

07<sup>th</sup> August 2024

₹436.70/-

View – **ACCUMULATE**

**Q1FY25 Result Highlights**

- **Businesses across Generation, Renewables and T&D enabling strong Q1FY25 performance** – Tata Power (TPWR) reported Q1FY25 consol Revenue/EBITDA/PAT of ₹168bn/₹31bn/₹9.7bn (~12%/3.2%/Flat YoY) as the transmission and distribution business saw 55% YoY growth, with a PAT contribution of ₹5.5bn on account of PAT of ₹2.87bn (+148% YoY) from the Delhi distribution business that benefited from a one-time tariff order of ₹1.6bn. Mundra + Coal + shipping had revenues of ₹28bn, EBITDA of ₹3.5bn and PAT of ₹1.31bn (-34%YoY) in Q1FY25. The thermal generation (including coal) cluster saw drop in PAT, primarily on account of 33% YoY decline in coal profits to ₹1.92bn. PLF at Mundra was at 71% v/s 41% YoY and 60% QoQ. The prices of imported coal have been largely rangebound in the past six months, while the benefit of Sec 11 tariffs for Mundra is currently applicable until Oct'24. Management remains hopeful that the current arrangement or a equivalent agreement will likely extend beyond Oct'24.
- The Tata Power Renewables (installed capacity of 6.1GW) segment saw healthy Revenue/EBITDA/PAT growth of +14%/5.2%/14.2% YoY to ₹23.8bn/₹9.54bn/₹2.73bn, primarily on account of the contribution of ₹543mn from the recently commissioned cell and module facility of 4GW which yielded revenues of ₹10.7bn and an EBITDA of ₹1.14bn, although a lot of the work is for in-house projects, which gets eliminated in the consolidated earnings.
- The management highlighted that it has 5.3 GW of renewable assets currently under implementation, which it expects to commission in the next two years and targeting 15GW by FY27. WREL (1,022 MW) reported a flat PAT at ₹1.5bn. It also management cautioned about the lack of transmission infrastructure as an impediment to pursue new renewable capacity additions.
- Tata Power Solar System Ltd (TPSSL) saw an improvement in revenues to ₹21.7bn (+46% YoY & -49% QoQ), with the margins deteriorating sequentially to 3.5%, leading to an EBITDA of ₹760mn (+90% YoY, -77% QoQ) and PAT of ₹190mn (+20% YoY). It has a large EPC order book for utility scale solar projects, with orders worth ₹130bn (₹62bn external orders).
- Maithon reported revenues of ₹8.2bn (+4% YoY & -9% QoQ) in Q1FY25, as favorable order in last year was offset by higher fuel cost due to higher generation at 2067 Mn units (MU) (+69% YoY). Sales were at 2042 MU, +29% YoY and PLF at 90% v/s 87% YoY.
- Odisha Discoms (TPCODL, TPSODL, TPWODL, TPNODL) had combined Revenue, EBITDA and PAT at ₹51.58bn, ₹4.03bn and ₹410mn with lower power prices partially offset with higher MUs sold. The AT&C for all Discoms decreased during the quarter. The company strengthened its Transmission footprint by winning 384 CKm Paradeep-Angul 765 kV sub-station bid under TBCB worth ₹23bn, taking the total transmission pipeline to over 2000 cKms. This marks it's first greenfield Intra-state TBCB win in Odisha, complementing its electricity distribution business in the state.
- Tata Power's net debt increased to ₹425bn in Q1FY25 from ₹381bn in Q4FY24 as a working capital investment of ₹25bn against cash generation of ₹34bn which was only partially able to support the capex of ₹39bn and interest cost of ₹14bn.

