

# Tata Power

Estimate change

TP change

Rating change



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|                       |             |
|-----------------------|-------------|
| Bloomberg             | TPWR IN     |
| Equity Shares (m)     | 2,705       |
| M.Cap.(INRb)/(USD\$)  | 431.9 / 5.8 |
| 52-Week Range (INR)   | 137 / 49    |
| 1, 6, 12 Rel. Per (%) | 7/48/131    |
| 12M Avg Val (INR M)   | 4102        |

## Financials & Valuations (INR b)

| Y/E MARCH            | 2021  | 2022E | 2023E |
|----------------------|-------|-------|-------|
| Sales                | 324.7 | 441.5 | 468.2 |
| EBITDA               | 70.0  | 73.3  | 91.6  |
| Adj. PAT             | 12.5  | 17.6  | 22.2  |
| EBITDA Margin (%)    | 21.6  | 16.6  | 19.6  |
| Cons. Adj. EPS (INR) | 3.9   | 5.5   | 7.0   |
| EPS Gr. (%)          | 4.3   | 40.2  | 26.5  |
| BV/Sh. (INR)         | 65.2  | 68.4  | 73.3  |

## Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | 1.8  | 1.8  | 1.7  |
| RoE (%)    | 6.4  | 8.2  | 9.8  |
| RoCE (%)   | 5.8  | 5.8  | 7.5  |
| Payout (%) | 39.5 | 28.2 | 22.3 |

## Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 34.4 | 24.6 | 19.4 |
| P/BV (x)       | 2.1  | 2.0  | 1.8  |
| EV/EBITDA(x)   | 12.0 | 11.8 | 9.5  |
| Div. Yield (%) | 1.1  | 1.1  | 1.1  |
| FCF Yield (%)  | 14.0 | -0.5 | 10.3 |

## Shareholding pattern (%)

| As On    | Jun-21 | Mar-21 | Jun-20 |
|----------|--------|--------|--------|
| Promoter | 46.9   | 46.9   | 37.2   |
| DII      | 17.2   | 20.9   | 31.4   |
| FII      | 11.3   | 12.2   | 12.9   |
| Others   | 24.7   | 20.1   | 18.5   |

FII Includes depository receipts

**CMP: INR135**
**TP: INR156 (+15%)**
**Buy**

## Beat on better performance of Mundra-Coal JV hedge

### Renewables and EPC set to pick up; maintain Buy

- Tata Power (TPWR)'s results reflect a better-than-expected performance from the Mundra-Coal JV and a reduction in interest costs. Adj. PAT stood at INR4.3b and was significantly higher v/s our est. of INR3.6b.
- Divestment-related measures and infusion from the promoter have aided a debt reduction. Furthermore, the EPC and Renewables businesses are set to gain momentum, led by a healthy project pipeline. The possible benefit from the merger of Coastal Gujarat Power Ltd (CGPL) with itself presents an upside to profitability. We roll forward our valuation to Sep'23, with revised **TP of INR156/sh**. We maintain our Buy rating on the stock.

### Profits rise on better Mundra-Coal JV performance and lower interest costs

- Adj. PAT (from continuing ops) at INR4.3b (previous year: INR2.3b) was 19% ahead of our est. of INR3.6b. The beat on our estimates was led by a better performance from the Mundra-Coal JV hedge.
- Excluding INR3b in one-time benefits at Mundra, the **Mundra (EBITDA) and Coal JV (PAT)** came in at INR5b (v/s INR4.8b in 1QFY21) and above our est. of INR4.4b. This was attributable to Mundra performing better than our expectations – the company restricted generation, leading to lower under-recoveries on fuel.
- Solar EPC** revenues jumped ~5x YoY to INR19.5b on a strong order backlog and execution. Although, EBITDA margins stood at just 3%. Solar EPC EBITDA stood at INR 0.6b (v/s our est. of INR0.8b).
- Interest costs declined a sharp 13% YoY to INR9.5b (v/s our est. of INR9.2b).
- Odisha DISCOMs** reported net loss of INR0.2b.
- RE EBITDA (TPREL + Walwhan)** was higher at INR5.7b (v/s INR5.5b in the previous year), led by the transfer of S/A wind assets and offset by certain transfer charges for the same.
- Net debt has increased sequentially to INR395b in 1QY22 v/s INR381b at end-FY21.

### Management commentary highlights

- TPWR noted the monetization plan for its renewable assets is still in the works. The co. is in the process of understanding the best structure and has not decided to merge the Tata Power Solar business with S/A.
- The merger of CGPL with standalone is in the final stages of hearing; the co. expects to close the process soon.
- TPWR's Solar EPC business has been impacted by higher module prices for earlier orders where modules were yet to be purchased. However, the co. expects this to be a short-term phenomenon. New orders are factoring in higher prices, and it expects margins to improve.
- TPWR is partnering with Tata Projects to bid on good-quality greenfield projects within Power Transmission.

**EPC and Renewables to drive growth; maintain Buy**

- We expect Solar EPC to give a leg up in earnings for the next two years. Recent award wins, particularly from NTPC, have seen its EPC order book inflate to ~INR85b, thereby providing strong visibility. EBITDA from Solar EPC is expected to post a 30% CAGR to INR5.2b over FY21–23.
- This – coupled with the commissioning of renewable projects and the takeover of Odisha DISCOMs – should lead to a 33% PAT CAGR over FY21–23. Furthermore, the possible benefit from the merger of CGPL with itself provides an upside to profitability. We maintain Buy on Tata Power and raise our SOTP-based TP to INR156/sh (earlier: INR123/sh) – as we roll forward our valuations to Sep'23 and increase our valuation on the Renewables business to 9.5x EV/EBITDA (v/s 8.5x EV/EBITDA earlier), given the growth prospects and lower interest rates.

