

Tata Power Renewable Energy Limited

June 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2,470.28 (Reduced from 2,472.28)	CARE AA+; Stable	Revised from CARE AA; Positive
Long-term / short-term bank facilities	1,222.00 (Enhanced from 1,220.00)	CARE AA+; Stable / CARE A1+	Revised from CARE AA; Positive / CARE A1+
Non-convertible debentures	1,000.00	CARE AA+; Stable	Assigned
Non-convertible debentures	400.00	CARE AA+; Stable	Revised from CARE AA; Positive
Non-convertible debentures	700.00	CARE AA+; Stable	Revised from CARE AA; Positive
Commercial paper	2,500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings on long-term bank facilities and non-convertible debentures of Tata Power Renewable Energy Limited (TPREL) factors in continued strong business and operational linkages with its parent The Tata Power Company Limited (TPCL), credit profile of which has witnessed an uptick considering rising profitability under Mundra operations, turnaround in the Odisha discoms and sustained improvement in the company's financial performance.

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

In 2023, TPREL's board of directors approved the scheme of arrangement for merger of Walwhan Renewable Energy Limited (WREL) and its 19 subsidiaries, TP Wind Power Limited, Tata Power Solar System Limited and Chirasthaayee Saurya Limited with TPREL. The management expects this merger to be completed in FY25, however, this will not have material bearing on TPREL's credit profile, given that each of these entities are its subsidiaries.

CARE Ratings also takes a note of consolidation of entire renewable energy businesses of the group, including engineering, procurement and construction (EPC), operations and maintenance (O&M), and module manufacturing under TPREL in FY23. Ratings also factor in commissioning module facility of 4.3 GW in Tirunelveli, Tamil Nadu and the targeted commissioning of equivalent cell capacity in FY25. In Q3 FY24, the compulsorily convertible preference share (CCPS) held by Blackrock Real Assets and Mubadala Investment Company were converted into normal equity, resulting in ~11.43% stake dilution of TPCL in TPREL.

Despite this capital infusion in TPREL, leverage is expected to remain elevated due to large capital expenditure (capex) plans. Ratings are also constrained by significant counterparty credit risk associated with sale of power to weaker discoms, interest rate risk, and 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).

Negative factors

- Higher-than- envisaged debt-funded capex, resulting in a significantly deteriorating total debt to profit before interest, lease rentals, depreciation, and taxation (TD/ PBILDT).
- Deteriorating credit profile of TPCL and weakening financial linkages.
- Significantly deteriorating generation inability to improve scale and profitability in new businesses.
- Significantly elongating receivable cycle, adversely impacting liquidity.

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

Analytical approach: Consolidated factoring in support from the parent TPCL

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

Outlook: Stable

Stable outlook reflects strong credit profile of the parent, TPCL. TPCL's profitability (consolidated) has improved and is likely to be sustained considering improved operations of the Mundra plant and distribution utilities in Odisha. The integrated business model and diversified portfolio provides strong long-term revenue visibility.

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

TPREL's operational projects are in 15 states across India. The diversified portfolio of solar and wind generation capacity is in the ratio of 77:23 respectively. As on March 31, 2024, around 46% capacity was exposed to off-takers having strong credit profile, while 27% had off-takers having moderate credit profile. In terms of its operational track record, most operational capacity (~65%) has operational track record of more than three years. Except for the Gujarat discom, no single off-taker accounts for more than 13% of TPREL's operational capacity.

Reasonable revenue visibility and operational performance of the portfolio

Around 98% of TPREL's operational portfolio has PPAs with a tenure of 25 years, providing good revenue visibility. In FY24 (refers to April 01 to March 31), improvement was recorded under generation for solar and wind. The generation levels for solar have improved from CUF of 22.7% in FY24 (PY: 21.8%) and for wind generation to 20.2% in FY24 (PY:19.1%). The average portfolio revenue realisation in the same period is ₹4.30 per unit (PY: ₹4.49 per unit), which is moderately competitive.

