

Tata Power

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

CMP: INR397 TP: INR476 (+20%) Buy

Focus on execution in FY26

- TPWR's 4QFY25 EBITDA came in 7% above our estimate at INR32.5b, while adjusted PAT was in line with our est. at INR9.7b.
- Healthy 4Q EBITDA was backed by: 1) robust improvement in the Orissa distribution business, 2) strong performance in the Mundra, coal and shipping businesses, 3) higher contribution from both traditional and renewable generation. The cell and module business has continued to ramp-up well, with utilization now at elevated levels for both products. However, new RE capacity installation in 4Q stood at 166 MW, which was lower than the expectation of ~0.6GW.
- Key highlights for the quarter include: 1) Capex of INR162b was incurred in FY25, incl. INR41b in 4Q. For FY26, the capex target is INR250b (~60% for RE expansion and ~30% for Transmission & Distribution broadly, but might change); 2) TPWR has guided for 2.5-2.7GW of RE installation in FY26, which we believe could be ambitious given land acquisition/transmission issues plaguing the sector; 3) Progress on bidding opportunities for DISCOM privatization across India, including in UP, can be a key catalyst for the stock; 4) In cell and module, management expects production to exceed 3,700MMW for both cells and modules in the coming year.
- The board recommended a final dividend of INR2.25/share for FY25.
- We reiterate our BUY rating on the stock with a TP of INR476.**

EBITDA above estimate; adj. PAT in line

Results overview:

- TPWR reported consolidated EBITDA of INR32.5b in 4QFY25, 7% above our estimate of INR30.3b (+39% YoY), as all core businesses, incl. generation, T&D and RE, delivered strong performances.
- 4Q revenue stood at INR171b (+7% YoY), while reported PAT was in line with our est. at INR10.4b (+16.5% YoY).
- Adjusted PAT stood at INR9.7b (+14.5% YoY), which was in line with our est. of INR10.1b.
- For FY25, consol. revenue increased 6% YoY to INR654b, while EBITDA stood at INR139b. Reported PAT was INR39.7b (up 7% YoY).

Operational highlights:

- Solar utility scale EPC and group captive order book stood at INR113.8b as of 4Q end.
- In 4Q, TPWR installed 354MWp of rooftop solar, and its third-party solar rooftop order book stood at INR10b as of 4Q end.
- The 4.3GW module plant is operating at over 90% utilization. All four cell lines (1GW each) also ramped up in 4QFY25. In FY25, ~3,300MW of modules were supplied. In 4QFY25, 913MW of modules and 650MW of cells were supplied.
- Commissioned 1,026MW of RE capacity in FY25, including 166MW in 4QFY25.
- As of 4Q, TPWR had a clean and green operational capacity of 6.9GW (44% of total installed capacity), with an additional 9.9GW under construction.

| | |
|-----------------------|---------------|
| Bloomberg | TPWR IN |
| Equity Shares (m) | 3195 |
| M.Cap.(INRb)/(USD\$) | 1268.4 / 14.9 |
| 52-Week Range (INR) | 495 / 326 |
| 1, 6, 12 Rel. Per (%) | 1/-7/-19 |
| 12M Avg Val (INR M) | 4922 |

Financials & Valuations (INR b)

| Y/E March | FY25 | FY26E | FY27E |
|----------------|-------|-------|-------|
| Sales | 654.8 | 772.4 | 826.3 |
| EBITDA | 139.3 | 152.8 | 163.5 |
| Adj. PAT | 39.2 | 49.6 | 54.5 |
| Adj. EPS (INR) | 12.3 | 15.5 | 17.1 |
| EPS Gr. (%) | 11.7 | 26.6 | 10.0 |
| BV/Sh.(INR) | 112.2 | 127.4 | 144.4 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | 1.1 | 1.2 | 1.2 |
| RoE (%) | 11.5 | 13.0 | 12.6 |
| RoCE (%) | 10.3 | 9.6 | 8.9 |
| Payout (%) | 18.4 | 21.0 | 19.0 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 32.5 | 25.7 | 23.3 |
| P/BV (x) | 3.5 | 3.1 | 2.8 |
| EV/EBITDA (x) | 12.9 | 12.4 | 11.9 |
| Div. Yield (%) | 0.6 | 0.8 | 0.8 |

