

**Tata Power Ltd.**

₹ 84

**Powerful Name****Accumulate**

Jun 28, 2013

**Company Background**

Tata Power is India's largest integrated power company with a significant international presence. From Fuel and Logistics to Generation and Transmission to Distribution and Trading-exploring various renewable sources of energy in India and globally, we now have a significant presence in wind, solar, hydro and geothermal energy space. With its legendary leadership technology, it has demonstrated successful public-private partnerships in Generation, Transmission and Distribution in nearly all parts of India. It is one of the largest renewable energy players in India and has developed the country's first 4000 MW Ultra Mega Power Project at Mundra (Gujarat) based on super-critical technology. Its international presence includes strategic investments in Indonesia, Singapore, South Africa, Botswana, Namibia, Australia and in Bhutan.

**Key Highlights**

- ➔ Tata Power showed an increase in standalone revenue for FY 2013 at Rs. 9081 Cr as against Rs. 8052 Cr in FY 12 up by 13% mainly due to increase in Mumbai Operations by Rs. 1030 Cr due to higher generation, higher fuel and power purchase cost, higher transmission charges due to intra-state transmission order and favourable ATE order and better performances of its Jobobera Plant and Poolwadi, Agaswadi wind farms.
- ➔ Tata Power gets a breather from Central Electricity Regulatory Commission (CERC) committee in the ratio of 4:1. The authority acknowledged that the power plants current financial position deserves a price hike for power. It has decided and directed the parties to the Power Purchase Agreement (PPA) to work out an amicable solution. Though the procedure for the hike may take time we feel that the stock will react positively to it.
- ➔ The best part is Tata Power's core distribution business (both Mumbai and Delhi) which earns a stable return and is insulated from risks of deteriorating financial health of SEBs. Further, potential blending of low-grade coal could bring down losses at Mundra. A favourable resolution of compensatory tariff hike on Mundra remains the main trigger for the company. It would also benefit from the paradigm shift of policies from non-renewable to renewable energy.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	74,429.9	75,042.8	95,436.9
Rev. growth (%)	(6.26)	0.82	27.18
EBITDA (INR mn)	21,960.7	20,841.3	27,632.0
Net profit (INR mn)	9,387.6	8,941.4	11,604.7
Shares outstanding (mn)	237.3	2,373.1	2,373.1
EPS (INR)	39.6	3.8	4.9
EPS growth (%)	(5.02)	(90.48)	29.79
P/E (x)	3.5	35.3	20.6
RONW (%)	9.7	7.3	10.0
ROCE (%)	6.2	4.6	5.9

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**Info Codes**

Reuters	: TTPW.BO
Bloomberg	: TPWR@IN
NSE	: TATAPOWER
BSE	: 500400

**Market Data**

52 Wk Range (₹)	: 386 / 291
Shares in Issue (mn)	: 2373.1
Mkt. Cap (₹ bn)	: 204.20
BSE 2 Wk Avg Vol	: 263000

**Share Holding Pattern (%)**

Promoters	: 32.47
DII's	: 23.76
FII's	: 24.54
Others	: 19.23

**Investment Theme**

Tata Power is the largest integrated power company in India. The company has ambitious growth plans & is pursuing various Public-Private-Partnerships to benefit from. It has successfully shown up its ability to do so in various projects in India and abroad. While the company itself is strong in terms of generation and exposure to Indian and Foreign markets, we feel the recent reform measures taken by the government such as allowing pass through of the imported coal cost under modified FSA, finalising the new standard bidding document, etc. are positive steps towards allaying the growth in the sector. The company also proposes blending of coal in Mundra project would also turn to be beneficial for the company along with the proposed price hike in tariff. Looking at all the above Tata Power is poised to redefine the contours of the Power sector in India.

**Power your Portfolio !**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	71169.3	68775.1	(3.36)	85327.3	24.07
Other Income	3200.0	6355.5	98.61	10264.3	61.50
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	41173.5	35762.8	(13.14)	48130.0	34.58
Employee Exp.	3060.5	3724.8	21.71	5200.0	39.60
Indirect Taxes	486.9	404.8	(16.86)	475.9	17.56
Other Exp.	7698.2	14398.8	87.04	14155.3	(1.69)
Operating Exp.	52419.1	54291.2	3.57	67961.2	25.18
Operating Profit	18750.2	14483.9	(22.75)	17366.1	19.90
Total Interest	4231.9	4909.3	16.01	5148.7	4.88
Gross Profit	17718.3	15930.1	(10.09)	22481.7	41.13
Net Dep.	5123.5	5100.6	(0.45)	5757.3	12.87
Total Taxation	3207.2	1888.1	(41.13)	5119.7	171.16
Net Profit/Loss	9387.6	8941.4	(4.75)	11604.7	29.79

