



September 29, 2023
BJ/SH-L2/

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001.
Scrip Code: 500400

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex,
Bandra (East)
Mumbai – 400 051.
Symbol: TATAPOWER

Dear Sirs,

Sub: Revision in Rating

Pursuant to Regulation 30 read with Part A of Schedule III to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended, we wish to inform you that Moody's Investor Service has upgraded the corporate family rating of The Tata Power Company Limited to Ba1 from Ba2, and maintained the stable outlook.

The report from Moody's providing the rationale for revision in rating is enclosed for reference.

This is for your information and records.

Yours faithfully,
For **The Tata Power Company Limited**

(H. M. Mistry)
Company Secretary

Encl: As above

TATA POWER

The Tata Power Company Limited

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Rating Action: Moody's upgrades Tata Power's rating to Ba1 from Ba2; outlook stable

29 Sep 2023

Hong Kong, September 29, 2023 – Moody's Investors Service has upgraded the corporate family rating of Tata Power Company Limited (The) (Tata Power) to Ba1 from Ba2, and maintained the stable outlook.

"The rating upgrade to Ba1 is driven by Tata Power's solid financial metrics, which are projected to remain above the upgrade trigger set for the earlier Ba2 rating," says Yong Kang, a Moody's Analyst.

RATINGS RATIONALE

Tata Power's rating incorporates the company's standalone credit quality and a one-notch uplift for shareholder support.

The company's standalone credit quality is supported by predictable cash flow from its distribution businesses that benefit from a stable regulatory framework, and from its fixed-tariff long-term power purchase agreements (PPAs) for its renewable generation capacity.

Under Moody's base case projection, Tata Power's operating cash flow pre-working capital to debt (CFO pre-WC/debt) will remain solid at 9%-11% over the next two to three years. Although the projected credit metrics are lower than the actuals recorded in fiscal 2023, Moody's expects Tata Power to be able to sustain these credit metrics, thereby supporting the upgrade.

Tata Power's takeover of distribution companies in Odisha and the subsequent improvement in its operations, underpinned by declining electricity losses, have strengthened its business profile. The company's regulated distribution businesses will likely continue to generate core earnings and support its financial metrics at least over the next 1-2 years.

Tata Power's Ba1 rating benefits from a one-notch parental support uplift. Moody's expects Tata Power will likely receive support from its major shareholder, Tata Sons Ltd, if needed, evidenced by Tata Sons' ability to provide support and its track record of providing timely support to its investee companies. Tata Sons' shareholding in Tata Power has increased to 45% from 35% after a preferential allotment of Tata Power's shares to Tata Sons in 2020. Moody's expectation of parental support also reflects Tata Power's role in supporting the decarbonization of the Tata group companies.

That said, the rating action does factor in the company's substantial capital spending plan to expand its renewable business; the continued uncertainty around its Mundra ultramega power plant (UMPP); and the volatile cash flow from its coal mining assets in Indonesia. Moody's assumes a gradual decline in coal prices toward fiscal 2021-22 levels over the next 1-2 years and a limited utilization of the Mundra UMPP.

The company's exposure to the Mundra UMPP is mitigated by earnings from its Indonesian coal mining interests when coal prices are high. The plant's lower utilization in the fiscal year ended March 2022 (fiscal 2022) also reduced the plant's losses. The plant's availability was 29% in fiscal 2022, which was lower than 80% in fiscal 2021. The Mundra UMPP relies entirely on imported coal, and the costs incurred cannot be fully passed through under its existing PPAs.

Tata Power's strong earnings in fiscal 2023 was mainly driven by higher earnings from its coal mining business in

Indonesia and the Mundra UMPP's improved performance. The company received a favorable tariff order under Section 11 of the Electricity Act to operate the Mundra UMPP from May to December 2022, on the basis of the full pass-through of coal costs. It also received the same order from March to October 2023 because of anticipated high power demand in India, which will support its performance in fiscal 2024.

Tata Power's liquidity will likely remain weak, mainly because of the high proportion of short-term debt in its capital structure. The company has relied on short-term funding, which could leave it vulnerable to volatile market conditions. However, its strong access to domestic funding markets, its status as a part of the Tata Group, and the likelihood of support from Tata Sons when needed will temper the liquidity risk. The company has also taken steps to reduce its reliance on short-term debt by refinancing with longer-term debts.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

The stable outlook reflects Moody's expectation that Tata Power's underlying business and financial profile will remain stable at least over the next 12 to 18 months.

Moody's could upgrade Tata Power's rating if the company's standalone credit quality improves, such that its CFO pre-WC/debt rises above 13% on a sustained basis.

Conversely, Moody's could downgrade Tata Power's rating if the company's CFO pre-WC/debt declines below 8% on a sustained basis. In addition, downward pressure could emerge on Tata Power's rating if the company undertakes substantially debt-funded acquisitions that breach these metrics or significantly increase its business risk, or both.

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in June 2017 and available at <https://ratings.moodys.com/rmc-documents/68547>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

The Tata Power Company Limited is one of India's largest private-sector power utilities, with an installed generation capacity of 14,294 megawatts as of June 2023. Its business operations include power generation from thermal, hydro, solar and wind sources, and transmission and distribution. The company also holds interests in coal mines in Indonesia.

Tata Sons Ltd. is Tata Power's single-largest shareholder, with a 45% stake as of June 2023. Tata Power's market capitalization was INR830 billion as of 28 September 2023.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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