

# Tata Power | BUY

## Lights are off at Mundra

Power generation at imported coal-based plants, including the 4GW Tata Mundra UMPP, has been hit because the government has not extended implementation of Section 11 of the Electricity Act after the earlier extension ended in Jun'25. Due to rising power demand, the government had hitherto been repeatedly invoking Section 11. In the past, Mundra operated at PLFs of 25%/32%/56%/65% during FY22/FY23/FY24/FY25. The elevated PLFs in FY24 and FY25 were primarily driven by enforcement of Section 11. The plant reported generation of 2,189MUs and 2,206MUs in May and Jun'25 with PLFs of 73.6% and 76.6% - that has slumped to nearly zero after 4<sup>th</sup> July. The plant along with coal mining companies reported PAT of INR 11bn in FY25 vs. INR 286mn in FY22 when Section 11 was not under implementation. We expect the company will tie up PPAs with five beneficiary states (Gujarat, Maharashtra, Rajasthan, Punjab, and Haryana). We maintain our Buy rating on stock with an SOTP-based TP of INR 461.

- **Mundra UMPP:** The Mundra Ultra Mega Power Plant (UMPP) has been operating under Section 11 of the Electricity Act, which ensures full fuel pass-through arrangement subject to adjustment of profits from coal mining companies in Indonesia. The plant along with coal mining companies reported PAT of INR 11bn in FY25 vs. INR 286mn in FY22 when Section 11 was not under implementation.
- **Section 11 extension:** The power ministry has been repeatedly invoking Section 11 of the Electricity Act directing all 17GW of thermal power plants using imported coal to operate at full capacity due to rising power demand. Most recently, it was extended from 1<sup>st</sup> May to 30<sup>th</sup> Jun'25, anticipating 270GW of peak demand during the summer months (Jun'25).
- **Non-extension of Section 11:** Early onset of monsoon across the country led to subdued power demand, with energy demand declining to 298BU (-3% YoY) and peak demand falling to 243GW (-3% YoY) during May-Jun'25. Given the weak demand environment, the government did not extend Section 11 beyond June, impacting the generation of imported coal-based plants that were operating under its mandate.
- **Mundra generation:** Tata Power's Mundra plant reported generation of 2,189MUs and 2,206MUs in May and Jun'25 with PLFs of 73.6% and 76.6%. With the expiry of Section 11 at the end of June, generation dropped significantly in July, with the plant operating on only 3 out of the first 17 days and reporting generation of just 106MUs.
- **PLF trend:** Mundra operated at PLFs of 25%/32%/56%/65% in FY22/FY23/FY24/FY25, respectively. The elevated PLFs in FY24 and FY25 were primarily driven by enforcement of Section 11.
- **JM View:** Going forward, we expect Tata Power to tie up PPAs for the Mundra plant with five beneficiary states (Gujarat, Maharashtra, Rajasthan, Punjab, and Haryana). We maintain our BUY rating on the stock with an SOTP-based TP of INR 461.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	6,15,423	6,45,021	7,25,590	7,95,642	8,65,974
Sales Growth (%)	9.8	4.8	12.5	9.7	8.8
EBITDA	1,08,773	1,29,537	1,58,199	1,75,335	1,93,779
EBITDA Margin (%)	17.7	20.1	21.8	22.0	22.4
Adjusted Net Profit	36,963	39,710	50,844	62,004	65,894
Diluted EPS (INR)	11.6	12.4	15.9	19.4	20.6
Diluted EPS Growth (%)	10.8	7.4	28.0	22.0	6.3
ROIC (%)	9.0	9.9	9.9	8.6	8.4
ROE (%)	10.2	9.8	11.3	12.2	11.5
P/E (x)	34.8	32.4	25.3	20.7	19.5
P/B (x)	4.0	3.6	3.2	2.8	2.5
EV/EBITDA (x)	16.1	14.0	12.5	12.2	11.1
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 21/Jul/2025



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	461
Upside/(Downside)	14.6%
Previous Price Target	461
Change	0.0%

### Key Data – TPWR IN

Current Market Price	INR402
Market cap (bn)	INR1,284.1/US\$14.9
Free Float	49%
Shares in issue (mn)	3,195.3
Diluted share (mn)	3,195.3
3-mon avg daily val (mn)	INR2,744.7/US\$31.8
52-week range	495/326
Sensex/Nifty	82,200/25,091
INR/US\$	86.3

