29th September 2023

National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No.C/1, 'G' Block
Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051

Dear Sir,

Sub: **Intimation of update in Outlook of Tata Power Renewable Energy Limited by CARE Ratings Limited (Assigned CARE AA Rating with Positive Outlook)**

Pursuant to Regulation 51(2) of the Listing Regulations, as amended from time to time, we wish to inform you that CARE Ratings Limited (CARE) has revised the outlook on Tata Power Renewable Energy Limited (the Company) from "Stable" to "Positive" while reaffirming the rating of CARE AA.

The Press Release as made by CARE is enclosed herewith.

Thanking you.

Yours faithfully,
For The Tata Power Renewable Energy Limited

JERAZ ERUCH MAHERNOSH
Digitally signed by JERAZ ERUCH MAHERNOSH
Date: 2023.09.29 15:25:29 +05'30'

Jeraz E. Mahernosh
Company Secretary

Encl:

Tata Power Renewable Energy Limited

September 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,472.28 (Reduced from 2,915.27)	CARE AA; Positive	Reaffirmed; Outlook revised from Stable
Long-term / Short-term bank facilities	1,220.00 (Enhanced from 920.05)	CARE AA; Positive / CARE A1+	Reaffirmed; Outlook revised from Stable
Non-convertible debentures	400.00	CARE AA; Positive	Reaffirmed; Outlook revised from Stable
Non-convertible debentures	700.00	CARE AA; Positive	Reaffirmed; Outlook revised from Stable
Commercial paper	2,500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The long-term and short-term ratings of Tata Power Renewable Energy Limited (TPREL) continue to derive comfort from the low sales risk on account of the presence of a long-term power purchase agreement (PPA) for the vast majority of its capacity and satisfactory track record of operation with healthy operational performance as indicated in terms of capacity utilisation factor (CUF). The ratings continue to factor in TPREL's portfolio diversification – in terms of its spread across multiple states, multiple off-takers across the states, central utilities, as well as captive and commercial and industrial (C&I) clients, and in terms of technology. The ratings also draw strength from the strategic importance of TPREL for Tata Power, being the growth engine of the group and the financial flexibility that TPREL enjoys within the Tata Power group. CARE Ratings Limited (CARE Ratings) expects the continuation of the financial and operational support to TPREL.

CARE Ratings also notes the consolidation of the entire renewable energy businesses of the group, including the renewable engineering, procurement and construction (EPC), operations and maintenance (O&M) services, and module manufacturing under TPREL, along with the receipt of the entire ₹4,000 crore of capital infusion by two global co-investors – i.e Blackrock Real Assets and Mubadala Investment Company with dilution of 6.06% equity as on March 31, 2023. CARE Ratings understands that upon the completion of the said reorganisation, 11.43% stake in TPREL would be diluted.

Despite the aforementioned capital infusion in TPREL, the leverage is expected to remain elevated due to the large capital expenditure (capex) plans, which constrains the ratings. The ratings are also constrained by the significant counterparty credit risk associated with the sale of power to weaker discoms, interest rate risk, climatic and technology risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit profile of the parent, i.e The Tata Power Company Limited (TPCL).
- Significant deleveraging at TPREL's consolidated level, resulting in an improvement in the capital structure with TD/PBILDT below 3.5x.

Negative factors

- Higher-than-envisaged debt-funded capex, resulting in a significant deterioration in TD/ PBILDT.
- Any deterioration in the credit profile of TPCL and weakening of financial linkages.
- Significant deterioration in generation inability to improve the scale and profitability in the new businesses.
- Significant elongation in the receivable cycle, adversely impacting the liquidity profile.

Analytical approach: Consolidated

The ratings also factor in the operational and financial linkages with TPCL and are accordingly notched up. The companies are under common management and share a common treasury with TPCL. The list of companies combined is included in Annexure-6.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Outlook: Positive

The outlook of TPREL has been revised from Stable to Positive. This is on account of improvement in the credit profile of the ultimate parent i.e The Tata Power Company Limited (TPCL, rated CARE AA; Positive). Profitability of TPCL (consolidated) has improved and is likely to sustain supported by the Mundra plant operations and the Odisha power distribution business. Furthermore, commercialization and ramp-up of production of the module/ cell manufacturing capacity in TPREL is likely to provide deeper integration and reduced supply risk for the renewable business. The rating outlook of TPREL shall be revised to Stable in case of moderation in the credit profile of its parent.

