

Tata Power Co. Ltd.

₹ 87

Power Play begins !**Buy**

Feb 20, 2015

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, it has 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 Strategic Engineering Division is one of the foremost to benefit by the rise in expenditure in Defense and Aerospace Segment. Overall the Tata group is eyeing on orders worth 25 bn in the current FY. The division is already migrating to a powerful Project Lifecycle Management viz. TeamCenter from Siemens to become a world class Systems Engineering Outfit.
- ➔ Due to the current financial stress in the power sector, there are assets available for acquisition. The management has confirmed that it is evaluating and will continue to evaluate opportunities to acquire projects in various stages of development across the country. These acquisitions will leverage its existing businesses in the power value chain. The management has stated that investment in such projects is not an issue any more as many investors have already shown deep interests. The company should acquire some soon.
- ➔ While the deployment of coal based power is expected to continue, Hydro and Renewables based generation will slowly and steadily gain importance. Tata Power plans to have 20-25% of its generation from Non-GHG sources over the next 8-10 years. In line with the same the company is in the process of acquiring suitable land parcels in the states of Maharashtra, Rajasthan, Gujarat, Andhra Pradesh & Karnataka to develop solar and wind projects.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	95,549.8	1,05,615.7	93,882.8
Rev. growth (%)	27.3	10.5	(11.1)
EBITDA (INR mn)	27,645.3	29,919.3	32,648.2
Net profit (INR mn)	11,618.0	9,962.7	9,826.2
Shares outstanding (mn)	2,373.1	2,373.1	2,373.1
EPS (INR)	4.9	4.2	4.1
EPS growth (%)	(38.8)	(14.2)	(1.4)
P/E (x)	19.9	22.2	20.5
RONW (%)	9.2	5.2	4.5
ROCE (%)	5.7	3.1	2.6

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Info Codes

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

Market Data

52 Wk Range (₹)	: 115 / 73
Shares in Issue (mn)	: 2373.1
Mkt. Cap (₹ bn)	: 232.46
BSE 2 Wk Avg Vol	: 515000

Share Holding Pattern (%)

Promoters	: 33.04
FII's	: 28.52
DII's	: 22.60
Others	: 15.84

Investment Theme

Tata Power is the largest integrated power company in India. The company has ambitious growth plans & is pursuing various options 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, increasing exposure to greener alternatives and exposure to Indian and Foreign markets, we feel the forthcoming budget would pave in more positive steps for it towards allaying the growth in the sector. The Tata Group is also consolidating the core defense and aerospace activities in a few entities out of which the foremost is the Tata Power (SED) Strategic Engineering Division which will be the foremost beneficiary of the expected Rs 25 bn orders in FY 2015. We feel the current FY should be a good boost for the company in general sense.

Towards Greener Alternatives !