



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■

+ Positive = Neutral - Negative

## What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

## ESG Disclosure Score

NEW

## ESG RISK RATING

Updated Aug 08, 2023

40.98

## Severe Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

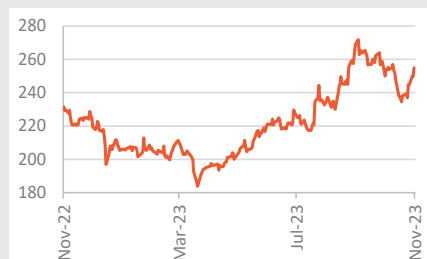
## Company details

Market cap:	Rs. 81,449 cr
52-week high/low:	Rs. 277/182
NSE volume: (No of shares)	106.9 lakh
BSE code:	500400
NSE code:	TATAPOWER
Free float: (No of shares)	169.8 cr

## Shareholding (%)

Promoters	46.9
FII	10.0
DII	15.7
Others	27.5

## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	2.0	8.5	25.3	10.2
Relative to Sensex	2.8	10.1	20.1	3.7

Sharekhan Research, Bloomberg

## Tata Power Company Ltd

## Healthy Q2; start of module production a positive

## Power Utilities

Sharekhan code: TATAPOWER

Reco/View: Buy



CMP: Rs. 255

Price Target: Rs. 285



Upgrade



Maintain



Downgrade

## Summary

- Q2 consolidated PAT grew by 9% y-o-y to Rs. 1,017 crore led by a strong growth from RE portfolio and Odisha discoms offsetting lower coal profits.
- TPSSL saw strong order execution and rise of 392 bps q-o-q in EBITDA margin with PAT growth of 6.7x q-o-q to Rs74 crore. RE generation/Odisha PAT was also up 20%/45% y-o-y. Mundra UMPP is PAT break-even.
- Mundra UMPP would operate under Section 11 of the Electricity Act till June24. 4.3GW solar cell & module plant achieved first module out (FMO) in Oct'23 and cell production expected in Q4FY24. This would address concern of supply chain and input cost for solar plants.
- Tata Power has a well-planned strategy to shift towards clean energy and targets for 4x rise in its PAT by FY2027E over FY2022. We maintain a Buy on Tata Power with a revised PT of Rs. 285. At CMP, the stock trades at 2.3x/2.1x FY25E/FY26E P/BV.

Tata Power Company Limited's (TPCL) Q2FY2024 reported PAT grew by 9% y-o-y to Rs. 1,017 crore, led by good performance from the renewable energy (RE) portfolio and decent earnings from Odisha discoms offsetting the decline in coal profits. Core business of generation and T&D account for 84% of Q2FY2024 PAT. The RE portfolio posted revenue/EBITDA/PAT of Rs. 2,146 crore/Rs. 813 crore/Rs. 186 crore, up 34%/10%/45% y-o-y with strong earnings growth in RE generation/solar EPC business. TPSSL's revenue/EBITDA/PAT was up 28%/3.2x/6.7x q-o-q to Rs. 1,910 crore/Rs. 125 crore/Rs. 74 crore, reflecting higher execution of group captive/large projects and q-o-q improvement in EBITDA margin to 6.6% vs. only 2.7% in Q1FY2024. RE generation revenue/EBITDA/PAT grew by 14%/12%/20% y-o-y to Rs. 916 crore/Rs. 739 crore/Rs. 153 crore, led by higher PLF and the addition of 330 MW of new capacities. Combined profit from Odisha discoms increased to Rs. 90 crore (vs. Rs. 62 crore/Rs. 64 crore in Q2FY2023/Q1FY2024) with PAT of Rs. 18 crore/Rs. 11 crore/Rs. 35 crore from TPCODL/TPSODL/TPNODL, while earnings from TPWODL declined to Rs. 26 crore (vs. PAT of Rs. 46 crore in Q2FY2023). Earnings from JV & Associates stood at Rs. 252 crore (down 28% q-o-q) due to a decline in coal price to \$80/bbl (vs. \$135-140/tonne in Q2FY2023).

## Key positives

- TPSSL's margin improved to 6.6% in Q2FY2024 vs. 2.7% in Q1FY2024.
- RE portfolio's PAT up 45% y-o-y.

## Key negatives

- Profit share from JV & Associates declined by 28% q-o-q to Rs. 252 crore due to lower coal price.

