

November 07, 2012

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Rating	Accumulate
Price	Rs106
Target Price	Rs110
Implied Upside	3.8%
Sensex	18,817
Nifty	5,724

(Prices as on November 07, 2012)

Trading data

Market Cap. (Rs bn)	252.6
Shares o/s (m)	2,373.3
3M Avg. Daily value (Rs m)	450

Major shareholders

Promoters	31.75%
Foreign	23.45%
Domestic Inst.	25.07%
Public & Other	19.73%

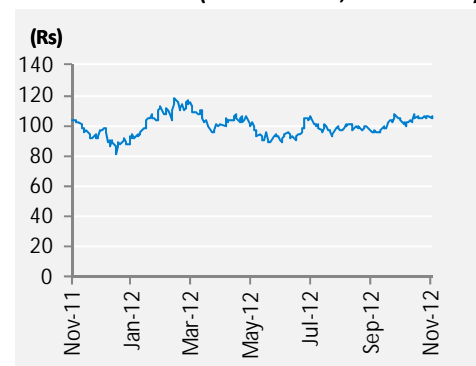
Stock Performance

(%)	1M	6M	12M
Absolute	2.4	6.4	3.0
Relative	3.0	(5.4)	(4.1)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	4.6	6.8	-32.7
2014	4.4	6.9	-35.6

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 11.6% YoY, along with a 13.3% generation growth. This was mainly on account of higher generation (in units) in Mumbai, in Jojobera plant at Jamshedpur and capacity addition of 144MWs of wind farms. Merchant sales were flat and realisations were up by 5% YoY, respectively. Coal sales for Q2FY13 stood at 15.4m tonnes, down by 9.4% YoY and 5.5% QoQ. Realizations stood at US\$78.4/tonne (down 6% QoQ and 17.5% YoY) and cash costs stood at US\$45/tonne (down 8.1% QoQ and 9.8% higher YoY). North Delhi Power (NDPL) reported PAT de-growth of 52% at Rs414m (on account of lower truing up) and power links reported 5% PAT de-growth YoY at Rs281m. Maithon reported a loss of Rs414m on account of lower generation. Coastal Gujarat Power (CGPL) reported a loss of Rs4.6bn on account of impairment and capitalisation. Thus, adjusting to the reversal and forex loss, adjusted PAT stands at R2bn, which is 51.3% down YoY.

■ **Updates:** TWPR has blended 50% Indocol in CGPL uptill H1FY13 for Unit 1&2, Unit 3 was commissioned in Q3FY13. CGPL fuel cost stands at Rs1.5/unit and realisations stood at Rs 2.6/unit. In Maithon, the units are commercially operational and 75% of the power is sold on PPA basis, however the PLF is lower on account of lower coal availability. Coal availability was lower as the railway line is able to handle coal requirement of 1000MWs. The PAF of Maithon was thus around 76% in Q2FY13. The company is now able to bring in 12000tonnes of coal per day through road transport which is sufficient to show a PAF of 82%. Mumbai Circle's receivables have increased on account of outstanding from BEST.

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Key financials (Y/e March)	2011	2012	2013E	2014E
Revenues (Rs m)	194,508	260,014	309,818	349,880
Growth (%)	2.4	33.7	19.2	12.9
EBITDA (Rs m)	45,964	53,253	60,556	72,315
PAT (Rs m)	19,396	11,007	10,865	10,471
EPS (Rs)	8.2	4.6	4.6	4.4
Growth (%)	20.6	(43.3)	(1.3)	(3.6)
Net DPS (Rs)	1.1	1.3	1.3	1.5

Profitability & Valuation	2011	2012	2013E	2014E
EBITDA margin (%)	23.6	20.5	19.5	20.7
RoE (%)	15.8	8.2	7.9	7.5
RoCE (%)	7.3	5.0	4.8	4.7
EV / sales (x)	2.5	2.1	1.9	1.8
EV / EBITDA (x)	10.4	10.3	9.8	8.9
PE (x)	13.0	23.0	23.3	24.1
P / BV (x)	1.9	1.9	1.8	1.8
Net dividend yield (%)	1.0	1.3	1.3	1.4

Source: Company Data; PL Research

- Valuation:** Coal prices have softened for CGPL, cash cost has come under control for Bumi which has made some impact on operating earnings. However availability of fuel and the pricing will remain the key factor going forward. At CMP, TWPR is trading at P/BV of 1.8x FY14E estimates on a consolidated basis. Tariff revision in UMPP and stability in Indonesian coal prices will be the near-term triggers. Maintain '**Accumulate**' on declines.

