

Tata Power Company Ltd.

BUY

Sector: Electric Utilities

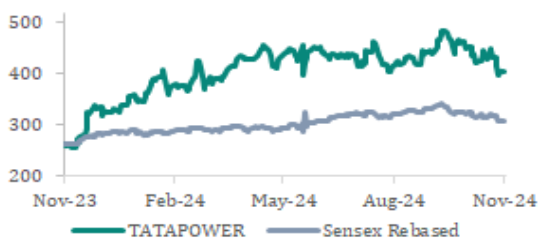
25th November 2024

Key Changes	Target ▼	Rating ▲	Earnings ▼	Target	Rs.460
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	TPWR:IN	79,117	TATAPOWER	500400	12 Months
				CMP	Rs.414
				Return	+11%

Data as of: 22-11-2024

Company Data			
Market Cap (Rs. cr)	134,012		
52 Week High — Low (Rs.)	495 - 257		
Enterprise Value (Rs. cr)	183,252		
Outstanding Shares (cr)	319.6		
Free Float (%)	53.0		
Dividend Yield (%)	0.5		
6m average volume (cr)	1.5		
Beta	1.6		
Face value (Rs.)	1.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	46.9	46.9	46.9
FII's	9.5	9.5	9.2
MFs/Institutions	15.8	15.8	17.0
Public	27.9	27.8	25.5
Others	1.6	1.5	1.5
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-2.1%	-8.3%	54.2%
Absolute Sensex	-25.7%	-19.3%	-9.2%
Relative Return	23.6%	11.0%	63.4%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	61,449	68,178	75,848
Growth (%)	11.5	11.0	11.3
EBITDA	12,607	12,799	14,381
EBITDA Margin (%)	20.5	18.8	19.0
PAT Adjusted	3,423	4,303	5,070
Growth (%)	2.6	25.7	17.8
Adjusted EPS	10.7	13.5	15.9
Growth (%)	2.6	25.7	17.8
P/E	38.7	30.6	26.0
P/B	4.0	3.7	3.3
EV/EBITDA	14.5	14.3	12.7
ROE (%)	13.2	13.9	16.5
D/E	1.3	1.1	0.9

Muted revenue; lower cost drives profitability

Tata Power Company Ltd generates and supplies electricity. It constructs and operates independent power plants and specialises in transmission and distribution of electricity.

- Revenue from operation declined 0.3% YoY to Rs. 15,698cr in Q2FY25, due to an unusually prolonged monsoon that affected consumption patterns and led to muted power demand throughout the quarter.
- The generation business decreased 13.4% YoY to Rs. 4,309cr, while the renewables business fell 10.8% YoY to Rs. 1,913cr, due to muted demand.
- However, the transmission and distribution business grew 8.1% YoY to Rs. 10,207cr. Notably, the distribution business performed exceptionally well in Odisha, Delhi, Mumbai, and Ajmer, despite challenges.
- EBITDA rose 25.9% YoY to Rs. 4,258cr, driven by lower cost of sales.
- Cost of sales declined 11.4% YoY to Rs. 8,968cr, aided by drop in fuel and raw material consumed costs. Consequently, EBITDA margin rose 560bps YoY to 27.1%.
- Reported profit after tax increased 7.4% YoY to Rs. 1,093cr, driven by higher EBITDA.

Valuation

The company delivered a muted revenue during the quarter. However, margin and profitability increased on account lower cost of sales. The outlook remains positive, due to the anticipated increase in energy consumption and significant growth in rooftop solar. The company's strategic focus on capacity is evident, with both first-party and third-party projects progressing well. Moreover, robust capital expenditure plan, cost reduction measures, strategic acquisition and commissioning additional projects in Q4FY25 are expected to drive the long term performance. Therefore, **we upgrade our rating on the stock to BUY, with a revised target price of Rs. 460, based on 12x FY26E EV/EBITDA.**

Quarterly Financials Consol.

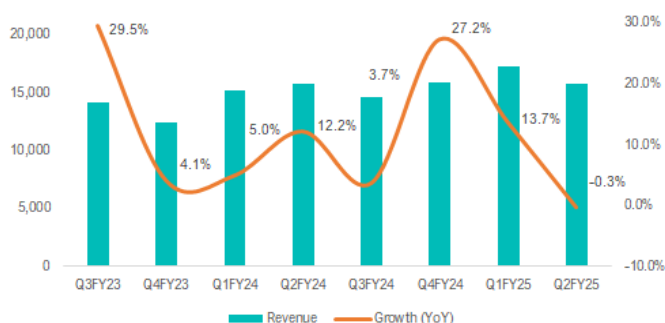
Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	15,698	15,738	-0.3	17,294	-9.2	32,991	30,951	6.6
EBITDA	4,258	3,383	25.9	3,834	11.1	8,092	6,598	22.7
Margin (%)	27.1	21.5	560bps	22.2	490bps	24.5	21.3	320bps
EBIT	3,271	2,457	33.2	2,861	14.3	6,133	4,778	28.3
PBT	1,773	1,231	44.1	1,490	19.0	3,263	2,706	20.6
Rep. PAT	1,093	1,017	7.4	1,189	-8.0	2,282	2,158	5.7
Adj PAT	1,067	876	21.8	971	9.8	2,037	1,613	26.3
EPS (Rs.)	3.3	2.7	21.8	3.0	9.8	6.4	5.0	26.3



