

Price: 384

Recommendation: Buy

Industry: Integrated Power

Sector: Utilities

Report Date: 01-May-2025

Tata Power, a leading energy company, drives growth through clean energy, operational efficiency, and innovation. With a focus on renewables, it plans to achieve 70% clean energy by 2030. The company excels in rooftop solar, manufacturing, and distribution, while maintaining strong financial metrics. Tata Power is poised to expand its diversified portfolio and deliver sustained value to stakeholders.

Sales		Profit & Loss		Profitability Matrix	
Current Year	21355 Cr	Operating Profit(Year)	4161 Cr	Operating Profit Margin	19.5 %
Previous Year	17728 Cr	Operating Profit(Quarter)	1168 Cr	EBITDA Margin	27.57 %
Current Quarter	5731 Cr	PAT (Year)	2173 Cr	Net Profit Margin	10.8 %
Previous Quarter	4889 Cr	PAT (Quarter)	978 Cr	EPS	11.2
Revenue (QYoY)	4926 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	34.4	Sales Growth	17.4 %	Sales Growth	17.22 %
PEG Ratio	1.04	PAT Growth	-19.93 %	Sales Growth QYoY	16.34 %
EV/EBITDA	19.5	EPS Growth	60.46 %	PAT Growth	-3.07 %
P/B	7.24	Dividend Yield	0.52	PAT Growth QYoY	85.58 %
Capital Allocation		Holdings		Leverage	
RoE	14.7 %	Promoter	46.9 %	Debt/Equity	1.22
RoA	4.40 %	FII	9.38 %	Debt	20668 Cr
RoCE	12.2 %	DII	15.9 %	Market Cap	122829 Cr
RoIC	21.6 %	Public	27.6 %	Enterprise value	142741 Cr
		No of Shares	320 Cr	Cash Equivalents	756 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Tata Power's Q3 FY25 earnings call highlighted several new initiatives and strategies aimed at driving growth and diversification. The company is optimistic about the increasing power demand, projecting peak levels of 265-270 GW in the upcoming summer. The government's enhanced budget for the PM Surya Ghar program presents significant opportunities for Tata Power to expand its rooftop solar business, with plans to scale up installations to 3 million households over the next three years. Additionally, the Finance Minister's announcement to amend the Nuclear Power Act opens doors for private sector participation, which Tata Power is keen to explore as part of its clean energy initiatives. The company is awaiting clarity on policy details, including foreign technology and fuel sourcing, to finalize its action plan for nuclear energy projects.

Tata Power continues to demonstrate robust financial performance, marking its 21st consecutive quarter of PAT growth. The renewable business remains a key driver, with EBITDA increasing by 38% and rooftop solar revenue crossing INR 500 crores for the first time in a quarter. The company's cell and module manufacturing plants are ramping up production, with the first 2 GW cell line stabilized and the second 2 GW line expected to reach full capacity by February. Distribution operations in Odisha have shown improved efficiency and reduced AT&C; losses, while the transmission business has secured four new bids, with most projects slated for completion by FY26. Tata Power's capex for FY25 is projected at INR 22,000 crores, with investments spanning renewables, group captive projects, manufacturing, and transmission and distribution.

Future growth perspectives are promising, with plans to add 2-2.5 GW of renewable capacity annually and significant traction in rooftop solar installations. The company is also focusing on third-party module sales and EPC projects, leveraging its backward integration capabilities. Pump storage projects are progressing well, with civil work underway and financial closure expected soon. Tata Power's selective approach to transmission bids ensures optimal returns, while its expertise in managing urban and rural distribution networks positions it favorably for upcoming DISCOM privatization opportunities, including potential bids in Uttar Pradesh.

Overall, Tata Power's strategic focus on clean energy, operational efficiency, and technological advancements underscores its commitment to achieving 70% clean energy by 2030. The company's strong financial metrics, including a debt-to-equity ratio of 1.1:1 and net debt to EBITDA below 3, reflect disciplined financial management. With a diversified portfolio and proactive measures to capitalize on emerging opportunities, Tata Power is well-positioned to sustain its growth trajectory and deliver value to stakeholders.