## Management Commentary

- Mundra UMPP will continue to operate under Section 11 till June 2024 and was PAT breakeven with minor cash profit.
- Started production of the module from the 4GW solar module and cell manufacturing plant and the same would ramp-up over the next 2-3 months. Cell production is expected to start in Q4FY2024.
- Capital cost is estimated at Rs. 13,000 crore for 2.8 GW of Pumped Hydro Storage Projects (PSP). All approval is expected by March 2024 and targets to complete the project in 36 months as no land is required.
- The RE portfolio of 5500 MW (38% of installed capacity) with 3200 MW/1000 MW/1300 MW from solar/wind/hydro and gas. 3750 MW of RE capacities are under implementation (to be completed in the next two years). It targets 70% of RE share by 2030.
- Solar EPC/rooftop order book was at Rs. 15,870 crore/Rs. 2,872 crore vs. Rs. 17,643 crore/Rs. 2,504 crore in Q1FY2024. TPCL terminated one projects worth Rs. 1,158 crore because of unfavourable economics.
- Other updates** – 1) net debt declined by 3% q-o-q to Rs. 36,609 crore, 2) FY2024 capex plan of Rs. 11,000 crore and has spent Rs. 4,500 crore in H1FY2024, 3) EV charging (public/home/E-bus at 4932/61959/464), 4) replaced 25 lakh metres in the last three years at Odisha discoms, 5) ITPC tariff issue resolved and received \$102 mn (Tata Power share at \$51 mn).

**Revision in estimates** – We have broadly maintained our FY2024-FY2025 earnings estimate and introduce our FY2026 earnings estimate in this report.

## Our Call

**Valuation – We maintain Buy on TPCL with a revised PT of Rs. 285:** TPCL's focus on business restructuring and high-growth RE business and entry into power transmission would play a crucial role for sustained earnings growth (management targets for 4x rise in its PAT by FY2027E over FY2022) and improved earnings quality. In addition, management's business restructuring plans to increase the share of high-growth RE business would drive sustained improvement in ESG scores. Hence, we maintain Buy on TPCL with a revised price target (PT) of Rs. 285. At the CMP, the stock trades at 2.3x/2.1x its FY2025E/FY2026E P/BV.

## Key Risks

- Slower-than-expected ramp-up of the RE portfolio and expansion in the distribution business,
- lower-than-expected profitability in the solar EPC business,
- and 3) volatility in international coal prices.

## Valuation (Consolidated)

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Revenue	42,816	55,109	51,143	55,671	60,718
OPM (%)	17.5	14.0	24.4	24.3	24.5
Adjusted PAT	1,741	3,336	3,552	3,906	4,553
YoY growth (%)	35.7	91.6	6.5	10.0	16.6
Adjusted EPS (Rs.)	5.4	10.4	11.1	12.2	14.2
P/E (x)	46.8	24.4	22.9	20.9	17.9
P/B (x)	3.6	2.8	2.6	2.3	2.1
EV/EBITDA (x)	16.3	15.5	9.7	8.9	7.9
RoNW (%)	7.8	13.0	11.7	11.6	12.2
RoCE (%)	6.5	6.1	10.1	11.7	12.3

Source: Company; Sharekhan estimates

## Steady PAT growth of 9% y-o-y; core business of generation and T&D account for 84% of PAT

TPCL's Q2FY2024 reported PAT grew by 9% y-o-y to Rs. 1,017 crore (marginally below our estimate of Rs. 1,050 crore), led by good performance from the RE portfolio and decent earnings from Odisha discoms offsetting the decline in coal profits. Core business of generation and T&D account for 84% of Q2FY2024 PAT. The RE portfolio posted revenue/EBITDA/PAT of Rs. 2,146 crore/Rs. 813 crore/Rs. 186 crore, up 34%/10%/45% y-o-y with strong earnings growth in RE generation/solar EPC business. TPSSL's revenue/EBITDA/PAT was up 28%/3.2x/6.7x q-o-q to Rs. 1,910 crore/Rs. 125 crore/Rs. 74 crore, reflecting higher execution of group captive/large projects and q-o-q improvement in EBITDA margin to 6.6% vs. only 2.7% in Q1FY2024. RE generation revenue/EBITDA/PAT grew 14%/12%/20% y-o-y to Rs. 916 crore/Rs. 739 crore/Rs. 153 crore, led by higher PLF and the addition of 330 MW of new capacities. Combined profits from Odisha discoms increased to Rs. 90 (vs. Rs. 62 crore/Rs. 64 crore in Q2FY2023/Q1FY2024) with PAT of Rs. 18 crore/Rs. 11 crore/Rs. 35 crore from TPCODL/ TPSODL/TPNODL, while earnings from TPWODL declined to Rs. 26 crore (vs. PAT of Rs. 46 crore in Q2FY2023). Earnings from JV & Associates stood at Rs. 252 crore (down 28% q-o-q) due to a decline in coal price to \$80/bbl (versus \$135-140/tonne in Q2FY2023).

