

Tata Power | BUY

4QFY24: Performance in-line; Maintain BUY

Tata Power (TPWR) reported 4QFY24 net consol revenue of INR 158.4bn (+27% YoY, +5% JMFe) and EBITDA of INR 27bn (+23% YoY, +3% JMFe) led by higher sales across Odisha discoms and capacity addition in renewables. Reported PAT/ Adj. PAT came in at INR 10.4bn (+11% YoY, +25% JMFe)/ INR 8.9bn (+15% YoY, +7% JMFe) due to sale of subsidiaries and JVs. The company continues to benefit from quick turnaround of Odisha discoms, expansion of RE portfolio and operationalization of Mundra. We continue to believe in its growth story involving venturing into brownfield pumped hydro storage, expanding transmission business beyond distribution, emergence of rooftop solar, and visible resolution of the Mundra issue ([Tata Power | The Great Recalibration: Upgrade to BUY](#)). We continue to maintain BUY, with a SOTP-based TP of INR 490/share.

- Demand outlook:** The power demand continues to surge and witnessed a 8%YoY growth in FY24. The management believes this trend to continue at least for the next 2-3 years. The coal prices remains stable for last 6-8 months and are likely to remain stable going forward.
- CGPL, Mundra:** The company's Mundra plant continues to operate under Section-11 (currently applicable up to Oct'24) with PLF of 56% and 70% availability.
- Renewable portfolio:** TPREL (RE developer, incl Walwhan) reported EBITDA of INR 7.3bn (+47% YoY, +20% QoQ) in 4QFY24. It reported a net profit of INR 1,660mn for the quarter v/s INR 650mn in 4QFY23 (155% YoY). The installed capacity of its renewables portfolio has increased to 5847MW (including 880MW hydro) with another 5506MW under various stages of implementation. TPREL has secured the FDRE projects; 460MW from SJVNL and 200MW from NTPC.
- Tata Power Solar Systems Ltd (manufacturing, EPC, rooftop, solar pumps):** TPSSL reported revenue of INR 42.8bn (+44% YoY), with an EBITDA of INR 3.2bn (+15% YoY). It has an utility-scale solar order pipeline of 2626 MW worth INR 134bn including 100MW of orders won in Q4FY24. The solar rooftop business continues to witness traction, with revenue of INR 7.8bn in 4QFY24 (INR 9.5bn in 3QFY24) and an order book of INR 28.6bn. The management believes that the newly launched Pradhan Mantri Suryoday Yojana (target to provide solar rooftop to 10 mn households) can have potential for 25-30GW of new solar additions in 3-4 years. The company is the industry leader (c.20% market share) in the rooftop solar segment.
- Pumped hydro storage:** The development process of 1000MW Bhiwpuri PSP and the 1800MW Shirawata PSP with an investment of INR 47bn and INR 78.5bn continues with various approvals in progress.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	490
Upside/(Downside)	12.5%
Previous Price Target	440
Change	11.3%

Key Data – TPWR IN

Current Market Price	INR435
Market cap (bn)	INR1,390.1/US\$16.6
Free Float	46%
Shares in issue (mn)	3,195.3
Diluted share (mn)	3,195.6
3-mon avg daily val (mn)	INR7,981.1/US\$95.6
52-week range	464/200
Sensex/Nifty	73,466/22,303
INR/US\$	83.5

Price Performance

%	1M	6M	12M
Absolute	4.5	70.6	114.6
Relative*	6.2	50.6	80.4

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	428,157	560,331	615,423	696,400	881,679
Sales Growth (%)	29.4	30.9	9.8	13.2	26.6
EBITDA	75,111	86,304	108,773	129,634	189,928
EBITDA Margin (%)	17.5	15.4	17.7	18.6	21.5
Adjusted Net Profit	17,414	33,364	48,640	60,289	87,256
Diluted EPS (INR)	5.4	10.4	15.2	18.9	27.3
Diluted EPS Growth (%)	24.0	91.6	45.8	23.9	44.7
ROIC (%)	7.9	6.7	9.0	9.8	11.3
ROE (%)	6.8	11.1	13.4	14.9	18.8
P/E (x)	79.8	41.7	28.6	23.1	15.9
P/B (x)	6.2	4.8	4.3	3.7	3.1
EV/EBITDA (x)	24.4	21.1	17.0	15.1	11.5
Dividend Yield (%)	0.4	0.5	0.5	0.5	0.5

