

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	✗	↔	✗

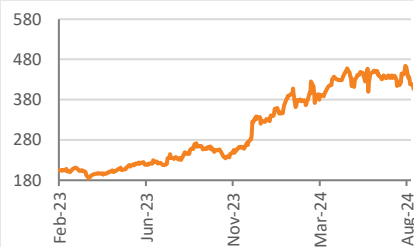
Company details

Market cap:	Rs. 1,36,761 cr
52-week high/low:	Rs. 495 / 313
NSE volume: (No of shares)	129.8 lakh
BSE code:	500400
NSE code:	TATAPOWER
Free float: (No of shares)	169.8 cr

Shareholding (%)

Promoters	46.9
FII	9.2
DII	16.6
Others	27.4

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	3.3	-2.7	-4.6	26.6
Relative to Sensex	-1.1	-1.7	-11.3	8.6

Mirae Asset Sharekhan Research, Bloomberg

Tata Power Company Ltd

Renewable business to power growth

Power Utilities	Sharekhan code: TATAPOWER
Reco/View: Buy	CMP: Rs. 428 Price Target: Rs. 540
↑ Upgrade ↔ Maintain ↓ Downgrade	

Summary

- Tata Power hosted an analyst meet at its 4.3GW cell and module manufacturing facility at Tirunelveli, Tamil Nadu.
- Company aims to increase PAT (before minority) to Rs. 10,000 crore in FY30, a 2.5x growth over FY24.
- Capex of Rs. 1.46 lakh crore is estimated from FY25-30 with 60% to be spent in the renewable business and 27% in transmission & distribution.
- Tata Power has a well-planned strategy to shift towards clean energy and targets for 2.5x rise in PAT by FY2030E over FY2024. We maintain a Buy on Tata Power with an unchanged PT of Rs. 540 on an SOTP basis.

Tata Power in its analyst meet showed a roadmap for the company till FY30. Company has increased the capex guidance to Rs. 25,000 annually from Rs. 22,000 crore previously. Cumulative capex of Rs. 1.46 lakh crore is expected till FY30 with 60% spends in renewable energy space. This would take renewable capacity (including pipeline) from 16.7GW now to 33GW in FY30. Correspondingly, operational capacity is expected to increase from 6.7GW to 23GW. Company has guided for EBITDA and PAT (before minority) to be 2.4x/2.5x the FY24 numbers and increase to Rs. 30,000/10,000 crore respectively. Revenue to rise 1.6x to Rs. 1,00,000 crore.

Key highlights:

- The 500GW renewable energy capacity target for FY30 from 203GW currently means 45GW of capacity will have to be added every year in the country.
- Company aims to have 23GW of operational renewable capacity by FY30 vs 6.7GW currently. This would increase the share of RE capacity to 65% of the total capacity. 5.6GW of renewable projects are in the pipeline with 100% land visibility (40% acquired), 90% PPA's signed and 80% transmission line secured.
- The rooftop solar market is estimated to grow at 36% CAGR from Rs. 1,715 crore in FY24 to 11,000 crore in FY30. Tata Power is the market leader and has a 13.1% share in the market.
- Transmission capacity is projected to grow significantly, reaching 10,500 Ckm by FY30 from the current 4,633 Ckm with a capex of Rs. 24,850 crore.
- Odisha discom will see a capex of Rs. 7,700 crore and regulated equity is expected to rise by 94% between FY24-30E. (Rs. 2,445 crore to Rs. 4,740 crore)
- In the distribution business, Tata Power aims to have 40mn customers by FY30 vs 12.5mn customers now..
- About 12GW of pumped storage capacities are targeted. Construction for 1000MW Bhivpuri PSP to start in Jan-25 and for 1800MW Shirwata PSP it will start in mid-2025.
- Company has signed a MoU with Druk Green Power for 5.1GW of clean energy projects in Bhutan.
- Tata Power has 4.9GW of module manufacturing capacity and 4.8GW of cell manufacturing capacity. Both cell and module capacities are expected to produce 4.0GW in FY26. 50% of modules to be used for captive consumption and 50% for third party.

Our Call

View - We maintain a Buy on TPCL with an unchanged SOTP-based PT of Rs. 540: TPCL's focus on high-growth RE and transmission business would play a crucial role for sustained earnings growth (management targets for 2.5x rise in its PAT by FY2030E over FY2024) and improved earnings quality. The share of renewables in PAT is expected to rise to 50% in FY30 from 21% currently. Hence, we maintain Buy on TPCL with an unchanged price target (PT) of Rs. 540. At the CMP, the stock trades at 3.3x/2.9x its FY2026E/ FY2027E P/BV.