Shareholding pattern (%)

| As On | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 46.9 | 46.9 | 46.9 |
| DII | 16.2 | 16.0 | 15.8 |
| FII | 9.4 | 9.5 | 9.5 |
| Others | 27.6 | 27.6 | 27.9 |

FII Includes depository receipts

Highlights of 4QFY25 performance

- Capex of INR162b was incurred in FY25, incl. INR41b done in 4QFY25. For FY26, the capex target is INR250b (~60% for RE expansion and ~30% for Transmission & Distribution broadly, but might change).
- On track to commission 2.5-2.7GW of RE capacity in FY26. The RE pipeline stands at 5.5GW, expected to be commissioned over the next 6-24 months.
- TP Solar's cell and module plants are now fully operational. Mgt. expects production to exceed 3,700MW for both cells and modules in the coming year.
- The 600MW Dagachhu hydro project in Bhutan has started, with completion expected by Nov'29.
- The board recommended a final dividend of INR2.25/share for FY25.

Valuation and view

- The valuation of TPWR is segmented across various business units, leading to a target price of INR476/share.
- Regulated business is valued using a 2.5x multiple on regulated equity.
- Coal segment is valued based on equity with a 1.5x multiple of FY24 book value.
- Renewables segment is valued at a 14x multiple of the projected FY27 EBITDA.
- Pumped storage segment is valued at 1x PB, while other segments are valued at 1.5x PB. Cash and investments add INR49/share.
- The sum of these contributions results in a total TP of INR476/share, reflecting the comprehensive valuation of TPWR's diverse business segments.

Consolidated performance

| Y/E March | FY24 | | | | FY25 | | | | FY24 | FY25 | FY25E 4QE | Var. % | YoY % | (INRb) QoQ % |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|-------------|--------------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | | | |
| Net Sales | 152.1 | 157.4 | 146.5 | 158.5 | 172.9 | 157.0 | 153.9 | 171.0 | 614.5 | 654.8 | 184.7 | -7% | 7.9 | 11.1 |
| YoY Change (%) | 5.0 | 13.4 | 3.7 | 27.2 | 13.7 | -0.3 | 5.1 | 7.9 | 11.5 | 6.6 | 16.5 | | | |
| EBITDA | 29.4 | 30.9 | 24.2 | 23.3 | 35.9 | 37.5 | 33.5 | 32.5 | 107.8 | 139.3 | 30.3 | 7% | 39.2 | -3.2 |
| Margins (%) | 19.3 | 19.6 | 16.5 | 14.7 | 20.7 | 23.9 | 21.8 | 19.0 | 17.5 | 21.3 | 16.4 | | | |
| Depreciation | 9 | 9.3 | 9.3 | 10.4 | 9.7 | 9.9 | 10.4 | 11.2 | 37.9 | 41.2 | 10.4 | 7% | 7.3 | 7.2 |
| Interest | 12 | 11.8 | 10.9 | 11.4 | 11.8 | 11.4 | 11.7 | 12.1 | 46.3 | 47.0 | 11.9 | 2% | 6.8 | 3.7 |
| Other Income | 3 | 2.9 | 6.4 | 6.2 | 2.5 | 5.1 | 4.0 | 3.5 | 18.2 | 15.1 | 5.3 | -34% | -43.1 | -12.7 |
| Rate regulated activity | -2 | -2.7 | 1.9 | 3.7 | -6.9 | -6.7 | -2.7 | 1.7 | 0.9 | -14.7 | 0.0 | | | |
| PBT before EO expense | 9 | 10.1 | 12.3 | 11.5 | 10.0 | 14.5 | 12.7 | 14.3 | 42.7 | 51.5 | 13.3 | | | |
| Extra-ord items | 2 | -0.3 | 0.0 | 0.7 | 2.0 | -2.2 | 0.0 | 0.8 | 2.8 | 0.7 | 0.0 | | | |
| PBT | 11 | 9.8 | 12.3 | 12.2 | 12.0 | 12.4 | 12.7 | 15.2 | 45.5 | 52.27 | 13.3 | 14% | 24.3 | 19.4 |
| Tax | 3 | 2.1 | 4.1 | 4.9 | 3.0 | 3.8 | 2.7 | 2.9 | 14.5 | 12.45 | 3.4 | -13% | -40.3 | 9.1 |
| Rate (%) | 30 | 22 | 34 | 40 | 25 | 31 | 21 | 19 | 32 | 23.81 | 25 | | | |
| Share of associates and JV | 4 | 2.5 | 2.6 | 3.2 | 2.9 | 2.4 | 1.9 | 0.8 | 11.8 | 7.93 | 2.7 | | | |
| Minority Interest | 2 | 1.4 | 1.2 | 1.5 | 2.2 | 1.7 | 1.6 | 2.6 | 5.8 | 8.04 | 2.6 | | | |
| Reported PAT | 10 | 8.8 | 9.5 | 9.0 | 9.7 | 9.3 | 10.3 | 10.4 | 37.0 | 39.7 | 10.1 | 3% | 16.5 | 1.2 |
| Adj PAT | 8 | 9.0 | 9.5 | 8.5 | 8.2 | 10.8 | 10.3 | 9.7 | 35.1 | 39.2 | 10.1 | -3% | 14.5 | -5.4 |