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 09	Mar 10	Mar 11	Mar 12
<b>SOURCES OF FUNDS</b>	<b>138,905.6</b>	<b>164,957.8</b>	<b>182,292.7</b>	<b>213,737.0</b>
Equity Share capital	2,214.4	2,373.3	2,373.3	2,373.3
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	84,709.2	103,864.4	110,026.6	117,200.9
Long Term Loans	43,535.2	57,740.3	67,651.3	93,650.1
Short Term Loans	8,446.8	979.8	2,241.5	512.7
<b>USES OF FUNDS</b>	<b>138,905.6</b>	<b>164,957.8</b>	<b>182,292.7</b>	<b>213,737.0</b>
Gross Block	89,858.6	100,108.0	105,189.2	124,725.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	37,953.2	42,580.6	47,359.8	52,997.5
Net Block	51,905.4	57,527.4	57,829.4	71,728.0
Capital Work in Progress	7,611.6	4,762.1	10,293.1	6,102.7
Investments	55,782.2	67,961.2	83,559.1	99,392.6
Current Assets	46,548.4	59,579.8	61,856.9	75,165.2
Less : Current Liabilities	22,942.0	24,872.7	31,245.8	38,651.5
Total Net Current Assets	23,606.4	34,707.1	30,611.1	36,513.7
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	48,813.2	61,268.2	78,786.1	89,785.5
Mkt Val. Quoted Investments	10,630.9	10,450.0	6,423.2	10,482.8
Contingent Liabilities	77,475.0	85,321.6	83,156.8	132,415.4
Dividend (%)	115	120	125	125

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 12	Sep 12	Dec 12	Mar 13
Net Sales	22,841.00	25,170.80	25,491.10	22,142.70
Cost Of Sales	19,081.50	20,011.80	20,226.80	16,644.40
Operating Profit	3,759.50	5,159.00	5,264.30	5,498.30
Recurring Income	3,455.90	2,055.40	739.00	1,498.70
Adjusted PBDIT	7,215.40	7,214.40	6,003.30	6,997.00
Financial Expenses	1,386.00	1,642.70	1,788.40	1,965.40
Depreciation	1,548.00	1,556.10	1,281.10	0.00
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	4,281.40	4,015.60	2,933.80	5,031.60
Tax Charges	1,158.40	1,083.00	770.00	3,775.50
Adjusted PAT	3,123.00	2,932.60	2,163.80	1,256.10
Non Recurring Items	0.00	27.20	0.00	744.20
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	3,123.00	2,959.80	2,163.80	2,000.30

## 52 Week Index Relative Percentage Appreciation



## Tata Power vs SENSEX vs Power

## Shifting Trends in Indian Power Sector

- ➔ Indian economy to grow at 9 %, it is imperative for the power sector to grow at 8.1 per cent per annum. Therefore, it becomes essential for the Government to promote the power sector by solving the key challenges faced by it, and marking its future growth drivers. The power sector consists of generation, transmission and distribution utilities and is a crucial component of India's infrastructure. India's rapid growth over the past decade has increased power demand, which is still largely unmet. According to Government of India estimates, the nation's per capita power consumption was pegged at 779 kWh in FY10, far below the world average of over 2,782 kWh. However, the government is striving to increase the per capita consumption to 1,000 KWh per year, through large sale power projects and rural electrification.
- ➔ India's power generation capacity has significantly increased since 2008, and is also expected to show a strong growth in the future. However, the main problems with India is the power deficit of approximately 8.5% and a peak demand deficit of over 10% primarily due to fuel shortage. Therefore, it is essential for the government to work proactively to increase the sector's generation capacity in a sustainable manner by addressing key challenges, such as supply shortage and distribution losses without damaging the environment, to attain a high growth rate.
- ➔ Key emerging developments in the power sector include the use of more efficient and environment friendly supercritical technology in thermal projects. Approximately 60 per cent of the total capacity addition is expected to use supercritical technology for electricity production. Further, focus is increasingly shifting to cleaner forms of generation such as renewable, hydro or nuclear sources with the Government proactively encouraging electricity supply companies to adopt the Renewable Purchase Obligation (RPO) scheme.

**In a Nutshell**

Tata Power is India's largest Integrated Power manufacturing company with a significant international presence. Even globally it has a significant presence in both non-renewable and renewable wind, solar, hydro and geothermal energy space. The company has demonstrated its capability by performing successfully various P-P's in Generation, Transmission and Distribution - "Tata Power Delhi Distribution Limited" with Delhi Vidyut Board for distribution in North Delhi, 'Powerlinks Transmission Ltd.' with Power Grid Corporation of India Ltd. for evacuation of Power from Tala hydro plant in Bhutan to Delhi and 'Maithon Power Ltd.' with Damodar Valley Corporation for a Mega Power Project at Jharkhand. It has also developed the country's first 4000 MW Ultra Mega Power Project at Mundra (Gujarat) based on super-critical technology. Its international presence includes strategic investments in Indonesia through 30% stake in coal mines and a geothermal project; in Singapore through Trust Energy Resources to securitise coal supply and the shipping of coal for its thermal power generation operations; in South Africa through a joint venture called 'Cennergı' to develop projects in South Africa, Botswana and Namibia; in Australia through investments in enhanced geothermal and clean coal technologies and in Bhutan through a hydro project in partnership with The Royal Government of Bhutan. The current developments in the power sector of India place it among the most probable growing companies in the sector. The current valuations of the company look attractive and therefore we recommend to accumulate the stock.

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**Rating Interpretation**

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

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