Q4FY10 & FY10 Result Update

June 10, 2010

Stock	Industry	CMP	Recommended action	E ntry Price Band	Target	Time horizon
Tata Power	Power & Commodity	Rs. 1,213.4	Buy on declines	Rs. 1,130-1,150	Rs. 1,320	1-2 quarters

Tata Power Company Ltd (TPC) is India's largest private sector, integrated utility company. TPC has an installed power generating capacity of about 2,977 MW. The Mumbai power business has a unique mix of thermal and hydropower. Also, through its subsidiaries and joint ventures, TPC has a presence in power transmission, distribution and trading. In June 2007, TPC acquired a 30% stake in the KPC and Arutmin mines of Bumi Resources and is thus focusing on backward integration and fuel security.

TPC recently came out with its Q4FY10 & FY10 results and we present an update post the Q4FY10 conference call. On a consolidated basis, TPC reported total income of Rs. 19,574.7 cr in FY10, up 5.1% y-o-y, operating margins of 20.2% as against 19.6% in FY09 and a PAT of Rs. 1,966.8 cr, up 61.4% y-o-y. The year contained a number of one off items, which have been discussed later.

On a standalone basis, TPC reported FY10 total revenue of Rs. 7,379.9 cr, down 6.2% y-o-y due to lower fuel costs, EBIDTA margins of 24% as against 13.5% in FY09 and a PAT of Rs. 938.8 cr, up 1.8% y-o-y. Reported PAT includes forex gains of Rs. 52 cr (Rs. 144 cr in FY09). PAT for FY09 also included extraordinary income of Rs. 255.8 cr (arising out of sale of long term investments) compared to Rs. 252.4 cr (pursuant to regulatory orders) included in revenue this year.

Key Highlights of the Results - Standalone

Rs . In cr	Q4FY10	Q4FY09	% Chg	Q3FY10	% Chg q-o-q	FY10	FY09	% Chg
Net Sales	1717.8	1416.6	21.3%	1527.8	12.4%	6893.5	7071.5	-2.5%
Other Income	130.6	368.3	-64.6%	83.9	55.7%	486.4	797.1	-39.0%
Total Income	1848.4	1785.0	3.6%	1611.7	14.7%	7379.9	7868.6	-6.2%
Total Expenditure	1345.9	1180.8	14.0%	1202.5	11.9%	5236.0	6117.3	-14.4%
Staff cost	63.7	76.1	-16.3%	79.6	-20.0%	305.3	291.9	4.6%
Other expenditure	190.9	164.5	16.1%	135.1	41.4%	591.3	480.1	23.2%
Cost of components, materials	24.7	14.1	75.6%	7.5	227.7%	42.2	38.3	10.0%
Cost of fuel	921.0	878.2	4.9%	947.6	-2.8%	4045.5	4813.5	-16.0%
Cost of power purchased	145.7	47.9	203.9%	32.6	346.4%	251.7	493.5	-49.0%
EBIDTA	502.5	604.2	-16.8%	409.2	22.8%	2143.9	1751.3	22.4%
Depreciation	127.0	98.6	28.8%	120.8	5.1%	477.9	328.9	45.3%
EBIT	375.5	505.6	-25.7%	288.4	30.2%	1665.9	1422.5	17.1%
Interest	95.0	90.4	5.1%	92.2	3.0%	406.7	305.8	33.0%
EBT	280.5	415.2	-32.4%	196.3	42.9%	1259.3	1116.7	12.8%
Tax	50.0	60.5	-17.4%	48.4	3.3%	320.5	194.5	64.8%
PAT	230.5	354.7	-35.0%	147.9	55.9%	938.8	922.2	1.8%
Current equity capital	237.3	237.3		237.3		237.3	237.3	
Face value	10.0	10.0		10.0		10.0	10.0	
EPS	9.7	14.9		6.2		39.9	40.8	-2.0%
OPM %	21.6%	16.6%		21.3%		24.0%	13.5%	
NPM %	13.4%	25.0%		9.7%		13.6%	13.0%	