TPWR SoTP valuation

| Segment | Metric type | Metric value | Multiple | Value (INR/sh.) |
|----------------------|------------------|--------------|--------------|-----------------|
| Regulated business | Regulated equity | 1,05,728 | 2.5 | 82 |
| Coal | Equity | | 1.5x FY24 BV | 14 |
| Renewables | FY27 EBITDA | 88,357 | 14 | 279 |
| Pumped storage | Equity | 37,650 | 1x PB | 13 |
| Others | Equity | | 1.5x PB | 40 |
| Cash and investments | | | | 49 |
| Target price | | | | 476 |
| CMP | | | | 397 |
| Upside / (Downside) | | | | 20% |


Highlights from the management commentary
■ Power demand and sector outlook:

- National power demand grew ~5% in FY25 and 4% in 4QFY25.
- Although Apr'25 witnessed a modest 2% increase in demand, TPWR anticipates peak demand to reach ~270GW in FY26. The sector is expected to be adequately prepared to meet this increased load.
- TPWR has affirmed that all its generation assets are operating at full capacity to meet supply obligations.

■ Capex and financial position:

- Capex of INR162b was incurred in FY25, incl. INR41b in 4QFY25.
- For FY26, the capex target is INR250b (~60% for RE expansion and ~30% in Transmission & Distribution broadly, but might change).
- Net debt stood at INR447b, while Net debt: EBITDA ratio was 2.93x.
- Net debt: equity improved to 1.0x from 1.1x in the previous quarter.

■ RE execution update and outlook

- Commissioned 1,026MW of RE capacity in FY25, including 166MW in 4QFY25, below the target of ~0.6GW, as transmission evacuation infrastructure was not ready at some sites—where third-party agencies were responsible—and due to the Right of Way (RoW) challenges.
- The management clarified that these delays are temporary, with all pending projects expected to be completed in the current quarter. On track to commission 2.5-2.7GW of RE capacity in FY26.
- The RE pipeline stands at 5.5GW, expected to be commissioned over the next 6-24 months, and the company remains on track to achieve its target of 70% clean and green energy by 2030.
- The 600MW Dagachhu hydro project in Bhutan has started, with completion expected by Nov'29.