Key Risks

- Slower-than-expected ramp-up of RE portfolio and distribution business
- lower-than-expected profitability in Solar EPC business

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	55,109	61,449	69,138	79,242	86,602
OPM (%)	14.0	17.5	18.8	19.2	19.5
Adjusted PAT	3,336	3,696	4,861	5,608	6,452
% YoY growth	91.6	10.8	31.5	15.4	15.0
Adjusted EPS (Rs.)	10.4	11.6	15.2	17.6	20.2
P/E (x)	41.0	37.0	28.1	24.4	21.2
P/B (x)	4.8	4.2	3.7	3.3	2.9
EV/EBITDA (x)	22.6	16.4	12.7	10.3	8.9
RoNW (%)	13.0	12.1	14.1	14.3	14.4
RoCE (%)	6.1	8.5	10.1	11.3	11.7

Source: Company; Mirae Asset Sharekhan estimates

Renewable capacity addition

Targeting 33 GW of Clean & Green energy, including 23 GW operational by FY30

What we have achieved

~6.7 GW

Clean & Green capacity

~10.1 GW

Under construction



What we aim to achieve

~23 GW

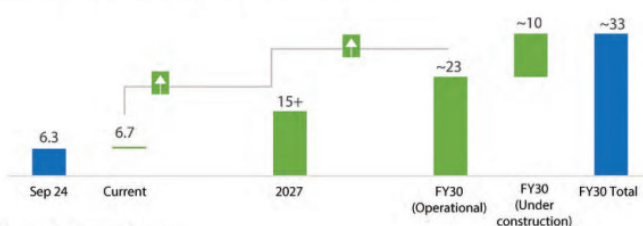
Operational Clean & Green capacity by FY30

~33 GW

Including under construction Clean & Green capacity

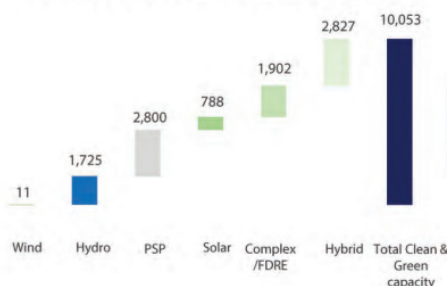


Clean & Green capacity roadmap (GW)

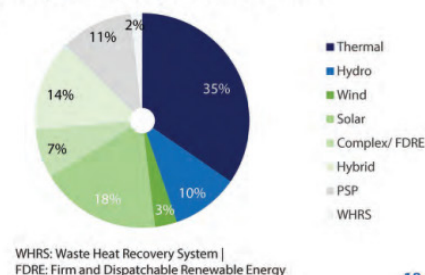


Source: Tata Power Estimates

Clean & Green capacity pipeline (MW)



Clean & Green to account for 65% of total capacity post project completions



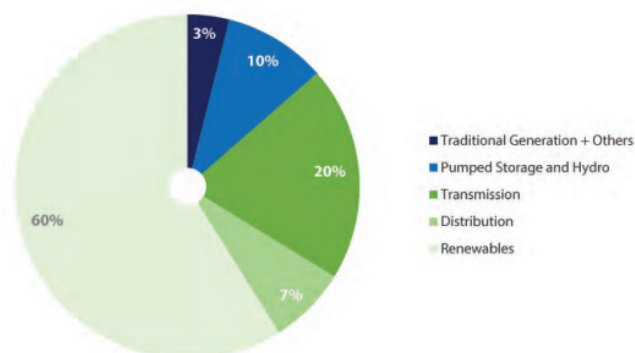
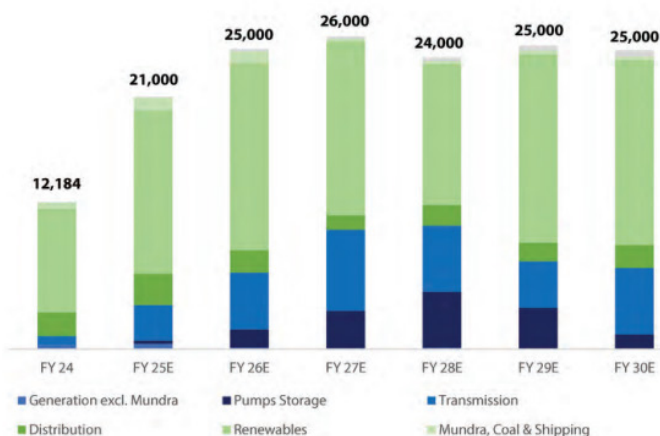
Source: Sharekhan Research

Capex plan

₹1.46 tn capex is estimated between FY25-30 with ~60% in renewable sector

Estimated capex of ~₹1,46,000 Cr between FY25-30E (~₹ Cr)