(Source: Company, HDFC Sec)

- Q4 numbers have been derived by subtracting the 9M results from the full year results. In Q4FY10, TPC reported net sales of Rs. 1,717.8 cr, up 21.3% y-o-y and 12.4% q-o-q. This increase is mainly due to the commissioning of new units fully operational during the quarter. Sales volume for the quarter increased by 7% at 3,745 MUs as against 3,500 MUs in the corresponding quarter last year. Power realizations have started to inch higher, up 11.5% q-o-q and 13.3% y-o-y at Rs. 4.6 per unit due to a rise in power puchased.

	Q4FY10	Q4FY09	% Chg	Q3FY10	% Chg q-o-q	FY10	FY09	% Chg
Units Generated – mn units	3789	3566	6.3%	3851	-1.6%	15946	14807	7.7%
Units Sold – mn units	3745	3500	7.0%	3714	0.8%	15574	14703	5.9%
Realization per unit (Rs.)	4.6	4.0	13.3%	4.1	11.5%	4.4	4.8	-8.0%

(Source: Company, HDFC Sec)

- Given below is a table showing the generation split at different locations. Haldia reported generation of 198 MUs, up 122.5% y-o-y due to commissioning of additional units. Wind Farms generated 55 MUs as compared to 36 MUs in the same period last year (higher installed capacity).

Plants - mn units	Q4FY10	Q4FY09	% Chg	Q3FY10	% Chg q-o-q	FY10	FY09	% Chg
Trombay - Thermal	2280.0	2162.0	5.5%	2426	-6.0%	10168.0	9844.0	3.3%
Trombay - Hydro	416.0	334.0	24.6%	328	26.8%	1455.0	1151.0	26.4%
Jojobera Thermal	739.0	814.0	-9.2%	870	-15.1%	3002.0	3009.0	-0.2%
Haldia	198.0	89.0	122.5%	167	18.6%	608.0	179.0	239.7%
Wind Farms	55.0	36.0	52.8%	59	-6.8%	320.0	177.0	80.8%

(Source: Company, HDFC Sec)

- Other income, which includes other operating income, was down 64.6% y-o-y and up 55.7% q-o-q. Q4FY09 other income includes Rs. 256 cr from the stake sale in Tata DoCoMo. The split in other income has been provided below. Others includes dividend income, interest income etc.

Other Income split (Rs cr)	Q4FY10	Q4FY09	% Chg	Q3FY10	% Chg q-o-q	FY10	FY09	% Chg
Other operating income	77.3	57.7	33.8%	38.7	99.6%	204.8	164.7	24.3%
Gain / loss on exchange	12.3	7.9	56.9%	12.2	0.7%	52.0	144.3	-64.0%
Others	41.0	302.8	-86.5%	32.9	24.5%	229.6	488.0	-53.0%
Total	130.6	368.3	-64.6%	83.9	55.7%	486.4	797.1	-39.0%

(Source: Company, HDFC Sec)

- TPC reported EBIDTA margins of 21.6% in Q4FY10, a 500 bps y-o-y expansion. Q-o-Q margins were higher by 40 bps. Overall, EBIDTA improved due to lower fuel costs. However, the cost of power purchased increased as TPC had to buy power from outside to meet the requirements of its new customers added due to the shift from R Infra to TPC. Fuel cost is lower partly due to the fact that one unit at Trombay is running on gas as opposed to oil. Operating profit was also boosted due to higher realizations from merchant power sales on a y-o-y basis.

