

16th August 2023

₹231.15/-

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Q1FY24 Result Highlights

- **Strong Q1FY24 performance lead by Solar EPC, Western/Northern ODISHA, Maithon, and RE assets** – Tata Power (TPWR) reported Q1FY24consol revenue of ₹150.33bn (~+2% YoY) with EBITDA at ₹30.1bn (+53% YoY, +35% QoQ) as in Maithon there was a favorable order impact for heat rate and settlement of the PPA dispute, Prayagraj power generation (Renascent Power Ventures Pvt Ltd) was sold at higher merchant rates and higher execution of EPC projects at better margins. Due to deemed dilution gains of Tata projects issuance, the reported net profit was at ₹11.4bn (+29.1% YoY, ~+22% QoQ) on adjusted basis the net profit was at ₹9.73bn (+22.4% YoY, +25% QoQ) due to sharp decline in coal prices leading to drop in earnings of coal subsidiaries.
- With Indonesian coal prices moderating, TPWR's source of windfall gains are arrested. Profit from associates (which primarily includes coal segment profits) in Q1FY24 stood at ₹1.8bn (down 74% YoY, up 910% QoQ), as imported coal prices declined sharply on a yoy basis, while the sequential improvement was partly due to a ₹2.8bn decline in Q4FY23 due to losses at Tata Projects. Operational data on profitability of coal mines has not been disclosed separately, the imported coal prices have dropped further to US\$116/ton in Q1FY24 (down 60% YoY) from US\$240/ton in FY23. The 30% share merged with the imported coal plant contributed to a share of losses at ₹1bn. The coal arm will continue to do sales of 60 MT in a year. The current environment for coal pricing is soft; however, as South African coal contribution to the JKT market cools off and the Europeans start importing coal back, international coal prices could climb.
- **Maithon - higher generation supports profitability** – Maithon reported revenues of ₹8.5bn (+13% YoY and +30% QoQ) in Q1FY24, on the back of an improvement in unit sales to 2,013 MU (+3% YoY and +40% QoQ). A favorable order impact for heat rate, and settlement with Tata Power Delhi Distribution Limited (TPDDL) with regard to the PPA dispute aided the topline. EBITDA improved to ₹2.9bn (+61% YoY and +85% QoQ) and net profit stood at ₹1.9bn.
- Execution in Tata Power Solar System Ltd (TPSSL), the solar EPC arm, remains volatile. TPSSL had ₹176bn in order backlog, with an inflow of ₹19bn in Q1FY24. In the quarter under review, TPSSL reported ~₹15bn in execution, up 11% YoY. TPSSL was a victim of planned deferment in utility-scale projects. With cost rationalisation, the company reported EBITDA of ₹40mn, translating to 2.7% EBITDA margin, as against near zero margin in the base year. Thanks to upfront loss reversals, TPSSL had a 0.7% net profit margin. Tata Power's solar rooftop revenues nearly halved on a QoQ basis to ₹5.5bn in Q1FY24. Revenues from solar pump segment stood at ₹1.7bn (down 29% YoY, up 75% QoQ).
- Most of the Odisha Distribution arm are in profit. Currently, CESU, SOUTHCO, WESCO, and NESCO have AT&C losses of 22%, 26%, 19%, and 19% respectively. This is expected to narrow to 13.5%, 9.5%, 15%, and 9.5% respectively over ten years. Collectively, three out of four subsidiaries eked out a quarterly profit with the central nursing minor losses of ₹90mn. Southern, western, and northern regions fetched ₹190mn, ₹230mn, and ₹310mn net profit respectively.
- **Renewables profitability remains stable** – The 4.1 GW portfolio—spanning across TPREL, WREL, and others—reported revenue of ₹9.3bn, up 3% YoY. The revenues were supported by an improvement in generation as installed capacity rose, even as tariff saw a slight decline (down 5% YoY and 1% QoQ). PLFs for solar plants were stable at 25%, while PLF improved

Important Statistics

MCAP (₹ bn)	737.3
52-week H/L (₹)	251/183
NSE Code	TATAPOWER
BSE Code	500400

Shareholding pattern (%)	Jun'23
Promoter	46.9
DII	14.9
FII	9.8
Public & Others	28.4

Financials

Particulars	FY20	FY21	FY22
Revenues	291,364	330,791	425,762
EBITDA	79,428	75,387	72,717
EBITDA Margin (%)	27.3	22.8	17.1
Net Profit	13,164	14,046	25,698
EPS (₹)	5.6	4.4	4.8
DPS (₹)	1.9	1.6	1.8
RoE (%)	6.9	6.6	10.9
RoCE (%)	3.8	5.0	6.4
P/E (x)	41.2	52.4	31.2
EV/EBITDA (x)	14.9	14.9	15.8
P/BV (x)	3.5	3.9	3.3

Particulars	FY23	FY24E	FY25E
Revenues	560,331	583,931	618,690
EBITDA	86,304	84,708	87,313
EBITDA Margin (%)	15.4	14.5	14.1
Net Profit	33,364	25,361	26,572
EPS (₹)	10.4	7.9	8.3
DPS (₹)	2.0	2.2	2.4
RoE (%)	13.0	8.8	8.3
RoCE (%)	3.3	3.5	3.3
P/E (x)	22.1	29.1	27.7
EV/EBITDA (x)	12.9	8.5	8.1
P/BV (x)	2.2	2.0	1.8

Source: Company, Way2Wealth

Jayakanth Kasthuri
jayakanthk@way2wealth.com

Ph:022-4019 2914


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back to 23% (after declining to 12% in Q4FY23). Installed capacity increased marginally to 3,039 MW in the quarter. The portfolio EBITDA was at ₹7.7bn, flat annually, with a net profit of ₹2.3bn, flat again. The companies at the end of Q1FY24—had a networth of ₹124bn and net debt of ₹126bn.

View

For Q1FY24, Tata Power made up for the loss in coal profit through a strong revival in Odisha DISCOMs, an increase in RE assets contributing to higher EBITDA, and a favourable order in Maithon. The benefits of a diversified portfolio are playing out with EBITDA showing strong profitability. Plus its focus on business restructuring, focus on high growth RE business and its power transmission would play a crucial role for sustained earnings growth (management targets for 4x rise in its PAT by FY27 over FY22) and improved earnings quality. In addition, the management's business restructuring plans to increase the share of high-growth RE business would drive sustained improvement in ESG scores. Hence, 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	Q4 FY23	Q1 FY24	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	150,333	1.7	17.9	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	30,051	53.0	34.8	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	20.0	670	14	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	9,725	22.4	25.0	33,364	23,596	41.4

Source: Company, Way2Wealth

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Disclosure of Interest Statement Tata Power Ltd. as on 16th August 2023

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
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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