

Q4FY23 Result Highlights

- **Coal margins declined with nil operations in Mundra impacting Q4FY23 earnings** – Tata Power (TPWR) reported Q4FY23 consol revenue of ₹128bn (~+6% YoY) with EBITDA and PAT ₹22bn (+12% YoY, -12.4% QoQ) and ₹7.8bn (~+55% YoY, ~-18% QoQ) respectively. Net profit was aided by other income of ₹8.7bn (+219% QoQ); as it included one-off dividend of ₹5bn from Arutmin mines). Coal earnings dipped sharply, as profit from associates fell 82% QoQ to ₹1.8bn in comparison to ₹30bn in 9MFY23. Management highlighted that part of the decline was attributable to losses at Tata Projects (₹2.8bn) but even adjusting for the same, earnings from the coal business appear weak. Standalone earnings were impacted by lack of generation at Mundra UMPP, resulting in 90% sequential decline in PAT to ₹1.4bn. While the renewable capacity continues to grow, the pace of addition has slowed. Mundra operations on the back of Section 11 would help in some cost recovery, although a permanent resolution seems stalled. Curtailed disclosures on Mundra (post-merger with standalone) as well as profits from the coal mine make it difficult to fully anticipate the earning potential of the company's business portfolio. Tata Power Solar saw sequential pick-up in revenues to ₹29.6bn (-15% YoY, +107% QoQ), margins improved slightly to 8% leading to EBITDA of ₹2.4mn (+227% YoY, +149% QoQ) and PAT of ₹1.5bn. The company continued to build its EPC order book for utility scale solar projects, with orders worth ₹175bn for 4 GW of capacity as of Mar'23.
- **Coal Earnings had sharp decline in profits and is likely to restrain earnings in future** – Tata Power saw a sharp 82% QoQ decline in the profit from associates (which primarily includes coal segment profits) to ₹1.8bn (₹30bn in 9MFY23). This impacted consolidated profits in Q4FY23 (adjusted for one-offs in the other income). The drop is attributable to ₹2.8bn of losses in Tata Projects in Q4FY23. The operational data on profitability of coal mines has not been disclosed separately. The price of imported coal has dropped to ~US\$150/ ton in Q4FY23, from US\$230/ ton in Q3FY23 and US\$320/ton in Q3FY23.
- **Tata Power Solar weak margins continue** – Tata Power Solar's revenues rose 107% QoQ to ₹29.6bn, but declined 15% YoY. EBITDA margin improved a tad to 8% (compared to 7% in Q3FY23, but lower than 11% in Q2FY23). Tata Power's solar rooftop revenues improved to ₹11bn (+60% YoY, +105% QoQ). However, revenues from solar pumps segment more than halved sequentially to ₹1bn in Q4FY23. Tata Power's revenues from solar EPC business rose 141% sequentially to ₹14bn, with the order book rising marginally to ₹175bn as of Q4FY23.
- **Renewables capacity addition continues pace, although solar capacities saw drop in PLF** – Tata Power Renewable Energy (TPREL) reported EBITDA improved 20% sequentially to ₹3.7bn (-15% YoY) in Q4FY23, as revenues rose 19% QoQ (generation at +14% QoQ, tariff at +4% QoQ). PLFs for solar plants declined sharply to 12% (from 23% in 3QFY23) while PLF for wind plants improved back to 27% (after declining to 11% in Q3FY23). Installed capacity increased marginally to 2,861 MW in the quarter with solar capacity standing at 2.08 GW and wind capacity at 0.78 GW.
- **Decline in generation impacts sequential profitability of Maithon** – Maithon reported revenues of ₹6.6bn in Q4FY23, a 19% QoQ decline primarily on account of 29% lower unit sales during the quarter, even as realizations rose 15% QoQ. Regulated equity for Maithon plant remained flat at ₹16.7bn. EBITDA declined 24% QoQ to ₹1.6bn, and margins were a tad lower at 24% compared to 25.5% in Q3FY23. Net profit stood at ₹800mn compared to ₹1030mn in Q3FY22.

Important Statistics

MCAP (₹ bn)	653.0
52-week H/L (₹)	251/182
NSE Code	TATAPOWER
BSE Code	500400

Shareholding pattern (%)	Mar'23
Promoter	46.9
DII	14.5
FII	9.5
Public & Others	28.1

Financials

(₹ mn)				
Particulars	FY19	FY20	FY21	FY22
Revenues	295,586	291,364	330,791	425,762
EBITDA	64,227	79,428	75,387	72,717
EBITDA Margin (%)	21.7	27.3	22.8	17.1
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)	41.7	36.5	46.4	27.6
EV/EBITDA (x)	17.2	13.9	13.8	14.6
P/BV (x)	3.0	3.1	3.5	2.9

Particulars	FY23P	FY24E	FY25E
Revenues	560,331	581,987	618,748
EBITDA	86,304	83,794	87,013
EBITDA Margin (%)	15.4	14.4	14.1
Net Profit	33,364	25,196	26,167
EPS (₹)	10.4	7.9	8.2
DPS (₹)	2.0	2.2	2.4
RoE (%)	13.0	8.2	8
RoCE (%)	3.3	3.1	3.2
P/E (x)	19.6	25.9	25.0
EV/EBITDA (x)	11.9	11.9	11.1
P/BV (x)	1.9	1.8	1.6

Source: Company, Way2Wealth

View

For Q4FY23, Tata Power consolidated earnings was not the same as it was in 9MFY23 with profits from associates (which primarily includes coal segment profits) down 82% QoQ to ₹1.8bn (₹30bn in 9MFY23) and Mundra UMPP near-shut for all of Q4FY23, in the absence of cost-plus tariff arrangements. Declining prices of imported coal and erratic supply arrangements for compensation at Mundra will likely continue to impact future performance. Renewables capacity addition is likely to gain momentum with government restriction on coal fired plants apart from ongoing projects to benefit the company. Hence, we continue to maintain our **ACCUMULATE** stance trading at **P/BV 1.6x FY25E**.

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	Q4 FY23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	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	127,553	5.5	-11.0	560,331	425,762	31.6
EBITDA	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	22,293	11.8	-12.4	86,304	72,717	18.7
EBITDA Margin %	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	17.5	98	-2	15.4	17.1	-168
Adj. PAT	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	7,777	54.6	-17.7	33,364	23,596	41.4

Source: Company, Way2Wealth

09th May 2023

CMP – ₹204.4/-

View – **ACCUMULATE**

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Name of the Security	Tata Power Ltd.
Name of the analyst	Jayakanth Kasthuri
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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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