Source: Company data, JM Financial. Note: Valuations as of 08/May/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Concall and other key highlights

- Management believes that FDRE and Hybrid bids are complex and not many players can execute properly. It is expecting good margins (>mid-teens) in such projects as indicated from increasing tariff (INR/kWh 3.2/4.3 during FY23/FY24). It is no longer participating in pure solar/wind tenders.
- It also opined that the RBI circular on project financing is meant to bring discipline in sector where some of the players are bidding even without land or other resources. Tata Power's are based on corporate loans and hence unlikely to have any impact
- Amongst the total power capacity base, 300MW is available as merchant where the company expects good returns.
- FY24 is the second consecutive month where the demand of power in Orissa is up by 20-25% in some pockets.
- Large number of states are planning to privatise their discoms as it has led to various benefits such as reduction in AT&C losses and reduction in financial losses without increasing tariff.
- Two transmission projects will get operational by the end of this year.
- Impairment of INR 1,000mn to be done every year to unwind the goodwill of WREL acquisition.
- Rooftop channel network has crosses 518+ partners across 310+ districts.
- The company has achieved a milestone of 1,000 green energy-powered EV charging points in Mumbai.

Exhibit 1. 4QFY24 Consolidated results

Particulars	Q4FY24	Q4FY23	YoY %	Q3FY24	QoQ %	JMFe	% Var
Sale of ElectricJty	1,58,466	1,24,538	27%	1,46,510	8%	1,50,905	5%
Total Operating income	1,62,559	1,27,553	27%	1,48,407	10%	1,48,852	9%
Cost of Fuel	35,150	17,865	97%	35,685	-1%	34,899	1%
Cost of Power Purchased	69,685	61,478	13%	62,085	12%	64,542	8%
Employee Cost	10,845	8,512	27%	9,816	10%	9,945	9%
Other expense	19,467	17,406	12%	14,751	32%	12,969	50%
Total Expenses	1,35,148	1,05,261	28%	1,22,336	10%	1,22,355	10%
EBITDA	27,411	22,293	23%	26,071	5%	26,496	3%
Other income	6,174	8,715	-29%	6,431	-4%	6,042	2%
PBDIT	33,585	31,008	8%	32,503	3%	32,539	3%
Depreciation	10,408	9,263	12%	9,263	12%	9,200	13%
Interest	11,357	11,956	-5%	10,943	4%	12,310	-8%
PBT	14,984	11,581	29%	14,888	1%	11,029	36%
Tax(including deferred tax)	4,914	2,193	124%	4,126	19%	2,647	86%
Extraordinary items	-387	-	0%	-	0%	-	-
PAT(Reported)	10,456	9,388	11%	10,761	-3%	8,382	25%
Minority Int	-1,504	-1,611	-7%	-1,231	22%	-	-
Share of associates	3,164	1,791	77%	2,590	22%	-	-
Adj PAT	8,952	7,777	15%	9,530	-6%	8,382	7%
EPS(INR)	2.80	2.43	15%	2.98	-6%	2.62	7%