Exhibit 1: Q2FY13 Result Overview (Rs m)

Y/e March	Q2FY13	Q2FY12	YoY gr. (%)	Q1FY13	H1FY13	H1FY12	YoY gr. (%)
Revenues	76,495	62,483	22.4	71,976	148,471	120,532	23.2
Other Operating Income	503	339		563	1,066	536	98.8
Total Income	76,998	62,823	22.6	72,539	149,537	121,068	23.5
Total Expenditure	61,904	48,975	26.4	58,410	120,314	92,986	29.4
EBITDA	15,093	13,848	9.0	14,129	29,223	28,081	4.1
<i>Margin (%)</i>	<i>19.6</i>	<i>22.0</i>		<i>19.5</i>	<i>19.5</i>	<i>23.2</i>	
Depreciation	5,420	3,066	76.8	5,060	10,480	5,785	81.2
EBIT	9,673	10,781	(10.3)	9,070	18,743	22,296	(15.9)
Interest	6,229	3,313	88.0	5,481	11,710	5,942	97.1
Other Income	1,001	1,075	(6.9)	1,078	2,079	1,420	46.4
Operating Profit before Exceptional	4,445	8,543	(48.0)	4,667	9,111	17,774	NA
Forex Loss/Gain	(2,816)	(7,369)	NA	(452)	(3,269)	(6,470)	NA
PBT	1,628	(7,055)	NA	4,214	5,843	3,074	90.1
Tax	2,225	4,535	NA	2,263	4,488	9,624	(53.4)
<i>Tax Rate (%)</i>	<i>136.7</i>	<i>(64.3)</i>		<i>53.7</i>	<i>76.8</i>	<i>313.1</i>	
Reported PAT	(597)	(11,590)	NA	1,951	1,355	(6,550)	NA
Minority Interests	(241)	(283)		(492)	(733)	(1,019)	NA
PAT	(838)	(11,873)	NA	1,459	621	(7,569)	NA
Adjusted PAT	1,981	4,066	(51.3)	2,801	4,782	7,769	(38.4)

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2011	2012	2013E	2014E
Net Revenue	194,508	260,014	309,818	349,880
Raw Material Expenses	100,517	129,903	158,838	174,525
Gross Profit	93,991	130,111	150,980	175,355
Employee Cost	—	11,462	—	—
Other Expenses	48,027	65,396	90,424	103,040
EBITDA	45,964	53,253	60,556	72,315
Depr. & Amortization	9,802	13,346	20,452	28,523
Net Interest	8,684	15,271	20,123	23,412
Other Income	4,113	(19,563)	4,200	4,000
Profit before Tax	31,592	5,073	24,181	24,380
Total Tax	9,756	14,755	12,816	13,409
Profit after Tax	21,836	(9,683)	11,365	10,971
Ex-Od items / Min. Int.	2,423	(20,690)	500	500
Adj. PAT	19,396	11,007	10,865	10,471
Avg. Shares O/S (m)	2,373.3	2,373.3	2,373.3	2,373.3
EPS (Rs.)	8.2	4.6	4.6	4.4

Cash Flow Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
C/F from Operations	58,112	(10,448)	60,540	48,833
C/F from Investing	(78,341)	(192,534)	(116,644)	(203,840)
C/F from Financing	19,187	221,556	52,726	156,948
Inc. / Dec. in Cash	(1,041)	18,575	(3,378)	1,941
Opening Cash	23,108	22,066	37,441	34,063
Closing Cash	22,066	37,441	34,063	36,004
FCFF	16,028	(133,788)	(18,970)	(116,543)
FCFE	79,182	(50,400)	23,164	(60,119)

Key Financial Metrics

Y/e March	2011	2012	2013E	2014E
Growth				
Revenue (%)	2.4	33.7	19.2	12.9
EBITDA (%)	19.3	15.9	13.7	19.4
PAT (%)	20.6	(43.3)	(1.3)	(3.6)
EPS (%)	20.6	(43.3)	(1.3)	(3.6)
Profitability				
EBITDA Margin (%)	23.6	20.5	19.5	20.7
PAT Margin (%)	10.0	4.2	3.5	3.0
RoCE (%)	7.3	5.0	4.8	4.7
RoE (%)	15.8	8.2	7.9	7.5

