

February 11, 2013

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	Accumulate
Rating	
Price	Rs98
Target Price	Rs111
Implied Upside	13.3%
Sensex	19,461
Nifty	5,898

(Prices as on February 11, 2013)
Trading data

Market Cap. (Rs bn)	231.6
Shares o/s (m)	2,373.3
3M Avg. Daily value (Rs m)	369.1

Major shareholders

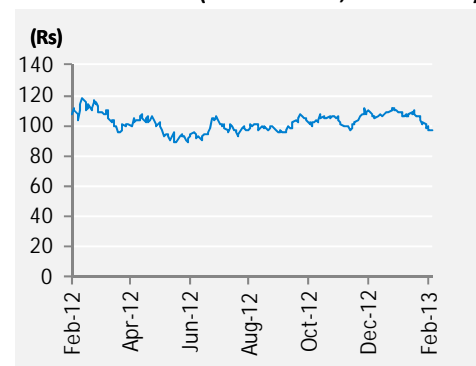
Promoters	31.75%
Foreign	24.95%
Domestic Inst.	23.97%
Public & Other	19.33%

Stock Performance

(%)	1M	6M	12M
Absolute	(8.6)	(2.4)	(11.9)
Relative	(7.6)	(13.2)	(21.6)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2014	4.5	6.1	-26.4
2015	5.3	8.0	-34.3

Price Performance (RIC:TTPW.BO, BB:TPWR IN)

Source: Bloomberg

■ **Result synopsis:** On a standalone basis, Tata Power's (TWPR's) sales volumes increased by 2% YoY. This was mainly on account of 4% YoY higher generation in Jojobera plant at Jamshedpur and capacity addition of 144MW of wind farms. However, sales in Mumbai were down by 5% YoY. Merchant sales were flat but realisations were down by 24% YoY, respectively. Coal sales for Q3FY13 stood at 20.7m tonnes, up by 18.2% YoY and 34.4% QoQ. Realizations cooled off and stood at US\$71.6/tonne (down 8.6% QoQ and 24.6% YoY) and cash costs stood at US\$41.3/tonne (down 8.2% QoQ and up 3.2% higher YoY). Cost mainly came down on account of mining from those pit head mines which had lower stripping ratio. North Delhi Power (NDPL) numbers were a positive surprise as it reported PAT growth of 152% at Rs766m (on account of tariff revision and higher incentives) and power links reported 10% PAT de-growth YoY at Rs256m. Maithon continued to report loss at Rs152m. Coastal Gujarat Power (CGPL) reported a loss of Rs8.2bn on account of impairment and capitalisation. Thus, adjusting to the reversal and forex loss, adjusted PAT stands at R1.8bn, which is 56% down YoY.

■ **Updates:** TWPR has blended 70% Indocol in CGPL till 9MFY13 for Unit 1&2, while Unit 3 was commissioned in Q3FY13. CGPL's fuel cost stands at Rs1.5/unit and realisations at Rs2.45/unit. In Maithon, the units are commercially operational and 75% of the power is sold on PPA basis. However, balance power to Punjab remained an overhang on the revenues. NDPL's receivables stand at Rs44bn. The company has been able to bring down the AT&C losses in NDPL at 10.4% as against the target of 12%. For Maithon, the company will shortly tie-up the balance power of 300MWs on short-term PPA basis. CGPL sold close to 3.3bn units in Q3FY13.

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Key financials (Y/e March)	2012	2013E	2014E	2015E
Revenues (Rs m)	260,014	327,117	392,370	425,175
Growth (%)	33.7	25.8	19.9	8.4
EBITDA (Rs m)	53,253	63,660	78,845	85,436
PAT (Rs m)	11,007	9,034	10,710	12,512
EPS (Rs)	4.6	3.8	4.5	5.3
Growth (%)	(43.3)	(17.9)	18.5	16.8
Net DPS (Rs)	1.3	1.3	1.5	1.5

Profitability & Valuation	2012	2013E	2014E	2015E
EBITDA margin (%)	20.5	19.5	20.1	20.1
RoE (%)	8.2	6.6	7.8	8.9
RoCE (%)	5.0	5.1	5.4	5.5
EV / sales (x)	2.0	1.7	1.6	1.5
EV / EBITDA (x)	9.9	9.0	8.0	7.4
PE (x)	21.0	25.6	21.6	18.5
P / BV (x)	1.7	1.7	1.7	1.6
Net dividend yield (%)	1.4	1.4	1.5	1.5

Source: Company Data; PL Research

- Valuation:** Lower coal process for CGPL, cash cost for BUMI and increased revenues for NDPL have given some stability to the operating metrics. Tariff revision still remains the key trigger to the overall profitability, which will also be an overhang on the stock. The stock had corrected recently and underperformed its peers as it depends on imported coal. At CMP, TWPR is trading at P/BV of 1.5x FY15E estimates on a consolidated basis. We maintain **'Accumulate'** on declines.