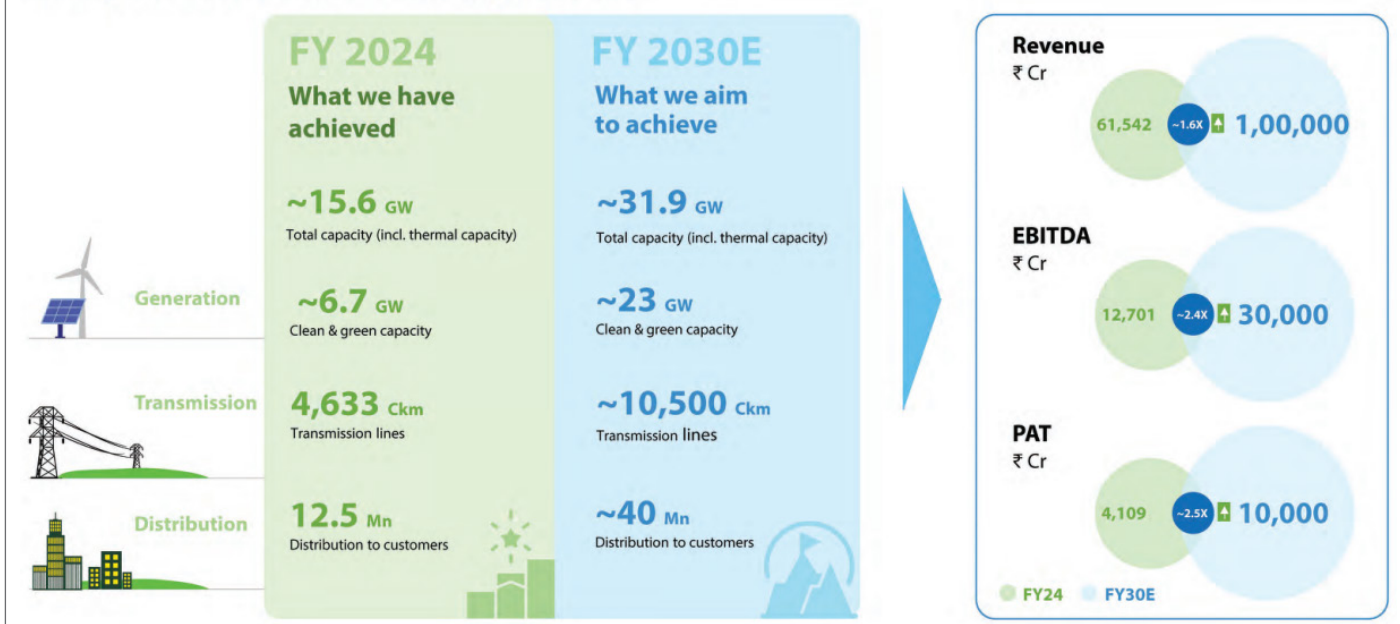
~60% of the capex to be spent on renewables between FY25-30E



Source: Sharekhan Research

Growth targets in FY30

Well poised to achieve our aspirations



Source: Sharekhan Research

Outlook and Valuation

■ Sector View – 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 & distribution companies. Moreover, the government's power sector package of over Rs. 3 lakh crore announced in the Union Budget some years ago is helping 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 2.5x rise in its PAT (before minority) by FY2030E over FY2024. We believe growth would be largely driven by distribution and RE business. We expect PAT to register a CAGR of 20% over FY2024-FY2027E with healthy RoE of ~14% in FY2027E.

■ Valuation – We maintain a Buy on TPCL with an unchanged SOTP-based PT of Rs. 540

TPCL's focus on high-growth RE and transmission business would play a crucial role for sustained earnings growth (management targets for 2.5x rise in its PAT by FY2030E over FY2024) and improved earnings quality. The share of renewables in PAT is expected to rise to 50% in FY30 from 21% currently. Hence, we maintain Buy on TPCL with an unchanged price target (PT) of Rs. 540. At the CMP, the stock trades at 3.3x/2.9x its FY2026E/ FY2027E P/BV.

SOTP Valuation

Particulars	Value (Rs./share)	Methodology
Regulated business	95	3x P/B of regulated equity
RE	250	15x FY27 EV/EBITDA
Coal	62	6x FY27 EV/EBITDA
Others	58	1.5 P/B of equity
PSP	15	1.5 P/B of equity
Cash and investments	60	
Price target	540	

Source: Company, Sharekhan estimates

About company

Tata Power is India's largest integrated private power company with presence in power generation (capacity of 16.7 GW), spanning across the entire power value chain - from renewable and conventional energy generation to transmission & distribution (largest private sector player with a customer base of 12.5 million), trading, storage solutions and solar cells and module manufacturing and Solar EPC (largest solar EPC player in India). Tata Power's clean energy capacity is 6,361MW, which constitutes 42% of its total capacity.

Investment theme

Tata Power's core earnings are resilient even in 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 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 RE portfolio and distribution business.
- ♦ Lower-than-expected profitability in Solar EPC business.

Additional Data

Key management personnel

Dr. Praveer Sinha	Managing Director and CEO
Mr. Sanjeev Churiwala	Chief Financial Officer
Mr. Vispi S. Patel	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	3.88
2	Nippon Life India Asset Management	2.08
3	Vanguard Group Inc/The	1.84
4	Blackrock Inc	1.63
5	Tata Steel Ltd	1.22
6	Quant Money Managers Ltd	1.06
7	Mirae Asset Financial Group	0.89
8	Franklin Resources Inc	0.8
9	Axis Asset Management Co Ltd/India	0.72
10	ICICI Prudential Asset Management	0.66

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
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.
Right Quality	
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 detoriating balance sheet
Right Valuation	
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: Mirae Asset Sharekhan Research

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