**Quarterly performance (consolidated) – INR b**

| Y/E March                    | FY21        |             |             |              | FY22E       |              |              |              | FY21         | FY22E        | FY22        | vs Est (%) |
|------------------------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|------------|
|                              | 1Q          | 2Q          | 3Q          | 4Q           | 1Q          | 2QE          | 3QE          | 4QE          |              |              | 1QE         |            |
| <b>Net Sales</b>             | <b>64.5</b> | <b>82.9</b> | <b>76.0</b> | <b>101.3</b> | <b>97.2</b> | <b>107.6</b> | <b>101.3</b> | <b>135.4</b> | <b>324.7</b> | <b>441.5</b> | <b>82.9</b> | <b>17</b>  |
| YoY Change (%)               | -15.4       | 8.0         | 7.5         | 51.8         | 50.6        | 29.8         | 33.3         | 33.7         | 11.4         | 36.0         | 28.5        |            |
| Total Expenditure            | 47.2        | 62.9        | 57.8        | 86.8         | 76.4        | 90.9         | 83.5         | 117.3        | 254.7        | 368.2        | 65.7        |            |
| <b>EBITDA</b>                | <b>17.3</b> | <b>20.0</b> | <b>18.2</b> | <b>14.5</b>  | <b>20.8</b> | <b>16.7</b>  | <b>17.8</b>  | <b>18.1</b>  | <b>70.0</b>  | <b>73.3</b>  | <b>17.2</b> | <b>21</b>  |
| Margins (%)                  | 26.8        | 24.1        | 24.0        | 14.3         | 21.4        | 15.5         | 17.6         | 13.3         | 21.6         | 16.6         | 20.7        |            |
| Depreciation                 | 6.4         | 7.0         | 7.4         | 6.6          | 7.5         | 7.6          | 8.0          | 6.7          | 27.4         | 29.7         | 7.0         | 7          |
| Interest                     | 10.9        | 10.6        | 9.7         | 8.9          | 9.5         | 9.6          | 9.9          | 9.9          | 40.1         | 39.0         | 9.2         | 3          |
| Other Income                 | 0.9         | 1.5         | 1.0         | 1.0          | 1.3         | 1.6          | 1.1          | 0.7          | 4.4          | 4.7          | 0.9         | 34         |
| Rate regulated activity      | 2.2         | 1.2         | 1.4         | 1.3          | -1.4        | 0.0          | 0.0          | 1.4          | 6.1          | 0.0          | 0.0         |            |
| <b>PBT before EO expense</b> | <b>3.0</b>  | <b>5.1</b>  | <b>3.6</b>  | <b>1.1</b>   | <b>3.7</b>  | <b>1.1</b>   | <b>1.0</b>   | <b>3.5</b>   | <b>12.9</b>  | <b>9.3</b>   | <b>2.0</b>  | <b>86</b>  |
| Extra-Ord expense            | 0.0         | 0.0         | -2.1        | 1.3          | -0.4        | 0.0          | 0.0          | 0.0          | -0.8         | -0.4         | 0.0         |            |
| <b>PBT</b>                   | <b>3.0</b>  | <b>5.1</b>  | <b>1.5</b>  | <b>2.5</b>   | <b>3.3</b>  | <b>1.1</b>   | <b>1.0</b>   | <b>3.5</b>   | <b>12.1</b>  | <b>8.9</b>   | <b>2.0</b>  | <b>65</b>  |
| Tax                          | 1.9         | 3.2         | 1.0         | 0.2          | 2.3         | 1.5          | 1.2          | 1.6          | 6.3          | 6.6          | 0.7         |            |
| Rate (%)                     | 62          | 62          | 67          | 9            | 70          | 133          | 120          | 47           | 52           | 74           | 35          |            |
| MI & P/L of Asso. Cos.       | 1.2         | 1.0         | 1.1         | 2.6          | 2.9         | 4.5          | 4.3          | 3.2          | 5.9          | 14.9         | 2.3         |            |
| <b>Reported PAT</b>          | <b>2.3</b>  | <b>3.0</b>  | <b>1.6</b>  | <b>4.8</b>   | <b>3.9</b>  | <b>4.1</b>   | <b>4.1</b>   | <b>5.1</b>   | <b>11.7</b>  | <b>17.2</b>  | <b>3.6</b>  | <b>7</b>   |
| <b>Adj PAT</b>               | <b>2.3</b>  | <b>3.0</b>  | <b>3.7</b>  | <b>3.5</b>   | <b>4.3</b>  | <b>4.1</b>   | <b>4.1</b>   | <b>5.1</b>   | <b>12.5</b>  | <b>17.6</b>  | <b>3.6</b>  | <b>19</b>  |

**Conference call takeaways**

- TPWR noted the monetization plan for its renewable assets is still in the works. The co. is in the process of understanding the best structure and has not decided to merge the Tata Power Solar business with S/A.
- The merger of CGPL with standalone is in the final stages of hearing; the co. expects to close the process soon.
- TPWR's Solar EPC business has been impacted by higher module prices for earlier orders where modules were yet to be purchased. However, the co. expects this to be a short-term phenomenon. New orders are factoring in higher prices, and it expects margins to improve.
- TPWR is partnering with Tata Projects to bid on good-quality greenfield projects within Power Transmission.
- Odisha DISCOMs have felt the impact of COVID and the cyclone. These have impacted the restoration of networks and collections. Technical losses, though, have been brought down close to the trajectory of the vesting order.

- The co. noted that while its PPA in Trombay is up to Mar'24, there is some consideration on having a large embedded generation in Mumbai. The co. is looking to extend its PPA for some more years until the embedded generation is enhanced.