Cost as a % of sales	Q4FY10	Q4FY09	Q3FY10	FY10	FY09
Staff cost	3.7%	5.4%	5.2%	4.4%	4.1%
Other expenditure	11.1%	11.6%	8.8%	8.6%	6.8%
Cost of components, materials	1.4%	1.0%	0.5%	0.6%	0.5%
Cost of fuel	53.6%	62.0%	62.0%	58.7%	68.1%
Cost of power purchased	8.5%	3.4%	2.1%	3.7%	7.0%

(Source: Company, HDFC Sec)

- Depreciation charges increased by 28.8% y-o-y and 5.1% q-o-q to Rs. 127 cr due to commissioning of units at Haldia, Unit 8 and Wind capacity during the year. Interest cost increased by 5.1% y-o-y and 3% q-o-q to Rs. 95 cr.

- Profit After Tax (PAT) for the quarter stood at Rs. 230.5 cr as against Rs. 354.7 cr in Q4FY09, down 35% y-o-y and up 55.9% q-o-q. The q-o-q rise is partly attributed to higher other income. PAT of Q4FY09 includes an extraordinary income of Rs. 255.8 cr as compared to Rs. 20 cr in this quarter, hence the sharp fall.

FY10 Results

- For FY10, TPC reported a topline of Rs. 6,893.5 cr, down 2.5% y-o-y due to lower fuel costs. During the year, company's operations showed a steady performance. The company generated 15,946 Million Units (MUs) of power from all its power plants during the year as compared to 14,807 MUs in the previous year, a growth of 7.7% y-o-y. Revenue includes a regulatory adjustment of Rs. 232 cr.

- EBIDTA improved from 13.5% in FY09 to 24% in FY10 due to lower cost of fuel and cost of power purchased. Cost of power purchased at Rs. 251.69 cr (vs Rs. 493.50 cr last year) was lower by 49% as the cost of purchase was lower by ~ Rs. 1.5 / unit and lower purchase by ~250 Mus. Cost of fuel at Rs. 4,045.6 cr (vs Rs. 4,807.5 cr last year) was lower by 16%. Of this, Rs. 560 cr was due to change in fuel mix with more gas based generation replacing oil in Mumbai LA resulting in lower tariff by Rs. 0.9 / unit. However, this has resulted in lower Heat Rate incentives by ~Rs. 13 cr. TPC has petitioned the MERC in this regard to review Heat Rate norms. Other Expenditure at Rs. 591.3 cr (PY Rs. 485.89 cr) up by 22% mainly due to provisioning for lower valuation of DG Sets (Rs. 33 cr) and new units commissioned in Haldia (Rs. 20 cr) and Unit 8 (Rs. 12 cr).

- Other income fell by 39% y-o-y to Rs. 486.4 cr. This included gain on exchange at Rs. 51.98 cr (vs Rs. 144.33 cr last year) due to Rupee appreciation (Rs. 45.16 vs. Rs. 51 last year). It was lower this year mainly due to Rs. 256 cr from DoCoMo transaction in FY09.

- Depreciation at Rs. 477.94 cr, up 45.3% y-o-y due to new units commissioned (Haldia, Wind and Unit 8). Interest costs for the year stood at Rs. 406.7 cr, up 33% y-o-y. This was mainly due to new units commissioned – Unit 8 (Rs. 90 cr), Wind (Rs. 33 cr), Haldia (Rs. 22 cr), which was partly offset by reduced interest due to repayment of short term loans and corporate borrowings (Rs. 50 cr)

- PAT for the year was Rs. 938.8 cr up by 1.8% as against Rs. 922.2 cr for the previous year. PAT for FY09 included extraordinary income of Rs. 255.78 cr (arising out of sale of long term investments) and higher forex gain compared to Rs. 252.4 cr (pursuant to regulatory orders) this year.

- Dividend declared by TPC stood at Rs 12 per share for FY10 as compared to Rs 11.50 per share last year.