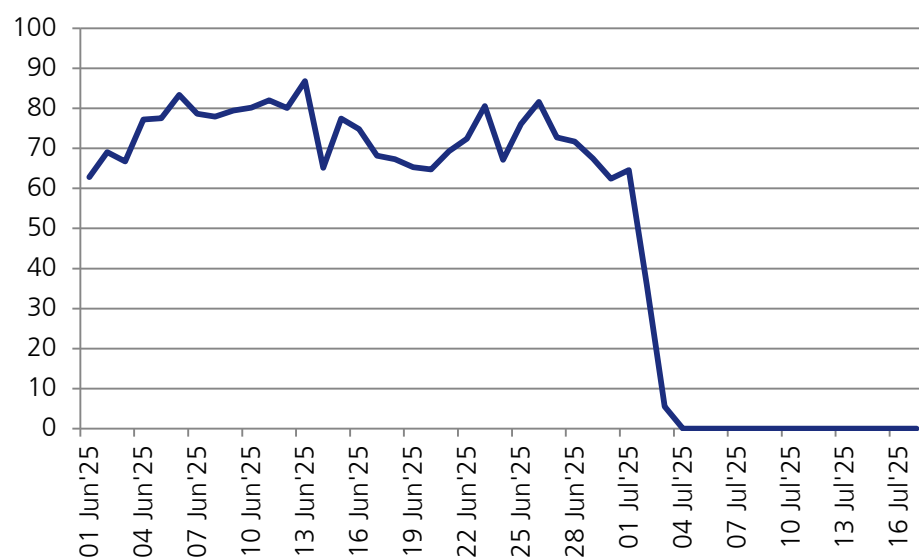
### Price Performance

%	1M	6M	12M
Absolute	3.0	9.8	-3.0
Relative*	3.3	2.1	-5.0

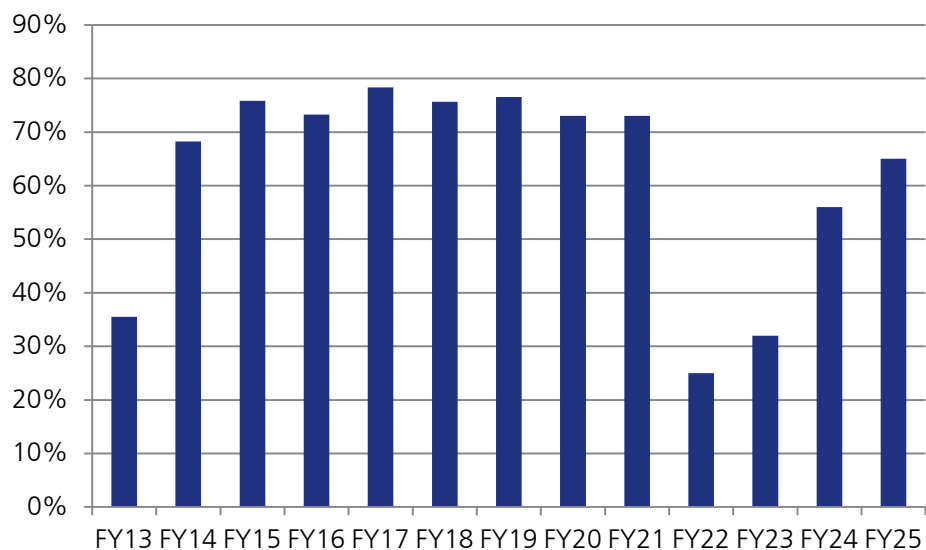
\* To the BSE Sensex

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**Exhibit 1. Mundra daily generation (MUs)**