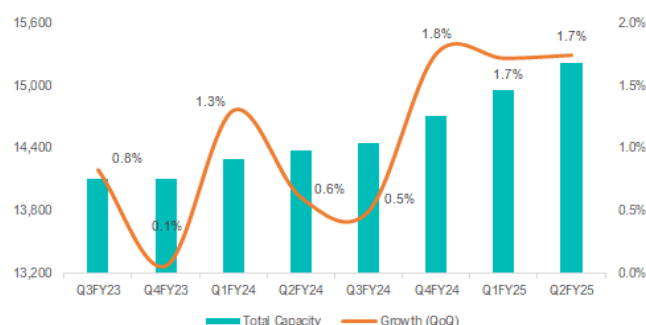
Key concall highlights

- Tata Power announced, it has acquired 40% equity stake in the Rs.6,900cr. Khorlochhu 600-MW Hydro project at Bhutan with a construction timeline of 5 years.
- As of September 30, 2024, the company's net debt was Rs. 43,580cr.
- The company has committed to installing 10 lakh rooftop units in Odisha, with similar plans to deploy an additional 10 lakh rooftops in both UP and Rajasthan.
- The company recently secured a major 765kV transmission-line project in Odisha, spanning from Paradeep to Angul, with work set to begin in few months.
- The company is developing an 1,800 MW pumped hydro project and anticipated starting work by mid next year, pending the completion of all necessary approvals.
- Its module plant is operating at a full capacity of 4.3GW, and the first 2GW of cell production has commenced.
- The company's utility-scale projects are performing well, particularly first-party EPC. A significant number of these projects are expected to be implemented in the third and fourth quarters, with most third-party projects anticipated for completion before March this year.

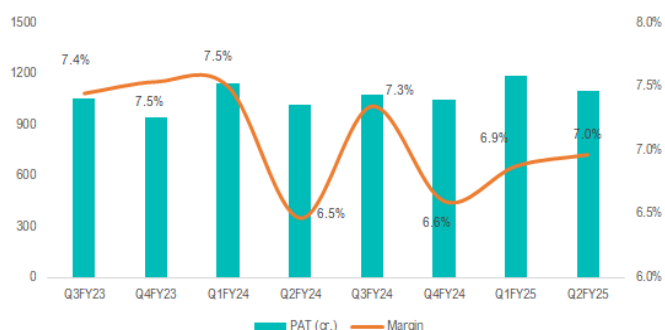
Revenue



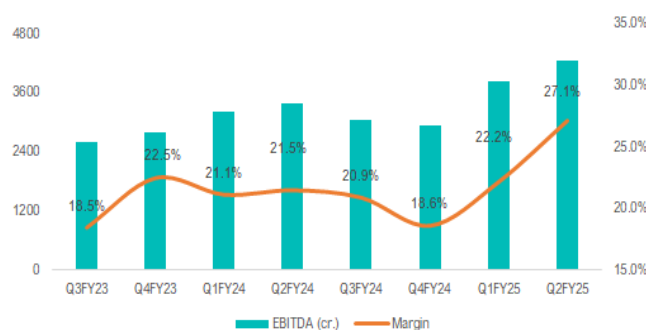
Total Capacity



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	70,666	77,203	68,178	75,848	-3.5	-1.8
EBITDA	13,108	15,089	12,799	14,381	-2.4	-4.7
Margins (%)	18.5	19.5	18.8	19.0	30bps	-50bps
Adj. PAT	4,495	5,296	4,303	5,070	-4.3	-4.3
EPS	14.1	16.6	13.5	15.9	-4.5	-4.4



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	42,816	55,109	61,449	68,178	75,848
% change	30.9	28.7	11.5	11.0	11.3
EBITDA	8,431	9,144	12,607	12,799	14,381
% change	12.1	7.6	39.0	1.0	12.6
Depreciation	3,122	3,439	3,786	4,005	4,246
EBIT	5,309	5,705	8,821	8,794	10,135
Interest	3,859	4,372	4,633	4,184	3,803
Other Income	1,553	4,124	1,544	1,744	2,054
PBT	3,003	5,457	5,732	6,354	8,386
% change	51.2	81.7	5.0	10.9	32.0
Tax	380	1,647	1,452	1,398	1,845
Tax Rate (%)	12.6	30.2	25.3	22.0	22.0
Reported PAT	2,156	3,810	4,280	4,956	6,541
PAT att. to common	1,741	3,336	3,696	4,163	5,070
Adj.*	150	-	-273	140	-
Adj. PAT	1,892	3,336	3,423	4,303	5,070
% change	53.0	76.4	2.6	25.7	17.8
No. of shares (cr)	319.6	319.6	319.6	319.6	319.6
Adj EPS (Rs.)	5.9	10.4	10.7	13.5	15.9
% change	53.0	76.4	2.6	25.7	17.8
DPS (Rs)	1.8	2.0	2.0	2.6	3.2