### Results (Consolidated)

Particulars	Rs cr				
	Q2FY24	Q2FY23	y-o-y (%)	Q1FY24	q-o-q (%)
<b>Revenue</b>	<b>15,738</b>	<b>14,031</b>	<b>12.2</b>	<b>15,213</b>	<b>3.4</b>
Total Expenditure	12,647	12,270	3.1	12,270	3.1
<b>Reported operating profit</b>	<b>3,091</b>	<b>1,760</b>	<b>75.6</b>	<b>2,944</b>	<b>5.0</b>
Other Income	292	150	93.9	271	7.4
EBITDA	3,383	1,911	77.0	3,215	5.2
Interest	1,182	1,052	12.4	1,221	-3.2
Depreciation	926	838	10.5	893	3.6
<b>Reported PBT</b>	<b>1,275</b>	<b>21</b>	<b>NA</b>	<b>1,100</b>	<b>15.9</b>
Add: Net movement in regulatory deferral account balances (net of tax)	-296	132	NA	-210	NA
Add: Share of Profit of Associates and JV	252	1219	-79.4	351	-28.3
Exceptional income/(expense)	0	0	NA	235	NA
<b>PBT after regulatory deferral account and share of profit from JV</b>	<b>1,231</b>	<b>1,373</b>	<b>-10.4</b>	<b>1,476</b>	<b>-16.6</b>
Tax	213	438	-51.3	335	-36.3
<b>Reported PAT before MI</b>	<b>1,017</b>	<b>935</b>	<b>8.8</b>	<b>1,141</b>	<b>-10.8</b>
Minority Interest	142	116	22.1	168	-15.8
<b>Reported PAT after MI</b>	<b>876</b>	<b>819</b>	<b>6.9</b>	<b>972</b>	<b>-10.0</b>
<b>Adjusted PAT</b>	<b>876</b>	<b>819</b>	<b>6.9</b>	<b>738</b>	<b>18.7</b>
No. of Equity Shares (cr)	319.6	319.6	0.0	319.6	0.0
Reported EPS (Rs)	2.7	2.6	6.9	3.0	-10.0
Adjusted EPS (Rs)	2.7	2.6	6.9	2.3	18.7
<b>Margins (%)</b>			<b>BPS</b>		<b>BPS</b>
OPM	19.6	12.5	709	19.3	29
Adjusted NPM	5.6	5.8	-27	4.8	71
Tax rate	17.3	31.9	-1,455	22.7	-535

Source: Company; Sharekhan Research

TPCL's entity-wise consolidated performance for Q2FY2024

Particulars	Op Income		EBITDA^^		PAT	
	Q2 FY24	Q2 FY23	Q2 FY24	Q2 FY23	Q2 FY24	Q2 FY23
<b>Consolidated before exceptional items</b>	<b>15,442</b>	<b>14,163</b>	<b>3,087</b>	<b>2,043</b>	<b>1,017</b>	<b>935</b>
<b>Standalone &amp; Key Subsidiaries</b>						
Tata Power (Standalone)	5,095	4,888	1,336	1,683	410	662
Maithon Power (MPL) *	761	810	193	191	83	82
Delhi Discom (TPDDL) **	2,940	2,964	326	332	107	113
Power Trading (TPTCL)	107	160	24	(6)	17	(6)
Solar EPC (TPSSL)***	1,910	1,135	128	125	74	50
Renewable Generation (RE Gencos) ***	916	806	758	694	153	127
Coal SPVs incl. TPIPL (Investment Companies)	0	(0)	(9)	6	(106)	(171)
TERPL (Shipping Co)	324	138	126	(8)	96	(29)
TP Central Odisha Dist Ltd (TPCODL)**	1,412	1,222	109	66	18	3
TP Southern Odisha Dist Ltd (TPSODL)**	543	547	70	35	11	9
TP Western Odisha Dist Ltd (TPWODL)**	1,727	1,640	102	102	26	46
TP Northern Odisha Dist Ltd (TPNODL)**	996	817	110	45	35	4
Others	229	205	1	9	(16)	(10)
<b>TOTAL - A</b>	<b>16,961</b>	<b>15,333</b>	<b>3,274</b>	<b>3,272</b>	<b>907</b>	<b>881</b>
Joint Venture and Associates	-	-	-	-	252	1,219
<b>TOTAL - B</b>	<b>16,961</b>	<b>15,333</b>	<b>3,274</b>	<b>3,272</b>	<b>1,159</b>	<b>2,100</b>
Eliminations#	(1,518)	(1,170)	(187)	(1,229)	(141)	(1,166)
Exceptional Items	-	-	-	-	-	-
<b>TOTAL - C</b>	<b>15,442</b>	<b>14,163</b>	<b>3,087</b>	<b>2,043</b>	<b>1,017</b>	<b>935</b>