Source: National Power Portal, JM Financial

**Exhibit 2. Mundra's historical PLF trend (%)**

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	6,15,423	6,45,021	7,25,590	7,95,642	8,65,974
Sales Growth	9.8%	4.8%	12.5%	9.7%	8.8%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>6,15,423</b>	<b>6,45,021</b>	<b>7,25,590</b>	<b>7,95,642</b>	<b>8,65,974</b>
Cost of Goods Sold/Op. Exp	4,07,416	4,02,324	3,99,115	4,38,424	4,49,036
Personnel Cost	40,361	43,729	48,827	53,320	58,409
Other Expenses	58,874	69,430	1,19,450	1,28,563	1,64,751
<b>EBITDA</b>	<b>1,08,773</b>	<b>1,29,537</b>	<b>1,58,199</b>	<b>1,75,335</b>	<b>1,93,779</b>
EBITDA Margin	17.7%	20.1%	21.8%	22.0%	22.4%
EBITDA Growth	26.0%	19.1%	22.1%	10.8%	10.5%
Depn. & Amort.	37,864	41,169	49,662	58,227	63,830
EBIT	70,909	88,369	1,08,537	1,17,108	1,29,949
Other Income	18,234	15,139	15,118	35,793	37,140
Finance Cost	46,332	47,024	55,768	68,561	76,553
PBT before Excep. & Forex	42,811	56,483	67,888	84,340	90,537
Excep. & Forex Inc./Loss(-)	2,734	-1,221	0	0	0
PBT	45,545	55,263	67,888	84,340	90,537
Taxes	14,519	15,443	19,303	23,198	24,771
Extraordinary Inc./Loss(-)	2,734	-1,221	0	0	0
Assoc. Profit/Min. Int.(-)	17,614	15,977	19,955	20,328	21,540
Reported Net Profit	36,963	39,710	50,844	62,004	65,894
<b>Adjusted Net Profit</b>	<b>36,963</b>	<b>39,710</b>	<b>50,844</b>	<b>62,004</b>	<b>65,894</b>
Net Margin	6.0%	6.2%	7.0%	7.8%	7.6%
Diluted Share Cap. (mn)	3,195.6	3,195.6	3,195.3	3,195.3	3,195.3
<b>Diluted EPS (INR)</b>	<b>11.6</b>	<b>12.4</b>	<b>15.9</b>	<b>19.4</b>	<b>20.6</b>
Diluted EPS Growth	10.8%	7.4%	28.0%	22.0%	6.3%
Total Dividend + Tax	257	257	257	257	257
Dividend Per Share (INR)	2.0	2.0	2.0	2.0	2.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	57,320	63,196	78,995	94,935	1,01,371
Depn. & Amort.	37,864	41,169	49,662	58,227	63,830
Net Interest Exp. / Inc. (-)	28,098	31,885	40,649	32,768	39,412
Inc (-) / Dec in WCap.	19,275	718	-65,671	-8,747	-14,406
Others	-10,701	-4,297	0	0	0
Taxes Paid	-5,895	-5,869	-19,303	-23,198	-24,771
<b>Operating Cash Flow</b>	<b>1,25,961</b>	<b>1,26,802</b>	<b>84,332</b>	<b>1,53,985</b>	<b>1,65,435</b>
Capex	-1,31,866	-1,72,493	-1,84,132	-2,61,182	-1,20,080
Free Cash Flow	-5,904	-45,692	-99,800	-1,07,197	45,355
Inc (-) / Dec in Investments	-3,005	0	0	0	0
Others	44,522	18,005	15,118	35,793	37,140
<b>Investing Cash Flow</b>	<b>-90,348</b>	<b>-1,54,488</b>	<b>-1,69,013</b>	<b>-2,25,389</b>	<b>-82,940</b>
Inc / Dec (-) in Capital	11,178	22,528	0	0	0
Dividend + Tax thereon	-8,868	-9,645	-9,645	-9,645	-9,645
Inc / Dec (-) in Loans	46,439	85,702	2,81,687	1,67,223	20,821
Others	-93,723	-55,662	-55,768	-68,561	-76,553
<b>Financing Cash Flow</b>	<b>-44,974</b>	<b>42,924</b>	<b>2,16,274</b>	<b>89,018</b>	<b>-65,376</b>
<b>Inc / Dec (-) in Cash</b>	<b>-9,361</b>	<b>15,237</b>	<b>1,31,593</b>	<b>17,614</b>	<b>17,119</b>
Opening Cash Balance	1,00,879	1,02,273	1,17,510	2,49,103	2,66,717
Closing Cash Balance	91,518	1,17,510	2,49,103	2,66,717	2,83,836

