MAITHON POWER LIMITED

22nd November 2023

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

Dear Sirs

Sub: Intimation of update in Outlook of Maithon Power Limited by CRISIL

Pursuant to Regulation 51(2) read with Para A of Part B of Schedule III of the SEBI (Listing Obligationsand Disclosure Requirements) Regulations, 2015 as amended from time to time, we wish to inform you that CRISIL Ratings Limited (CRISIL) has revised the outlook on Maithon Power Limited (the Company) from "Stable" to "Positive" while reaffirming the rating of CARE AA.

The Rating Rationale by CRISIL is enclosed herewith.

This is for your information and record.

Yours faithfully,
For **Maithon Power Limited**

MONA HIMANSHU PURANDARE
Digitally signed by MONA HIMANSHU PURANDARE
Date: 2023.11.22 12:54:21 +05'30'

Mona Purandare
Company Secretary

CRISIL Ratings

Rating Rationale

November 21, 2023 | Mumbai

Maithon Power Limited

Rating outlook revised to 'Positive'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.1062 Crore**
Long Term Rating	**CRISIL AA/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)**

Rs.500 Crore Non Convertible Debentures	**CRISIL AA/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)**
Rs.199 Crore Non Convertible Debentures	**CRISIL AA/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)**
Rs.450 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the bank facilities and non-convertible debentures of Maithon Power Ltd (MPL) to **'Positive'** from 'Stable' while reaffirming the rating at **'CRISIL AA'.** The commercial paper has been reaffirmed at 'CRISIL A1+'.

The revision in outlook reflects a corresponding revision in CRISIL Ratings' outlook on the long-term rating of MPL's parent, Tata Power Company Limited (TPCL; 'CRISIL AA/Positive/CRISIL A1+'). This reflects strong linkages of MPL with the Parent.

The ratings continue to reflect the company's strong availability-based tariff structure that provides regulated returns and track record of maintaining plant availability factor (PAF) above normative levels, healthy financial risk profile and strong operational, managerial and financial linkages with parent TPCL. These strengths are partially offset by exposure to counterparty risks and project related risks.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of MPL while arriving at the ratings. Currently there is no support requirement from the parent, however CRISIL Ratings understands that Tata Power will provide the necessary support to MPL in case of any requirement given its strategic importance and economic incentive to and strong managerial, operational and financial linkages with Tata Power. Therefore, at arriving at ratings of MPL, CRISIL ratings has factored in its parent notch up framework.

Key Rating Drivers & Detailed Description

Strengths:

- **Availability-based tariff structure, providing regulated returns and adequate fuel security:** MPL has tied up its entire capacity of 1,050 MW through long-term PPAs (30 years) under the classic two-part tariff structure, which allows full recovery of capacity charges if PAF is maintained above 85% on annual basis. Also, energy charges are recovered at actuals. The company has a strong track record of maintaining PAF above normative levels, enabling complete recovery of fixed cost, along with depreciation and fixed return on equity of 15.5% as approved by the Central Electricity Regulatory Commission (CERC). It is expected to maintain similar PAF over the medium term.

  MPL has fuel supply agreements (FSAs) for 100% of its coal requirement and has been maintaining coal inventory of over 30 days over the last five fiscals. While MPL has not faced any major issues with coal procurement in the past, adequate supply of domestic coal and timely replacement with import, when necessary, will be key monitorables.

- **Healthy financial risk profile:** MPL has healthy financial risk profile marked by net debt* to EBITDA (Earnings before interest taxes depreciation and amortization) of 2.0 times during fiscal 2023 (2.3 times during previous two fiscals). Liquidity position also remains strong with cash and equivalents of Rs. 185 crore and unutilized bank lines of Rs. 475 crores as on March 31, 2023. Existing cash and equivalents and annual cash accruals of over Rs. 300 crores should cover the debt obligations over the medium term. Furthermore, regulated returns and long-term PPAs of 30 years will help to comfortably refinance debt, if needed. Larger-than-expected dividend payouts and / or any debt issuance to support the parent, or group subsidiaries impacting the financial risk profile will remain key rating sensitivity factors.

