

07<sup>th</sup> February 2023

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### Q3FY23 Result Highlights

- **Mundra one time order and coal earnings enabled strong Q3FY23** – Tata Power (TPWR) reported Q3FY23 consol revenue of ₹141bn (+30% YoY) led by higher generation in Thermal plants, capacity addition in Renewables, and better sales in Distribution companies. EBITDA for the quarter came in at ₹25.5bn ~+47% YoY & ~35% QoQ on account of lower-than-expected fuel costs and consideration of additional benefits from CGPL Mundra (Sec-11). Adj. profit stood at ₹9.45bn (~+122% YoY). Coal continued to remain the mainstay of earnings, though we witnessed 13% QoQ decline in coal earnings signaling a peaking of margins (similar to prices of imported coal). Owing to elevated coal prices, with revenue, EBITDA and PAT of ₹52bn (+45% YoY), ₹11bn (-25% YoY) and ₹9.5bn (+59% YoY) respectively, during the quarter. Consequently, share of profit from associates increased to ₹10bn in Q3FY23 from ₹6.6bn in Q3FY22, though lower than ₹12bn in Q2FY23. Standalone earnings were boosted by tariff order at Mundra that allowed for TPWR to recoup under-recovery for 1H FY23 although Q4FY23 may not continue to enjoy the benefits of sale of power with pass-through of fuel cost.
- **On CGPL, Mundra company confident of signing revised PPA** – On 5<sup>th</sup> May'22, the Ministry of Power (MoP) issued directions under Section 11(1) of the Electricity Act, 2003 to imported coal based (ICB) plants including the Mundra plant, to operate and generate power at full capacity. Consequently, TPWR filed a petition before CERC under Section 11(2) of the Act to ensure full pass-through of costs without any adverse financial impact of the aforesaid directions. CERC issued its order on the petition by TPWR in Jan'23. While acknowledging part of the claims by Tata Power, the order obliquely shows the resistance of distribution utilities for sourcing high-tariff power. This may have implications for the long-term resolution of Mundra. However, the company remains confident of signing a revised PPA and is in discussion with Gujarat (Maharashtra and Rajasthan to follow). It remains a key monitorable, going forward. Presently only 1 unit is running at 48% PLF with overall plant PLF of 35-40%.
- **Tata Power Solar witnessed weak margins** – Tata Power Solar's revenues rose 26% YoY to ₹14.3bn, but declined 8% QoQ. EBITDA margin declined to 7% compared to 10% in Q3FY22 and 11% in Q2FY23. Tata Power's solar rooftop revenues moderated sequentially to ₹5.3bn (+41% YoY, -7% QoQ). Revenues from solar pumps segment nearly doubled sequentially to ₹2.1bn in Q3FY23. The company's recognized revenues from solar EPC business rose 30% sequentially to ₹5.8bn, with the order book rising marginally to ₹154bn as of Q3FY23. Revenue from the solar pumps segment almost doubled in the quarter to ₹2bn from ₹1.1bn in Q3FY22. Approximately 12,000 pumps were installed in Q3FY23, reaching a total deployment of more than 93,000 pumps.
- **Capacity addition in renewables continues with drop in PLF of wind capacities** – Tata Power Renewable Energy (TPREL) reported EBITDA declined 24% sequentially to ₹3.1bn (+41% YoY) in Q3FY23 as revenues declined 19% QoQ (generation at -14% QoQ, tariff -5% QoQ). PLFs for solar plants were stable at 23% while PLFs for wind plants weakened to 11% (from 29% in Q2FY23). Installed capacity increased marginally to 2,851 MW in the quarter with solar capacity standing at 2.07 GW and wind capacity at 0.78 GW.
- **Maithon reported strong unit sales in Q3FY23 with margin at 25.5%** – Maithon reported revenues of ₹8.1bn in Q3FY23, an increase of +21% YoY primarily on account of +16% YoY increase in unit sales during the quarter, with 4% growth in realizations. Regulated equity for Maithon

### Important Statistics

<b>MCAP (₹ bn)</b>	666.23
<b>52-week H/L (₹)</b>	298/190
<b>NSE Code</b>	TATAPOWER
<b>BSE Code</b>	500400

<b>Shareholding pattern (%)</b>	<b>Dec'22</b>
Promoter	46.9
DII	14.7
FII	9.6
Public & Others	28.9

### Financials

	(₹ mn)			
<b>Particulars</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
Revenues	295,586	291,364	330,791	425,762
EBITDA	64,227	79,428	75,387	72,717
<b>EBITDA Margin (%)</b>	<b>21.7</b>	<b>27.3</b>	<b>22.8</b>	<b>17.1</b>
Net Profit	26,057	13,164	14,046	25,698
EPS (₹)	4.9	5.6	4.4	4.8
DPS (₹)	1.3	1.9	1.6	1.8
RoE (%)	6.2	6.9	6.6	10.9
RoCE (%)	4.0	3.8	5.0	6.4
P/E (x)	42.6	37.2	47.4	43.4
EV/EBITDA (x)	14.8	12.4	13.7	13.8
P/BV (x)	3.1	3.1	3.6	3.0