Source: Company, JM Financial

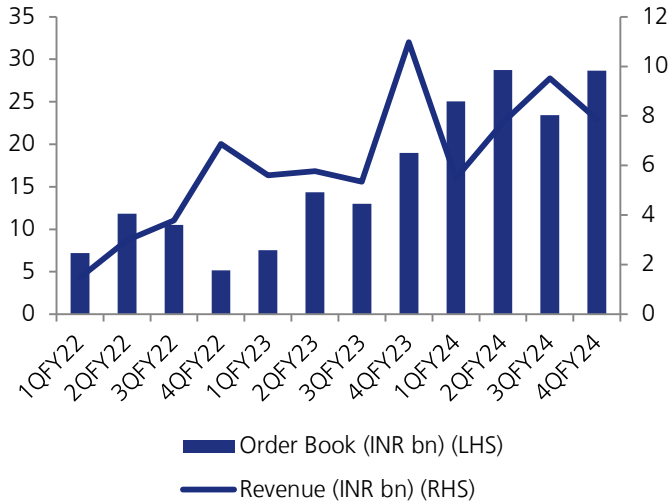
Exhibit 2. Segment performance

Segment performance	Q4FY24	Q4FY23	YoY %	Q3FY24	QoQ %
SA					
- Sales	51,330	31,940	61%	50,630	1%
- EBITDA	16,320	10,220	60%	15,030	9%
- PAT	8,460	1,420	496%	5,270	61%
Reg Equity (Mumbai)	49,140	46,390	6%	46,730	5%
Maithon (MPL)					
- Sales	9,030	6,560	38%	8,450	7%
- EBITDA	1,960	1,860	5%	1,820	8%
- PAT	900	800	13%	810	11%
Generation (MU's)	2,054	1,462	40%	2,076	-1%
Sales (MU's)	1,949	1,437	36%	2,030	-4%
PLF(%)	90%	64%	2600BPs	90%	0BPs
Availability	94%	69%	2500BPs	96%	-200BPs
Reg Eq	16,700	16,660	0%	16,730	0%
NDPL (TPDDL)					
- Sales	20,510	20,570	0%	22,310	-8%
- EBITDA	2,910	3,050	-5%	3,250	-10%
- PAT	1,220	990	23%	1,090	12%
Reg Eq	20,080	19,310	4%	19,610	2%
Tata Power Trading (TPTCL)					
- Sales	340	-	0%	650	-48%
- EBITDA	100	-	0%	460	-78%
- PAT	60	-	0%	330	-82%
Tata Power Solar (Solar Mfg)					
- Sales	42,870	29,580	45%	40,370	6%
- EBITDA	3,280	2,850	15%	2,030	62%
- PAT	1,860	1,560	19%	1,200	55%
TPREL (Renewable Power)					
- Sales	8,470	5,030	68%	7,400	14%
- EBITDA	7,370	4,990	48%	6,140	20%
- PAT	1,660	650	155%	540	207%
ODISHA discoms					
- Sales	47,390	41,770	13%	43,950	8%
- EBITDA	4,370	4,920	-11%	3,640	20%
- PAT	828	1,450	-43%	630	31%