Financial and operational support from the parent

As on March 31, 2024, 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 equity infusion by 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. Of the seven directors on the board, four are common with TPCL. They also share a common treasury team. TPCL has demonstrated financial support to its subsidiaries in the past, including infusion of equity and unsecured loans (on a need basis to enhance project viability).

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 capex, and working capital requirement in the renewable energy generation business, the EPC, and new business initiatives are envisaged to be higher than the yearly repayment, elevating the term debt level. The margin expansion in the EPC, module manufacturing, and new businesses would remain a key monitorable.

TPREL has 4.9 GW of capacity under implementation as on March 31, 2024. Stabilization and ramp-up of the cell and module manufacturing facility remains to be seen. It will be important for the company to execute this without significant cost and time overruns, so that leverage is under control.

Counterparty credit risk

Almost half of the operational portfolio is contracted, with discoms having a weak-to-moderate credit profile. The average collection period of 129 days in FY24 (PY:144 days) remains high. However, the company has been receiving regular payments from discoms under the EMI scheme defined in the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, and this is expected to improve the receivables position, going forward. Counterparty risk is partially mitigated by diversified counterparty mix, with PPAs in place with financially strong off-takers. However, TPREL is implementing the growth plan based on viability of the project and after considering appropriate risk mitigation plans with respect to counterparty.

Risk due to interest rate fluctuation, climate, and technology

Projects under TPREL are exposed to interest rate fluctuations, as bank facilities availed are floating-rate loans and lenders can reset interest rates annually. However, the proportion of floating rate loans currently stands at 50 percent of total funds availed. However, tariff for off-take arrangements of power is fixed in majority capacity, exposing the company to the risk of adverse movement in interest costs. Achieving desired CUF is subject to changes in climatic conditions, amount of degradation of modules, and other technological risks. Wind projects are exposed to inherent risk of climate fluctuations, leading to variations in wind patterns, which affect the CUF.

Liquidity: Strong – TPREL (Consolidated)

At a consolidated level, TPREL has strong liquidity profile marked by strong cash accruals, low repayment obligations, and available cash and cash equivalent of around ₹1,229 crore as on March 31, 2024. Liquidity is also supported by unutilised fund-based working capital limits. The average fund-based (including commercial paper [CP]) working capital utilisation levels stood at 55% for 12-months ended March 2024. The company mostly uses CP for short-term funding. The company is expected to meet its debt repayment obligation, incremental capex and regular working capital requirement from the cash accruals, available cash balance and undrawn bank limits. Being part of the Tata group and strategic arm of TPCL, TPREL enjoys significant financial flexibility and access to capital market as required.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Rating Watch](#)

[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

A subsidiary of TPCL, TPREL 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 part of the Welspun group, holding 1 GW renewable assets. In August 2022, TPREL became a holding entity of all renewable energy business entities under TPCL. Total operational capacity under TPREL consolidated level is 4.5 GW as on March 31, 2024, while 5.50 GW is under construction.

Brief Financials (₹ crore) – TPREL Consolidated*	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	8,150.47	10,123.58
PBILDIT	2,869.89	3,196.86
PAT	729.91	747.87
Overall gearing (times)	1.68	1.87
Interest coverage (times)	2.36	2.55

A: Audited UA: Unaudited; Note: these are latest available financial results; *As per CARE Rating methodology

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

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 along with Rating Outlook
Commercial Paper- Commercial Paper (Standalone)#	INE607M14BB8 INE607M14BC6 INE607M14BD4 INE607M14BE2 INE607M14BF9	23-Apr-2024	7.30-7.43	7-364 days	2500.00	CARE A1+
Debentures-Non Convertible Debentures	INE607M08071	30-May-2023	7.75	30-May-2030	700.00	CARE AA+; Stable
Debentures-Non Convertible Debentures	Proposed*	-	-	-	1000.00	CARE AA+; Stable
Debentures-Non Convertible Debentures	INE607M07024	15-Jun-2016	7.84	15-Jun-2026	400.00	CARE AA+; Stable
Fund-based - LT- Term Loan		-	-	March 2027	297.35	CARE AA+; Stable
Fund-based - LT- Term Loan		-	-	March 2040	2172.93	CARE AA+; Stable
LT/ST Fund- based/Non-fund- based- CC/WCDL/OD/LC/BG		-	-	-	1222.00	CARE AA+; Stable / CARE A1+