Cashflow

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	5,017	6,894	7,681	8,505	10,303
Non-cash adj.	1,650	4,044	4,323	4,387	3,077
Other adjustments	-	-	-	-	-
Changes in W.C	26	-3,779	592	1,640	827
C.F. Operation	6,693	7,159	12,596	14,532	14,207
Capital exp.	-7,233	-7,606	-13,187	-8,181	-8,722
Change in inv.	-1,128	-3,549	950	-74	-78
Other invest.CF	2,085	3,780	3,202	3,259	3,550
C.F - Investment	-6,277	-7,375	-9,035	-4,996	-5,250
Issue of equity	758	5,461	1,118	-	-
Issue/repay debt	4,157	1,169	513	-3,275	-3,112
Dividends paid	-559	-787	-887	-833	-1,014
Other finance.CF	-5,539	-4,502	-5,241	-4,895	-4,549
C.F - Finance	-1,183	1,341	-4,497	-9,003	-8,675
Chg. in cash	-767	1,125	-936	533	282
Closing Cash	6,641	11,207	9,152	9,685	9,967

Balance Sheet

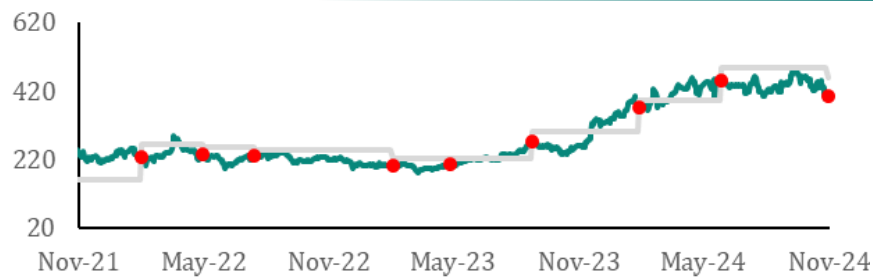
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	6,641	11,207	9,152	9,685	9,967
Accts. Receivable	5,980	6,952	7,402	8,352	9,215
Inventories	4,232	3,943	4,420	5,032	5,620
Other Cur. Assets	14,591	17,423	15,791	16,087	15,597
Investments	13,750	15,520	14,838	14,174	13,424
Gross Fixed Assets	78,331	85,840	99,027	107,208	115,931
Net Fixed Assets	54,165	58,507	63,993	69,121	74,544
CWIP	4,635	5,376	11,561	10,983	10,434
Intangible Assets	3,224	3,240	3,217	3,299	3,386
Def. Tax -Net	335	253	499	489	646
Other Assets	5,333	5,928	8,681	8,578	8,477
Total Assets	112,885	128,349	139,553	145,801	151,310
Current Liabilities	24,508	27,062	29,880	35,297	38,407
Provisions	1,218	1,420	1,865	1,902	1,940
Debt Funds	48,747	50,385	50,987	47,712	44,600
Other Liabilities	12,383	15,278	18,488	18,432	18,378
Equity Capital	320	320	320	320	320
Res. & Surplus	22,122	28,468	32,036	35,366	39,422
Shareholder Funds	22,442	28,787	32,355	35,686	39,742
Minority Interest	3,587	5,417	5,977	6,771	8,242
Total Liabilities	112,885	128,349	139,553	145,801	151,310
BVPS	70	90	101	112	124

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	19.7	16.6	20.5	18.8	19.0
EBIT margin (%)	12.4	10.4	14.4	12.9	13.4
Net profit mgn.(%)	4.1	6.1	6.0	6.1	6.7
ROE (%)	9.6	13.2	13.2	13.9	16.5
ROCE (%)	7.1	6.7	9.9	9.8	10.9
W.C & Liquidity					
Receivables (days)	51.0	46.0	44.0	44.7	44.3
Inventory (days)	58.0	39.1	40.8	41.1	40.9
Payables (days)	143.4	73.5	86.0	102.2	107.7
Current ratio (x)	0.8	0.9	0.9	0.8	0.8
Quick ratio (x)	0.3	0.4	0.4	0.4	0.4
Turnover & Leverage					
Gross asset T.O (x)	0.6	0.7	0.7	0.7	0.7
Total asset T.O (x)	0.4	0.5	0.5	0.5	0.5
Int. covge. ratio (x)	1.4	1.3	1.9	2.1	2.7
Adj. debt/equity (x)	1.9	1.5	1.3	1.1	0.9
Valuation					
EV/Sales (x)	2.8	1.9	3.0	2.7	2.4
EV/EBITDA (x)	14.5	11.5	14.5	14.3	12.7
P/E (x)	40.3	18.0	38.7	30.6	26.0
P/BV (x)	3.4	2.1	4.0	3.7	3.3



Recommendation Summary - last 3 years



Dates	Rating	Target
18-May-22	HOLD	255
2-Aug-22	HOLD	246
20-Feb-23	HOLD	223
15-May-23	HOLD	224
11-Sep-23	BUY	301
14-Feb-24	HOLD	393
13-Jun-24	HOLD	490
25-Nov-24	BUY	460

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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