Key strengths

Diversified portfolio in terms of geography, off-taker, and energy source

TPREL's operational projects are located in 13 states across India. As on March 31, 2023, around 45% of the capacity was exposed to offtakers having strong credit profile while 29% had offtakers having moderate credit profile. In terms of its operational track record, most of the operational capacity (ie, around 70%) has operational track record of more than three years. Except for the Gujarat discom, no single off-taker accounts for more than 15% of TPREL's operational capacity.

Reasonable revenue visibility and operational performance of the portfolio

Around 95% of TPREL's operational portfolio has PPAs with a tenure of 25 years, providing good revenue visibility. During FY23 (refers to the period from April 01 to March 31), while the generation levels for solar have improved from CUF of 21% in FY22 to 23% in FY23, wind generation has been stable at 19% in FY23. The average revenue realisation for the portfolio during the same period is ₹4.49 per unit (PY: ₹4.58 per unit), which is moderately competitive.

Financial and operational support from the parent

As on March 31, 2023, TPREL is majorly held by TPCL, which has several decades of experience in setting up and operating projects across the power value chain. TPREL is strategically important to TPCL, given the thrust of TPCL to increase its non-fossil generation capacity. TPREL previously housed only the renewable generation business. With the aforementioned equity infusion by the new co-investors, TPREL has also taken control over the Tata Power group's EPC, cell and module manufacturing, solar pump, and electric vehicle (EV) charging business as well, further increasing its strategic importance.

TPREL's contribution to the Tata Power group's overall PBILDT is significant, making it economically important. The promoter has adequate board representation in TPREL, which also share a common treasury team. TPCL has demonstrated financial support to its subsidiaries in the past, including the infusion of equity and unsecured loans (on a need basis to enhance project viability).

Liquidity: Strong – TPREL (Consolidated)

TPREL at consolidated level has strong liquidity profile marked by strong cash accruals, low repayment obligations and available cash and cash equivalent of around ₹2,925 crore as on June 30, 2023. The liquidity is also supported by unutilized fund-based working capital limits. The average fund-based (including commercial paper (CP)) working capital utilization levels of the company stood at 56% for trailing 12 months ended June'23. The company mostly uses CP for short term funding. The company is expected to meet its debt repayment obligation, incremental capex as well as regular working capital requirement from the cash accruals, available cash balance and undrawn bank limits. Further being part of Tata group and strategic arm of TPCL, TPREL enjoys significant financial flexibility and access to capital market as and when required.

Key weaknesses

Large capex plans to hold leverage at an elevated level in the medium term

In terms of the renewable energy generation business, TPREL's targeted yearly capacity addition in the medium term is aggressive, considering the size of its existing cash generating portfolio. Despite the co-investor's equity infusion, debt addition to fund the capex, and working capital requirement in the renewable energy generation business, the EPC, module manufacturing, and new business initiatives are envisaged to be higher than the yearly repayment, thus elevating the term debt level. The margin expansion in the EPC, module manufacturing, and new businesses will be a key monitorable.

TPREL had 2.59 GW of capacity under implementation as on June 30, 2023. The prevalent high module prices may create some implementation challenges for which the company is setting up 4GW cell and module manufacturing plant. It will be important for the company to execute the same without significant cost and time overruns, so that leverage is kept under control.

Counterparty credit risk

Almost half of the operational portfolio is contracted, with the discoms having a weak to a moderate credit profile. . The average collection period of 144 days in FY23 is high. Most of the dues are contributed by the discoms of Tamil Nadu. However, the company has started receiving payments from these discoms under the EMI scheme defined in the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, and the same is expected to improve the receivables position going forward. The counterparty risk is partially mitigated by the diversified counterparty mix, with the PPAs in place with financially strong off-takers. TPREL is, however, implementing the growth plan based on the viability of the project and after considering the appropriate risk mitigation plans with respect to the counterparty.

