

## SIKKIM URJA LIMITED

August 14, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable and removed from Rating Watch with Developing Implications; Stable outlook assigned and Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed and subsequently withdrawn the rating on the bank facilities of Sikkim Urja Limited (SUL) at the request of the issuer and receipt of No Objection Certificate from the lenders. Simultaneously, CareEdge Ratings has also resolved the rating watch with developing implications on account of completion of acquisition of Government of Sikkim's 60% stake in the company by Greenko Energies Private Limited (Greenko Group; GEPL rated CARE A+; Stable/CARE A1+). The total purchase consideration of the transaction is ~Rs. 3,000 crore, wherein, Greenko has made an upfront payment of ~Rs. 1,200 crore and the remaining amount is added as new debt to the company's balance sheet. Further, on account of change in ownership, the outstanding debt has been restructured, with no scheduled repayments until FY29, which aligns with the proposed timeline for the construction of the main dam. Until the asset becomes fully operational, the company would require need based support from Greenko Group to service its interest obligations.

The rating, however, continues to be constrained considering execution risks as the project is currently in a non-operational state. The construction progress on coffer dam is limited as reflected by postponement of partial commissioning from September 2025 to December 2025 on account of pre-monsoon rains in the region. Further, as on date, the company received a total insurance compensation of ~Rs. 250 crore and an additional ~Rs. 250 crore is expected over the near term.

The rating continues to factor in leveraged capital structure of the company as reflected by high outstanding debt as principal repayments are deferred until FY29. Additionally, the debt is expected to remain elevated as further capex of ~Rs. 4,600 crore is envisaged, which will be partially funded through debt amounting to ~Rs. 2,500 crore. Moreover, the company is exposed to off-take risks as the company has long/medium term power purchase agreements (PPAs) for only ~300 MW of 1200 MW project capacity with the remaining being sold in the merchant market, thereby, also exposing the company to pricing risks. The rating is also constrained due to exposure to counterparty credit risk arising from weak financial health of off-takers, interest rate fluctuation risks, and inherent hydrological risk associated with run of-the river hydropower projects.

Nevertheless, ratings continue to derive strength from long-term PPA for 25% of its tied-up capacity which operates on the cost-plus tariff mechanism. Moreover, CareEdge Ratings positively factors in the strong and resourceful parentage of the company, by virtue of it being a part of the Greenko Group. Additionally, the presence of corporate guarantee from the Greenko Group for company's debt provides comfort from a credit perspective.

**Analytical approach:** Standalone plus factoring linkages with the parent

### Outlook: Stable

The stable outlook on the CARE BB+ rating of SUL reflects CARE Ratings' opinion that the company would benefit from its long-term PPA with state discoms. Expectation of satisfactory operational profile supports the outlook.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Plant not operational, partial commissioning expected by December 2025

A cloudburst triggered a flash flood in the North Sikkim region, damaging SUL's hydro project and halting operations since October 04, 2023. However, the construction of the coffer dam has commenced and is expected to be completed by December 2025. The delay in commissioning of coffer dam is account of pre-monsoon rains in the month of April and May in the region. The coffer dam is anticipated to achieve a PLF of ~65% of the normal expected PLF. The main dam construction will continue alongside the

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications

coffer dam and is expected to be operational by March 2029. The company plans to replace the earlier rock-filled dam with a concrete dam to improve its design. To fully operationalize the plant over the next four years, the company expects to incur remedial capex of ~Rs. 4,500 crore. This will be financed through expected insurance claims and dues from Haryana and Punjab discoms, and additional equity infusion and debt from lenders.

### **Uncertainty over insurance claim and receivables from Haryana discom**

The company has filed an insurance claim for a total of Rs. 5,084 crore (Loss of Business – Rs. 2800 crore and Physical Loss – Rs. 2200 crore) and is still optimistic to receive the full amount. The Root Cause Report is still pending, and once finalized, the company expects receiving full compensation if the cause is determined to be something other than GLOF. However, if the cause is identified as GLOF, the company will receive the total amount of Rs. 500 crore. However, the insurance company/ies are remitting Rs. 500 crore at this juncture as that is a minimum payout even in case the project is impacted by GLOF. As on date, the company has received a total of Rs. 250 crore and the other Rs. 250 crore is expected over the near term.

Further, the company is also expecting to receive Rs. 1,535 crore from Haryana discoms for non-operationalisation of PPA as both CERC and APTEL have issued orders in favour of Sikkim Urja Limited. Once SUL provides an equivalent bank guarantee to Haryana discoms, they would receive the amount. As articulated by the management, the company has already received a sanction of the said amount from a scheduled bank and is awaiting LOC/LOU from the existing lenders to complete the process.

### **Exposure to merchant market for untied capacity and counterparty credit risk**

For the untied capacity, SUL is exposed to vagaries of merchant market risk, which can have significant bearing on its total revenue. Due to the robust demand in FY23 and H1FY24, SUL had been able to register comfortable sales on a merchant basis. State distribution utilities, to which SUL provides power, have a higher level of aggregate transmission and commercial (AT&C) losses and high average cost of supply (ACS)-average revenue realised (ARR) gap, which puts a strain on financial position of distribution companies. Hence, timely realisation of revenue from these discoms remains a cause of concern for power generating companies, including SUL. However, comfort is drawn from the reasonably on-time payment by off-takers.

