



3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	■	✓	■

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

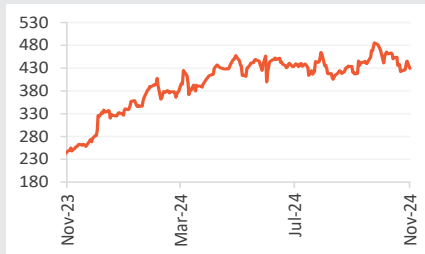
Company details

Market cap:	Rs. 1,37,080 cr
52-week high/low:	Rs. 495/238
NSE volume: (No of shares)	141.6 lakh
BSE code:	500400
NSE code:	TATAPOWER
Free float: (No of shares)	169.8 cr

Shareholding (%)

Promoters	46.9
FII	9.2
DII	16.6
Others	27.4

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-8.1	-6.8	-3.8	75.5
Relative to Sensex	-4.5	-4.1	-10.5	53.1

Sharekhan Research, Bloomberg

Tata Power Company Ltd
Inline Q2; RE business to drive growth

Power Utilities	Sharekhan code: TATAPOWER		
Reco/View: Buy	↔	CMP: Rs. 429	Price Target: Rs. 540
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Q2 consolidated Adj. PAT of Rs. 1,067 crore was up 22% y-o-y (adjusted for one off items). Delhi Discom had a PAT of Rs. 297 crore (+178% y-o-y) due to a favorable tariff order impact. Also, there was the benefit of higher other income and good performance in the renewables segment.
- Tata Power reported a revenue of Rs. 15,698 crore, flat y-o-y. The revenue was affected by the weak power demand in the quarter due to the strong monsoon season.
- Company intends to add 5GW of renewable capacities in the next three years. Management sees large opportunity (more than 1cr installations) from rooftop solar supported by government for rooftop installations for 1 crore homes. The recently commissioned 4.3GW solar cell & module plant would also benefit from rooftop solar opportunity.
- Tata Power has a well-planned strategy to shift towards clean energy and targets for 2x rise in its PAT by FY2027E over FY2023. We maintain a Buy on Tata Power with an unchanged PT of Rs. 540 on an SOTP basis.

Tata Power Company Limited's (TPCL) Q2FY25 Adjusted PAT grew by 22% y-o-y to Rs. 1,067 crore, which was almost inline with our estimates. The earnings growth is mainly attributable to rise in profits in the Delhi distribution and the renewable business while the core generation business decreased a little. The thermal generation business (including coal and hydro) reported a PAT of Rs. 644 crore (-6%) as the Mundra, Coal and shipping's PAT of Rs. 297 crore declined 11% y-o-y. Maithon power and the traditional generation business had similar profits y-o-y. The T&D segment posted a PAT of Rs. 501 crore, a growth of 42% y-o-y primarily led by Delhi distribution business earnings of Rs. 297 crore (+178% y-o-y) and it was brought down a little by Odisha Discoms PAT of Rs. 38 crore (-58% y-o-y). RE portfolio reported a PAT of Rs. 300 crore (+61% y-o-y). It was led by solar EPC with a PAT of Rs. 144 crore (+95% y-o-y) and the 4.3GW cell and module manufacturing plant PAT of Rs. 66 crore (losses last year).

Key positives

- Solar EPC witnessed strong order execution.
- Renewable portfolio witnessed a good PAT growth of 61% y-o-y.

Key negatives

- Odisha discom had a PAT of Rs. 38 crore, a de-growth of 58% y-o-y.

Management Commentary

- Electricity generation was weak in the quarter due to stronger than expected monsoons. Management expects the demand to be good in the coming winter.
- Rooftop solar is seeing good traction. Management plans to install 1mn rooftop solar in UP, Rajasthan and Odisha.
- The 4.3GW of module plant and 2GW of cell plant has been commissioned.
- RE portfolio is over 12.8 GW and thermal portfolio of over 8.8 GW. The under construction capacity of 5GW it to be commissioned by FY26.
- Solar EPC/rooftop third party order book was at Rs15,264 crore/ /Rs. 684 crore versus Rs. 15,072 crore/ /Rs. 567 crore in Q1FY25.

Our Call

Valuation – We maintain a Buy on TPCL with an unchanged SOTP-based PT of Rs. 540: TPCL's focus on business restructuring and high-growth RE business and entry into power transmission would play a crucial role for sustained earnings growth (management targets for 2x rise in its PAT by FY2027E over FY2023) and improved earnings quality. In addition, management's business restructuring plans to increase the share of high growth RE business would help sustain the current valuations. Hence, we maintain Buy on TPCL with an unchanged price target (PT) of Rs. 540. At the CMP, the stock trades at 3.4x/2.9x its FY2026E/ FY2027E P/BV.

Key Risks

- 1) Slower-than-expected ramp-up of RE portfolio and expansion in distribution business, 2) lower-than-expected profitability in Solar EPC business

Valuation (consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	55,109	61,449	69,138	79,242	86,602
OPM (%)	14.0	17.5	18.8	19.2	19.5
Adjusted PAT	3,336	3,696	4,861	5,608	6,452
% YoY growth	91.6	10.8	31.5	15.4	15.0
Adjusted EPS (Rs.)	10.4	11.6	15.2	17.6	20.2
P/E (x)	42.1	38.0	28.9	25.1	21.8
P/B (x)	4.9	4.3	3.8	3.4	2.9
EV/EBITDA (x)	23.1	16.8	13.0	10.5	9.1
RoNW (%)	13.0	12.1	14.1	14.3	14.4
RoCE (%)	6.1	8.5	10.1	11.3	11.7

Source: Company; Sharekhan estimates