  **Net debt = Total debt less cash and equivalents*

- **Strong operational, managerial and financial linkages with Tata Power:** MPL is strategically important to the parent, Tata Power, and has strong operational, managerial and financial linkages with it. The company's strong financial risk profile backed by long-term PPA provides economic rationale for Tata Power to extend need-based support in case of requirements. While MPL is currently not dependent on the parent for any support, however CRISIL Ratings notes the strong support philosophy by the parent for its subsidiary, in case needed. Any change in the shareholding, support stance and / or credit rating of Tata Power will remain a key rating sensitivity factor.

Weaknesses:

- **Exposure to counterparty risks:** MPL has tied up capacity of 1,050 MW through long-term PPAs: 150 MW with DVC, 300 MW with Kerala State Electricity Board (KSEB) and 600 MW with Tata Power Trading Co Ltd (TPTCL), which has a long-term PPA of 300 MW each with West Bengal State Electricity Distribution Co Ltd (WBESDCL) and Tata Power Delhi Distribution Ltd (TPDDL). MPL faces the risk of delay in receipt of payments from counterparties as some of them have weak credit profile. However, the counterparty risk is mitigated as counterparties avail rebate of 2.25% for timely payment of bills. Receivables were around 16 days as on March 31, 2023, (8 days and 20 during March 2022 and March 2021 respectively). Though track record of timely payment by counterparties provides comfort, the counterparty risk persists.

- **Exposure to risks related to ongoing projects:** The company is executing Flue gas desulphurization (FGD) project with a total capital expenditure (capex) plan of Rs. 777 crores. This exposes MPL to project related risks including delay in approval of cost from CERC. However, the project is to be funded through a debt equity ratio of 70:30 and the equity requirements are expected to be funded through internal accruals.

~ 50% of the capex has been done till March 2023 and is scheduled to achieve commissioning by December 2024. While the project has seen delays in the past impacted by Covid-19 pandemic, increase in the regulatory timelines by Ministry of Environment, Forest and Climate Change of India for completion of the project to December 2026 provides comfort.

Liquidity: Strong
Cash and equivalents stood at Rs. 185 crores and the fund based bank limit utilization was nil (limits: Rs. 475 crore) as on March 31, 2023. Existing cash and equivalents, unutilized bank lines and annual cash accruals of over Rs. 300 crores should be adequate for meeting the repayment obligations and incremental working capital requirements (if any) during fiscal 2024. Larger-than-expected dividend payouts and / or any debt issuance to support the parent, or group subsidiaries impacting the liquidity position will remain key rating sensitivity factors.

Outlook: Positive
The outlook is based on CRISIL Ratings' rating outlook on TPCL's (parent of MPL) debt instruments and bank facilities.

MPL will continue to benefit from its steady cash accrual backed by long-term PPAs.

Rating Sensitivity factors
Upward factors:
- Sustenance of healthy operational cash flow with PAF remaining above normative levels (85%) and timely approval of ongoing capex by CERC
- Continued reduction in the debt leading to significant improvement in the financial risk profile.
- Upgrade in rating of TPCL

Downward factors:
- Significant weakening of the operating performance with PAF reducing below normative levels (85%) on a sustained basis.
- Significant increase in the debt levels impacting the financial risk profile.
- Deterioration in liquidity position of the company on account of delay in payments from the counterparties or any other factor.

About the Company
MPL is a joint venture of Tata Power (74%) and DVC (26%). The company has set up a 1,050 MW (2x525 MW) power plant in Maithon, Jharkhand. Unit 1 began commercial operations on September 1, 2011, and unit 2 on July 24, 2012. The entire capacity has been tied up through long-term PPAs: 300 MW, which was tied up with DVC is now reduced to 150 MW, with the balance 150 MW being taken by KSEB, increasing the capacity tied up with the state electricity board to 300 MW; 600 MW is with TPTCL, which in turn has long-term PPAs of 300 MW with WBESDCL and TPDDL.