**Exhibit 1: TWPR adj. PAT – INR m**

|                              | 1QFY21       | 4QFY21       | 1QFY22        |
|------------------------------|--------------|--------------|---------------|
| <b>a. Standalone</b>         | <b>677</b>   | <b>1,152</b> | <b>5,400</b>  |
| <b>b. Subsidiaries</b>       | <b>463</b>   | <b>-240</b>  | <b>-3,993</b> |
| Mundra                       | -1,550       | -2,770       | -1,470        |
| Maithon                      | 680          | 1,150        | 790           |
| Delhi                        | 1,190        | 1,210        | 1,230         |
| Trading                      | 80           | 70           | 130           |
| Solar Manuf                  | -260         | 1,360        | 220           |
| RE                           | 1,230        | 930          | 1,470         |
| Logistics                    | 650          | 340          | 100           |
| Others                       | -1,557       | -2,530       | -6,463        |
| <b>c. Minority interest</b>  | <b>-615</b>  | <b>-883</b>  | <b>-747</b>   |
| <b>d. JVs and associates</b> | <b>1,769</b> | <b>3,483</b> | <b>3,660</b>  |
| Coal mining                  | 850          | 1,750        | 2,790         |
| Infra                        | 530          | 480          | 400           |
| Powerlink                    | 120          | 150          | 100           |
| IEL                          | 230          | 210          | 240           |
| Others                       | 39           | 893          | 130           |
| <b>Adj. reported PAT</b>     | <b>2,294</b> | <b>3,512</b> | <b>4,320</b>  |

Source: MOFSL, Company

**Exhibit 2: CGPL**

|                   |         | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 |
|-------------------|---------|--------|--------|--------|--------|--------|
| Revenues          | INR m   | 17,420 | 19,020 | 16,920 | 16,530 | 7,240  |
| per unit          | INR/kwh | 2.97   | 2.84   | 2.89   | 2.69   | 4.55   |
| EBITDA            | INR m   | 2,730  | 3,120  | 3,020  | 380    | 1,690  |
| PAT               | INR m   | -1,550 | -1,100 | -950   | -2,770 | -1,470 |
| Generation        | MU      | 6,350  | 7,256  | 6,330  | 6,635  | 1,757  |
| Sales             | MU      | 5,857  | 6,696  | 5,848  | 6,134  | 1,590  |
| Availability      | %       | 78     | 89     | 75     | 79     | 20     |
| FoB price of coal | USD/t   | 48     | 43     | 43     | 55     | 64     |
| Revenue           | INR/kWh | 2.97   | 2.84   | 2.89   | 2.70   | 4.63   |
| Under recovery    | INR/kWh | -0.46  | -0.30  | -0.32  | -0.74  | -1.20  |

Note: 1QFY22 excludes one-time benefits of INR 3b at Mundra

Source: MOFSL, Company

**Exhibit 3: CGPL (Mundra) + Coal assets – INR m**

|                    | 1QFY21       | 2QFY21       | 3QFY21       | 4QFY21       | 1QFY22       |
|--------------------|--------------|--------------|--------------|--------------|--------------|
| Mundra EBITDA      | 2,730        | 3,120        | 3,020        | 380          | 1,690        |
| Coal companies PAT | 2,030        | 1,880        | 1,650        | 2,570        | 3,290        |
| Mining             | 850          | 470          | 230          | 1,750        | 2,790        |
| Infra              | 530          | 360          | 590          | 480          | 400          |
| Logistics          | 650          | 1,050        | 830          | 340          | 100          |
| <b>Mundra+Coal</b> | <b>4,760</b> | <b>5,000</b> | <b>4,670</b> | <b>2,950</b> | <b>4,980</b> |

Note: 1QFY22 excludes one-time benefits of INR 3b at Mundra

Source: MOFSL, Company

**Exhibit 4: Maithon Power**

|              |         | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 |
|--------------|---------|--------|--------|--------|--------|--------|
| Revenues     | INR m   | 6,380  | 6,440  | 6,610  | 5,610  | 7,040  |
| per unit     | INR/kwh | 4.52   | 4.28   | 3.99   | 4.00   | 3.83   |
| EBITDA       | INR m   | 1,860  | 1,790  | 1,740  | 1,600  | 1,900  |
| PAT          | INR m   | 680    | 640    | 640    | 1,150  | 790    |
| Generation   | MU      | 1,557  | 1,575  | 1,760  | 1,491  | 2,027  |
| Sales        | MU      | 1,412  | 1,503  | 1,655  | 1,404  | 1,839  |
| Availability | %       | 96     | 98     | 92     | 70     | 97     |