Risk due to interest rate fluctuation, climate, and technology

The projects under TPREL are exposed to interest rate fluctuations, as various bank facilities availed are floating-rate loans and the lenders can reset the interest rates annually. However, the tariff for off-take arrangements of the power is fixed in the majority of the capacity, thereby exposing the company to the risk of any adverse movement in interest costs. The achievement of the desired CUF is subject to changes in climatic conditions, the amount of degradation of modules, as well as other technological risks. Also, wind projects are exposed to the inherent risk of climate fluctuations, leading to variations in wind patterns, which affect the CUF.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Rating Outlook and Rating Watch
Liquidity Analysis of Non-financial sector entities
Short Term Instruments
Infrastructure Sector Ratings
Solar Power Projects
Wind Power Projects

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Utilities	Power	Power	Power Generation

TPREL, a subsidiary of TPCL was incorporated on March 02, 2007, for developing power projects through renewable energy sources in India. It also houses Walwhan Renewable Energy Limited (WREL), which was earlier a part of the Welspun group, holding 1 GW renewable assets. In August 2022, TPREL became a holding entity of all the renewable energy business entities under TPCL. The total operational capacity under the TPREL consolidated level is 4.1 GW as on June 30, 2023, while 2.59 GW is under construction.

Brief Financials (₹ crore) – TPREL (consolidated)*	FY22 (A)	FY23 (A)
TOI	7,485	8,150
PBILDT	2,740	2,869
PAT	685	730
Overall gearing (times)	4.61	1.71
Interest coverage (times)	2.69	2.36

A: Audited; Note: 'the above results are latest financial results available'; *As per CARE Ratings methodology.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial paper-Commercial paper (Standalone)	INE607M14AK1 INE607M14AI5 INE607M14AJ3	-	-	7 Days to 364 Days	2500.00	CARE A1+
Debentures-Non-convertible debentures	INE607M07024	January 2016	8.99%	June 2026	400.00	CARE AA; Positive
Debentures-Non-convertible debentures	INE607M08071	May 2023	7.75%	May 2030	700.00	CARE AA; Positive
Fund-based - LT-Term loan		-	-	March 2027	335.40	CARE AA; Positive
Fund-based - LT-Term loan		-	-	March 2040	2136.88	CARE AA; Positive
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	1220.00	CARE AA; Positive / CARE A1+

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST*	1220.00	CARE AA; Positive / CARE A1+	1)CARE AA; Stable / CARE A1+ (25-May-23)	1)CARE AA; Stable / CARE A1+ (31-Mar-23) 2)CARE AA; Stable / CARE A1+ (06-Dec-22)	1)CARE AA; Stable / CARE A1+ (15-Mar-22) 2)CARE AA; Stable	1)CARE AA-; Stable / CARE A1+ (17-Feb-21) 2)CARE AA-; Stable / CARE A1+ (06-Oct-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
						3)CARE AA; Stable / CARE A1+ (01-Jul-22)	/ CARE A1+ (02-Jul-21)	
2	Fund-based - LT-Term loan	LT	2136.88	CARE AA; Positive	1)CARE AA; Stable (25-May-23)	1)CARE AA; Stable (31-Mar-23) 2)CARE AA; Stable (06-Dec-22) 3)CARE AA; Stable (01-Jul-22)	1)CARE AA; Stable (15-Mar-22) 2)CARE AA; Stable (02-Jul-21)	1)CARE AA-; Stable (06-Oct-20)
3	Debentures-Non-convertible debentures	LT	400.00	CARE AA; Positive	1)CARE AA; Stable (25-May-23)	1)CARE AA; Stable (06-Dec-22) 2)CARE AA; Stable (01-Jul-22)	1)CARE AA (CE); Stable (15-Mar-22) 2)CARE AA (CE); Stable (02-Jul-21)	1)CARE AA (CE); Stable (06-Oct-20)
4	Debentures-Non-convertible debentures	LT	-	-	-	1)Withdrawn (06-Dec-22) 2)CARE AA; Stable (01-Jul-22)	1)CARE AA (CE); Stable (15-Mar-22) 2)CARE AA (CE); Stable (02-Jul-21)	1)CARE AA (CE); Stable (10-Feb-21) 2)Provisional CARE AA (CE); Stable (06-Oct-20)
5	Commercial paper-Commercial paper (Standalone)	ST	2500.00	CARE A1+	1)CARE A1+ (25-May-23)	1)CARE A1+ (31-Mar-23) 2)CARE A1+ (01-Jul-22) 3)CARE A1+	1)CARE A1+ (15-Mar-22) 2)CARE A1+	1)CARE A1+ (06-Oct-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
						(08-Jun-22)	(02-Jul-21)	
6	Fund-based - LT-Term loan	LT	335.40	CARE AA; Positive	1)CARE AA; Stable (25-May-23)	1)CARE AA; Stable (31-Mar-23) 2)CARE AA; Stable (06-Dec-22) 3)CARE AA; Stable (01-Jul-22)	1)CARE AA (CE); Stable (15-Mar-22) 2)CARE AA (CE); Stable (02-Jul-21)	1)CARE AA (CE); Stable (06-Oct-20)
7	Un Supported rating-Un Supported rating (Long term)	LT	-	-	-	1)Withdrawn (01-Jul-22)	1)CARE AA (15-Mar-22)	-
8	Un Supported rating	LT	-	-	-	1)Withdrawn (01-Jul-22)	1)CARE AA (15-Mar-22)	-
9	Debentures-Non-convertible debentures	LT	700.00	CARE AA; Positive	1)CARE AA; Stable (25-May-23)	-	-	-

