regulatory framework governing the power sector. Revenues of players such as SPTL are determined by Central Electricity Regulatory Commission (CERC). The regulatory commission takes into account key parameters such as the availability of the transmission line, interest paid on term loans and working capital loans, operational and maintenance expenses, depreciation and expected return on capital employed to arrive at transmission tariffs. Acuité believes that significant changes in the regulatory environment will impinge on the credit profile of the company.

Rating Sensitivities

- Support from the Government of Sikkim, Sikkim Urja Limited and Power Grid Corporation of India Limited
- Periodical tariff revision
- Any unforeseen event which may lead to deterioration liquidity profile of the company.
- Any siphoning of funds to support the promoter entity.

Liquidity Position

Strong

The company's liquidity is strong marked by net cash accruals of Rs. 152.01 Cr. against the Current Portion of Long-Term Debt (CPLTD) of Rs. 104.91 Cr. for the same year. The company has maintained DSRA (Debt Servicing Reserve Account) for Rs. 44.11 Cr. for FY 24 (Prov.). Further to that the company has put aside a contingency fund of Rs. 10.59 Cr. under Self Insurance Reserve Scheme on March 31, 2024 (provisional) to be utilized for unforeseen exigencies. The company has an unencumbered deposit of Rs. 73.07 Cr. as on 31st March 2024 (Prov.). The cash and bank balances of the company stood at Rs. 11.06 Cr. as on March 31, 2024 (Provisional) as compared to Rs. 7.04 Cr. as on March 31, 2023. The current ratio stood at 1.28 times as on March 31, 2024 (Provisional), Acuité believes that going forward the liquidity of the company will improve with steady accruals.

Outlook - Stable

Acuité believes that the company will maintain 'Stable' outlook over the medium term due to the steady cash flows inherent in the power transmission business along with its strategic importance and the support provided by the state Government of Sikkim, Sikkim Urja Limited

and Power Grid Corporation of India Limited. The outlook may be revised to 'Positive' in case of significant improvement of the financial risk profile and liquidity position, while maintaining its revenue level and profitability. Conversely, the outlook may be revised to 'Negative' in case of any unexpected deterioration in the financial profile, elongation of working capital cycle or any significant pressures on the fiscal position of the state government.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	244.71	251.21
PAT	Rs. Cr.	63.64	63.28
PAT Margin	(%)	26.01	25.19
Total Debt/Tangible Net Worth	Times	1.71	2.45
PBDIT/Interest	Times	3.71	3.76

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 May 2023	Term Loan	Long Term	885.00	ACUITE BBB+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	99.55	ACUITE BBB+ Stable (Reaffirmed)
01 Jul 2022	Term Loan	Long Term	885.00	ACUITE BBB+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	99.55	ACUITE BBB+ Stable (Reaffirmed)
29 Jun 2021	Term Loan	Long Term	163.71	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	88.02	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	116.76	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	319.46	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	303.47	ACUITE BBB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	23.13	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	99.55	Not Applicable Withdrawn
Bank of Baroda	Not avl. / Not appl.	Term Loan	01 Apr 2010	Not avl. / Not appl.	30 Jun 2030	Simple	685.60	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	01 Apr 2010	Not avl. / Not appl.	30 Jun 2030	Simple	199.40	ACUITE BBB+ Reaffirmed & Withdrawn
Bank of Baroda	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BBB+ Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Sikkim Urja Limited
2	Government of Sikkim
3	Sikkim Power Transmission Limited (Erstwhile Teestavalley Power Transmission Limited)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Kartik Arora Analyst-Rating Operations Tel: 022-49294065 kartik.arora@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.