Source: MOFSL, Company

**Exhibit 5: Renewables (ex-standalone)**

|                           |         | 1QFY21       | 2QFY21       | 3QFY21       | 4QFY21       | 1QFY22       |
|---------------------------|---------|--------------|--------------|--------------|--------------|--------------|
| <b>TPREPL (Renewable)</b> |         |              |              |              |              |              |
| Revenues                  | INR m   | 2,600        | 2,390        | 2,160        | 2,450        | 3,110        |
|                           | INR/kwh | 4.3          | 4.5          | 4.3          | 4.4          | 4.1          |
| EBITDA                    | INR m   | 2,320        | 2,070        | 2,050        | 2,050        | 2,510        |
|                           | INR/kwh | 3.9          | 3.9          | 4.1          | 3.7          | 3.3          |
| PAT                       | INR m   | 150          | -40          | 50           | 50           | 240          |
| Operating capacity        | MW      | 1136         | 1139         | 1139         | 1146         | 1398         |
| Generation                | MU      | 606          | 547          | 506          | 569          | 774          |
| Sales                     | MU      | 598          | 537          | 500          | 561          | 761          |
| <b>WREPL (Renewable)</b>  |         |              |              |              |              |              |
| Revenues                  | INR m   | 3,310        | 2,710        | 2,740        | 3,130        | 3,340        |
|                           | INR/kwh | 7.2          | 7.2          | 7.2          | 7.2          | 7.2          |
| EBITDA                    | INR m   | 3,140        | 2,490        | 2,530        | 2,770        | 3,170        |
| PAT                       | INR m   | 1,080        | 600          | 650          | 880          | 1,230        |
| Capacity                  | MW      | <b>1,010</b> | <b>1,010</b> | <b>1,010</b> | <b>1,010</b> | <b>1,010</b> |
| Wind                      | MW      | 146          | 146          | 146          | 146          | 146          |
| Solar                     | MW      | 864          | 864          | 864          | 864          | 864          |
| Generation                | MU      | 464          | 381          | 381          | 435          | 466          |
| Sales                     | MU      | 461          | 379          | 379          | 432          | 462          |
| <b>Consolidated</b>       |         |              |              |              |              |              |
| Capacity                  | MW      | 2,146        | 2,149        | 2,149        | 2,156        | 2,408        |
| Generation                | MU      | 1,062        | 918          | 881          | 996          | 1,227        |
| Avg. PLF                  | %       | 22.6         | 19.5         | 18.7         | 21.1         | 24.6         |
| Revenues                  | INR m   | 5,910        | 5,100        | 4,900        | 5,580        | 6,450        |
| Inter-company             | INR m   | 0            | 0            | 0            | 0            | 0            |
| EBITDA (ex-ic)            | INR m   | 5,460        | 4,560        | 4,580        | 4,820        | 5,680        |
| PAT (ex-ic)               | INR m   | 1,230        | 560          | 700          | 930          | 1,470        |

Source: MOFSL, Company

**Exhibit 6: Delhi distribution**

|                   |       | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | 1QFY22 |
|-------------------|-------|--------|--------|--------|--------|--------|
| Revenues          | INR m | 17,020 | 21,460 | 17,540 | 16,980 | 16,990 |
| EBITDA            | INR m | 3,590  | 3,600  | 2,840  | 2,520  | 3,510  |
| PAT               | INR m | 1,190  | 1,160  | 1,140  | 1,210  | 1,230  |
| Regulated equity  | INR m | 16,170 | 16,240 | 16,330 | 16,790 | 17,480 |
| Regulatory assets | INR m | 54,230 | 54,060 | 55,150 | 55,120 | 56,200 |

Source: MOFSL, Company

### Valuation and view

- We expect Solar EPC to give a leg up in earnings for the next two years. Recent award wins, particularly from NTPC, have seen its EPC order book inflate to ~INR85b, thereby providing strong visibility. EBITDA from Solar EPC is expected to post a 30% CAGR to INR5.2b over FY21–23.
- This – coupled with the commissioning of renewable projects and the takeover of Odisha DISCOMs – should lead to a 33% PAT CAGR over FY21–23. Furthermore, the possible benefit from the merger of CGPL with itself provides an upside to profitability. We maintain Buy on Tata Power and raise our SOTP-based TP to INR156/sh (earlier: INR123/sh) – as we roll forward our valuations to Sep'23 and increase our valuation on the Renewables business to 9.5x EV/EBITDA (v/s 8.5x EV/EBITDA earlier), given the growth prospects and lower interest rates.

### Exhibit 7: Segment-wise breakup of profitability

| INR m   | FY18          | FY19          | FY20          | FY21          | FY22E         | FY23E         |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Regulated EBIT</b>   | <b>28,223</b> | <b>27,504</b> | <b>31,131</b> | <b>26,685</b> | <b>28,117</b> | <b>27,412</b> |
| Standalone  | 16,948        | 14,681        | 16,060        | 14,477        | 15,198        | 14,983        |
| Delhi   | 7,198         | 7,838         | 8,857         | 7,854         | 7,800         | 7,672         |
| Maithon   | 4,077         | 4,985         | 6,214         | 4,354         | 5,119         | 4,757         |
| <b>Mundra + coal JVs</b>  | <b>10,406</b> | <b>5,047</b>  | <b>12,311</b> | <b>12,807</b> | <b>12,284</b> | <b>12,227</b> |
| Mundra EBIT   | -6,155        | -7,142        | 2,689         | 3,364         | -6,230        | 1,104         |
| Trust Energy  | 2,250         | 1,937         | 3,207         | 4,130         | 3,785         | 3,861         |
| Coal mining PAT   | 14,311        | 10,252        | 6,415         | 5,313         | 14,729        | 7,262         |
| <b>RE EBIT</b>  | <b>10,317</b> | <b>12,384</b> | <b>12,206</b> | <b>12,033</b> | <b>13,793</b> | <b>17,123</b> |
| <b>Others EBIT</b>  | <b>2,083</b>  | <b>4,829</b>  | <b>5,296</b>  | <b>6,166</b>  | <b>7,780</b>  | <b>13,776</b> |
| Solar Manu  | 1,858         | 1,353         | 1,711         | 3,060         | 3,845         | 4,900         |
| Trading   | 344           | 638           | 547           | 485           | 511           | 539           |
| Odisha DISCOMs  |               |               |               | -483          | 426           | 5,094         |
| Other JVs & assoc. PAT  | -119          | 2,838         | 3,039         | 3,105         | 2,998         | 3,244         |
| <b>Consolidated EBIT (incl. JVs)</b>                            | <b>51,029</b> | <b>49,764</b> | <b>60,944</b> | <b>57,692</b> | <b>61,973</b> | <b>70,538</b> |
| Finance cost  | 37,230        | 41,700        | 44,937        | 40,104        | 38,967        | 40,388        |
| <b>Consolidated PBT (pre-ex. &amp; Other income, incl. JVs)</b> | <b>13,799</b> | <b>8,064</b>  | <b>16,007</b> | <b>17,588</b> | <b>23,006</b> | <b>30,150</b> |
| Tax   | 1,643         | 6,561         | 8,253         | 6,329         | 6,631         | 7,948         |
| Minority  | 2,026         | 2,495         | 2,991         | 3,113         | 3,495         | 4,792         |
| Other income  | 4,327         | 3,958         | 5,626         | 4,392         | 4,701         | 4,828         |
| Rate regulated previous year                                    | 0             | 2,743         | -213          | 0             | 0             | 0             |
| <b>Consolidated PAT (incl. JVs)</b>                             | <b>14,458</b> | <b>5,710</b>  | <b>10,177</b> | <b>12,539</b> | <b>17,582</b> | <b>22,239</b> |

