

12th February 2024

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Q3FY24 Result Highlights

- **Q3FY24 performance aided by one-off dividend and higher revenues from Tata Power Solar** – Tata Power (TPWR) reported Q3FY24 consol revenue of ₹148.4bn (+3.5% YoY & -3.9% QoQ), EBITDA at ₹26.07bn (+2.4% YoY, -6.6% QoQ) and PAT at ₹9.53bn (+0.8% YoY, +9.2% QoQ) as the performance was aided by dividend of ₹4.2bn from the project in Zambia that is held for sales and higher revenues at Tata Power Solar with a PAT of ₹1.2bn (+148% YoY). Although this was offset by a lower contribution from coal earnings, and despite the benefit of Section 11 for Mundra UMPP. Profit from associates (which primarily includes coal segment profits) stood at ₹2.5 bn (-74% YoY, +3% QoQ), as imported coal prices have declined sharply YoY. Mundra + Coal + Shipping had revenues of ₹26bn, EBITDA of ₹3.3bn and PAT of ₹890mn in Q3FY24. Operational data on profitability of coal mines has not been disclosed separately, even though the imported coal prices have dropped to US\$115/ton (-50% YoY) in Q3FY24 from US\$240/ton in FY23. The decline in standalone earnings with a PAT of ₹5.2bn (-65% YoY, +28% QoQ) was primarily on account of lower other income, reflecting the lower dividends from the coal subsidiaries.
- On the execution businesses, Tata Power Solar System Ltd (TPSSL) saw an improvement in revenues to ₹40bn (+182% YoY, +111% QoQ), with the margins moderating sequentially to 5%, leading to an EBITDA of ₹2bn (+111% YoY, +60% QoQ) and PAT of ₹1.2bn. Tata Power Solar has a large EPC order book for utility-scale solar projects, with orders worth ₹158bn for 3.6 GW of capacity as of Dec'23. Got orders worth ₹28.94 during the quarter. As per the management, the cell and module facility of 4.3 GW is completed and will likely start contributing to earnings from Q4FY24, starting with module manufacturing first and then cell manufacturing by Q1FY25.
- Maithon reported revenues of ₹8.4bn (+5% YoY, +11% QoQ) in Q3FY24, with higher fuel cost getting passed on to realizations, even as unit sales were stable at 2bn units (BU). EBITDA stood at ₹1.7bn (down 15% YoY and 6% QoQ).
- Tata Power Renewable Energy Limited (TPREL) reported EBITDA improved to ₹3.4bn (+19% YoY and -30% QoQ) in Q3FY24, as revenues rose 11% YoY and declined 24% QoQ. The revenues were supported by an improvement in generation as installed capacity rose, tariffs were stable at ₹3.5/kwh. PLFs for solar plants was stable at 22%, while wind PLF dropped to 12%. Installed capacity increased marginally to 3,192 MW in the quarter. Tata Power has 4.7 GW of renewable assets currently under various stages of implementation.
- The solar rooftop business continues to witness traction, with revenue of ₹9.5bn in Q3FY24 (₹7.7bn in Q2FY23) and an order book of ₹23.4bn. The management believes that the newly launched Pradhan Mantri Suryodaya Yojana (target to provide solar rooftop to 10 mn households) can have potential for 30-40 GW of new solar additions. The company is the industry leader (20- 25% market share) in the rooftop solar segment.
- Odisha Discoms (TPCODL, TPSODL, TPWODL, TPNODL) had combined Revenue, EBITDA and PAT at ₹43.95bn, ₹3.64bn and ₹1.46bn with lower power prices partially offset with higher MUs sold. The AT&C losses have

Important Statistics

Nifty	21,644
Sensex	71,229
MCAP (₹ bn)	1,179.4
52-week H/L (₹)	413/183
NSE Code	TATAPOWER
BSE Code	500400
Bloomberg Code	TPWR:IN