Source: Company, JM Financial

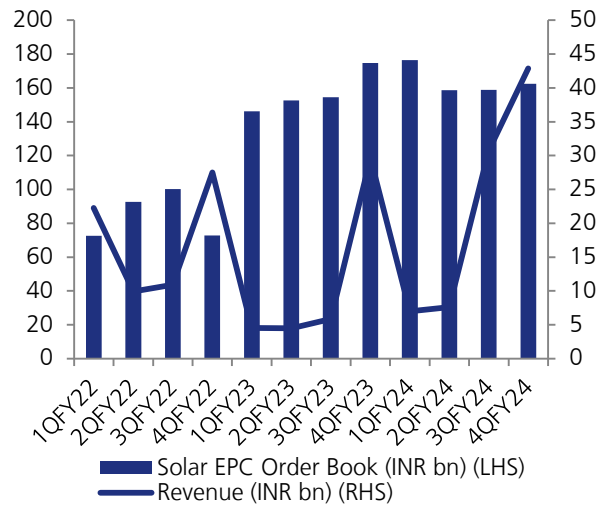
Key Charts

Exhibit 3. Rooftop solar segment



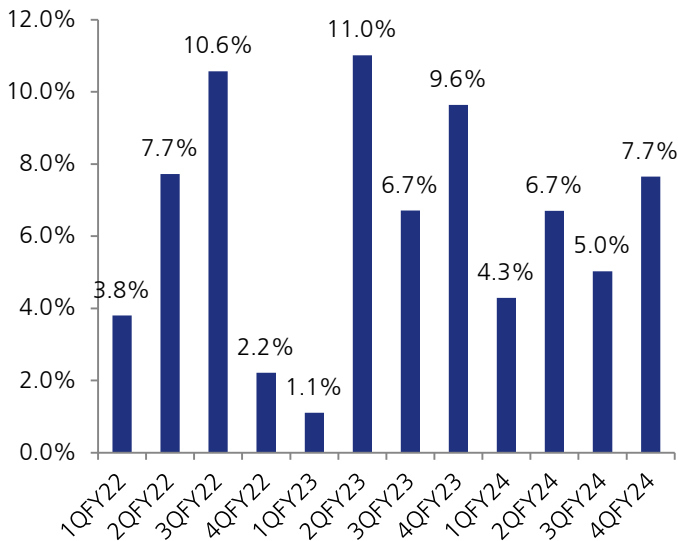
Source: Company, JM Financial

Exhibit 4. Solar EPC segment



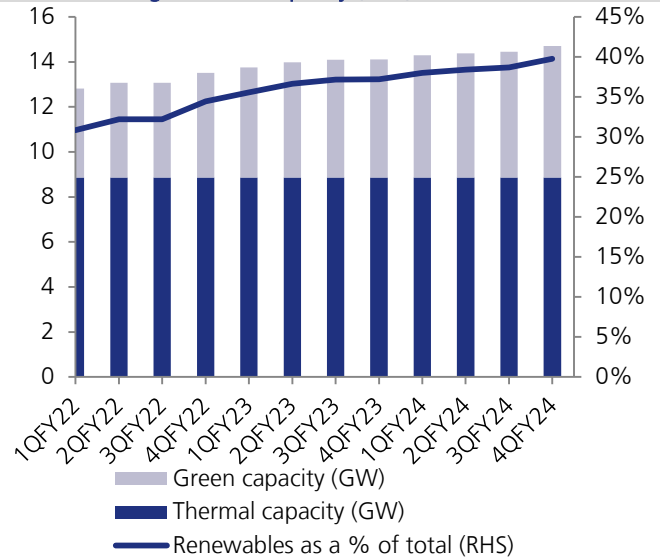
Source: Company, JM Financial

Exhibit 5. TPSSL EBITDA margin trend (%)



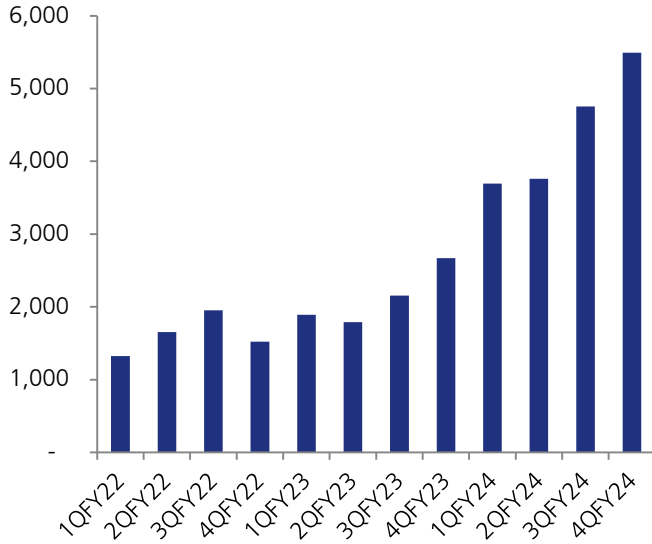
Source: Company, JM Financial

Exhibit 6. Installed generation capacity (MW)



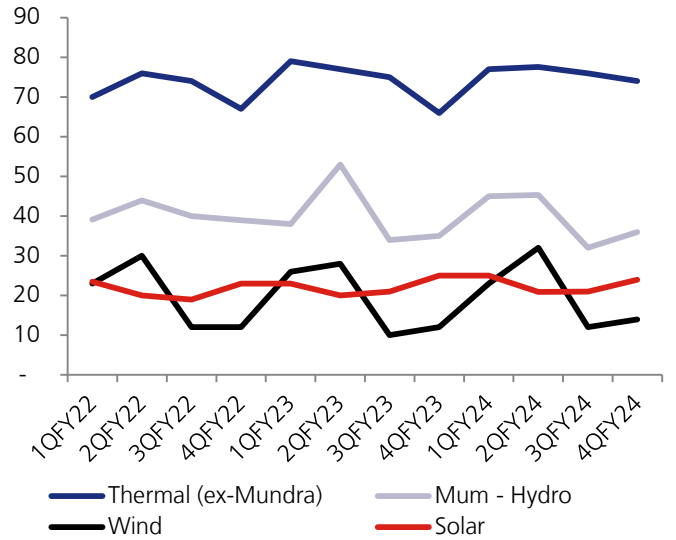
Source: Company, JM Financial

Exhibit 7. Large-scale solar development pipeline (MW)