Source: MOFSL, Company

**Exhibit 8: SOTP valuation based on Sep'23E**

|                         | Reg. Eq. | P/BV | EBITDA        | Equity Value | TPWR's share |              | Reg. Debt | Enterprise Value (EV) | Remarks             |
|-------------------------|----------|------|---------------|--------------|--------------|--------------|-----------|-----------------------|---------------------|
|                         | (a)      | (b)  |               | d=axb        | (%)          | Eq. Val. (e) | (f)       | (e+f)                 |                     |
| Mumbai & Jojobera (S/A) | 47,762   | 2.2  | 16,618        | 1,05,303     | 100          | 1,05,303     | 34,762    | 1,40,065              | ❖ RoE = 18%, g = 4% |
| Delhi                   | 16,618   | 1.9  | 7,498         | 31,404       | 51           | 16,016       | 36,442    | 52,458                | ❖ RoE = 16%, g = 4% |
| Maithon                 | 15,182   | 1.6  | 11,576        | 24,937       | 74           | 18,453       | 11,585    | 30,039                | ❖ RoE = 17%, g=0    |
| Orissa                  |          |      | 9,538         |              |              | 32,001       | 21,812    | 53,813                | ❖ DCF based         |
| Subtotal (A)            |          |      | <b>45,230</b> |              |              |              |           | <b>2,76,374</b>       | ❖ Ke=11.3%          |

**CGPL (Mundra) and coal JVs**

|                               | EV/EBITDA(x) | EBITDA        | EV              | Assumptions           |
|-------------------------------|--------------|---------------|-----------------|-----------------------|
|                               | (g)          | (h)           | (g x h)         |                       |
| DCF value of fixed charges    |              | 18,944        | 1,21,864        | ❖ no under recoveries |
| Under recoveries in Var. cost | 8            | -12,108       | -90,807         |                       |
| PAT from coal JVs             | 10           | 7,239         | 72,388          |                       |
| Subtotal (B)                  |              | <b>14,076</b> | <b>1,03,445</b> |                       |

**Other businesses**

|                             | EV/EBITDA(x) | EBITDA        | EV              | Assumptions |
|-----------------------------|--------------|---------------|-----------------|-------------|
|                             | (j)          | (k)           | (j x k)         |             |
| Renewables                  | 9.5          | 27,946        | 2,65,491        |             |
| Haldia, trading etc.        | 8.0          | 16,892        | 1,35,140        |             |
| PAT of other JVs and assoc. | 16.0         | 4,143         | 66,288          |             |
| Subtotal (C)                |              | <b>44,839</b> | <b>4,66,920</b> |             |

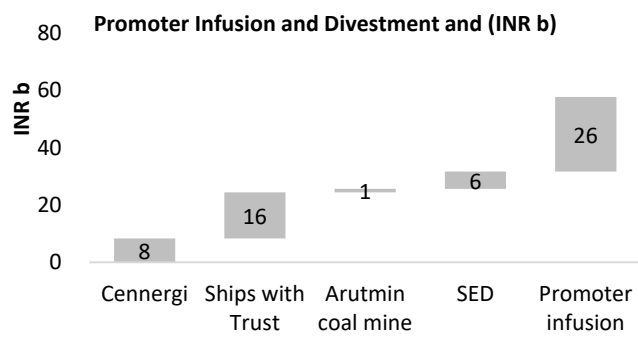
**Consolidated**

|                                 |     |        |                 |                       |
|---------------------------------|-----|--------|-----------------|-----------------------|
| Consolidated EV (A+B+C)         |     | 96,906 | 8,46,739        |                       |
| Less: Debt                      |     |        | -4,01,457       |                       |
| Assets held for sale            |     |        |                 |                       |
| Zambia and Vikhroli trans       | 1.0 | x BV   | 6,200           |                       |
| Others                          | 1.0 | x BV   | 15,997          |                       |
| Investment unquoted             | 1.0 |        | 3,977           | ❖ at book value       |
| Investment quoted               | 0.8 |        | 1,108           | ❖ 20% discount to MTM |
| Efficiency savings              | 9   | x      | 25,200          |                       |
| Net Equity value                |     |        | <b>4,97,764</b> |                       |
| No. of shares                   |     |        | 3,196           |                       |
| <b>Target Price (INR/share)</b> |     |        | <b>156</b>      |                       |