Consolidated Results

Consolidated – Rs in cr	Q4FY10	Q4FY09	% Chg	Q3FY10	% Chg q-o-q	FY10	FY09	% Chg
Net Sales	5054.2	4640.0	8.9%	4010.0	26.0%	17655.7	17920.8	-1.5%
Revenue adj for PY & income to be recovered in tariff	224.7	60.4	271.8%	303.0	-25.9%	1199.1	58.1	1965.5%
Other operating income	74.2	32.7	127.0%	27.4	170.9%	131.1	82.4	59.0%
Other Income	403.3	329.7	22.3%	38.5	946.9%	588.9	563.9	4.4%
Total Income	5756.3	5062.8	13.7%	4379.0	31.5%	19574.7	18625.3	5.1%
Total Expenditure	4220.4	3779.3	11.7%	3793.7	11.3%	15150.6	14515.8	4.4%
EBIDTA	1535.9	1283.5	19.7%	585.3	162.4%	4424.1	4109.5	7.7%
Depreciation	231.4	163.5	41.6%	220.8	4.8%	877.7	656.5	33.7%
Impairment	15.3	280.4	-94.6%	0.0	NA!	15.3	280.4	-94.6%
EBIT	1289.2	839.7	53.5%	364.5	253.7%	3531.2	3172.7	11.3%
Interest	185.3	190.3	-2.6%	185.3	0.0%	763.9	708.7	7.8%
EBT	1103.9	649.4	70.0%	179.2	516.0%	2767.3	2463.9	12.3%
Exceptional item	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
EBT after exceptional item	1103.9	649.4	70.0%	179.2	516.0%	2767.3	2463.9	12.3%
Tax	78.9	701.8	-88.8%	26.5	198.1%	628.7	1165.1	-46.0%
PAT	1025.0	-52.4	-2057.6%	152.7	571.1%	2138.6	1298.8	64.7%
Minority Interest	-120.5	-45.5	164.9%	-55.1	118.7%	-233.5	-107.6	117.1%
Share of profit & loss of associate	42.3	12.7	232.2%	1.0	4351.6%	61.7	27.6	123.6%
PAT after MI	946.8	-85.1	1212.3%	98.6	860.5%	1966.8	1218.8	61.4%
EPS	39.9	-3.6		4.2		82.9	51.4	
OPM %	21.2%	20.2%		12.6%		20.2%	19.6%	
NPM %	16.4%	0.2%		2.1%		10.1%	6.8%	

(Source: Company, HDFC Sec)

- On a consolidated basis, TPC reported total income of Rs. 19,574.7 cr in FY10, up 5.1% y-o-y, operating margins of 20.2% as against 19.6% in FY09 and a PAT of Rs. 1,966.8 cr, up 61.4% y-o-y.

- The gain in net profit is mainly due to forex gains of Rs. 358 cr for Coastal Gujarat Power Limited, deferred tax reversal in North Delhi Power Limited (NDPL) amounting to Rs. 139 cr and a provision last year of Rs 280 cr towards impairment of goodwill.

- For FY10, total coal production from Indonesian coal mines increased to 65 mn tons as against 52 mn tons in FY09 (25% y-o-y growth). Sales for FY10 increased to 62 mn tons as compared to 50 mn tons in FY09 (24% y-o-y growth). Realization per ton, on the other hand, has declined from $77.6 per ton to $60 per ton, owing to the global meltdown of commodity prices post the financial crisis of 2008 and slowing down of demand to a certain extent. However, in Q4FY10, the realization was $62.7 per ton that reflects some improvement in realization in recent times. Cost of production also declined from $33.9 per ton to $31.9 per ton. TPC is incurring capex to increase output to 75 mn tonnes in the next 2-3 years and eventually to 100 mn tonnes. PBIT margins for the coal business declined sharply during the year to 17.8%, down 980 bps yoy, mainly due to lower coal prices and a write-off related to deferred stripping costs of Rs.119.53 cr during FY10.

- Production target of 100 mt over 2-3 years - KPC/Arutmin mines obtained a revised geological reserves report to get mining plan approval from regulatory authorities to increase coal production from 60 mt to 75 mt and eventually to 100 mt over 2-3 years. The management expects the final approval to come by Q2FY11 and thus, the higher production can be attained from H2FY11.