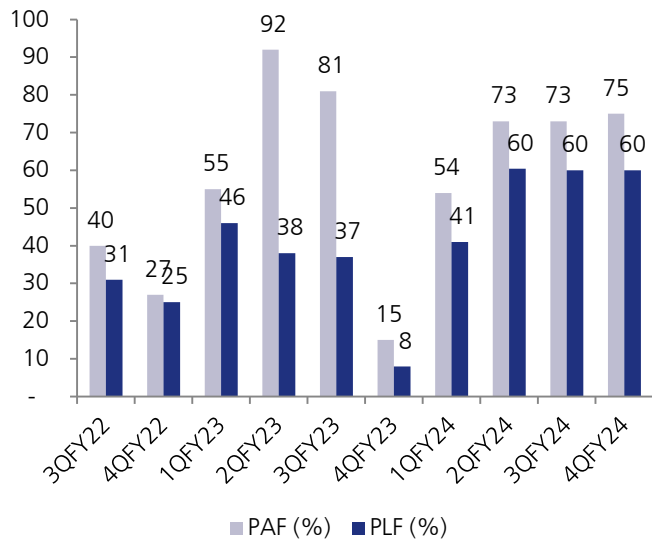
Source: Company, JM Financial

Exhibit 8. Fuel-wise PLF trend (%)



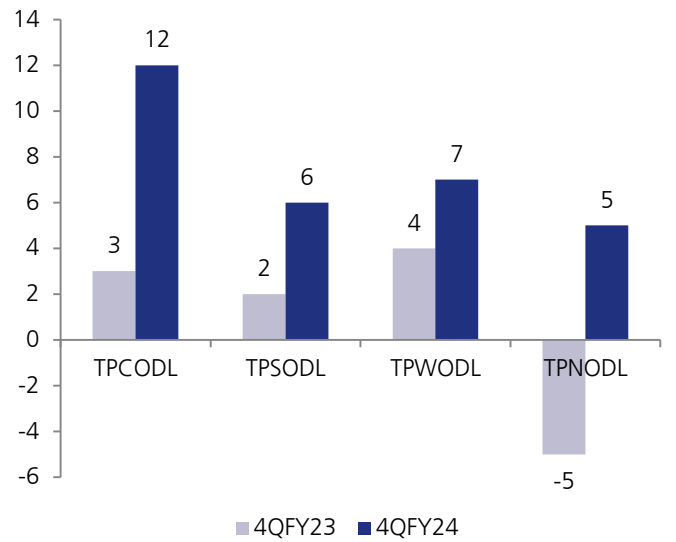
Source: Company, JM Financial

Exhibit 9. CGPL Mundra PLF and PAF trend (%)



Source: Company, JM Financial

Exhibit 10. Odisha discoms AT&C losses (%)



Source: Company, JM Financial

Valuation

Exhibit 11. SOTP Valuation

Particulars	Methodology	Multiple (x)	Valuation (INR mn)	Value Per share (INR)	Trigger/s
Regulated Business	P/BV on Regulated Equity	2.2	3,87,185	121	Higher PLF, T&D Capex
Mundra UMPP (CGPL)	EV/EBITDA	7	88,619	28	Cost reflective PPA/Section-11
Coal SPV	EV/EBITDA	3	43,663	14	Stable coal prices
TPREL	EV/EBITDA	14	4,68,223	147	Capacity addition
TPSSL	EV/EBITDA	11	2,84,933	89	Group Captive wins
EV Charging	Mcap/Sales	6	39,938	12	EV adoption
Bhivpuri & shirawta PSP	P/BV	2	1,20,057	38	Project execution
Others: Module Manufacturing, Power Trading, Prayagraj, Tata Proj, Zambia, Investments			1,31,832	41	-
SOTP			1,402,720	490	
CMP				435	
Upside %				13%	