Previous year numbers are restated  
\*TPCL stake-74%; \*\*TPCL stake-51%; \*\*\*Tata Power currently owns 93.94% stake in Renewables (TPREL). CCPS has been issued which will result in further dilution of 5.37% equity stake in TPREL, # Eliminations include inter-company transactions; ^^ including other income

Source: Company

TPCL's cluster-wise consolidated performance for Q2FY2024

Particulars	Op Income		EBITDA^^		PAT	
	Q2 FY24	Q2 FY23	Q2 FY24	Q2 FY23	Q2 FY24	Q2 FY23
<b>Consolidated before exceptional items</b>	<b>15,442</b>	<b>14,163</b>	<b>3,087</b>	<b>2,043</b>	<b>1,017</b>	<b>935</b>
<b>Thermal Generation, Coal and Hydro</b>	<b>4,973</b>	<b>4,833</b>	<b>1,119</b>	<b>394</b>	<b>681</b>	<b>906</b>
Maithon Power Limited (MPL) *	761	810	193	191	83	82
Traditional Generation (incl. Mumbai and Hydro)	1,422	1,725	326	235	213	151
IEL *	-	-	-	-	26	31
IPGCL ***	-	-	-	-	-	20
Others (Incl. eliminations#)	34	30	37	32	56	45
Mundra, Coal and Shipping	2,756	2,269	564	(65)	287	579
<b>Renewables **</b>	<b>2,146</b>	<b>1,603</b>	<b>813</b>	<b>736</b>	<b>186</b>	<b>128</b>
RE Gencos (Incl. CSL)	916	806	758	694	153	127
Solar EPC (TPSSL)	1,910	1,135	128	125	74	50
Others (Incl. eliminations#)	(681)	(338)	(73)	(83)	(41)	(49)
<b>T&amp;D</b>	<b>9,454</b>	<b>9,021</b>	<b>1,111</b>	<b>890</b>	<b>353</b>	<b>282</b>
<b>Transmission</b>						
Mumbai	288	249	206	172	69	55
Powerlinks **	-	-	-	-	10	9
<b>Distribution and Services</b>						
Mumbai	1,057	1,227	153	144	54	51
Odisha **	4,678	4,226	391	248	90	62
Delhi **	2,940	2,964	326	332	107	113
Others (T&D incl, TPADL**, TPTCL and eliminations#)	490	354	34	(5)	23	(8)
<b>Others (Incl. Tata Projects, Nelco and inter cluster eliminations#)</b>	<b>(1,130)</b>	<b>(1,295)</b>	<b>44</b>	<b>23</b>	<b>(202)</b>	<b>(380)</b>
<b>Consolidated before exceptional items</b>	<b>15,442</b>	<b>14,163</b>	<b>3,087</b>	<b>2,043</b>	<b>1,017</b>	<b>935</b>
Exceptional items	-	-	-	-	-	-
<b>Consolidated after exceptional items</b>	<b>15,442</b>	<b>14,163</b>	<b>3,087</b>	<b>2,043</b>	<b>1,017</b>	<b>935</b>

Previous year numbers are restated  
\*TPCL stake-74%; \*\*TPCL stake-51%; \*\*\*TPCL stake-20%; \*\* Tata Power currently owns 93.94% stake in Renewables (TPREL). CCPS has been issued which will result in further dilution of 5.37% equity stake in TPREL, # Eliminations include inter-company transactions; ^^ including other income

