



9th April 2012
BJ/SH-L2/69

Bombay Stock Exchange Limited
Corporate Relationship Department
1st Floor, New Trading Ring
Rotunda Bldg., P J Towers
Dalal Street, Fort
Mumbai 400 001.

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

Dear Sirs,

Rating

CRISIL Limited has reaffirmed the rating on the long-term bank facilities and debt instruments of the Company at '**CRISIL AA**', but revised its rating outlook to '**Stable**' from '**Positive**'. The rating on the Company's short-term facilities and debt programme has been reaffirmed at '**CRISIL A1+**'.

The outlook revision takes into account the unfavourable project economics for the project of Tata Power's special-purpose vehicle, Coastal Gujarat Power Limited (CGPL; rated '**CRISIL A+/Stable**'), which has necessitated support from Tata Power. The outlook revision also factors in build-up of regulatory assets at Tata Power's group distribution company, Tata Power Delhi Distribution Ltd (TPDDL; earlier known as 'North Delhi Power Ltd.'), as also the recent positive developments on the tariff revision front, which are expected to contain the regulatory assets at more manageable levels. Furthermore, the outlook revision also takes into account the incremental cash flows emanating from the commissioning of Unit 1 and synchronisation of Unit 2 of Maithon Power Ltd. (MPL), Tata Power's joint venture with Damodar Valley Corporation (rated '**CRISIL AA-/Negative/CRISIL A1+**') at Maithon (Jharkhand).

The ratings continue to reflect Tata Power's strong position in the electricity generation, transmission and distribution business, its stable licensee business that has regulated returns, and the significant progress made by the Company in its two key ongoing projects, the Mundra project, where the first unit has declared commercial operations, and the Maithon project, where the entire capacity has been synchronised. The other four units of CGPL, with capacity of 800 MW each, are expected to commence commercial operations in a phased manner; the entire capacity is expected to be operational by the first quarter of 2013-14 (refers to

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TATA POWER

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financial year, April 1 to March 31). CGPL may face cost overruns in the project due to change in the date of commencement of commercial operations; however, the overrun is not expected to be significant for the scale of the project. The ratings on Tata Power are also underpinned by the Company's strong management, stable and healthy accruals, robust liquidity and continued strong financial flexibility. These rating strengths are partially offset by the change in business profile of the company, with increasing contribution of revenues from the partial cost pass-through business model and its high debt levels (on a consolidated basis).

According to CRISIL, Tata Power has demonstrated strong financial flexibility through timely financial closure for its two ongoing projects, with long-term loans, and raising funds through global depositary receipts, foreign currency convertible bonds, perpetual debentures and sale of investments. CRISIL believes that Tata Power enjoys financial flexibility by virtue of the need-based support that it will receive from the other Tata group companies, and its substantial investments in these companies, which can be liquidated to meet its fund requirements.

Yours faithfully,
For The Tata Power Company Limited

Him Mistry
Company Secretary