Balance Sheet

Net Debt : Equity	1.7	2.2	2.5	2.8
Net Wrkng Cap. (days)	—	—	—	—

Valuation

PER (x)	13.0	23.0	23.3	24.1
P / B (x)	1.9	1.9	1.8	1.8
EV / EBITDA (x)	10.4	10.3	9.8	8.9
EV / Sales (x)	2.5	2.1	1.9	1.8

Earnings Quality

Eff. Tax Rate	30.9	290.9	53.0	55.0
Other Inc / PBT	13.0	(6.8)	17.4	16.4
Eff. Depr. Rate (%)	4.9	4.0	5.4	5.5
FCFE / PAT	408.2	(457.9)	213.2	(574.2)

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
Shareholder's Funds	131,036	136,038	138,352	139,920
Total Debt	247,624	331,012	373,146	429,570
Other Liabilities	29,125	33,213	37,734	41,604
Total Liabilities	407,785	500,263	549,232	611,094
Net Fixed Assets	313,844	352,194	422,212	468,693
Goodwill	42,281	48,444	35,232	34,125
Investments	28,410	34,229	32,415	31,425
Net Current Assets	15,842	59,464	56,373	73,851
<i>Cash & Equivalents</i>	<i>22,066</i>	<i>37,441</i>	<i>34,063</i>	<i>36,004</i>
<i>Other Current Assets</i>	<i>88,862</i>	<i>142,605</i>	<i>148,630</i>	<i>162,233</i>
<i>Current Liabilities</i>	<i>95,087</i>	<i>120,582</i>	<i>126,320</i>	<i>124,386</i>
Other Assets	7,409	5,932	3,000	3,000
Total Assets	407,785	500,263	549,232	611,094

Quarterly Financials (Rs m)

Y/e March	Q3FY12	Q4FY12	Q1FY13	Q2FY13
Net Revenue	66,599	72,348	72,539	76,998
EBITDA	10,029	14,600	14,129	15,093
<i>% of revenue</i>	<i>15.1</i>	<i>20.2</i>	<i>19.5</i>	<i>19.6</i>
Depr. & Amortization	3,469	4,093	5,060	5,420
Net Interest	4,213	4,566	5,481	6,229
Other Income	4,558	(1,070)	626	(1,816)
Profit before Tax	5,287	(3,278)	4,214	1,628
Total Tax	2,345	2,796	2,263	2,225
Profit after Tax	2,980	(6,287)	1,459	(838)
Adj. PAT	4,027	(613)	2,801	1,981

Key Operating Metrics

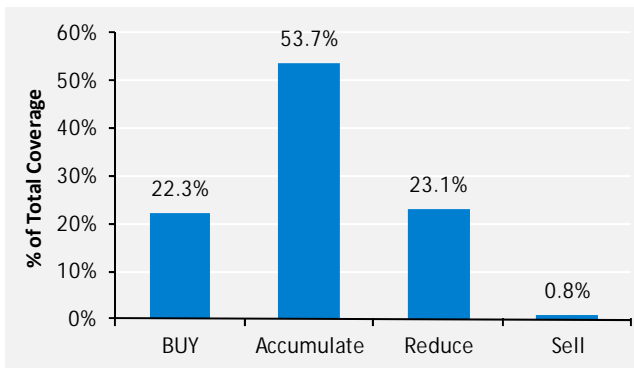
Y/e March	2011	2012	2013E	2014E
St. Units Sold (m units)	16,060	15,240	15,240	15,240
St. Units Generated (m units)	15,325	15,230	15,230	15,230
St. Avg Realisation Rs/pu	4.1	4.2	4.5	4.5
Coal Sales (MTPA)	58.8	65.0	71.5	78.7
Capacity Added (MWs)	150.0	1,350.0	1,600.0	2,100.0
Interest Rate (%)	3.5	4.6	5.4	5.5
Capex (Rs bn)	19.1	129.9	50.0	140.0
Other Income/PAT (%)	18.8	(66.4)	37.0	36.5
EBITDA Marg. (%)	23.6	17.7	19.5	20.7

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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