Source: Company

Odisha discoms' performance in Q2FY2024

Particulars	TPCODL		TPSODL		TPWODL		TPNODL	
	Q2 FY24	Q2 FY23	Q2 FY24	Q2 FY23	Q2 FY24	Q2 FY23	Q2 FY24	Q2 FY23
Purchase (MUs)	3,090	2,723	1,128	1,097	3,206	3,404	1,938	1,677
Sales (MUs)	2,423	2,063	847	828	2,638	2,792	1,666	1,337
Revenue per unit	5.6	5.6	6.4	6.6	6.1	5.7	5.6	5.7
Power Cost per unit	3.3	3.2	2.3	2.5	4.4	3.9	3.6	3.5
Actual Technical losses (%)	22%	24%	25%	24%	18%	18%	14%	20%
Actual AT&C losses (%)	21%	23%	29%	27%	19%	23%	13%	12%
Vesting order Target AT&C (%)	22%	24%	26%	26%	19%	20%	19%	19%
Income from Operation	1,412	1,222	543	547	1,727	1,640	996	817
EBITDA	109	66	70	35	102	102	110	45
<b>PAT</b>	<b>18</b>	<b>3</b>	<b>11</b>	<b>9</b>	<b>26</b>	<b>46</b>	<b>35</b>	<b>4</b>

Source: Company

### Tata Power Solar Systems Limited – Highlights

Particulars	Q2 FY24	Q2 FY23	Var	H1 FY24	H1 FY23	Var	Quarter Variance Remarks
Operating Income	1,910	1,135	775	3,402	2,488	914	Higher execution of group captive and large projects
Operating expenses	1,783	1,011	(772)	3,235	2,351	(884)	
<b>Operating profit</b>	<b>126</b>	<b>124</b>	<b>2</b>	<b>167</b>	<b>137</b>	<b>30</b>	
Other income	2	0	2	25	3	22	
<b>EBITDA</b>	<b>128</b>	<b>125</b>	<b>3</b>	<b>192</b>	<b>140</b>	<b>52</b>	
<b>Margin</b>	<b>6.7%</b>	<b>11.0%</b>		<b>5.6%</b>	<b>5.6%</b>		Lower margin in-house projects PY includes higher forex losses
Interest cost	14	35	21	46	77	31	
Depreciation	16	16	(0)	33	31	(2)	
<b>PBT</b>	<b>98</b>	<b>74</b>	<b>24</b>	<b>114</b>	<b>32</b>	<b>82</b>	
Tax	24	24	(0)	29	15	(14)	
<b>PAT</b>	<b>74</b>	<b>50</b>	<b>24</b>	<b>85</b>	<b>17</b>	<b>68</b>	
<b>Margin</b>	<b>3.9%</b>	<b>4.4%</b>		<b>2.5%</b>	<b>0.7%</b>		

Source: Company

### Renewables – Consolidated

Key Parameters - Renewables	Q2 FY24	Q2 FY23	H1 FY24	H1 FY23
Revenue	2,146	1,603	4,235	3,693
EBITDA	813	736	1,720	1,515
PAT	186	128	426	309
Gross Debt	16,321	17,193	16,321	17,193
Net Debt	13,585	15,153	13,585	15,153
Net Worth	12,685	11,841	12,685	11,841

