

Price: 385

Recommendation: Buy

Industry: Integrated Power

Sector: Utilities

Report Date: 03-Apr-2025

Tata Power is advancing its renewable energy portfolio, aiming for 70% clean energy by 2030. The company plans to install 2-2.5 GW of solar and wind projects annually. Investments in infrastructure and technology, totaling INR 22,000 crores, support growth. Despite challenges in profitability and financial transparency, Tata Power is poised for expansion, targeting 3 million solar rooftop households in three years.

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	34.5	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	7.25	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	9.45 %	Debt	20668 Cr
RoCE	12.2 %	DII	15.7 %	Market Cap	123116 Cr
RoIC	21.6 %	Public	27.7 %	Enterprise value	143029 Cr
		No of Shares	320 Cr	Cash Equivalents	756 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Tata Power outlined several new initiatives and strategies aimed at enhancing its renewable energy portfolio and operational efficiency. The company plans to install 2 to 2.5 gigawatts of renewable energy projects annually, focusing on a mix of solar and wind energy. This ambitious target is part of their broader strategy to achieve 70% clean energy by 2030, with current levels at 43%. The company has also been actively involved in the PM Surya Ghar program, which has seen an increased budget, providing opportunities to expand their rooftop solar initiatives. Additionally, Tata Power is exploring opportunities in nuclear power, following recent government announcements allowing private sector investment. This move is expected to complement their renewable energy efforts, providing 24/7 clean power solutions.

Tata Power's business strategies include significant investments in infrastructure and technology to support their growth objectives. The company has spent nearly INR 12,000 crores in capex over the last nine months and plans to invest an additional INR 10,000 crores by the end of the fiscal year. These investments are directed towards renewable projects, transmission, and distribution, as well as manufacturing capabilities. The company has also stabilized its cell and module plants, with the first 2 gigawatts of cell production now operating at 90% capacity. This stabilization is expected to enhance production efficiency and support future growth. Furthermore, Tata Power's distribution business, particularly in Odisha, has shown improved performance, with better billing and collection efficiencies.

Looking ahead, Tata Power is optimistic about its growth and scaling prospects. The company anticipates a significant increase in power demand, driven by an intense summer and government initiatives in the power sector. The completion of ongoing projects is expected to contribute positively to revenue, EBITDA, and PAT from FY '26 onwards. The company is also focused on expanding its third-party EPC projects and increasing its market share in the solar rooftop sector, with a target of reaching 3 million households in the next three years. This expansion is supported by strategic partnerships and a robust order book, positioning Tata Power as a leader in the renewable energy space.

While Tata Power's strategies and initiatives are promising, there are areas for improvement. The company faces challenges in maintaining profitability in its renewable generation business, despite significant capacity additions. Additionally, the volatility in intersegment eliminations has impacted financial predictability, suggesting a need for improved transparency in financial disclosures. The company could also benefit from a more aggressive approach in bidding for new projects, particularly in the transmission sector, where competition is intense. Overall, Tata Power's commitment to clean energy and infrastructure development positions it well for future growth, but careful management of operational and financial challenges will be crucial to sustaining this momentum.

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
JSW Energy	92361.18	49.18	8.40%	-24.67%	-4.09%	-81.55%	-31.94%
NTPC	347816.54	15.83	13.62%	0.80%	5.21%	-4.02%	-1.80%
Power Grid Corpn	278276.08	17.90	19.00%	-0.40%	-2.74%	1.81%	-4.14%
Adani Power	203857.95	15.82	57.06%	2.49%	5.23%	-10.84%	7.38%
Adani Green	151378.80	103.99	14.74%	-22.59%	2.34%	50.70%	51.53%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a significant year-over-year growth of 17.4%. This indicates strong market demand and effective sales strategies. The quarterly growth also reflects a positive trend, suggesting consistent performance improvements and potential for sustained revenue expansion in the future.
Profit & Loss	Operating profit margins are healthy, reflecting efficient cost management. However, the decline in PAT growth suggests challenges in net profitability, possibly due to increased expenses or financial charges. The company needs to address these issues to enhance overall profitability and shareholder value.
Profitability Matrix	The operating profit margin and EBITDA margin indicate strong operational efficiency. However, the net profit margin is relatively lower, highlighting potential areas for cost optimization. Improving net margins will be crucial for enhancing overall financial health and investor confidence.
Valuation Matrix	The company's valuation metrics, such as P/E and PEG ratios, suggest it is reasonably valued relative to its growth prospects. The EV/EBITDA ratio indicates a moderate level of debt, which should be monitored to ensure financial stability and maintain investor trust.
Growth (YoY)	Year-over-year growth in sales is impressive, but the decline in PAT growth is concerning. The significant increase in EPS growth suggests improved earnings efficiency, which is a positive sign for investors. The company should focus on sustaining sales growth while addressing profitability challenges.
Growth (QoQ)	Quarterly growth figures show a positive trend in sales, indicating strong market performance. However, the slight decline in PAT growth suggests potential short-term challenges. The company should focus on maintaining sales momentum while improving profitability to ensure long-term success.
Capital Allocation	The company's return metrics, such as RoE and RoCE, indicate effective capital utilization. However, the relatively lower RoA suggests room for improvement in asset efficiency. Enhancing asset utilization will be key to maximizing returns and supporting future growth initiatives.
Holdings	The promoter holding is strong, indicating confidence in the company's prospects. Institutional holdings are also significant, reflecting investor interest. The public holding suggests a diverse shareholder base, which can provide stability and support for the company's strategic initiatives.
Leverage	The debt-to-equity ratio indicates a moderate level of leverage, which should be managed carefully to avoid financial strain. The company's market cap and enterprise value suggest a strong market position, but maintaining a healthy balance sheet will be crucial for sustaining growth and investor confidence.

Analyst viewpoint: Tata Power shows strong potential for growth in the short to mid-term, underpinned by a robust revenue increase of 17.22% QoQ, reflecting effective sales strategies and a strong market demand. The company's focus on renewable energy, with a target of 70% clean energy by 2030, is supported by substantial annual installations of 2-2.5 GW of solar and wind projects. Significant investments of INR 22,000 crores in infrastructure and technology bolster its growth trajectory. With a trailing P/E of 34.5, Tata Power is reasonably valued, especially given its strategic capex initiatives directed towards renewable projects and distribution enhancements. Operational efficiencies are evidenced by healthy operating and EBITDA margins, suggesting a sound business model capable of maintaining competitive advantage in a sector ripe with opportunity.

While Tata Power's outlook remains bullish with promising scaling prospects, it faces challenges in maintaining profitability within the renewable sector, partly due to volatility in financial predictability. The company is encouraged to improve financial transparency and adopt more aggressive strategies in project bidding to strengthen its position amidst stiff competition. A reliable financial strategy coupled with its commitment to clean energy positions it favorably, though careful navigation of these challenges will be essential in sustaining long-term momentum.

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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