

Retail Equity Research

Tata Power Company Limited

Electric Utilities

BSE CODE: 500400

NSE CODE: TATAPOWER

Bloomberg CODE: TPWR:IN

SENSEX: 76,811

HOLD

12 Months Investment Period Rating as per Large Cap

CMP Rs. 452 TARGET Rs. 490 RETURN 8% ↑

(Closing: 13-06-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Strong performance; expensive valuation

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

- Consolidated revenue rose 27.2% YoY to Rs. 15,847cr in Q4FY24 owing to strong performance of the generation and renewables segment.
- EBITDA surged 5.4% YoY to Rs. 2,949cr, driven by revenue growth. Consequently, reported profit after tax grew 11.4% YoY at Rs. 1,046cr.
- Performance was strong in Q4FY24, supported by its generation and renewables businesses. We anticipate a continued uptrend in its performance, driven by rising demand, capacity expansion, and promising opportunities in the rooftop solar business, renewables, and generation segments. As the stock trades at a premium valuation, we reiterate our HOLD rating with a revised target price of Rs. 490, based on 12x FY26E EV/EBITDA.

Generation and renewables segments aid topline

In Q4FY24, there was a substantial 27.2% increase in consolidated revenue, reaching Rs. 15,847cr, primarily driven by strong growth in the generation and renewable sectors. The generation business surged 68.4% YoY to Rs. 4,855cr, while the renewables business saw a 33.6% YoY growth, reaching Rs. 3,457cr. This growth was fuelled by a significant demand for power, indicated by an almost 8% increase. The transmission and distribution business also experienced growth, rising 8.8% YoY to Rs. 9,025cr. Notably, the distribution business performed exceptionally well in Odisha, Delhi, Mumbai, and Ajmer, despite challenges. The company successfully resolved various billing and collection issues, leading to improved performance and profitability in Odisha distribution companies (DISCOMs).

Moderate margin improvement

EBITDA rose 5.4% YoY to Rs. 2,949cr, due to revenue growth. However, EBITDA margin fell 390 basis points YoY to 18.6%, as fuel and other raw material costs rose significantly. This led to a slower rise in EBITDA, despite higher proportion of revenue. As a result, the reported profit after tax increased 11.4% YoY to Rs. 1,046cr, mainly due to lower interest cost and higher share of profits from associates.

Key highlights

- Tata Power Renewable Energy Ltd. (TPREL) has entered into an MoU with Gujarat's government for the development of 10 GW renewable energy ventures, spanning various cities.
- Tata Power EZ charge has activated a network of 5,500 public and captive electric vehicle (EV) charging points across more than 530 cities. Additionally, the company has installed over 86,000 home chargers and set up 850 bus charging points.
- Tata Power made a significant move by acquiring Greenfield Intra State Transmission project in Uttar Pradesh, named Jalpura Khurja Power Transmission Limited, for about Rs. 800cr.

Valuation

The company delivered strong quarterly performance, driven by robust performance of its core businesses. It is optimistic about the prospects, due to an anticipated surge in energy consumption. Additionally, it foresees significant growth in its rooftop solar business and is strategically positioned to capitalise on emerging opportunities. The company's focus on robust capacity expansion is also expected to support earnings potential. However, the stock is currently trading at a premium valuation. Therefore, we reiterate our HOLD rating on the stock, with a revised target price of Rs. 490, based on 12x FY26E EV/EBITDA.