Source: MOFSL, Company

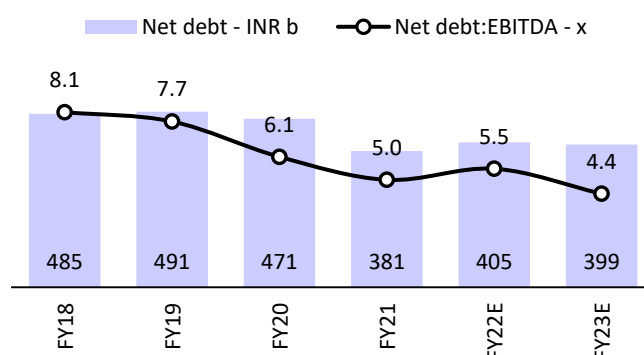
## Story in charts

**Exhibit 9: Recent asset monetization measures...**



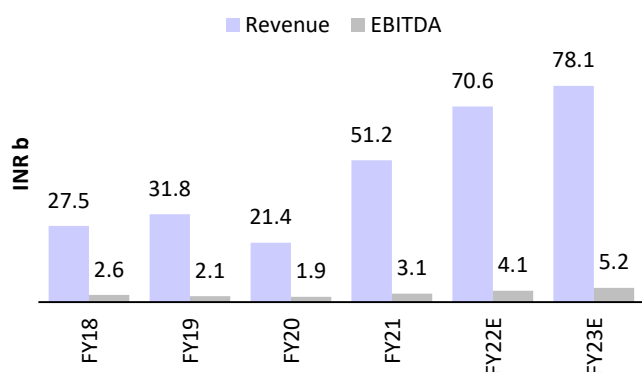
Source: MOFSL, Company

**Exhibit 10: ...aid debt reduction & keep debt levels in check**



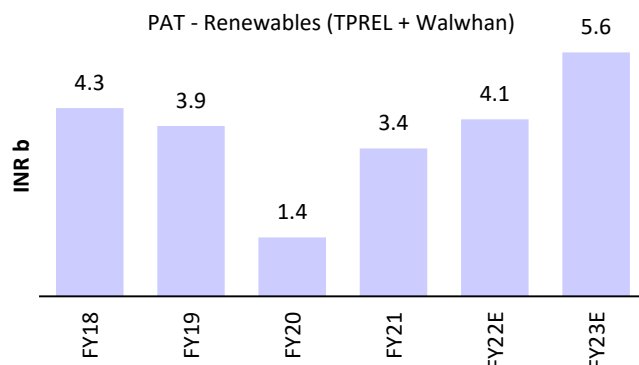
Source: MOFSL, Company

**Exhibit 11: We expect Solar EPC execution to pick up given strong order backlog...**



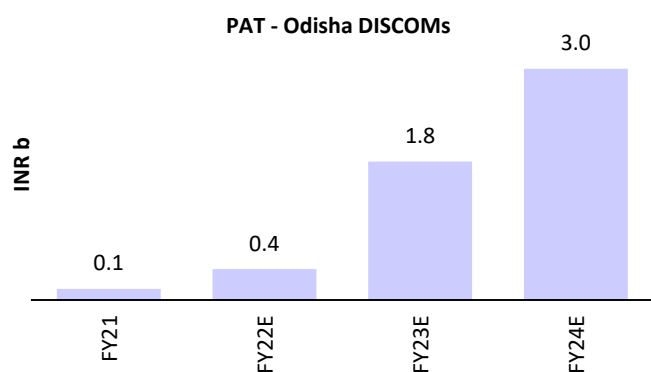
Source: MOFSL, Company

**Exhibit 12: ...and renewables profitability to rise as new projects get commissioned**



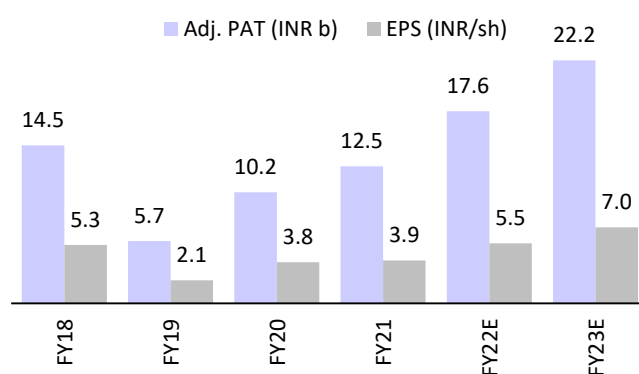
Source: MOFSL, Company

**Exhibit 13: Expect takeover of Odisha DISCOMs to add to profitability**



Source: MOFSL, Company

**Exhibit 14: Overall, we expect 33% PAT CAGR over FY21-23**



Source: MOFSL, Company

## Financials and valuations

| Income statement       |          |          |          |          |          |          | (INR m)  |
|------------------------|----------|----------|----------|----------|----------|----------|----------|
| Y/E March              | 2018     | 2019     | 2020     | 2021     | 2022E    | 2023E    | 2024E    |
| Net Sales              | 2,93,312 | 2,95,586 | 2,91,364 | 3,24,681 | 4,41,500 | 4,68,232 | 5,04,378 |
| Change (%)             | 5.1      | 0.8      | -1.4     | 11.4     | 36.0     | 6.1      | 7.7      |
| Total Expenses         | 2,29,743 | 2,31,359 | 2,11,936 | 2,54,694 | 3,68,198 | 3,76,621 | 4,02,178 |
| EBITDA                 | 63,570   | 64,227   | 79,428   | 69,987   | 73,302   | 91,611   | 1,02,200 |
| % of Net Sales         | 21.7     | 21.7     | 27.3     | 21.6     | 16.6     | 19.6     | 20.3     |
| Depn. & Amortization   | 23,981   | 23,931   | 26,336   | 27,449   | 29,688   | 32,253   | 34,897   |
| EBIT                   | 39,589   | 40,296   | 53,093   | 42,537   | 43,614   | 59,358   | 67,302   |
| Net Interest           | 37,230   | 41,700   | 44,937   | 40,104   | 38,967   | 40,388   | 41,952   |
| Other income           | 4,327    | 3,958    | 5,626    | 4,392    | 4,701    | 4,828    | 4,897    |
| PBT before EO          | 6,686    | 2,554    | 13,781   | 6,826    | 9,349    | 23,799   | 30,248   |
| Regulatory inc./ (exp) | -4,099   | -659     | -1,887   | 6,110    | 0        | 0        | 0        |
| EO expense (inc.)      | -10,308  | -16,200  | -4,099   | 803      | 410      | 0        | 0        |
| PBT after EO           | 12,895   | 18,095   | 15,994   | 12,133   | 8,939    | 23,799   | 30,248   |
| Tax                    | 1,643    | 6,561    | 8,253    | 6,329    | 6,631    | 7,948    | 9,420    |
| Rate (%)               | 12.7     | 36.3     | 51.6     | 52.2     | 74.2     | 33.4     | 31.1     |
| Reported PAT           | 11,252   | 11,534   | 7,741    | 5,805    | 2,308    | 15,851   | 20,828   |
| Minority, JVs & Asso.  | 13,514   | 10,376   | 6,535    | 5,931    | 14,864   | 6,388    | 5,664    |
| Adjusted PAT           | 14,458   | 5,710    | 10,177   | 12,539   | 17,582   | 22,239   | 26,492   |
| Change (%)             | 3.5      | -60.5    | 78.2     | 23.2     | 40.2     | 26.5     | 19.1     |