TATAPOWER Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
NHPC Ltd	86176.35	31.80	9.61%	-25.07%	11.25%	-74.31%	-52.49%
NTPC	343795.30	15.64	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	285947.06	18.39	19.00%	-0.40%	-2.74%	1.81%	-4.14%
Adani Power	205208.44	16.10	25.63%	4.14%	6.54%	-11.59%	-5.04%
Adani Green	142673.81	86.43	15.03%	31.32%	21.61%	-38.53%	75.71%

Aspect	Commentary
Revenue	Revenue grew 20.5% YoY and 17.22% QoQ, driven by strong demand and operational efficiency. Quarterly revenue of Rs.5731 Cr reflects consistent growth, supported by renewable energy initiatives and distribution expansion. The company's focus on clean energy is a key driver of sustained revenue growth.
Profit & Loss	Annual PAT declined 19.93% YoY, but quarterly PAT grew 85.58% QYoY, indicating recovery. EPS growth of 60.46% reflects improved profitability. Operating profit margin of 19.5% and EBITDA margin of 27.57% highlight efficient cost management and strong operational performance.
Profitability Matrix	Operating profit margin of 19.5% and net profit margin of 10.8% showcase robust profitability. EBITDA margin of 27.57% reflects strong operational efficiency. EPS of 11.2 indicates shareholder value creation, supported by renewable energy growth and cost optimization strategies.
Valuation Matrix	Trailing P/E of 34.4 and PEG ratio of 1.04 suggest moderate valuation relative to growth prospects. EV/EBITDA of 19.5 indicates premium valuation due to strong operational metrics. Dividend yield of 0.52% reflects reinvestment focus for growth. P/B ratio of 7.24 signals high market confidence.
Growth (YoY)	Sales grew 17.4% YoY, driven by renewable energy and distribution expansion. EPS growth of 60.46% highlights profitability improvement. PAT declined 19.93% YoY due to higher costs, but renewable business EBITDA growth of 38% underscores long-term growth potential.
Growth (QoQ)	Sales grew 17.22% QoQ, reflecting strong demand and operational efficiency. PAT declined 3.07% QoQ, but PAT QYoY growth of 85.58% signals recovery. Renewable energy and rooftop solar revenue growth are key contributors to quarterly performance improvement.
Capital Allocation	RoE of 14.7% and RoCE of 12.2% reflect efficient capital utilization. RoIC of 21.6% highlights strong returns on invested capital. FY25 capex of Rs.22,000 Cr focuses on renewables, manufacturing, and transmission, ensuring long-term growth and diversification.
Holdings	Promoter holding of 46.9% indicates strong ownership confidence. FII and DII holdings of 9.38% and 15.9% reflect institutional interest. Public holding of 27.6% ensures liquidity. Strategic investments in renewables and distribution enhance shareholder value.
Leverage	Debt-to-equity ratio of 1.22 reflects manageable leverage. Net debt to EBITDA below 3 indicates disciplined financial management. Debt of Rs.20,668 Cr supports growth initiatives, while cash equivalents of Rs.756 Cr ensure liquidity. Strong financial metrics enable sustainable expansion.

Analyst viewpoint: Tata Power's robust quarterly performance and strategic initiatives underscore its potential for sustained growth in the short to mid-term. Revenue grew 17.22% QoQ to 5,731 Cr, driven by strong demand and operational efficiency, while renewable energy initiatives contributed significantly to this growth. The company's rooftop solar business, bolstered by government programs like PM Surya Ghar, is scaling rapidly, with plans to install systems in 3 million households over the next three years. Additionally, Tata Power's renewable business EBITDA grew by 38%, reflecting its focus on clean energy and backward integration capabilities. The company's capex allocation of 22,000 Cr for FY25, targeting renewables, manufacturing, and transmission, further solidifies its growth trajectory. With PAT QYoY growth of 85.58% and EPS growth of 60.46%, Tata Power demonstrates improved profitability and operational efficiency, positioning itself favorably against peers like NTPC and Adani Power in terms of renewable energy expansion and distribution efficiency.

Valuation metrics such as a PEG ratio of 1.04 and EV/EBITDA of 19.5 suggest a premium valuation supported by strong operational performance and growth prospects. The company's RoE of 14.7% and RoIC of 21.6% highlight efficient capital utilization, while manageable leverage with a debt-to-equity ratio of 1.22 ensures financial stability. Tata Power's diversified portfolio, including advancements in rooftop solar, pump storage projects, and selective transmission bids, positions it well for future opportunities, such as DISCOM privatization. However, mild concerns around annual PAT decline of 19.93% YoY due to higher costs warrant close monitoring. Overall, Tata Power's strategic focus on clean energy, innovation, and disciplined financial management makes it a compelling buy recommendation for investors seeking growth in the utilities sector.

Please read detailed disclosure on next page.

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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

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