

TATA POWER

COMPANY SUMMARY

Tata Power is a structural renewable + power infra play transitioning from a traditional utility to a clean energy platform, offering long-term compounding with improving profitability. Tata Power is expected to deliver steady earnings after giving high earnings in the post pandemic period which is a normal and expected slow down.

ANALYSIS

The **Valuation Analysis** tells us that, The **Core Utility Business** is valued at 14x for FY27 EV/EBITDA with stable and regulated cash flows as compared to peers indicating moderate growth with moderate risk due to prevalence of **high debt**. In the Renewables sector the Company is valued at a premium of 20-22x for FY27 EV/EBITDA , justified due to company's growth prospective, India's mega solar push for the next decade and Company's inline policy.

A healthy and steadily growing **EPS** growing with a CAGR of 35-37% is due to improvements in operating margins, higher contribution of renewables and capital intensive expansion towards EV related Infra. although a key watchpoint would be constrained EPS growth due to higher depreciation and interest costs.

Our **DCF implies a target price of ₹335**, suggesting limited upside at current levels.



Return on Equity and Return on Capital Employed ,has almost doubled indicating **improved quality of returns** , but still is low as compared other high quality companies.

The Key Risks are a **slower renewable execution** than what has been said by the management which might lead to counterparts moving ahead , **high use of coal** dragging the overall model, high debt used to finance the capex increasing risk significantly,other risks as tariff risks,etc

I believe Tata Power offers a compelling long-term play on India's energy transition, supported by its integrated platform, aligned with governments push and improving earnings mix. While near-term returns may be moderated by capital intensity, structural growth in renewables and energy infrastructure justifies a premium valuation.

On a lighter note ,one might assume the trust based on the market saying that, TATA never disappoints' and use that too as an investment factor.