<b>Particulars</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Revenues	570,243	584,582	659,298
EBITDA	84,795	95,399	119,232
<b>EBITDA Margin (%)</b>	<b>14.9</b>	<b>16.3</b>	<b>18.1</b>
Net Profit	33,927	49,768	57,591
EPS (₹)	10.6	15.6	18.0
DPS (₹)	2.0	2.2	2.4
RoE (%)	13.8	16.4	16.9
RoCE (%)	7.2	7.8	8.3
P/E (x)	19.6	13.4	11.6
EV/EBITDA (x)	13.3	12.3	10.7
P/BV (x)	2.3	2.1	1.8

Source: Company, Way2Wealth

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plant remained flattish at ₹16.7bn. EBITDA rose 56% YoY to ₹2.1bn, and margins improved to 25.5% compared to 19.7% in Q3FY22).

- **AT&C losses of Odisha's Distribution circles continue to remain high** – Distribution circles in Odisha reported cumulative revenue of ₹41bn, EBITDA of ₹2bn and PAT of ₹350mn in Q3FY23. The four distribution circles purchased 8BUs of power against sales of 6.5BUs during the quarter. The company is targeting to achieve AT&C loss of 12-15% by FY25.
- **EV charging** – With the installation of 900 public EV chargers in 3QFY23, the installed base of home chargers has crossed 30,000. The company aims to provide a seamless experience to all customers. TPWR partnered with the Indian Army to set up EV charging points in the Delhi Cantonment. EV charging network is now present in more than 500 cities with the company adding 18 cities during the quarter. The company is witnessing a huge amount of traction in EV adoption with the ebbing of range anxiety in the minds of people
- **Smart metering** – Total smart meter installations crossed the 0.5mn mark across TPWR discoms in Odisha, Delhi and Mumbai. The company expects to cover all customers within the next 3 years
- The construction of TPWR's 4GW cell and module factory is progressing well and the management expects the module plant to be ready by Sep'23 and the cell plant by end of Dec'23. The capex allocated for the project is around ₹43bn. Modules produced will be used for their internal consumption as well as 3rd party projects. As imports of cell and modules continue to attract a BCD of 40%, domestic manufacturing will remain cheaper than imports.
- The management has given a capex guidance of ₹80-100bn for FY23 with 80-90% allocation towards their green portfolio. A similar number is expected for FY24. The management highlighted that the worst is over for Tata Projects and the business should witness recovery from FY24. Margin improvement is expected from next year. Average rate of borrowings for its renewable projects is at 7.5-8%.
- TPWR received a part of pending sale proceeds of Arutmin coal mines during the quarter. Around ₹2-3bn of balance amount is expected to be received over the next 3-4 months.

## View

For Q3FY23, Tata Power consolidated earnings was continued to be supported by higher coal profits as well as larger base of renewable projects. With stable cash flows from its regulated generation and distribution businesses, the company is focusing its resources on transition to cleaner fuels and aiming to be a market leader in all subsegments. Price correction in solar input prices to augment capacity addition. 4GW Module & Cell plant expansion on full swing; capacity by Sep'23 (Module) & Dec'23(Cell). Post-Dec'23, Sec-11 was not extended and the company operated only one unit of the Mundra plant in Jan'23. However, it expects to sign a supplementary PPA with Gujarat and later with other beneficiaries on similar lines to Sec-11. Its EPC order book remains strong at ₹154bn (3.9GW) and is gaining traction. Renewable Energy capacity increased to 6.1GW in Q3FY23 with an installed capacity of 3.9GW and 2.2GW is under various stages of implementation. Factoring in margin restoration in its EPC business, healthy demand in its distribution circles, lower AT&C losses across Odisha circle, and growing renewable business, we continue to maintain our **ACCUMULATE** stance trading at **P/BV 1.8x FY25E**.

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**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	YoY (%)	QoQ (%)	9M FY23	9M FY22	YoY (%)
<b>Revenue</b>	76,778	70,710	66,708	64,530	82,898	77,555	101,274	101,324	98,102	110,149	120,851	147,759	141,628	143,391	30.2	1.2	432,778	309,575	39.8
<b>EBITDA</b>	22,560	18,050	15,798	17,313	20,012	19,968	14,456	23,452	13,554	17,356	19,938	19,638	18,925	25,448	46.6	34.5	64,011	54,362	17.7
<b>EBITDA Margin %</b>	29.4	25.5	23.7	26.8	24.1	25.7	14.3	23.1	13.8	15.8	16.5	13.3	13.4	17.7	199	438	14.8	17.6	(277)
<b>Adj. PAT</b>	3,504	1,647	2,835	2,294	3,710	3,184	3,929	4,657	4,215	4,258	5,031	7,946	8,191	9,450	121.9	15.4	25,587	13,130	94.9

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
Way2Wealth ownership of any stock related to the information contained	NIL
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