Key Financial Indicators*

Particulars	Unit	2023**	2022
Operating Income	Rs crore	3029	2838
Profit after tax (PAT)	Rs crore	345	281
PAT margin	%	11.4	9.9
Adjusted debt / adjusted networth	Times	0.74	0.67
Adjusted Interest coverage	Times	6.5	5.1

*As per analytical adjustments made by CRISIL Ratings
** as per company reports

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
INE082G07014	Debentures	30-Nov-15	HDFC Bank Base Rate +15 basis points	30-Nov-23	500	Simple	CRISIL AA/Positive
INE082G07071	Debentures	24-Dec-20	6.25%	24-Dec-25	199	Simple	CRISIL AA/Positive
NA	Commercial paper	NA	NA	7-365 days	450	Simple	CRISIL A1+
NA	Term loan	NA	NA	Mar-33	537	NA	CRISIL AA/Positive
NA	Fund-based facilities	NA	NA	NA	25	NA	CRISIL AA/Positive
NA	Non-fund-based limit	NA	NA	NA	100	NA	CRISIL AA/Positive
NA	Fund and non-fund-based limit*	NA	NA	NA	100	NA	CRISIL AA/Positive
NA	Fund and non-fund-based limit**	NA	NA	NA	250	NA	CRISIL AA/Positive
NA	Fund and non-fund-based limit	NA	NA	NA	50	NA	CRISIL AA/Positive

*Interchangeable with non-fund-based limits
**Interchangeable upto the extent of 50 cr.

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	562.0	CRISIL AA/Positive	26-05-23	CRISIL AA/Stable	27-05-22	CRISIL AA/Stable	17-06-21	CRISIL AA/Stable	22-12-20	CRISIL AA/Stable	CRISIL AA-/Positive
			--		--		--		--	04-11-20	CRISIL AA/Stable	--
			--		--		--		--	19-06-20	CRISIL AA-/Positive	--
Non-Fund Based Facilities	LT	500.0	CRISIL AA/Positive	26-05-23	CRISIL AA/Stable	27-05-22	CRISIL AA/Stable	17-06-21	CRISIL AA/Stable	22-12-20	CRISIL AA/Stable	CRISIL AA-/Positive
			--		--		--		--	04-11-20	CRISIL AA/Stable	--

			--		--		--		--	19-06-20	CRISIL AA-/Positive	--
Commercial Paper	ST	450.0	CRISIL A1+	26-05-23	CRISIL A1+	27-05-22	CRISIL A1+	17-06-21	CRISIL A1+	22-12-20	CRISIL A1+	CRISIL A1+
			--		--		--		--	04-11-20	CRISIL A1+	--
			--		--		--		--	19-06-20	CRISIL A1+	--
Non Convertible Debentures	LT	699.0	CRISIL AA/Positive	26-05-23	CRISIL AA/Stable	27-05-22	CRISIL AA/Stable	17-06-21	CRISIL AA/Stable	22-12-20	CRISIL AA/Stable	CRISIL AA-/Positive
			--		--		--		--	04-11-20	CRISIL AA/Stable	--
			--		--		--		--	19-06-20	CRISIL AA-/Positive	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Fund & Non Fund Based Limits	50	Axis Bank Limited	CRISIL AA/Positive
Fund & Non Fund Based Limits*	100	Kotak Mahindra Bank Limited	CRISIL AA/Positive
Fund & Non Fund Based Limits**	250	HDFC Bank Limited	CRISIL AA/Positive
Fund-Based Facilities	25	State Bank of India	CRISIL AA/Positive
Non-Fund Based Limit	100	State Bank of India	CRISIL AA/Positive
Term Loan	537	State Bank of India	CRISIL AA/Positive

*Interchangeable with non-fund-based limits
**Interchangeable upto the extent of 50 cr.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Power Generation Utilities
CRISILs Criteria for rating short term debt
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support

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