Exhibit 1: Q3FY13 Result Overview (Rs m)

Y/e March	Q3FY13	Q3FY12	YoY gr. (%)	Q2FY13	9MFY13	9MFY12	YoY gr. (%)
Revenues	89,917	66,459	35.3	76,495	238,387	186,990	27.5
Other Operating Income	476	140		503	1,542	676	128.1
Total Income	90,393	66,599	35.7	76,998	239,930	187,666	27.8
Total Expenditure	71,846	56,569	27.0	61,904	192,160	149,556	28.5
EBITDA	18,547	10,029	84.9	15,093	47,770	38,111	25.3
<i>Margin (%)</i>	<i>20.5</i>	<i>15.1</i>		<i>19.6</i>	<i>19.9</i>	<i>20.3</i>	
Depreciation	5,873	3,469	69.3	5,420	16,353	9,254	76.7
EBIT	12,674	6,561	93.2	9,673	31,416	28,857	8.9
Interest	7,403	4,213	75.7	6,229	19,113	10,155	88.2
Other Income	971	679	42.9	1,001	3,049	2,099	45.3
Operating Profit before Exceptional	6,242	3,028	106.2	4,445	15,353	20,801	(26.2)
Forex Loss/Gain	(6,860)	3,879	NA	(2,816)	(10,129)	(2,591)	290.9
PBT	(619)	5,287	NA	1,628	5,224	8,360	(37.5)
Tax	2,299	2,345	(1.9)	2,225	6,787	11,969	(43.3)
<i>Tax Rate (%)</i>	<i>NA</i>	<i>44.4</i>		<i>136.7</i>	<i>129.9</i>	<i>143.2</i>	
Reported PAT	(2,918)	2,942	NA	(597)	(1,563)	(3,608)	NA
Minority Interests	(371)	38		(241)	(1,105)	(981)	12.6
PAT	(3,289)	2,980	NA	(838)	(2,668)	(4,589)	NA
Adjusted PAT	1,779	4,065	(56.2)	1,981	6,561	11,834	(44.6)

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2012	2013E	2014E	2015E
Net Revenue	260,014	327,117	392,370	425,175
Raw Material Expenses	129,903	178,033	210,485	234,490
Gross Profit	130,111	149,084	181,885	190,685
Employee Cost	11,462	—	—	—
Other Expenses	65,396	85,424	103,040	105,249
EBITDA	53,253	63,660	78,845	85,436
Depr. & Amortization	13,346	22,452	28,523	32,412
Net Interest	15,271	25,123	29,412	30,125
Other Income	(19,563)	4,200	4,000	5,000
Profit before Tax	5,073	20,285	24,910	27,899
Total Tax	14,755	10,751	13,701	14,786
Profit after Tax	(9,683)	9,534	11,210	13,112
Ex-Od items / Min. Int.	(20,690)	500	500	600
Adj. PAT	11,007	9,034	10,710	12,512
Avg. Shares O/S (m)	2,373.3	2,373.3	2,373.3	2,373.3
EPS (Rs.)	4.6	3.8	4.5	5.3

Cash Flow Abstract (Rs m)

Y/e March	2012	2013E	2014E	2015E
C/F from Operations	(10,448)	56,436	49,391	77,302
C/F from Investing	(192,534)	(116,644)	(203,840)	(151,653)
C/F from Financing	218,356	57,049	150,823	70,690
Inc. / Dec. in Cash	15,375	(3,159)	(3,626)	(3,661)
Opening Cash	22,066	37,441	34,206	31,435
Closing Cash	37,441	34,206	31,435	30,499
FCFF	(133,788)	(18,801)	(121,281)	(42,610)
FCFE	(50,400)	23,333	(64,857)	(41,231)