- The effective tax rate for the company was 22.7%, down 2,500 bps due to lower inflows from Indonesians operations where the tax rate is nearly 45%.

- In comparison to our estimates, TPC reported a similar topline. PAT was higher by 4.8%. EPS was at Rs. 82.9 vs our estimate of Rs. 79.10.

Subsidiary performance

NDPL	Q4FY10	Q4FY09	% Chg	Q3FY10	% Chg q-o-q	FY10	FY09	% Chg
Revenue	722.2	548.7	31.6%	790.4	-8.6%	3276.9	2363	38.7%
PAT	215.3	54.4	295.8%	68.4	214.8%	350.7	171.5	104.5%
Powerlinks	**Q4FY10**	**Q4FY09**	**% Chg**	**Q3FY10**	**% Chg q-o-q**	**FY10**	**FY09**	**% Chg**
Revenue	81.9	87.1	-6.0%	72.4	13.1%	300.9	254.5	18.2%
PAT	34.4	33.6	2.4%	34.4	0.0%	108.1	65.3	65.5%
Tata Power Trading Co	**Q4FY10**	**Q4FY09**	**% Chg**	**Q3FY10**	**% Chg q-o-q**	**FY10**	**FY09**	**% Chg**
Revenue	619.1	774.9	-20.1%	589.0	5.1%	2357.7	2172.9	8.5%
PAT	3.3	3.3	0.0%	1.5	121.5%	8.2	7.6	7.5%

(Source: Company, HDFC Sec)

- **North Delhi Power Limited** (NDPL, 51% stake): NDPL earns a 16% ROE on the regulatory capital base and also an incentive if it reduces AT&C losses below the Delhi government's stipulated level. In FY10, NDPL reported profit of Rs. 350 cr, up 104.5% y-o-y. Reported FY10 net profit is after a deferred tax writeback of Rs. 160 cr and thus, adjusted profit for NDPL was Rs. 190 cr.

- **Powerlinks Transmission** (PTL, 51% stake): Tata Power, together with PGCIL, has set up the 1,200 km Tala transmission line for extracting power from Bhutan and supplying it to the northern parts of India. The company is to earn a post-tax ROE of 16% + incentives (following the new CERC regulations effective from April 2009 to March 2014) on the Powerlinks Transmission project, and its total investment is Rs. 250 cr. PTL reported revenues of Rs. 300 cr, up 18.2% y-o-y and a PAT of Rs. 108.1 cr, up 65.5% y-o-y. Profit was higher due to change in CERC norms to 15.5% v/s 14% earlier and capitalization of Rs. 30 cr in Q2FY10.

- **Tata Power Trading Company** (100%): Sales grew by 8.5% y-o-y while PAT grew by 7.5% y-o-y.

Other Developments

Capacity additions and plans

During FY10, TPC commissioned the 30 MW Haldia plant, 120 MW plant in Jamshedpur, added 30 MW to Jojobera plant and 42 MW of wind power plants, increasing its total capacity to 2,977 MW. Its generation increased 7.7% to 15,946 MUs and unit sales increased 5.9% to 15,574 MUs in FY10. The progress on projects under construction/ development has been highlighted below.

Mundra UMPP - Overall project progress of 52%, hydro testing carried out for boiler 1, 2 units expected to be commissioned in FY12. First unit of Mundra UMPP is expected to be commissioned in September 2011 followed by commissioning of remaining units in next 4-5 months. Thus major capacity addition would be in FY12 after commissioning of Maithon and Mundra plants.

Maithon power project - About 82% of the project completed; hydro testing over for boiler 1 in March, 1 unit (525 MW) to be commissioned in FY11. Firm fuel supply agreement (FSA) signed for 1.6 mtpa, additional 2 mtpa FSA to be signed each with Southern Coalfield (SCL) and Tata Steel

Industrial Energy Limited - Under the JV between TPC (74%) and Tata Steel (26%), a 120 MW power plant being constructed at the company's existing site at Jojobera has been synchronized. The project is expected to be commissioned in the coming quarter.