Source: Company

### Tata Power Regulated - Equity and Assets

Particulars	Q2 FY24	Q1 FY 24	Q4 FY 23	Q3 FY 23	Q2 FY 23
<b>Regulated Equity</b>					
Mumbai Operation	4,661	4,642	4,639	4,394	4,380
Jojobera	548	548	542	542	522
Tata Power Delhi Distribution (100%)	1,953	1,945	1,931	1,861	1,846
TP Central Odisha Dist Ltd (100%)	590	590	590	504	504
TP Southern Odisha Dist Ltd (100%)	369	369	369	248	248
TP Western Odisha Dist Ltd (100%)	480	480	480	360	360
TP Northern Odisha Dist Ltd (100%)	398	398	398	295	295
Maithon Power Limited (100%)	1,684	1,684	1,666	1,671	1,669
Industrial Energy Limited (100%)	721	718	718	718	690
Powerlinks Transmission (100%)	468	468	468	468	468
<b>Total</b>	<b>11,872</b>	<b>11,842</b>	<b>11,801</b>	<b>11,061</b>	<b>10,982</b>
<b>Regulated Assets (As per financial books)</b>					
Mumbai Operation	3,550	3,384	3,500	3,193	2,908
Jojobera	(16)	(6)	(9)	(4)	1
Tata Power Delhi Distribution (100%)	5,700	6,117	6,139	6,106	5,942
TP Central Odisha Dist Ltd (100%)	(72)	(4)	83	(22)	28
TP Southern Odisha Dist Ltd (100%)	405	344	298	284	210
TP Western Odisha Dist Ltd (100%)	(1,099)	(1,171)	(1,227)	(1,234)	(1,043)
TP Northern Odisha Dist Ltd (100%)	(31)	(18)	(8)	20	5
Maithon Power Limited (100%)	(297)	(291)	(255)	(248)	(253)
<b>Total</b>	<b>8,140</b>	<b>8,355</b>	<b>8,521</b>	<b>8,095</b>	<b>7,797</b>

Source: Company

### Tata Power Debt Profile

Particulars	Consolidated				
	Q2 FY24		Q1 FY24	Q2 FY23	
	Rupee	Forex	Total	Total	Total
Long term	30,487	2,642	33,129	29,144	29,597
Short term	6,800	1,059	7,859	12,087	11,808
Current Maturity of LT	6,546	824	7,370	9,167	8,130
<b>Total Debt</b>			<b>48,358</b>	<b>50,398</b>	<b>49,535</b>
Less: Cash & Cash Equivalents			10,773	11,462	8,251
Less: Debt against dividend in Coal SPVs			976	1,187	1,798
<b>Net External Debt</b>			<b>36,609</b>	<b>37,749</b>	<b>39,486</b>
<b>Networth</b>			<b>35,817</b>	<b>34,672</b>	<b>29,881</b>
<b>Net Debt to Equity</b>			<b>1.02</b>	<b>1.09</b>	<b>1.32</b>

Source: Company

## Outlook and Valuation

### ■ Sector Outlook – Regulated tariffs provide earnings visibility; reforms to strengthen balance sheets of power companies

India's power sector is regulated by the CERC with an availability-based earnings model (fixed RoE on power generation assets) and, thus, the regulated tariff model provides strong earnings visibility for power-generation, transmission and distribution companies. Moreover, the government's power sector package of over Rs. 3 lakh crore announced in the recent Union Budget would help power discoms clear dues of power generation and transmission companies. This would reduce receivables of the power sector and strengthen companies' balance sheets.

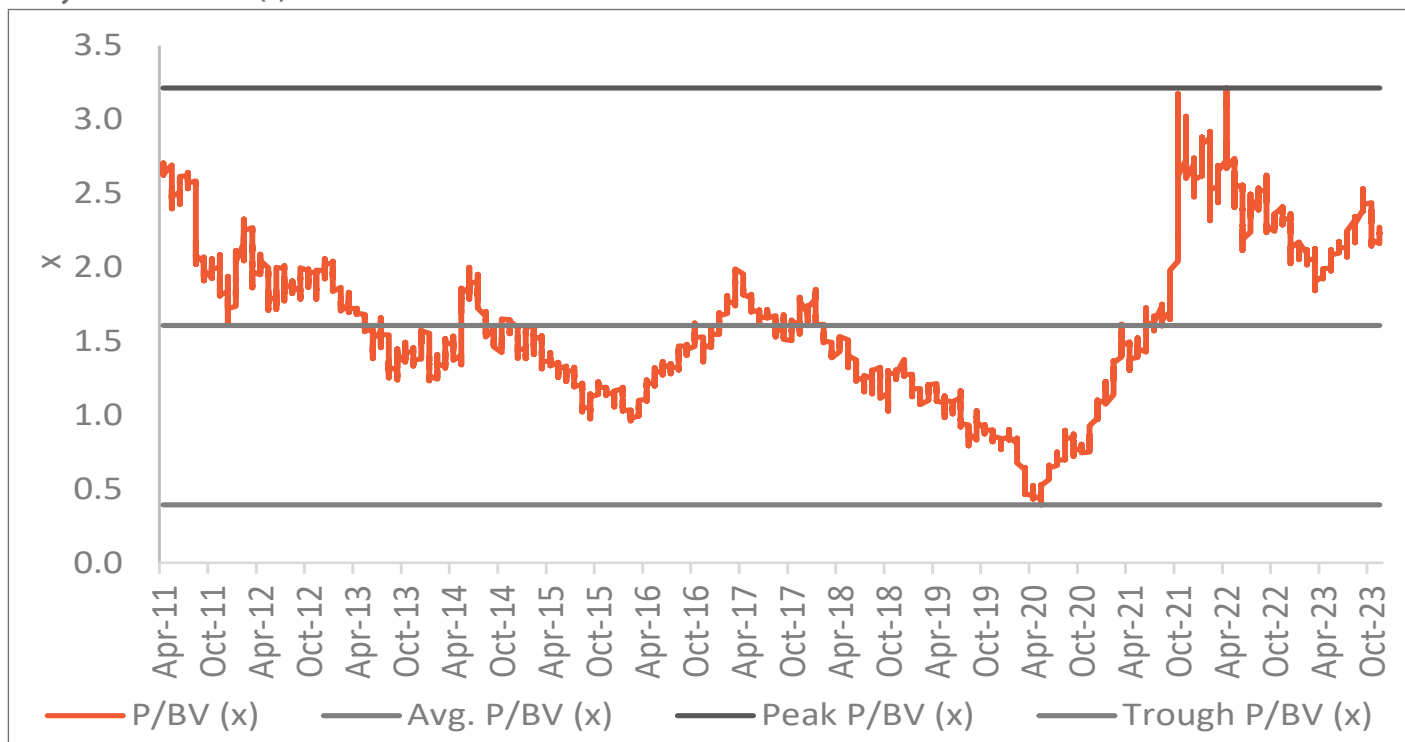
### ■ Company Outlook – Focus on distribution and RE business to drive robust earnings growth