Key Financial Metrics

Y/e March	2012	2013E	2014E	2015E
Growth				
Revenue (%)	33.7	25.8	19.9	8.4
EBITDA (%)	15.9	19.5	23.9	8.4
PAT (%)	(43.3)	(17.9)	18.5	16.8
EPS (%)	(43.3)	(17.9)	18.5	16.8
Profitability				
EBITDA Margin (%)	20.5	19.5	20.1	20.1
PAT Margin (%)	4.2	2.8	2.7	2.9
RoCE (%)	5.0	5.1	5.4	5.5
RoE (%)	8.2	6.6	7.8	8.9
Balance Sheet				
Net Debt : Equity	2.2	2.5	2.9	2.8
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	21.0	25.6	21.6	18.5
P / B (x)	1.7	1.7	1.7	1.6
EV / EBITDA (x)	9.9	9.0	8.0	7.4
EV / Sales (x)	2.0	1.7	1.6	1.5
Earnings Quality				
Eff. Tax Rate	290.9	53.0	55.0	53.0
Other Inc / PBT	(6.8)	20.7	16.1	17.9
Eff. Depr. Rate (%)	4.0	5.9	5.5	5.3
FCFE / PAT	(457.9)	258.3	(605.6)	(329.5)

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2012	2013E	2014E	2015E
Shareholder's Funds	136,038	136,521	138,328	141,937
Total Debt	331,012	373,146	429,570	430,949
Other Liabilities	33,213	37,734	41,604	45,397
Total Liabilities	500,263	547,401	609,502	618,283
Net Fixed Assets	352,194	420,212	466,693	477,679
Goodwill	48,444	35,232	34,125	34,125
Investments	34,229	32,415	31,425	31,425
Net Current Assets	59,464	56,516	74,259	72,054
<i>Cash & Equivalents</i>	<i>37,441</i>	<i>34,206</i>	<i>31,435</i>	<i>30,499</i>
<i>Other Current Assets</i>	<i>142,605</i>	<i>148,630</i>	<i>167,210</i>	<i>181,378</i>
<i>Current Liabilities</i>	<i>120,582</i>	<i>126,320</i>	<i>124,386</i>	<i>139,823</i>
Other Assets	5,932	3,000	3,000	3,000
Total Assets	500,263	547,375	609,502	618,283

Quarterly Financials (Rs m)

Y/e March	Q4FY12	Q1FY13	Q2FY13	Q3FY13
Net Revenue	72,348	72,539	76,998	90,393
EBITDA	14,600	14,129	15,093	18,547
<i>% of revenue</i>	<i>20.2</i>	<i>19.5</i>	<i>19.6</i>	<i>20.5</i>
Depr. & Amortization	4,093	5,060	5,420	5,873
Net Interest	4,566	5,481	6,229	7,403
Other Income	(1,070)	626	(1,816)	(5,890)
Profit before Tax	(3,278)	4,214	1,628	(619)
Total Tax	2,796	2,263	2,225	2,299
Profit after Tax	(6,287)	1,459	(838)	(3,289)
Adj. PAT	(613)	2,801	1,981	1,779

Key Operating Metrics

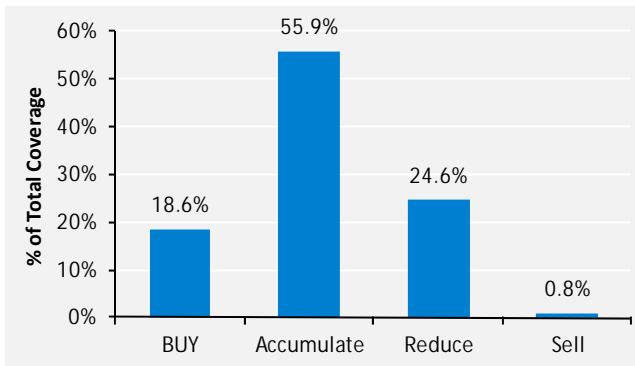
Y/e March	2012	2013E	2014E	2015E
St. Units Sold (m units)	15,240	16,458	18,452	23,065
St. Units Generated (m units)	15,230	15,230	15,230	15,230
St. Avg Realisation Rs/pu	4.2	5.0	5.5	6.0
Coal Sales (MTPA)	63.8	65.0	72.0	86.4
Capacity Added (MWs)	1,350.0	2,400.0	2,100.0	600.0
Interest Rate (%)	4.6	6.7	6.8	7.0
Capex (Rs bn)	129.9	50.0	140.0	88.8
Other Income/PAT (%)	(66.4)	44.1	35.7	38.1
EBIDTA Marg. (%)	17.7	19.5	20.1	20.1

Source: Company Data, PL Research.



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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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