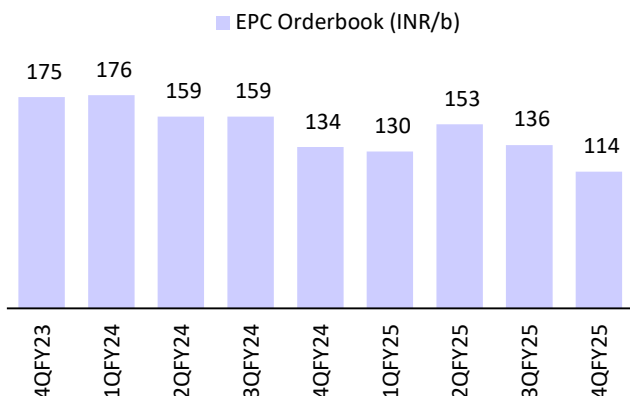
■ Solar rooftop and manufacturing

- The rooftop business is expected to nearly double in FY26, driven by government-led initiatives under the PM Surya Ghar Yojana in Odisha, UP, Rajasthan, Assam, and Maharashtra.
- TPWR maintains market leadership in rooftop solar, with presence in over 700 cities.
- TP Solar's cell and module plants are now fully operational. FY25 production included 3,300 MW of modules, with 913 MW of modules and 650 MW of cells supplied in 4Q alone.

- With both the cell and module lines now fully operational, management expects production to exceed 3,700MW for both cells and modules in the coming year.
- **Transmission and distribution:**
 - The aggregate transmission capacity, including ongoing projects, exceeds ~7,000ckm (2,414ckm under construction).
 - Odisha discom delivered strong performance, with PAT increasing to INR4.39b, driven by operational improvements and enhanced service quality.
 - Plans to expand its distribution footprint, with bidding processes commencing in states such as Uttar Pradesh. Bid documents are anticipated by month-end.
- **Mundra:**
 - PAT improved from INR570m in FY24 to INR1.1b in FY25, driven by the plant operating all five units under Section 11, compared to four units last year, along with a regulatory gain of ~INR320m recognized during the year.
 - The outlook for FY26 remains uncertain, with Section 11 currently extended for two months. The company is in discussions for a revised PPA.
- **EPC business:**
 - The order book for Utility Scale & Group Captive Solar EPC stood at INR114b and INR8.7b for rooftop EPC.
 - The company expects to maintain an EPC margin of 5% going forward.

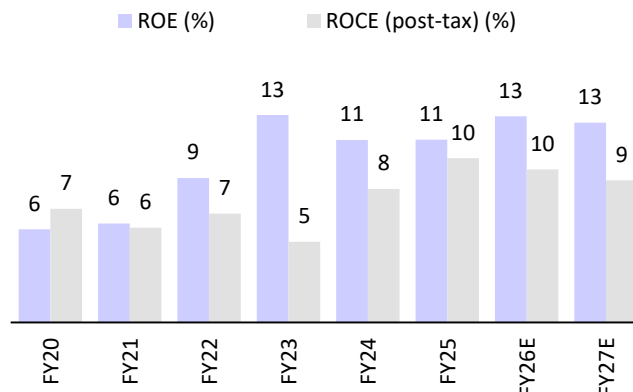
Story in charts – 4QFY25

Exhibit 1: EPC order book (INR b)



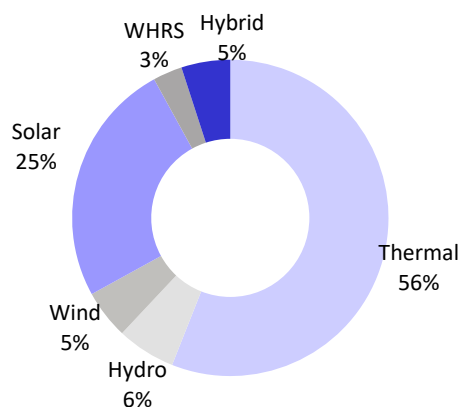
Source: Company, MOFSL

Exhibit 2: Consolidated ROE and RoCE post-tax (%)