| Balance sheet           |          |          |          |          |          |          | (INR m)  |
|-------------------------|----------|----------|----------|----------|----------|----------|----------|
| Y/E March               | 2018     | 2019     | 2020     | 2021     | 2022E    | 2023E    | 2024E    |
| Share Capital           | 2,705    | 2,705    | 2,705    | 3,196    | 3,196    | 3,196    | 3,196    |
| Reserves                | 1,49,897 | 1,64,507 | 1,77,955 | 2,05,027 | 2,15,535 | 2,31,111 | 2,50,940 |
| Net Worth               | 1,52,602 | 1,67,212 | 1,80,660 | 2,08,223 | 2,18,731 | 2,34,307 | 2,54,136 |
| Minority Interest       | 20,153   | 21,667   | 23,320   | 29,273   | 31,535   | 35,094   | 39,780   |
| Total Loans             | 5,00,892 | 5,00,060 | 4,98,759 | 4,46,709 | 4,73,366 | 4,89,144 | 5,12,601 |
| Deferred Tax Liability  | 5,166    | 10,568   | 11,740   | 9,762    | 9,762    | 9,762    | 9,762    |
| Capital Employed        | 6,78,813 | 6,99,507 | 7,14,480 | 6,93,966 | 7,33,393 | 7,68,306 | 8,16,278 |
| Gross Block             | 6,04,390 | 5,99,714 | 6,54,228 | 7,20,711 | 7,89,509 | 8,53,059 | 9,23,830 |
| Less: Accum. Deprn.     | 1,55,993 | 1,73,081 | 1,93,980 | 2,19,764 | 2,49,952 | 2,82,205 | 3,17,102 |
| Net Fixed Assets        | 4,48,398 | 4,26,633 | 4,60,248 | 5,00,947 | 5,39,557 | 5,70,854 | 6,06,728 |
| Capital WIP             | 16,526   | 25,757   | 16,115   | 35,998   | 33,198   | 32,598   | 27,198   |
| Goodwill                | 16,416   | 16,416   | 16,416   | 17,946   | 17,946   | 17,946   | 17,946   |
| Investments             | 1,19,928 | 1,28,511 | 1,38,353 | 1,26,495 | 1,28,923 | 1,32,055 | 1,35,640 |
| Curr. Assets            | 2,27,068 | 2,34,378 | 2,55,724 | 3,05,729 | 3,09,527 | 3,12,640 | 3,31,947 |
| Inventories             | 16,231   | 17,064   | 17,524   | 18,848   | 18,591   | 18,924   | 19,301   |
| Account Receivables     | 27,889   | 44,453   | 44,259   | 50,010   | 56,994   | 42,824   | 47,808   |
| Cash and Bank Balance   | 16,219   | 9,544    | 27,937   | 66,122   | 68,744   | 90,193   | 1,08,639 |
| Others                  | 1,66,729 | 1,63,317 | 1,66,005 | 1,70,749 | 1,65,199 | 1,60,699 | 1,56,199 |
| Curr. Liability & Prov. | 1,49,522 | 1,32,189 | 1,72,376 | 2,93,148 | 2,96,258 | 2,98,287 | 3,03,679 |
| Account Payables        | 56,098   | 54,815   | 50,954   | 71,201   | 65,811   | 67,839   | 73,232   |
| Provisions & Others     | 93,424   | 77,374   | 1,21,422 | 2,21,948 | 2,30,448 | 2,30,448 | 2,30,448 |
| Net Curr. Assets        | 77,546   | 1,02,190 | 83,348   | 12,580   | 13,269   | 14,353   | 28,267   |
| Appl. of Funds          | 6,78,813 | 6,99,507 | 7,14,480 | 6,93,966 | 7,32,893 | 7,67,806 | 8,15,778 |



