

Tata Power Renewable Energy Limited

June 23, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term bank facilities	0.00	CARE A+ (SO); Stable	Withdrawn
Long term Bank Facilities – Term Loan	1155.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Proposed Long-term bank facilities	147.45	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long/Short term Bank Facilities	625.00	CARE A; Stable / CARE A1 (Single A; Outlook: Stable / A One)	Reaffirmed
Total Facilities	1927.45 (Rs. One Thousand Nine Hundred Twenty Seven crore and Forty Five Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed the rating assigned to the bank facilities and assigned a rating to the proposed bank facilities of Tata Power Renewable Energy Limited (TPREL) factoring the strong parentage (TPREL being a wholly-owned subsidiary of The Tata Power Company Limited [TPCL, rated CARE AA; Stable], strategic importance of TPREL to Tata Power and its demonstrated support to TPREL in the form of timely equity infusions and corporate guarantee towards certain long-term instruments. The ratings are also strengthened by the successful implementation of solar and wind projects by TPREL with long-term off take agreements with relatively strong counterparties and satisfactory operational performance of the projects.

The rating strengths however continue to be tempered by the implementation risks associated with the projects which the company proposes to implement in the medium term, exposure to counter-party risk for power off-take and dependence on favorable climatic conditions for power generation.

Timely commissioning of the projects under implementation without any cost overruns, support from parent and credit rating of Tata Power are the key rating sensitivities.

CARE has withdrawn the rating assigned to the bank facilities of Tata Power Renewable Energy Limited with immediate effect, as the company repaid the aforementioned term loan in full and there is no amount outstanding under the loan as on date.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and established track record:

TPREL is wholly-owned subsidiary of TPCL. Incorporated in March, 2007, TPREL was set-up with a primary objective to develop power projects through renewable energy sources in India. The promoters have significant experience and established track record in setting up and operating power projects. TPREL has operating capacity of approximately 2 GW (post WREPL's acquisition) and another 326 MW of capacity is under construction. TPREL will benefit from Tata Power's long and established track record in implementing and operating various power projects.

Stable Revenue stream with satisfactory operational performance:

Operational projects housed in TPREL have shown satisfactory level of PLFs in the past. These projects have PPAs signed with different counter parties including with its parent, TPCL, thereby diversifying revenue streams. The company in general has been recovering the dues from the DISCOMs within 30 days, while the dues from Rajasthan state DISCOMs are received with a lag of 60 – 90 days enabling company to manage its earning during non – peak season from the wind energy segment.

Synergistic benefits from WREPL projects:

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications.

The WREPL deal has increased TPREL's total capacity in the renewable power segment to 2334 MW of which around 2GW is operational. The capacity of 2334 MW also includes renewable assets which are currently in the books of TPCL (376 MW) and are proposed to be transferred to TPREL.

Key Rating Weaknesses

Project Execution Risk:

The company successfully commissioned wind and solar projects of over 432 MW on a standalone basis. The operational plants have exhibited satisfactory PLF levels since commissioning. TPREL, being the renewable energy arm for TPCL, is in the process of implementing 326 MW of projects, hence the project implementation risk continues over the medium term.

Counter party risk:

All the forays of TPCL into the renewable energy segment are going to be carried out by TPREL going forward. The PPAs for the projects under implementation are going to be signed with DISCOMs thereby exposing the company to counter party risk. 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 counter party. Also, for some of these projects the company plans to have PPAs with the parent, thereby mitigating the counter party risk to that extent. The company receives dues from all DISCOMs in a timely manner except those of Rajasthan state where there is a delay of 60 to 90 days, however off late there is an improvement in recovery from Rajasthan DISCOM.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Private Power Producers](#)

About the Company

TPREL, a wholly owned subsidiary of The Tata Power Company Ltd. (TPCL) was incorporated in March 2007 for developing power projects through renewable energy sources in India. As at March 2017, 432 MW of solar and wind capacities were operational and another 326 MW of capacities were under execution. Further, the company also has 1141 MW of operational capacities of renewable energy under Welspun Renewables Energy Private Limited (WREPL) as on March 2017.

Based on provisional results for 9M FY17, TPREL reported total operating income of Rs.275.4 crore and profit before tax of Rs.57.6 crore.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ST-BG/LC	-	-	-	625.00	CARE A; Stable / CARE A1
Fund-based - LT-Term Loan	December 2015		September 2027	174.00	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	216.00 [#]	CARE A; Stable
Fund-based - LT-Term Loan	January 2016	-	March 2029	265.00	CARE A; Stable
Fund-based - LT-Term Loan	March 2017	-	March 2027	500.00	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	147.45 ^{\$}	CARE A; Stable

[#] The loan has been repaid by the company

^{\$} Proposed limits

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE A+ (SO) (14-Oct-14)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)CARE A (14-Oct-14)
3.	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	1)CARE A1 (14-Oct-14)
4.	Fund-based - LT-Term Loan	LT	-	-	1)CARE A+ (SO); Stable (24-Apr-17)	1)CARE A+ (SO) (14-Jul-16)	-	1)CARE A+ (SO) (14-Oct-14)
5.	Fund-based - ST-Bank Overdraft	ST	-	-	-	-	-	1)CARE A1 (14-Oct-

								14)
6.	Non-fund-based - LT/ ST-BG/LC	LT/ST	625.00	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (24-Apr-17)	1)CARE A / CARE A1 (14-Jul-16)	-	1)CARE A / CARE A1 (14-Oct- 14)
7.	Fund-based - ST-Cash Credit	ST	-	-	-	-	-	1)CARE A1 (14-Oct- 14)
8.	Fund-based - LT-Term Loan	LT	1302.45	CARE A; Stable	1)CARE A; Stable (24-Apr-17)	1)CARE A (14-Jul-16)	-	1)CARE A (14-Oct- 14)
9.	Debentures-Non Convertible Debentures	LT	425.00	CARE AA (SO); Stable	1)CARE AA (SO); Stable (24-Apr-17)	1)CARE AA (SO) (14-Jul-16)	1)CARE AA (SO) (25-Jan-16)	-
10.	Debentures-Non Convertible Debentures	LT	575.00	CARE AA (SO); Stable	1)CARE AA (SO); Stable (24-Apr-17)	1)CARE AA (SO) (14-Jul-16)	-	-
11.	Debentures-Non Convertible Debentures	LT	564.00	Provisional CARE AA (SO); Stable	1)Provisional CARE AA (SO); Stable (24-Apr-17)	1)Provisional CARE AA (SO) (12-Dec-16)	-	-
12.	Debentures-Non Convertible Debentures	LT	500.00	Provisional CARE AA (SO); Stable	1)Provisional CARE AA (SO); Stable (29-May-17)	-	-	-

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