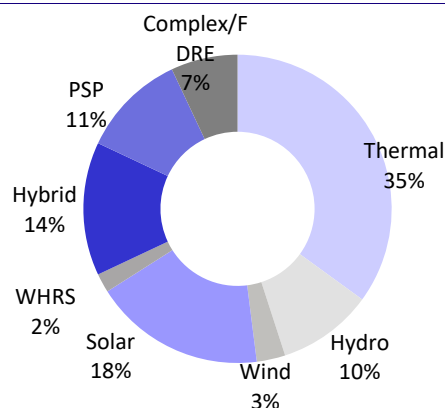
Source: Company, MOFSL

Exhibit 3: Current operational capacity share (in %)



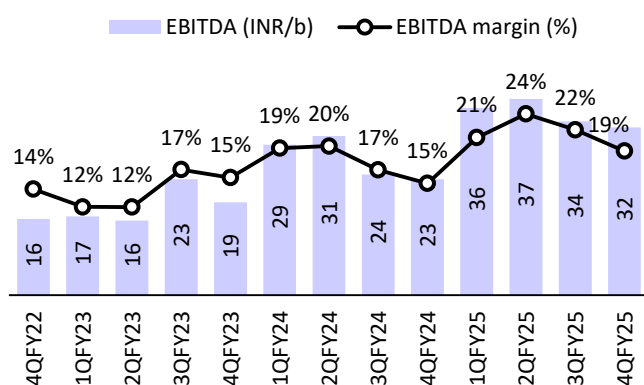
Source: Company, MOFSL

Exhibit 4: Capacity share post the completion of projects (in %)