### **Modest financial risk profile**

SUL's financial risk profile is characterised by high leverage. SUL's overall gearing stood high at 4.7x as on March 31, 2025 (PY: 2.5x) and Total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) stood at 2.8x as on FY24 end. While the management is confident on insurance adequacy, timely realisation of claims, will be important from the leverage perspective, going forward.

### **Hydrological risks associated with run-of-the-river power generation**

Run-of-the-river power is considered an un-firm source of power, as a run-of-the-river project has little or no capacity for energy storage, and therefore, depends on the flow of river water for power generation. It generates much more power in times, when seasonal river flows are high and has lower generation in drier months. SUL's operations are restricted to a single plant, which exposes it to risks arising from a single-site nature of operations.

### **Interest rate fluctuation risk**

The company is exposed to interest rate fluctuation risk, since the interest rate for the term loans availed is floating in nature, exposing the company to the risk of change in cost factors. Interest cost being the primary cost component on a cash basis, adverse movement in interest rates will impact SUL's overall debt-servicing ability. CARE Ratings will continue to monitor material breach of sanctioned terms considering the disaster.

### **Key strengths**

#### **Strong and resourceful parentage by virtue of being a part of the Greenko Group**

SUL is finally acquired by the Greenko Group in March 2025. Greenko Energy Holdings (GEH) is the ultimate holding company of the Greenko group. The major shareholders in GEH include GIC which holds 58% through its subsidiary Cambourne Investment Pte Ltd, followed by ADIA at 14%, founders at ~25% and Orix at 3%. The presence of such strong shareholders provides financial flexibility to the platform. Moreover, CareEdge Ratings notes that the stated posture of the Group towards the entity is strong as reflected by the presence of a corporate guarantee for the company's debt.

### Established track record and satisfactory operational performance till forced outage

The plant achieved commercial operations date (COD) in February 2017 and had a successful track record of operations of over six years prior to the disaster. From FY20-FY23, the company consistently clocked higher-than-normative plant availability factor (PAF) and higher than design energy, leading to full recovery of fixed charges for the cost-plus PPA. The PLF in YTD-August 2023 stood healthy at 77.79%.

### Revenue visibility backed by long-term PPA

Of the total capacity of 1,200 MW, 25% is tied up under long-term PPAs, providing reasonable revenue visibility. 12% net generation is provided to GoS as free power. Of the tied-up capacity, SUL has entered a 35-year PPAs with PTC India Limited on a cost-plus basis, where ultimate beneficiaries are discoms of Uttar Pradesh (UP; 200 MW) and Rajasthan (100 MW). Tariff for cost-plus PPA is determined by the Central Electricity Regulatory Commission (CERC), which ensures adequate recovery of cost and stipulated RoE on achieving normative availability and generation, meeting the plant's design energy.

### Liquidity: Adequate

The liquidity position of the company is adequate as reflected by cash and bank balance of ~Rs. 135 crore as on August 1, 2025. At this point, the company is adequately funded to take care of the interest servicing for the months of August and September 2025. Going forward, the interest servicing will be taken care of by the Greenko Group, as the debt is guaranteed.

### Environment, social, and governance (ESG) risks: Not Applicable

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Power	Power	Power Generation

Incorporated on March 11, 2005, SUL is a subsidiary of the Greenko Group. The company operates a 1200 MW run of the river hydro power project on river Teesta in Sikkim. The project achieved commissioning in February 2017 and thus, has a successful track record of more than six years of operations.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (P)
Total operating income	3,104	2,596	NM
PBILDT	2,651	2,378	-5
PAT	1,270	-461	-965
Overall gearing (times)	1652	221	-307
Interest coverage (times)	3.0	3.2	NM

A: Audited P: Provisional NM: Not Meaningful; Note: these are latest available financial results

### Status of non-cooperation with previous CRA: Not Applicable

### Any other information: Not Applicable

### Rating history for last three years: Annexure-2

### Detailed explanation of covenants of rated instrument / facility: Annexure-3

### Complexity level of instruments rated: Annexure-4

### Lender details: Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	September 2046	0.00	Withdrawn

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	-	-	-	1) CARE BB+ (RWN) (14-Nov-23) 2) CARE BBB+ (RWN) (12-Oct-23)	1) CARE A; Stable (14-Sep-22)	
2	Fund-based - LT-Working Capital Limits	LT	-	-	-	1) Withdrawn (13-Feb-25) 2) CARE BBB+ (RWN) (12-Oct-23)	1) CARE BB+ (RWN) (14-Nov-23) 2) CARE A; Stable (14-Sep-22)	
3	Non-fund-based - ST-BG/LC	ST	-	-	-	1) Withdrawn (13-Feb-25) 2) CARE A2 (RWN) (12-Oct-23)	1) CARE A1 (14-Sep-22)	

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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