## Financials and valuations

### Ratios

| Y/E March                     | 2018       | 2019       | 2020       | 2021       | 2022E      | 2023E      | 2024E      |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Basic (INR)</b>            |            |            |            |            |            |            |            |
| <b>EPS</b>                    | <b>5.3</b> | <b>2.1</b> | <b>3.8</b> | <b>3.9</b> | <b>5.5</b> | <b>7.0</b> | <b>8.3</b> |
| Cash EPS                      | 14.2       | 11.0       | 13.5       | 12.5       | 14.8       | 17.1       | 19.2       |
| BV/Share                      | 56.4       | 61.8       | 66.8       | 65.2       | 68.4       | 73.3       | 79.5       |
| DPS                           | 1.3        | 1.3        | 1.6        | 1.6        | 1.6        | 1.6        | 1.6        |
| Payout (%)                    | 24.3       | 61.6       | 41.2       | 39.5       | 28.2       | 22.3       | 18.7       |
| <b>Valuation (x)</b>          |            |            |            |            |            |            |            |
| P/E                           | 25.3       | 64.0       | 35.9       | 34.4       | 24.6       | 19.4       | 16.3       |
| Cash P/E                      | 9.5        | 12.3       | 10.0       | 10.8       | 9.1        | 7.9        | 7.0        |
| P/BV                          | 2.4        | 2.2        | 2.0        | 2.1        | 2.0        | 1.8        | 1.7        |
| EV/EBITDA                     | 13.7       | 13.7       | 10.8       | 12.0       | 11.8       | 9.5        | 8.6        |
| Dividend Yield (%)            | 1.0        | 1.0        | 1.1        | 1.1        | 1.1        | 1.1        | 1.1        |
| FCF (pre-int) to EV yield (%) | 4.3        | 1.5        | 8.2        | 8.3        | 2.0        | 5.6        | 4.5        |
| <b>Return Ratios (%)</b>      |            |            |            |            |            |            |            |
| RoE                           | 10.7       | 3.6        | 5.9        | 6.4        | 8.2        | 9.8        | 10.8       |
| RoCE (post-tax)               | 6.3        | 5.5        | 7.1        | 5.8        | 5.8        | 7.5        | 7.9        |
| RoIC (post-tax)               | 6.9        | 5.0        | 5.0        | 4.2        | 2.4        | 8.1        | 9.1        |
| <b>Working Capital Ratios</b> |            |            |            |            |            |            |            |
| Fixed Asset Turnover (x)      | 0.7        | 0.7        | 0.6        | 0.6        | 0.8        | 0.8        | 0.8        |
| Asset Turnover (x)            | 0.4        | 0.4        | 0.4        | 0.5        | 0.6        | 0.6        | 0.6        |
| Debtor (Days)                 | 35         | 55         | 55         | 56         | 47         | 33         | 35         |
| Inventory (Days)              | 20         | 21         | 22         | 21         | 15         | 15         | 14         |
| <b>Leverage Ratio (x)</b>     |            |            |            |            |            |            |            |
| Net Debt/EBITDA               | 7.6        | 7.6        | 5.9        | 5.4        | 5.5        | 4.4        | 4.0        |
| Debt/Equity                   | 2.8        | 2.6        | 2.3        | 1.6        | 1.6        | 1.5        | 1.4        |

### Cash flow statement

| Y/E March                           | 2018           | 2019           | 2020           | 2021           | 2022E          | 2023E          | 2024E          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>(INR m)</b>                      |                |                |                |                |                |                |                |
| <b>EBITDA</b>                       | <b>59,471</b>  | <b>63,568</b>  | <b>77,541</b>  | <b>76,097</b>  | <b>73,302</b>  | <b>91,611</b>  | <b>102,200</b> |
| FX gain/loss                        |                |                |                |                |                |                |                |
| WC                                  | 9,584          | -13,234        | 6,743          | 12,544         | -2,617         | 16,864         | 1,032          |
| Others                              | 602            | 462            | -4,440         | 409            | 0              | 0              | 0              |
| Direct taxes (net)                  | -6,019         | -5,058         | -6,091         | -4,470         | -6,631         | -7,948         | -9,420         |
| <b>CF from Op. Activity</b>         | <b>63,639</b>  | <b>45,738</b>  | <b>73,753</b>  | <b>84,580</b>  | <b>64,055</b>  | <b>100,528</b> | <b>93,812</b>  |
| Capex                               | -35,604        | -35,762        | -22,258        | -33,358        | -65,998        | -62,950        | -65,371        |
| <b>FCF</b>                          | <b>28,035</b>  | <b>9,976</b>   | <b>51,495</b>  | <b>51,222</b>  | <b>-1,943</b>  | <b>37,578</b>  | <b>28,441</b>  |
| Int & div income                    | 11,256         | 4,480          | 20,595         | 20,072         | 20,631         | 12,876         | 12,897         |
| Investments(subs/JVs)               | 1,505          | 24,592         | -374           | 7,641          | 0              | 0              | 0              |
| Others                              | 2,165          | -5,546         | -3,392         | 35,280         | 4,140          | 3,500          | 3,500          |
| <b>CF from Inv. Activity</b>        | <b>-20,677</b> | <b>-12,236</b> | <b>-5,429</b>  | <b>29,634</b>  | <b>-41,227</b> | <b>-46,573</b> | <b>-48,974</b> |
| Share capital                       | 2              | 0              | 201            | 29,961         | 0              | 0              | 0              |
| Borrowings                          | 4,370          | -6,416         | -1,070         | -59,734        | 26,657         | 15,778         | 23,456         |
| Finance cost                        | -45,704        | -39,761        | -40,025        | -37,314        | -38,967        | -40,388        | -41,952        |
| Dividend                            | -5,067         | -4,927         | -5,992         | -5,263         | -6,186         | -6,186         | -6,186         |
| Others                              | -864           | 10,928         | -3,045         | -3,679         | -1,710         | -1,710         | -1,710         |
| <b>CF from Fin. Activity</b>        | <b>-47,263</b> | <b>-40,177</b> | <b>-49,932</b> | <b>-76,029</b> | <b>-20,207</b> | <b>-32,505</b> | <b>-26,392</b> |
| <b>(Inc)/Dec in Cash</b>            | <b>-4,301</b>  | <b>-6,675</b>  | <b>18,392</b>  | <b>38,185</b>  | <b>2,622</b>   | <b>21,449</b>  | <b>18,446</b>  |
| Opening balance                     | 20,521         | 16,219         | 9,544          | 27,937         | 66,122         | 68,744         | 90,193         |
| <b>Closing balance (as per B/S)</b> | <b>16,219</b>  | <b>9,544</b>   | <b>27,937</b>  | <b>66,122</b>  | <b>68,744</b>  | <b>90,193</b>  | <b>108,639</b> |

NOTES

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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