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	3,23,553	3,58,407	3,99,605	4,51,965	5,08,213
Share Capital	3,196	3,196	3,195	3,195	3,195
Reserves & Surplus	3,20,357	3,55,211	3,96,410	4,48,769	5,05,018
Preference Share Capital	0	0	0	0	0
Minority Interest	59,775	67,654	76,502	86,235	96,941
Total Loans	4,94,798	5,81,456	8,63,143	10,30,366	10,51,187
Def. Tax Liab. / Assets (-)	22,732	35,861	35,861	35,861	35,861
<b>Total - Equity &amp; Liab.</b>	<b>9,00,858</b>	<b>10,43,377</b>	<b>13,75,111</b>	<b>16,04,427</b>	<b>16,92,203</b>
Net Fixed Assets	7,87,709	9,10,533	10,45,003	12,47,957	13,04,208
Gross Fixed Assets	9,47,851	11,02,604	12,75,736	14,96,917	15,42,498
Intangible Assets	32,168	30,232	30,232	30,232	30,232
Less: Depn. & Amort.	3,07,923	3,49,091	3,98,753	4,56,981	5,20,810
Capital WIP	1,15,613	1,26,789	1,37,789	1,77,789	2,52,289
Investments	1,63,160	1,63,160	1,63,160	1,63,160	1,63,160
Current Assets	4,32,511	4,86,853	6,73,363	7,07,386	7,40,979
Inventories	44,196	45,718	75,281	82,549	89,846
Sundry Debtors	76,750	69,328	94,683	1,03,824	1,13,001
Cash & Bank Balances	91,518	1,17,510	2,49,103	2,66,717	2,83,836
Loans & Advances	136	147	147	147	147
Other Current Assets	2,19,911	2,54,149	2,54,149	2,54,149	2,54,149
Current Liab. & Prov.	4,82,522	5,17,168	5,06,414	5,14,076	5,16,144
Current Liabilities	94,349	89,681	78,927	86,589	88,657
Provisions & Others	3,88,172	4,27,487	4,27,487	4,27,487	4,27,487
Net Current Assets	-50,010	-30,316	1,66,949	1,93,310	2,24,835
<b>Total - Assets</b>	<b>9,00,859</b>	<b>10,43,377</b>	<b>13,75,111</b>	<b>16,04,427</b>	<b>16,92,203</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	6.0%	6.2%	7.0%	7.8%	7.6%
Asset Turnover (x)	0.7	0.7	0.6	0.6	0.6
Leverage Factor (x)	2.9	2.9	3.2	3.5	3.4
RoE	12.9%	12.0%	14.3%	16.4%	14.7%

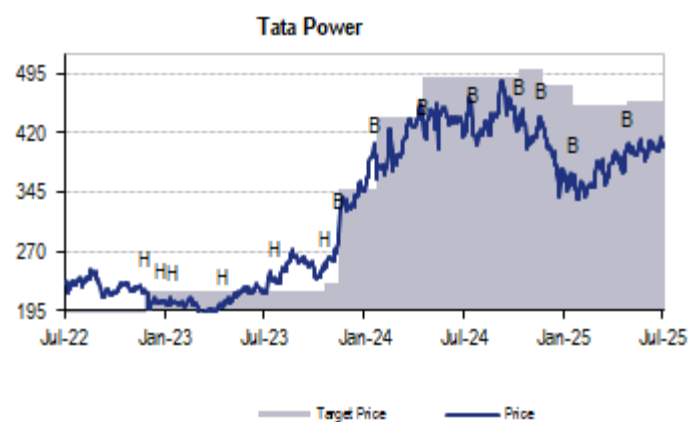
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	101.2	112.2	125.1	141.4	159.0
ROIC	9.0%	9.9%	9.9%	8.6%	8.4%
ROE	10.2%	9.8%	11.3%	12.2%	11.5%
Net Debt/Equity (x)	1.2	1.3	1.5	1.7	1.5
P/E (x)	34.8	32.4	25.3	20.7	19.5
P/B (x)	4.0	3.6	3.2	2.8	2.5
EV/EBITDA (x)	16.1	14.0	12.5	12.2	11.1
EV/Sales (x)	2.8	2.8	2.7	2.7	2.5
Debtor days	46	39	48	48	48
Inventory days	26	26	38	38	38
Creditor days	67	63	50	50	48

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
14-Dec-22	Hold	220	
11-Jan-23	Hold	220	0.0
5-Feb-23	Hold	220	-0.1
5-May-23	Hold	220	0.1
9-Aug-23	Hold	220	-0.1
9-Nov-23	Hold	230	4.7
6-Dec-23	Buy	350	51.9
11-Feb-24	Buy	439	25.5
9-May-24	Buy	490	11.5
7-Aug-24	Buy	491	0.3
31-Oct-24	Buy	501	2.0
11-Dec-24	Buy	481	-3.9
5-Feb-25	Buy	456	-5.1
15-May-25	Buy	461	1.0

## Recommendation History



## APPENDIX I

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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