TPCL has a well-planned strategy to shift towards clean energy and targets a 4x rise in its PAT by FY2027E over FY2022. We believe growth would be largely driven by distribution and RE business. We expect PAT to register a CAGR of 11% over FY2023-FY2026E with healthy RoE of ~12% in FY2026E.

### ■ Valuation – We maintain Buy on TPCL with a revised PT of Rs. 285

TPCL's focus on business restructuring and high-growth RE business and entry into power transmission would play a crucial role for sustained earnings growth (management targets for 4x rise in its PAT by FY2027E over FY2022) and improved earnings quality. In addition, management's business restructuring plans to increase the share of high-growth RE business would drive sustained improvement in ESG scores. Hence, we maintain Buy on TPCL with a revised PT of Rs. 285. At the CMP, the stock trades at 2.3x/2.1x its FY2025E/FY2026E P/BV.

#### One-year forward P/BV (x) band



Source: Sharekhan Research

## About the company

TPCL is India's largest integrated private power company present in power generation (capacity of 16,779 MW with 63% from thermal and 37% from renewables), transmission, distribution (largest private sector player with a customer base of 11.7 million), trading and solar EPC (largest solar EPC player in India).

## Investment theme

TPCL's core earnings are resilient even in the demand down cycle as it gets regulated returns on power generation and distribution assets. The company's focus to shift from a B2G to B2C model would drive robust earnings growth (to be driven by the RE and distribution business) over the next 4-5 years. Potential improvement in ESG rating could re-rate the company.

## Key Risks

- ◆ Slower-than-expected ramp-up of the RE portfolio and expansion in the distribution business.
- ◆ Lower-than-expected profitability in the solar EPC business. Likely continued under-recoveries for Mundra UMPP.
- ◆ Volatility in international coal prices.

## Additional Data

### Key management personnel

Mr. Natarajan Chandrasekaran	Chairman
Dr. Praveer Sinha	Managing Director and CEO
Sanjeev Churiwala	Chief Financial Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	8.5
2	Vanguard Group Inc/The	2.1
3	BlackRock Inc	1.4
4	Nippon Life India Asset Management	1.3
5	General Insurance Corp of India	1.1
6	SBI Funds Management Ltd	0.5
7	Matthews International Capital Man	0.4
8	ICICI Prudential Asset Management	0.4
9	Tata Asset Management Pvt Ltd	0.3
10	Government Pension Investment Fund	0.3

Source: Bloomberg

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## Understanding the Sharekhan 3R Matrix

<b>Right Sector</b>	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
<b>Right Quality</b>	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
<b>Right Valuation</b>	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

# Sharekhan

by BNP PARIBAS

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