

## The Tata Power Company Limited

ICRA has a long-term rating of [ICRA]AA (pronounced ICRA double A) outstanding on the Rs. 1,340 crore<sup>1</sup> term loans and Rs. 3,100 crore Non-Convertible Debenture Programme of The Tata Power Company Limited (Tata Power)<sup>2</sup>. The outlook on the long-term rating is Negative. ICRA also has a short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 3,000 crore Commercial Paper/Short Term Debt Programme of Tata Power.

ICRA has taken note of Tata Power's announcement that its wholly-owned subsidiary, Tata Power Renewable Energy Limited ([ICRA]AA(SO) (negative)), has signed a share purchase agreement to acquire Welspun Renewables Energy Private Limited (WREPL) at an enterprise value of Rs, 9,249 crore, subject to certain approvals/consents which are expected to be received over the next two months. WREPL, through its SPVs<sup>3</sup>, owns and operates close to 1,140 MW of renewable energy projects, viz. 990 MW in solar sector and 150 MW in wind sector. Of the same, about 1,000 MW of projects are operational while the remaining capacity is under advanced stages of implementation. Post the acquisition, Tata Power Renewable Energy Limited (TPREL) will hold a renewable energy portfolio of about 2,300 MW (including the renewable energy projects on the books of Tata Power which are planned to be sold to TPREL through a slump sale). Tata Power plans to meet the equity portion of the acquisition cost initially through near-term or medium-term debt. The acquisition will thus lead to an increase in Tata Power's consolidated debt levels. However, ICRA will have to analyse the project portfolio being acquired and its impact on Tata Power's cash flows after full details on the transaction are available.

ICRA continues to have a 'Negative' outlook on the long-term rating on account of the uncertainties over the additional compensation sought for Mundra UMPP<sup>4</sup> owing to the change in the Indonesian mining laws. The recent order of Appellate Tribunal for Electricity (dated April 7, 2016) directed Central Electricity Regulatory Commission (CERC) to assess the extent of impact of force majeure event on the project and provide such relief as may be available under the Power Purchase Agreement (PPA) within a period of three months from the date of ATE's order. Until then Tata Power is likely to continue to fund the cash flow mismatches of Mundra UMPP. The ratings however continue to be supported by Tata Power's healthy cash accruals aided by the stable cash flows generated from the Mumbai License Area operations and the strong financial flexibility arising from the company's association with the Tata Group.

### Company Profile

Tata Power, a Tata Group company, is involved in the business of generation, distribution and transmission of power. It has a license for bulk supply of electricity in the city of Mumbai. Tata Power Group currently has a total generation capacity of 9,184 MW on its own books as well as its subsidiaries. Of the same, 2,027 MW capacity is utilised to meet the power demands in the License Area in Mumbai. The company supplies power to Bombay Electric Supply & Transport Undertaking (BEST). Besides, it also supplies to the Railways and other industrial and High-Tension consumers in Mumbai apart from direct sales to retail consumers in the License Area.

Tata Power operates the 4,000 MW capacity as part of its Ultra Mega Power Project (UMPP) at Mundra (project commissioned in March 2013), and the 1,050 MW capacity in Maithon (project commissioned in July 2012) through Special Purpose Vehicles (SPVs). The company also acquired 30% stake in coal mining companies (KPC and Arutmin, based in Indonesia) in March 2007 and 26% stake in PT Baramulti Suksessarana Tbk (BSSR), Indonesia, in November 2012, through offshore SPVs ("Coal SPVs"). In January 2014, the company however announced it had signed an agreement for sale of its stake in PT Arutmin Indonesia. Tata Power has been enhancing its clean energy portfolio which includes more than 600 MW of operational wind projects in the states of Gujarat, Maharashtra, Tamil Nadu, Rajasthan and Karnataka, apart from solar projects (60 MW) and hydro projects. In June 2016, Tata Power announced that its wholly-owned subsidiary, Tata Power Renewable Energy Limited, had signed a share purchase agreement to acquire Welspun Renewables Energy Private Limited, subject to certain approvals/consents being met, which has a renewable energy portfolio of 1,140 MW.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>3</sup> Special Purpose Vehicle

<sup>4</sup> Ultra Mega Power Project



Tata Power Group is also into the business of distribution in Mumbai and in Delhi through its subsidiary, Tata Power Delhi Distribution Ltd (TPDDL). It has won the distribution franchisee for Jamshedpur. Further, the company has a presence in power transmission in Mumbai with over 1,110 Ckm (circuit km) of transmission lines. It is also involved in power transmission in other regions through a subsidiary, namely Powerlinks Transmission Limited which commenced operations in September 2006.

On standalone basis, for FY2015, Tata Power reported Profit after Tax (PAT) of Rs. 1,010.3 crore on an operating income of Rs. 8,648.2 crore. For FY2016, Tata Power reported PAT of Rs. 771.6 crore on an operating income of Rs. 8,819.7 crore.

**June 2016**

*For further details please contact:*

*Analyst Contacts:*

**Mr. Anjan Ghosh** (Tel. No. +91-22- 6114 3407)  
aghosh@icraindia.com

*Relationship Contacts:*

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500