**Important Statistics**

<b>Nifty</b>	24.246
<b>Sensex</b>	79,285
<b>MCAP (₹bn)</b>	1,396
<b>52-week H/L (₹)</b>	471/228
<b>NSE Code</b>	TATAPOWER
<b>BSE Code</b>	500400
<b>Bloomberg Code</b>	TPWR:IN

**Shareholding Pattern (%) Jul'24**

Promoter	46.9
DII	15.8
FII	9.5
Public & Others	27.8

**Financials**

Particulars	FY21	FY22	FY23
Revenues	330,791	425,762	560,331
EBITDA	75,387	72,717	86,304
<i>EBITDA Margin (%)</i>	<i>22.8</i>	<i>17.1</i>	<i>15.4</i>
Net Profit	14,046	23,596	33,364
EPS (₹)	4.4	7.4	10.4
DPS (₹)	1.6	1.8	2.0
RoE (%)	6.9	10.8	13.2
RoCE (%)	5.0	6.4	5.0
P/E (x)	97.3	57.9	41.0
EV/EBITDA (x)	23.3	24.4	20.2
P/BV (x)	7.3	6.1	4.0

Particulars	FY24	FY25E	FY26E
Revenues	615,723	795,387	785,661
EBITDA	111,460	123,991	143,192
<i>EBITDA Margin (%)</i>	<i>18.1</i>	<i>15.6</i>	<i>18.2</i>
Net Profit	36,935	42,368	49,690
EPS (₹)	11.6	13.3	15.5
DPS (₹)	2.0	2.2	2.4
RoE (%)	9.6	12.1	12.6
RoCE (%)	7.5	7.7	7.9
P/E (x)	37.0	32.3	27.5
EV/EBITDA (x)	16.2	14.6	13.2
P/BV (x)	3.6	3.2	2.8

Source: Company, Way2Wealth

**Relative Performance**

Return (%)	1 Yr	3Yr	5 Yr
<b>TPWR</b>	<b>87.6</b>	<b>238.0</b>	<b>707.8</b>
<b>Nifty 50</b>	23.7	49.1	119.8
<b>Sensex</b>	20.4	45.7	112.4

Source: Company, Way2Wealth

**Jayakanth Kasthuri**

[jayakanthk@way2wealth.com](mailto:jayakanthk@way2wealth.com)

Ph:022-4019 2914

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- It has partnered with Druk Green Power Corporation Limited to develop 600 MW Khorlochhu Hydropower Project in Bhutan with 40% equity investment. The estimated project cost is ₹69bn with no transmission assets.

**View**

Tata Power PAT in Q1FY25 saw a drop due to flat coal earnings which was partially offset by lower losses in Mundra which has seen increase in PLF. Going forward the renewable segment is likely to be the major drive with the commissioning of 5 GW of new renewable capacities, order book of ₹130bn with Tata Power Solar and ramp-up of 4 GW cell and module capacity that has been partially commissioned during the quarter. The company's recalibrated strategy involving tapping high-margin group captive RE opportunities, venturing into brownfield pumped hydro storage, expanding transmission business beyond distribution provides visibility for future growth. Most of the factors mentioned above are already factored in the price, hence we continue to maintain our **ACCUMULATE** stance trading at **P/BV 2.8x FY26E**.

**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	YoY	QoQ	FY24	FY23	YoY
	FY22	FY22	FY22	FY22	FY23	FY23	FY23	FY23	FY24	FY24	FY24	FY24	FY25	(%)	(%)	FY24	FY23	(%)
<b>Revenue</b>	101,324	98,102	110,149	120,851	147,759	141,628	143,391	127,553	150,333	154,424	148,407	162,559	168,097	11.8	3.4	615,723	560,331	9.9
<b>EBITDA</b>	23,452	13,554	17,356	19,938	19,638	18,925	25,448	22,293	30,051	27,927	26,071	27,411	31,027	3.2	13.2	111,460	86,304	29.1
<b>EBITDA Margin %</b>	23.1	13.8	15.8	16.5	13.3	13.4	17.7	17.5	20.0	18.1	17.6	16.9	18.5	(153)	160	18.1	15.4	270
<b>Adj. PAT</b>	4,657	4,215	4,258	5,031	7,946	8,191	9,450	7,777	9,725	8,728	9,530	8,952	9,709	-0.2	8.5	36,935	33,364	10.7

Source: Company, Way2Wealth

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Name of the Security	Tata Power Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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