Source: JM Financial, Company

Valuation Bands

Exhibit 12. P/B



Source: Company, JM Financial

Exhibit 13. EV/EBITDA



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	428,157	560,331	615,423	696,400	881,679	
Sales Growth	29.4%	30.9%	9.8%	13.2%	26.6%	
Other Operating Income	0	0	0	0	0	
Total Revenue	428,157	560,331	615,423	696,400	881,679	
Cost of Goods Sold/Op. Exp	276,325	380,032	407,416	434,242	490,491	
Personnel Cost	36,116	36,243	40,361	42,339	48,709	
Other Expenses	40,604	57,753	58,874	90,185	152,551	
EBITDA	75,111	86,304	108,773	129,634	189,928	
EBITDA Margin	17.5%	15.4%	17.7%	18.6%	21.5%	
EBITDA Growth	-0.4%	14.9%	26.0%	19.2%	46.5%	
Deprn. & Amort.	31,222	34,392	37,864	40,697	52,869	
EBIT	43,889	51,912	70,909	88,936	137,059	
Other Income	9,200	14,380	18,234	34,275	34,476	
Finance Cost	38,590	43,717	46,332	60,444	76,259	
PBT before Excep. & Forex	14,499	22,575	42,811	62,767	95,276	
Excep. & Forex Inc./Loss(-)	-3,897	0	2,734	0	0	
PBT	10,601	22,575	45,545	62,767	95,276	
Taxes	3,796	16,473	14,519	16,055	24,146	
Extraordinary Inc./Loss(-)	-3,897	0	2,734	0	0	
Assoc. Profit/Min. Int.(-)	23,570	36,727	5,937	731	1,997	
Reported Net Profit	22,092	33,364	48,640	60,289	87,256	
Adjusted Net Profit	17,414	33,364	48,640	60,289	87,256	
Net Margin	4.1%	6.0%	7.9%	8.7%	9.9%	
Diluted Share Cap. (mn)	3,195.6	3,195.6	3,195.6	3,195.6	3,195.6	
Diluted EPS (INR)	5.4	10.4	15.2	18.9	27.3	
Diluted EPS Growth	24.0%	91.6%	45.8%	23.9%	44.7%	
Total Dividend + Tax	257	257	257	257	257	
Dividend Per Share (INR)	1.8	2.0	2.0	2.0	2.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	25,352	54,570	57,320	69,921	104,337	
Deprn. & Amort.	31,222	34,392	37,864	40,697	52,869	
Net Interest Exp. / Inc. (-)	35,665	38,550	28,098	26,169	41,783	
Inc (-) / Dec in WCcap.	-1,886	-9,857	19,275	-50,755	-32,437	
Others	-16,478	-37,356	-10,701	0	0	
Taxes Paid	-6,947	-8,707	-5,895	-16,055	-24,146	
Operating Cash Flow	66,927	71,591	125,961	69,977	142,407	
Capex	-70,690	-76,057	-131,866	-141,177	-339,521	
Free Cash Flow	-3,762	-4,466	-5,904	-71,200	-197,114	
Inc (-) / Dec in Investments	-3,893	-9,731	-3,005	0	0	
Others	11,856	12,036	44,522	34,275	34,476	
Investing Cash Flow	-62,726	-73,753	-90,348	-106,902	-305,044	
Inc / Dec (-) in Capital	-7,424	54,607	11,178	0	0	
Dividend + Tax thereon	-5,585	-7,869	-8,868	-8,868	-8,868	
Inc / Dec (-) in Loans	57,896	-11,086	46,439	226,204	220,178	
Others	-56,719	-22,245	-93,723	-60,444	-76,259	
Financing Cash Flow	-11,832	13,408	-44,974	156,893	135,051	
Inc / Dec (-) in Cash	-7,630	11,247	-9,361	119,968	-27,586	
Opening Cash Balance	74,037	100,819	100,879	91,518	211,486	
Closing Cash Balance	66,407	112,065	91,518	211,486	183,900	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	224,416	287,874	323,553	374,974	453,362	
Share Capital	3,196	3,196	3,196	3,196	3,196	
Reserves & Surplus	221,220	284,679	320,357	371,778	450,166	
Preference Share Capital	0	0	0	0	0	
Minority Interest	35,869	54,167	59,775	53,352	46,288	
Total Loans	475,900	489,744	494,798	721,002	941,181	
Def. Tax Liab. / Assets (-)	6,987	16,665	22,732	22,732	22,732	
Total - Equity & Liab.	743,172	848,450	900,858	1,172,061	1,463,563	
Net Fixed Assets	583,626	671,230	787,709	888,189	1,174,840	
Gross Fixed Assets	740,696	855,129	947,851	1,089,028	1,428,549	
Intangible Assets	39,700	32,397	32,168	32,168	32,168	
Less: Deprn. & Amort.	243,122	270,059	307,923	348,620	401,489	
Capital WIP	46,351	53,764	115,613	115,613	115,613	
Investments	141,603	166,697	163,160	163,160	163,160	
Current Assets	393,924	430,681	432,510	594,658	610,472	
Inventories	42,315	39,429	44,196	72,252	91,475	
Sundry Debtors	66,655	73,118	76,750	90,873	115,051	
Cash & Bank Balances	66,407	112,065	91,518	211,486	183,900	
Loans & Advances	128	145	136	136	136	
Other Current Assets	218,419	205,924	219,910	219,910	219,910	
Current Liab. & Prov.	375,981	420,158	482,522	473,946	484,909	
Current Liabilities	105,732	75,208	94,349	85,774	96,737	
Provisions & Others	270,250	344,950	388,172	388,172	388,172	
Net Current Assets	17,943	10,523	-50,011	120,712	125,562	
Total - Assets	743,172	848,450	900,858	1,172,061	1,463,562	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24A	FY25E	FY26E
Y/E March						
Net Margin		4.1%	6.0%	7.9%	8.7%	9.9%
Asset Turnover (x)		0.6	0.7	0.7	0.7	0.7
Leverage Factor (x)		3.1	3.1	2.9	3.0	3.2
RoE		7.4%	13.9%	16.9%	17.7%	23.5%