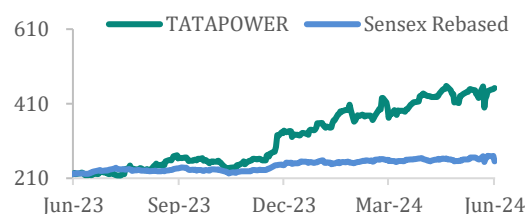
Company Data

Market Cap (cr)	Rs. 144,493
Enterprise Value (cr)	Rs. 189,408
Outstanding Shares (cr)	319.6
Free Float	53.0%
Dividend Yield	0.4%
52 week high	Rs. 464
52 week low	Rs. 216
6m average volume (lacs)	221.1
Beta	1.5
Face value	Rs. 1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	46.9	46.9	46.9
FII's	10.0	9.9	9.5
MFs/Insti	16.0	16.4	15.8
Public	26.5	26.2	27.2
Others	0.6	0.7	0.7
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	21.6%	33.8%	104.0%
Absolute Sensex	-0.5%	4.1%	14.7%
Relative Return*	22.1%	29.7%	89.3%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	61,449	70,666	77,203
Growth (%)	11.5	15.0	9.3
EBITDA	12,607	13,108	15,089
EBITDA Margin (%)	20.5	18.5	19.5
Adj. PAT	3,423	4,495	5,296
Growth (%)	2.6	31.3	17.8
Adj. EPS	10.7	14.1	16.6
Growth (%)	2.6	31.3	17.8
P/E	36.8	32.1	27.3
P/B	3.9	4.0	3.6
EV/EBITDA	13.8	14.4	12.6
ROE (%)	13.2	14.9	17.0
D/E	1.3	1.1	0.9

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	15,847	12,454	27.2	14,651	8.2	61,449	55,109	11.5
EBITDA	2,949	2,799	5.4	3,061	(3.6)	12,607	9,144	37.9
EBITDA margins	18.6	22.5	(390bps)	20.9	(230bps)	20.5	16.6	390bps
Depreciation	1,041	926	12.4	926	12.4	3,786	3,439	10.1
EBIT	1,908	1,873	1.9	2,134	(10.6)	8,821	5,705	54.6
Interest	1,136	1,196	(5.0)	1,094	3.8	4,633	4,372	6.0
Other Income	409	302	35.7	190	115.7	93	924	(89.9)
Exceptional Items	39	-	n.m.	-	n.m.	273	-	n.m.
Share of profit from Associate	316	179	76.6	259	22.1	1,178	3,199	(63.2)
PBT	1,537	1,158	32.7	1,489	3.2	5,732	5,457	5.0
Tax	491	219	124.1	413	19.1	1,452	1,647	(11.9)
Reported PAT	1,046	939	11.4	1,076	(2.8)	4,280	3,810	12.3
Minority Interest	150	161	(6.6)	123	22.2	584	473	23.4
PAT att. to shareholders	895	778	15.1	953	(6.1)	3,696	3,336	10.8
Adjustments	(39)	-	n.m.	-	n.m.	(273)	-	n.m.
Adj. PAT	857	778	10.1	953	(10.1)	3,423	3,336	2.6
No. of shares	319.6	319.6	-	319.6	-	319.6	319.6	-
Adj. EPS (Rs.)	2.7	2.4	10.1	3.0	(10.1)	10.7	10.4	2.6

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	67,894	73,665	70,666	77,203	4.1	4.8
EBITDA	12,499	14,314	13,108	15,089	4.9	5.4
Margins (%)	18.4	19.4	18.5	19.5	10bps	10bps
Adj. PAT	4,186	5,034	4,495	5,296	7.4	5.2
Adj. EPS	13.1	15.8	14.1	16.6	7.4	5.2

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	42,816	55,109	61,449	70,666	77,203
% change	30.9	28.7	11.5	15.0	9.3
EBITDA	8,431	9,144	12,607	13,108	15,089
% change	12.1	7.6	39.0	3.5	15.4
Depreciation	3,122	3,439	3,786	3,851	4,105
EBIT	5,309	5,705	8,821	9,258	10,984
Interest	3,859	4,372	4,633	4,184	3,769
Other Income	1,553	4,124	1,544	2,061	1,896
PBT	3,003	5,457	5,732	7,135	9,111
% change	51.2	81.7	5.0	24.5	27.7
Tax	380	1,647	1,452	1,784	2,278
Tax Rate (%)	12.6	30.2	25.3	25.0	25.0
Reported PAT	2,156	3,810	4,280	5,351	6,834
PAT att. to common shareholders	1,741	3,336	3,696	4,495	5,296
Adj*	150	-	(273)	-	-
Adj PAT	1,892	3,336	3,423	4,495	5,296
% change	53.0	76.4	2.6	31.3	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	14.1	16.6
% change	53.0	76.4	2.6	31.3	17.8
DPS (Rs.)	1.8	2.0	2.0	2.8	3.3

BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	6,641	11,207	9,152	9,643	8,021
Accounts Receivable	5,980	6,952	7,402	9,187	10,114
Inventories	4,232	3,943	4,420	5,656	6,679
Other Cur. Assets	14,591	17,423	15,791	16,121	16,126
Investments	13,750	15,520	14,838	14,350	13,443
Gross Fixed Assets	78,331	85,840	99,027	107,507	116,771
Net Fixed Assets	54,165	58,507	63,993	69,574	75,682
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	624	797
Other Assets	5,333	5,928	8,681	8,578	8,477
Total Assets	112,885	128,349	139,553	148,016	153,159
Current Liabilities	24,508	27,062	29,880	37,185	39,681
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
Reserves & Surplus	22,122	28,468	32,036	35,632	39,868
Shareholder's Fund	22,442	28,787	32,355	35,951	40,188
Minority Interest	3,587	5,417	5,977	6,834	8,371
Total Liabilities	112,885	128,349	139,553	148,016	153,159
BVPS (Rs.)	70	90	101	113	126

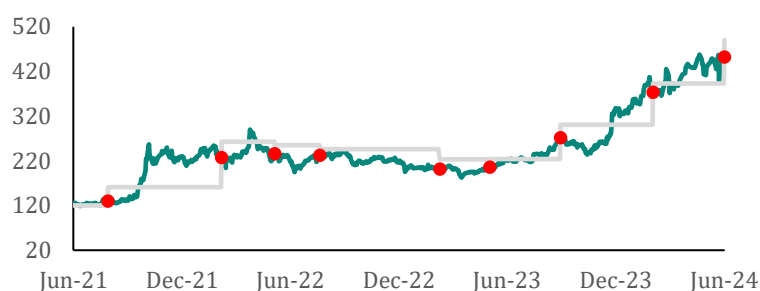
CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	5,017	6,894	7,681	8,746	10,452
Non-cash adj.	1,650	4,044	4,323	4,311	2,567
Changes in W.C	26	(3,779)	592	1,798	(163)
C.F. Operation	6,693	7,159	12,596	14,855	12,856
Capital exp.	(7,233)	(7,606)	(13,187)	(8,480)	(9,264)
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)	(5,294)	(5,792)
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)	(899)	(1,059)
Other finance.CF	(5,539)	(4,502)	(5,241)	(4,895)	(4,515)
C.F - Finance	(1,183)	1,341	(4,497)	(9,069)	(8,686)
Chg. in cash	(767)	1,125	(936)	491	(1,622)
Closing cash	6,641	11,207	9,152	9,643	8,021

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	19.7	16.6	20.5	18.5	19.5
EBIT margin (%)	12.4	10.4	14.4	13.1	14.2
Net profit mgn.(%)	4.1	6.1	6.0	6.4	6.9
ROE (%)	9.6	13.2	13.2	14.9	17.0
ROCE (%)	7.1	6.7	9.9	10.2	11.8
W.C & Liquidity					
Receivables (days)	51.0	46.0	44.0	47.5	47.8
Inventory (days)	58.0	39.1	40.8	43.8	47.5
Payables (days)	143.4	73.5	86.0	109.5	113.2
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. coverage ratio (x)	1.4	1.3	1.9	2.2	2.9
Adj. debt/equity (x)	1.9	1.5	1.3	1.1	0.9
Valuation					
EV/Sales (x)	2.8	1.9	2.8	2.7	2.5
EV/EBITDA (x)	14.5	11.5	13.8	14.4	12.6
P/E (x)	40.3	18.0	36.8	32.1	27.3
P/BV (x)	3.4	2.1	3.9	4.0	3.6

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
17-Feb-22	BUY	263
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

Investment Rating Criteria

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.

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

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

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