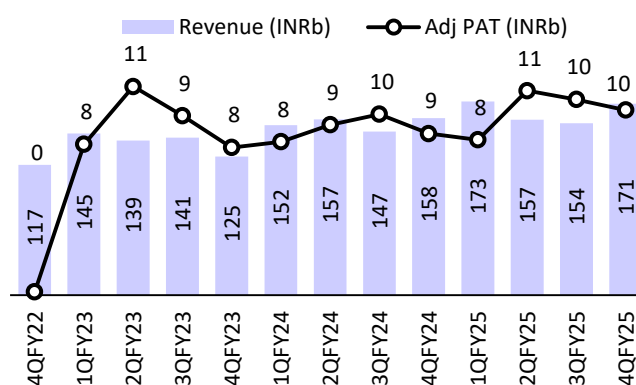
Source: Company, MOFSL

Exhibit 5: Consol. EBITDA and EBITDA margin



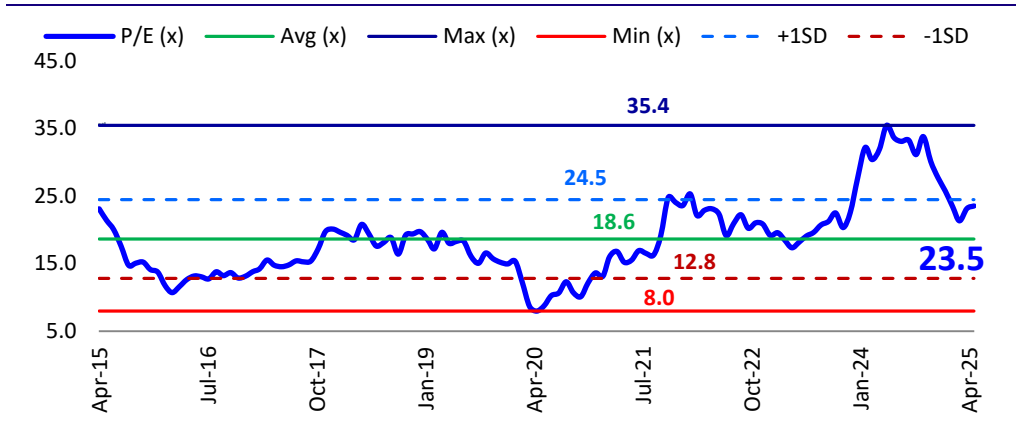
Source: Company, MOFSL

Exhibit 6: Consol. revenue and APAT



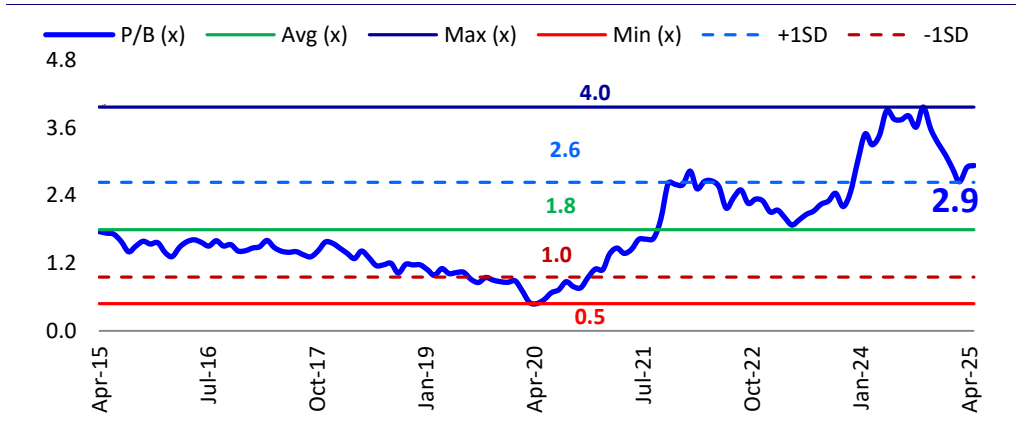
Source: Company, MOFSL

Exhibit 7: TPWR 1-yr FWD P/E



Source: Company, MOFSL

Exhibit 8: TPWR 1-yr FWD P/B



Source: Company, MOFSL

Financials and valuations

| Consolidated Income Statement | | | | | (INR m) |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
| Net Sales | 5,51,091 | 6,14,489 | 6,54,782 | 7,72,380 | 8,26,332 |
| Change (%) | 28.7 | 11.5 | 6.6 | 18.0 | 7.0 |
| Total Expenses | 4,74,028 | 5,06,651 | 5,15,484 | 6,19,556 | 6,62,788 |
| EBITDA | 77,063 | 1,07,838 | 1,39,299 | 1,52,824 | 1,63,544 |
| % of Net Sales | 14.0 | 17.5 | 21.3 | 19.8 | 19.8 |
| Depn. & Amortization | 34,392 | 37,864 | 41,169 | 46,366 | 50,957 |
| EBIT | 42,671 | 69,975 | 98,130 | 1,06,458 | 1,12,586 |
| Net Interest | 43,717 | 46,332 | 47,024 | 57,937 | 58,911 |
| Other income | 14,380 | 18,234 | 15,139 | 15,274 | 16,840 |
| PBT before EO | 13,335 | 41,877 | 66,245 | 63,795 | 70,515 |
| Regulatory inc./ (exp) | 9,241 | 861 | -14,697 | 0 | 0 |
| EO items | 0 | 2,807 | 718 | 0 | 0 |
| PBT after EO | 22,575 | 45,544 | 52,267 | 63,795 | 70,515 |
| Tax | 16,473 | 14,519 | 12,446 | 12,917 | 14,054 |
| Rate (%) | 73.0 | 31.9 | 23.8 | 20.2 | 19.9 |
| JV | 31,995 | 11,776 | 7,933 | 8,183 | 8,316 |
| Reported PAT | 33,364 | 36,962 | 39,710 | 49,567 | 54,534 |
| Minority | 4,732 | 5,839 | 8,044 | 9,493 | 10,242 |
| Adjusted PAT | 33,364 | 35,050 | 39,163 | 49,567 | 54,534 |
| Change (%) | 69.9 | 5.1 | 11.7 | 26.6 | 10.0 |