Dehran project (Maharashtra) - 66% of land has been acquired for the coal-based imported coal power project. The first phase of 1.6 GW (2*800MW) to be largely under regulated mechanism, fuel supply tie-up yet to take place, would start once the 100% land acquisition is done.

Mandakini coal block (290 mt) - Land acquisition has begun and is expected to be complete by end FY12. Mine production can commence by FY14 and thus, Naraja Marthapur project (1,000-1,320MW) can come only by FY15. The company needs to look at coal linkages as captive coal mines would not be sufficient for planned project capacity.

Tubed IPP project - The acquisition of land has been largely done and development activity can start by end FY11. Land acquisition for mining is also under way and project is expected to be commissioned by FY14.

TPC has a development portfolio of 6.2 GW to be commissioned over FY13-15, which includes 1.5GW (Naraj Marthapur 1GW and Tubed IPP 0.5GW) on captive coal mines, 2.4GW in coastal Maharashtra (fuel mix either imported coal/gas) and 2.3GW of captive power projects (with fuel to be supplied by power procurers). The company's growth plans include steady capacity addition y-o-y.

Mumbai Distribution Business

In FY10, TPC registered decent growth in Mumbai License Area in terms of the customer addition on account of the switchover mainly from Reliance Infra to Tata Power on account of higher tariff charges by Reliance Infra as compared to Tata Power. As of now, TPC has a customer base of 60,000 in Mumbai License Area as against 24,000 at the end of FY09. With each passing day TPC is adding about 500 customers to its customer base.

TPC is currently selling 360 MW of power to Reliance Infra as per the directive of state regulatory authority, which it has challenged in High Court. A favorable decision would provide stimulus for its distribution business in Mumbai LA. The allocation of 200 MW of surplus power from Trombay is currently subjudice in the Mumbai High Court. Pending litigation, TPC will continue to supply 360 MW to REL till June 2010 and 200 MW from July 2010-March 2011 at regulated prices. Hence, the option of greater merchant sales over the medium term is contingent on the court ruling. If allowed, it will have an additional 200 MW of power on a merchant basis for FY11, over and above its existing 200 MW merchant power (100 MW each from Haldia and Trombay Unit 8).

Merchant sales

In FY10, the company sold ~200 MW on merchant basis (Haldia 100 MW and Unit 8 100 MW) and expects a similar sale in FY11. Sales are likely to increase subject to the decision on the ongoing dispute on sale to the Mumbai licence area.

Cash and bank balance

TPC's current cash balance is Rs. 15.2 bn (Rs. 27.1 bn consolidated) while the outstanding debt is Rs. 58.7 bn (Rs. 224.7 bn consolidated). The outstanding debt at the coal mining company is USD 695 mn.

Concerns

New projects – delays and cost over-runs - Delays in project execution, resulting from the shortage of equipment, can delay revenue recognition. Further, cost over runs (related to forex fluctuation or otherwise) with respect to the Mundra project will have to be borne by TPC thereby delaying the breakeven / lowering profitability of the project. Of the total ~5,600 MW under construction, two of its plants have a total capacity of 5,050 MW (Mundra—4,000 MW and Maithon—1,050 MW). Hence, any delay in commissioning projects could impact earnings adversely.

Currency risk - Effect of international fuel price variation would pose an additional pressure on earnings and thus affect valuation estimates. Also, equipment ordered from abroad and loans taken in foreign currency for various projects could lead to exchange loss / gain. However, while the company will be importing coal, it also earns revenues in USD via its acquisition in KPC and Arutmin coalmines and thus has a partial natural hedge.

Over-dependence on imported coal - Low growth in domestic coal mining has increased dependence on imported coal. TPC's Mundra UMPP and a few other generating units / plants are built to use imported coal thereby increasing business, market and forex risk.

Technology - TPC is using supercritical technology for its Mundra UMPP. This is a first-of-its-type in the country. Any problem regarding stabilization of these units could be a major risk for the company.