#Partially placed

*Instrument is not placed

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 2024-2025	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
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	1222.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA; AA; Positive / CARE A1+ (28-Sep-23) 2)CARE AA; AA; Stable	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; AA; Stable

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2021-2022
						/ CARE A1+ (25-May-23)	3)CARE AA; Stable / CARE A1+ (01-Jul-22)	/ CARE A1+ (02-Jul-21)
2	Fund-based - LT-Term Loan	LT	2172.93	CARE AA+; Stable	-	1)CARE AA; Positive (28-Sep-23) 2)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)
3	Debentures-Non Convertible Debentures	LT	400.00	CARE AA+; Stable	-	1)CARE AA; Positive (28-Sep-23) 2)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)
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)
5	Commercial Paper-Commercial Paper (Standalone)	ST	2500.00	CARE A1+	-	1)CARE A1+ (28-Sep-23) 2)CARE A1+ (25-May-23)	1)CARE A1+ (31-Mar-23) 2)CARE A1+ (01-Jul-22) 3)CARE A1+ (08-Jun-22)	1)CARE A1+ (15-Mar-22) 2)CARE A1+ (02-Jul-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2021-2022
6	Fund-based - LT-Term Loan	LT	297.35	CARE AA+; Stable	-	1)CARE AA; Stable (28-Sep-23) 2)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)
7	Unsupported Rating-Unsupported Rating (Long Term)	LT	-	-	-	-	1)Withdrawn (01-Jul-22)	1)CARE AA (15-Mar-22)
8	Unsupported Rating	LT	-	-	-	-	1)Withdrawn (01-Jul-22)	1)CARE AA (15-Mar-22)
9	Debentures-Non Convertible Debentures	LT	700.00	CARE AA+; Stable	-	1)CARE AA; Positive (28-Sep-23) 2)CARE AA; Stable (25-May-23)	-	-
10	Debentures-Non Convertible Debentures	LT	1000.00	CARE AA+; Stable	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/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	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 lender-wise details of bank facilities please [click here](#)

Annexure-6: List of subsidiaries of TPREL consolidated (list as on March 31, 2024)