Shareholding Pattern (%) Dec'23

Promoter	46.9
DII	16.4
FII	9.9
Public & Others	26.9

Financials

Particulars	FY21	FY22	FY23
Revenues	330,791	425,762	560,331
EBITDA	75,387	72,717	86,304
EBITDA Margin (%)	22.8	17.1	15.4
Net Profit	14,046	25,698	33,364
EPS (₹)	4.4	4.8	10.4
DPS (₹)	1.6	1.8	2.0
RoE (%)	6.6	10.9	13.0
RoCE (%)	5.0	6.4	3.3
P/E (x)	83.8	49.9	35.3
EV/EBITDA (x)	20.8	21.9	18.0
P/BV (x)	6.3	5.3	3.5

Particulars	FY24E	FY25E	FY26E
Revenues	603,164	660,287	729,021
EBITDA	111,049	114,863	133,385
EBITDA Margin (%)	18.4	17.4	18.3
Net Profit	36,891	31,694	42,681
EPS (₹)	11.5	9.9	13.4
DPS (₹)	2.2	2.4	2.6
RoE (%)	11.1	9.3	11.4
RoCE (%)	4.1	3.7	3.9
P/E (x)	32.0	37.2	27.6
EV/EBITDA (x)	14.2	13.8	12.3
P/BV (x)	3.1	2.8	2.5

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
TPWR	82.9	335.3	503.1
Nifty 50	21.8	42.7	99.8
Sensex	17.9	38.2	97.0

Source: Company, Way2Wealth

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come down significantly for all the Discoms except for 1% increase for TPSODL.

- **Pumped Hydro Storage** – The development process of 1000MW Bhivpuri PSP and the 1800MW Shirawata PSP with an investment of ₹47bn and ₹78.5bn continues.
- As per the management, the Net Debt has increased QoQ to ₹38.6bn from ₹36.6bn due to capex of ₹3.57bn but it is at comfortable level with Net D/E at 1.04x as on Dec'23.

View

For Q3FY24, Tata Power benefited from a one-off dividend even as the combined earnings from coal and Mundra UMPP were down to ₹890mn in Q3FY24 (from ₹9.2bn in Q3FY23). The extension of Sec 11 tariffs up to Jun'24 as well as the bottoming of the prices of imported coal will likely reduce near-term earnings volatility, with incremental growth hinging on profitable contribution from the renewable business. Going forward the earnings will dependent on stability in prices of imported coal and their contribution to earnings, growth from the renewable segment (asset ownership + project execution) and sustainability of Sec 11 orders for Mundra. We are likely to witness reasonable profitability in Tata Power Solar with projects of 4.7 GW currently under construction in the renewable business. The company's recalibrated strategy involving tapping high-margin group captive RE opportunities, venturing into brownfield pumped hydro storage, expanding transmission business beyond distribution, and visible resolution of the Mundra issue, positions the company for accelerated growth. Hence, we continue to maintain our **ACCUMULATE** stance trading at **P/BV 2.5x FY26E**.

FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3FY24	YoY (%)	QoQ (%)	9M FY24	9M FY23	YoY (%)
Revenue	64,530	82,898	77,555	101,274	101,324	98,102	110,149	120,851	147,759	141,628	143,391	127,553	150,333	154,424	148,407	3.5	-3.9	453,164	432,778	4.7
EBITDA	17,313	20,012	19,968	14,456	23,452	13,554	17,356	19,938	19,638	18,925	25,448	22,293	30,051	27,927	26,071	2.4	-6.6	84,049	64,011	31.3
EBITDA Margin %	26.8	24.1	25.7	14.3	23.1	13.8	15.8	16.5	13.3	13.4	17.7	17.5	20.0	18.1	17.6	-18.0	-2.9	18.5	14.8	376
Adj. PAT	2,294	3,710	3,184	3,929	4,657	4,215	4,258	5,031	7,946	8,191	9,450	7,777	9,725	8,728	9,530	0.8	9.2	27,983	25,587	9.4

Source: Company, Way2Wealth

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Disclosure of Interest Statement Tata Power Ltd. as on 12th February 2024

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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