Investment unlocking - Continued ambiguity about the company's intentions concerning the monetization of investments in group companies

Coal mines - Significant downside to earnings for the Indonesian coal assets due to production delays or decline in coal pricing. Probable adverse regulatory changes in India and Indonesia is another area of concern.

Conclusion

On a consolidated basis, TPC reported total income of Rs. 19,574.7 cr in FY10, up 5.1% y-o-y, operating margins of 20.2% as against 19.6% in FY09 and a PAT of Rs. 1,966.8 cr, up 61.4% y-o-y. In comparison to our estimates, TPC reported a similar topline. PAT was higher by 4.8%. EPS was at Rs. 82.9 vs our estimate of Rs. 79.1. The total installed capacity at the end of FY10 stood at 2,977 MW. Another 120 MW should be commissioned by Q1FY11. Moreover, the full benefit of merchant power sales is yet to be seen in the subsequent quarters. Despite a recently seen declining trend in merchant tariffs, this could boost TPC's bottomline in FY11 (E) and the additional profit could also help in allaying equity funding concerns.

Next, TPC has a 30% stake in two coal mines of Bumi Resources (Arutmin and KPC), having reserves of 2.9 bn tons. Currently, the production at these mines is about 55-60 mn tons, which is projected to grow to about 110 mn tons by 2012. Coal prices have started to inch up. This could lead to higher profits for the coalmines and increase the profitability of TPC. However, global concerns over the Europe debt crisis could weigh on commodity prices in the near term. Monetization of group company investments and commencement of construction work on projects in pipeline would be positive for the stock.

We believe the long-term outlook for TPC remains positive given upside from the balance of the unallocated 200 MW surplus power (of 500 MW), progress on capacity under construction being more or less on schedule and a rise in international coal prices. In our Q3FY10 Result Update dated Feb 01, 2010, we had stated, "Investors could consider buying the stock at declines to Rs. 1,224 for a price target of Rs. 1,412 (15x FY11 consolidated EPS) over the next 1-2 quarters." Thereafter, the stock made a low of Rs. 1,193 on 7 June 2010 and a high of Rs. 1,408.5 on 6 April 2010.

We are currently maintaining our earlier consolidated FY11 (E) estimates. The growth in FY11 could come mainly from Indonesian coal operations and higher capacity available to standalone entity (despite non recurrence of certain one-off items seen in FY10).

At the current market price of Rs. 1,213.4, TPC trades at about 12.9x its consolidated FY11 (E) EPS of Rs. 94.10. Historically, Tata Power has quoted at a P/E of 21-22 times its 1-year forward consolidated EPS. In extremely bullish periods, the P/E gets stretched to 28, while in bearish markets this falls to 14-16. However, this P/E band seems to have come down in the recent past due to concerns with respect to the Bumi acquisition and the increasing contribution of a commodity type business (relating to coal) to the consolidated profitability (vs regulated earnings). **We think TPC could trade in the Rs. 1,130 (12*FY11 (E) EPS) – Rs. 1,319 (14*FY11 (E) EPS) band over the next 2-3 months. Investors could consider buying the stock at declines to the Rs. 1,130-1,150 band for a price target of Rs. 1,320 over the next 1-2 quarters.**

Financial Snapshot

Consolidated (Rs cr)	FY09	FY10 (E)	FY10 (A)	FY11 (E)*
Sales	17447	18911.6	18985.8	21050
Other Income	704.4	225.0	588.9	245.0
EBIDTA	4109.5	4585.4	4424.1	5275.4
OPM % w/o other income	19.5%	23.1%	20.2%	23.9%
PAT after MI	1218.8	1876.8	1966.8	2233.5
EPS	51.4	79.1	82.9	94.1
Equity	237.3	237.3	237.3	237.3
P/E	23.6	15.3	14.6	12.9

* Quick estimates (Source: Company, HDFC Sec)

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