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	TP Wind Power Limited	Full	Subsidiary
2	Nivade Windfarm Ltd	Proportionate	Subsidiary
3	Poolavadi Windfarm Limited	Proportionate	Subsidiary
4	Vagarai Windfarms Limited	Proportionate	Subsidiary
5	Tata Power EV Charging Solutions Limited (Formerly known as TP Solapur Limited)	Full	Subsidiary
6	TP Kirnali Limited	Full	Subsidiary
7	TP Solar Limited	Full	Subsidiary
8	TP Kirnali Solar Limited	Proportionate	Subsidiary
9	TP Solapur Solar Limited	Proportionate	Subsidiary
10	TP Akkalkot Renewable Limited	Proportionate	Subsidiary
11	TP Saurya Limited	Full	Subsidiary
12	TP Roofurja Renewable Limited	Full	Subsidiary
13	TP Solapur Saurya Limited	Proportionate	Subsidiary
14	TP Nanded Limited	Proportionate	Subsidiary
15	TP Green Nature Limited	Proportionate	Subsidiary
16	TP Adhrit Solar Limited	Proportionate	Subsidiary
17	TP Arya Saurya Limited	Proportionate	Subsidiary
18	TP Saurya Bandita Limited	Proportionate	Subsidiary
19	TP Ekadash Limited	Proportionate	Subsidiary
20	TP Narmada Solar Limited	Proportionate	Subsidiary
21	TP Govardhan Creatives Limited	Full	Subsidiary
22	TP Bhaskar Renewables Limited	Proportionate	Subsidiary
23	TP Atharva Solar Limited	Full	Subsidiary
24	Tata Power Solar Systems Limited	Full	Subsidiary
25	Chirasthaayee Saurya Limited	Full	Subsidiary
26	Supa Windfarm Limited	Full	Subsidiary
27	Walwhan Renewable Energy Limited	Full	Subsidiary
28	Walwhan Solar MP Limited@	Full	Subsidiary
29	Walwhan Solar PB Limited@	Full	Subsidiary
30	Walwhan Solar TN Limited @	Full	Subsidiary
31	Walwhan Wind RJ Limited@	Full	Subsidiary
32	Clean Sustainable Solar Energy Private Limited@	Full	Subsidiary
33	MI Mysolar24 Private Limited@	Full	Subsidiary
34	Walwhan Solar BH Limited@	Full	Subsidiary
35	Walwhan Solar MH Limited@	Full	Subsidiary
36	Walwhan Solar AP Limited@	Full	Subsidiary
37	Walwhan Solar KA Limited@	Full	Subsidiary
38	Walwhan Energy RJ Limited @	Full	Subsidiary
39	Walwhan Urja Anjar Limited @	Full	Subsidiary
40	Walwhan Solar RJ Limited@	Full	Subsidiary
41	Northwest Energy Private Limited @	Full	Subsidiary
42	Walwhan Solar Raj Limited@	Full	Subsidiary
43	Solarsys Renewable Energy Private Limited@	Full	Subsidiary
44	Dreisatz Mysolar 24 Private Limited @	Full	Subsidiary
45	Walwhan Urja India Limited @	Full	Subsidiary
46	Walwhan Solar Energy GJ Limited@	Full	Subsidiary
47	Tata Power Green Energy Limited	Full	Subsidiary
48	TP Vivagreen Limited	Proportionate	Subsidiary

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
49	TP Vardhman Surya Limited	Proportionate	Subsidiary
50	TP Kaunteya Saurya Limited	Proportionate	Subsidiary
51	TP Alpha Limited	Proportionate	Subsidiary
52	TP Varun Limited	Full	Subsidiary
53	TP Mercury Limited	Proportionate	Subsidiary
54	TP Saturn Limited	Full	Subsidiary
55	TP Agastaya Limited	Proportionate	Subsidiary
56	TP Samakash Limited	Proportionate	Subsidiary
57	TP Surya Limited	Full	Subsidiary
58	TP Aboli Limited	Full	Subsidiary
59	TP Magnolia Limited	Full	Subsidiary
60	TP Gulmohar Limited	Full	Subsidiary
61	TP Cypress Limited	Full	Subsidiary
62	TP Orchid Limited	Full	Subsidiary
63	TP Godavari Solar Limited	Proportionate	Subsidiary
64	TP Hrihaan Limited	Full	Subsidiary
65	TP Paarthav Limited	Full	Subsidiary
66	TP Vikas Limited	Full	Subsidiary
67	TP Aakash Limited	Full	Subsidiary
68	TP Marigold Limited	Full	Subsidiary
69	TP Parivart Limited	Full	Subsidiary
70	TP Adarsh Limited	Full	Subsidiary

[®]Consolidated with Walwhan Renewable Energy Limited (WREL).

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.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Sabyasachi Majumdar Senior Director CARE Ratings Limited Phone: 91-120-445 2006 E-mail: Sabyasachi.majumdar@careedge.in</p> <p>Jatin Arya Director CARE Ratings Limited Phone: 91-120-4452021 E-mail: Jatin.Arya@careedge.in</p> <p>Agnimitra Kar Associate Director CARE Ratings Limited Phone: 91-120-4452019 E-mail: agnimitra.kar@careedge.in</p>
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About us:

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