| Consolidated Balance Sheet | | | | | (INR m) |
|------------------------------------|-----------------|-----------------|------------------|------------------|------------------|
| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
| Share Capital | 3,196 | 3,196 | 3,196 | 3,196 | 3,196 |
| Reserves | 2,84,679 | 3,20,357 | 3,55,211 | 4,03,885 | 4,58,276 |
| Net Worth | 2,87,874 | 3,23,553 | 3,58,407 | 4,07,081 | 4,61,472 |
| Minority Interest | 54,167 | 59,775 | 67,654 | 66,421 | 65,188 |
| Total Loans | 4,89,744 | 4,94,798 | 5,81,456 | 7,07,101 | 8,04,297 |
| Deferred Tax Liability | 19,194 | 27,723 | 41,041 | 34,361 | 34,361 |
| Capital Employed | 8,50,979 | 9,05,849 | 10,48,557 | 12,14,965 | 13,65,319 |
| Gross Block | 8,80,388 | 9,73,889 | 11,27,766 | 12,53,961 | 12,86,609 |
| Less: Accum. Depn. | 2,81,504 | 3,19,368 | 3,60,537 | 4,05,741 | 4,56,698 |
| Net Fixed Assets | 5,98,884 | 6,54,521 | 7,67,230 | 8,48,221 | 8,29,911 |
| Capital WIP | 53,764 | 1,15,613 | 1,26,789 | 1,89,688 | 3,16,188 |
| Goodwill | 18,583 | 17,575 | 16,515 | 17,575 | 17,575 |
| Investments | 1,55,201 | 1,48,381 | 1,50,140 | 1,51,893 | 1,60,208 |
| Curr. Assets | 4,55,924 | 4,59,445 | 5,06,440 | 5,25,215 | 5,65,099 |
| Inventories | 39,429 | 44,196 | 45,718 | 46,805 | 47,903 |
| Account Receivables | 69,522 | 74,017 | 57,098 | 90,555 | 95,453 |
| Cash and Bank Balance | 1,23,561 | 1,06,298 | 1,30,534 | 1,55,831 | 1,89,718 |
| Others | 2,23,412 | 2,34,934 | 2,73,090 | 2,32,025 | 2,32,025 |
| Curr. Liability & Prov. | 4,31,376 | 4,89,686 | 5,18,556 | 5,17,626 | 5,23,661 |
| Account Payables | 74,072 | 93,214 | 88,546 | 1,19,122 | 1,25,157 |
| Provisions & Others | 3,57,304 | 3,96,472 | 4,30,010 | 3,98,504 | 3,98,504 |
| Net Curr. Assets | 24,548 | -30,241 | -12,116 | 7,590 | 41,438 |
| Appl. of Funds | 8,50,979 | 9,05,849 | 10,48,557 | 12,14,965 | 13,65,319 |

