



The Tata Power Company Limited

Instrument	Amount	Rating Action
Commercial Paper / Short Term Debt Programme	Rs. 2000 crore (enhanced from Rs. 1000 crore)	[ICRA]A1+ reaffirmed / assigned

ICRA has reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Commercial Paper / Short Term Debt Programme of The Tata Power Company Limited (Tata Power) aggregating to Rs. 2000 crore¹ (enhanced from Rs. 1000 crore)*. ICRA also has a long-term rating of [ICRA]AA (pronounced ICRA double A) with Negative outlook outstanding on the Rs. 2600 crore Non-Convertible Debenture Programme and Rs. 1340 crore term loans of Tata Power.

The reaffirmation of the short-term rating takes into account the favourable financial profile of Tata Power on a standalone basis characterised by healthy profitability levels and comfortable capital structure, which is also aided by the stable cash flows generated from the company's operations in the Mumbai License Area. The rating also favourably factors in the strong financial flexibility arising from the company's association with the Tata Group. ICRA also notes that the liquidity profile of Tata Power has been further enhanced by the successful completion of its Rs. 2,000 crore rights issue in April 2014. Further, the company's Coal SPVs have refinanced their debt obligations falling due in FY 2015; realisation of proceeds from the sale of stake in one of its Indonesian coal mines (for a consideration of about USD 500 million) is expected by end of the fiscal, which would further strengthen the liquidity profile at a consolidated level.

The company's Mundra UMPP (4000 MW) however continues to be loss-making as the final judgement from the Appellate Tribunal of Electricity (ATE) on the "compensatory tariff" framework allowed by CERC is awaited. The interim order allowed by ATE for billing from March 2014 onwards had been contested by the affected Distribution utilities in the Supreme Court, and subsequently a stay has been put on the same. Timely implementation of the "compensatory tariff" framework thus remains critical to improve the viability of the UMPP.

Company Profile

The Tata Power Company Limited (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 8,613 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 4000 MW capacity as part of its Ultra Mega Power Project (UMPP) at Mundra (project COD in March 2013), and the 1050 MW capacity in Maithon (project COD in July 2012) through 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. In January 2014, the company however announced it had signed an agreement for sale of its stake in PT Arutmin Indonesia. Also, Tata Power has a power plant at Jojobera (428 MW) which supplies power to Tata Steel Ltd. Tata Power also has an IPP in Haldia of 120 MW capacity out of which 100 MW capacity is sold on merchant basis. Further, the company has installed wind power plants of 461 MW as on date in the states of Gujarat, Maharashtra, Tamil Nadu and Karnataka along with approx 58 MW solar projects commissioned in Maharashtra and Gujarat.

¹ 100 lakh = 1 crore = 10 million

* For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



Apart from Mumbai, Tata Power Group is also into the business of distribution in Delhi through its subsidiary, Tata Power Delhi Distribution Ltd (TPDDL). 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 FY 2014, Tata Power reported operating income of Rs. 8616.6 crore and Profit after Tax (PAT) of Rs. 954.1 crore. During Q1 FY 2015, Tata Power has reported operating income of Rs. 2328.5 crore and PAT of Rs. 256.0 crore.

Table 1: Operating Generation Capacity of Tata Power Group

TPC's Generation Capacity	Location	Capacity (MW)	% of total Capacity
Mumbai – License Area			
Thermal station	Trombay	1580	19%
Hydro station	Bhira, Bhivpuri & Khopoli	447	5%
Sub-Total		2027	24%
Non-License Area			
Mundra UMPP (Thermal based)*	Mundra, Gujarat	4000	46%
Maithon Project (Thermal based)*	Maithon, Jharkhand	1050	12%
CPP (Thermal based)	Jojobera, Jharkhand	428	5%
IPP (Thermal based)	Belgaum, Karnataka	81	1%
IPP (Thermal based)	Haldia, West Bengal	120	1%
CPP (Production Gas based)*	Jamshedpur, Jharkhand	240	3%
CPP (Gas & Oil based)*	Rithala, New Delhi	108	1%
Lodhivali (Gas & Oil based)	Raigad, Maharashtra	40	0%
Wind Projects	Maharashtra, Karnataka, Gujarat	461	5%
Solar Project*	Maharashtra & Gujarat	58	1%
TOTAL		8,613	100%

* on the books of subsidiaries / group companies

August 2014

Disclosure: A member of the Board of Directors of ICRA Limited is also an Independent Director on the Board of Directors of The Tata Power Company Limited. This Director was not involved in any of the discussions and processes related to the rating of the instruments as mentioned herein.

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