*Long Term / Short Term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial paper-Commercial paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Complex
3	Debentures-Non-convertible debentures	Simple
4	Fund-based - LT-Term loan	Simple
5	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please click here

Annexure-6: List of subsidiaries of TPREL consolidated: (list as on March 31, 2023)

Sr. No.	Name of the Company	% shareholding of TPREL
1	Walwhan Renewable Energy Limited (WREL)	100%
2	TP Wind Power Limited	100%
3	Nivade Windfarm Limited	74%
4	Poolavadi Windfarm Limited	74%
5	Vagarai Windfarms Limited	68%
6	TP Solapur Limited	100%
7	TP Kirnali Limited	100%
8	Tata Power Solar Systems Limited	100%
9	Tata Power Green Energy Limited	100%
10	Supa Windfarm Limited	100%
11	TP Kirnali Solar Limited	74%
12	TP Solapur Solar Limited	74%
13	TP Saurya Limited	100%
14	TP akkalkot Renewable Limited	74%
15	TP Roofurja Renewable Limited	100%
16	TP Solapur Saurya Limited	100%
17	TP Solar Limited	100%
18	TP Nanded Limited	74%
19	TP Green Nature Limited	74%
20	TP Adhrit Solar Limited	100%
21	TP Arya Saurya Limited	100%
22	TP Saurya Bandita Limited	100%
23	TP Ekadash Limited	100%
24	TP Govardhan Creative Limited	100%
25	TP Narmada Solar Limited	100%
26	TP Bhaskar Renewables Limited	100%
27	TP Atharva Solar Limited	100%
28	TP Viva Green Limited	100%
29	TP Vardhman Surya Limited	100%
30	TP Kaunteya Saurya Limited	100%
31	Clean Sustainable Solar Energy Private Limited@	100%
32	Dreisatz Mysolar24 Private Limited@	100%
33	MI Mysolar24 Private Limited@	100%
34	Northwest Energy Private Limited@	100%
35	Solarsys Renewable Energy Private Limited@	100%
36	Walwhan Solar Energy GJ Limited@	100%
37	Walwhan Solar Raj Limited@	100%
38	Walwhan Solar BH Limited@	100%
39	Walwhan Solar MH Limited@	100%
40	Walwhan Wind RJ Limited@	100%
41	Walwhan Solar AP Limited@	100%
42	Walwhan Solar KA Limited@	100%
43	Walwhan Solar MP Limited@	100%
44	Walwhan Solar PB Limited@	100%
45	Walwhan Energy RJ Limited@	100%
46	Walwhan Solar TN Limited@	100%
47	Walwhan Solar RJ Limited@	100%
48	Walwhan Urja Anjar Limited@	100%
49	Walwhan Urja India Limited@	100%
50	Chirasthayee Saurya Limited@	100%

@Consolidated with Walwhan Renewable Energy Limited (WREL).

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

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
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