Financials and valuations

Ratios

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | |
| EPS | 10.4 | 11.0 | 12.3 | 15.5 | 17.1 |
| Cash EPS | 21.2 | 22.8 | 25.1 | 30.0 | 33.0 |
| BV/Share | 90.1 | 101.2 | 112.2 | 127.4 | 144.4 |
| DPS | 2.0 | 2.0 | 2.3 | 3.3 | 3.3 |
| Payout (%) | 19.2 | 18.2 | 18.4 | 21.0 | 19.0 |
| Dividend yield (%) | 0.5 | 0.5 | 0.6 | 0.8 | 0.8 |
| Valuation (x) | | | | | |
| P/E | 38.1 | 36.3 | 32.5 | 25.7 | 23.3 |
| Cash P/E | 18.8 | 17.4 | 15.8 | 13.3 | 12.1 |
| P/BV | 4.4 | 3.9 | 3.5 | 3.1 | 2.8 |
| EV/EBITDA | 22.0 | 16.0 | 12.9 | 12.4 | 11.9 |
| Dividend Yield (%) | 0.5 | 0.5 | 0.6 | 0.8 | 0.8 |
| FCF (pre-int) to EV yield (%) | 1.8 | 1.3 | -1.3 | -2.0 | 0.5 |
| Return Ratios (%) | | | | | |
| RoE | 13.0 | 11.5 | 11.5 | 13.0 | 12.6 |
| RoCE (post-tax) | 5.1 | 8.4 | 10.3 | 9.6 | 8.9 |
| RoIC (post-tax) | 2.4 | 9.4 | 13.1 | 12.8 | 13.0 |
| Working Capital Ratios | | | | | |
| Fixed Asset Turnover (x) | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 |
| Asset Turnover (x) | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 |
| Debtor (Days) | 46 | 44 | 32 | 43 | 42 |
| Inventory (Days) | 26 | 26 | 25 | 22 | 21 |
| Leverage Ratio (x) | | | | | |
| Net Debt/EBITDA | 4.8 | 3.6 | 3.2 | 3.6 | 3.8 |
| Debt/Equity | 1.1 | 1.0 | 1.1 | 1.2 | 1.2 |

Consolidated Cash Flow Statement

(INR m)

| Y/E March | FY23 | FY24 | FY25 | FY26E | FY27E |
|------------------------------|-----------------|-----------------|------------------|------------------|------------------|
| EBITDA | 86,304 | 1,08,699 | 1,24,602 | 1,52,824 | 1,63,544 |
| WC | -9,857 | 19,275 | 718 | -3,142 | 1,805 |
| Others | 3,852 | 3,882 | 7,350 | 0 | 0 |
| Direct taxes (net) | -8,707 | -5,895 | -5,869 | -12,917 | -14,054 |
| CF from Op. Activity | 71,591 | 1,25,961 | 1,26,802 | 1,36,765 | 1,51,294 |
| Capex | -76,560 | -1,33,328 | -1,72,728 | -1,89,094 | -1,59,147 |
| FCF | -4,969 | -7,366 | -45,927 | -52,329 | -7,853 |
| Int & div income | 36,253 | 29,774 | 23,019 | 15,274 | 16,840 |
| Investments(subs/JVs) | 5,342 | 2,457 | 2,638 | -1,753 | -8,316 |
| Others | 3,015 | 2,846 | -15,318 | 0 | 0 |
| CF from Inv. Activity | -31,950 | -98,250 | -1,62,391 | -1,75,573 | -1,50,623 |
| Share capital | 40,084 | 1,139 | 3,194 | 0 | 0 |
| Borrowings | 11,690 | 5,126 | 35,012 | 1,25,646 | 97,196 |
| Finance cost | -41,084 | -47,765 | -4,971 | -57,937 | -58,911 |
| Dividend | -7,869 | -8,868 | -3,254 | -11,619 | -11,619 |
| Others | 10,587 | 5,394 | 12,944 | 8,183 | 8,316 |
| CF from Fin. Activity | 13,408 | -44,974 | 42,924 | 64,273 | 34,982 |
| (Inc)/Dec in Cash | 53,050 | -17,263 | 7,335 | 25,464 | 35,653 |
| Opening balance | 70,512 | 1,23,561 | 1,06,298 | 1,30,534 | 1,55,831 |
| Closing balance | 1,23,562 | 1,06,298 | 1,13,633 | 1,55,998 | 1,91,484 |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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