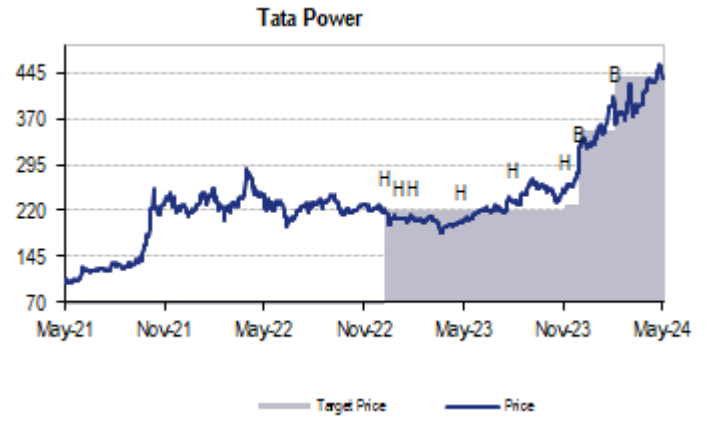
Key Ratios		FY22A	FY23A	FY24A	FY25E	FY26E
Y/E March						
BV/Share (INR)		70.2	90.1	101.2	117.3	141.9
ROIC		7.9%	6.7%	9.0%	9.8%	11.3%
ROE		6.8%	11.1%	13.4%	14.9%	18.8%
Net Debt/Equity (x)		1.8	1.3	1.2	1.4	1.7
P/E (x)		79.8	41.7	28.6	23.1	15.9
P/B (x)		6.2	4.8	4.3	3.7	3.1
EV/EBITDA (x)		24.4	21.1	17.0	15.1	11.5
EV/Sales (x)		4.3	3.3	3.0	2.8	2.5
Debtor days		57	48	46	48	48
Inventory days		36	26	26	38	38
Creditor days		108	57	67	55	50

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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
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.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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