

RESULTS REVIEW
Share Data

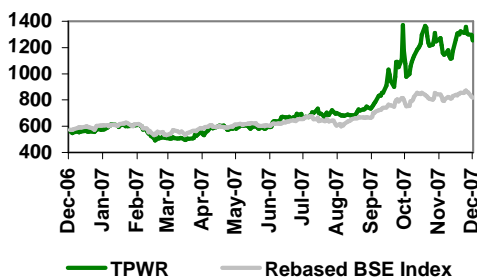
Market Cap	Rs. 260.8 bn
Price	Rs. 1,255.10
BSE Sensex	19,079.64
Reuters	TTPW.BO
Bloomberg	TPWR IN
Avg. Volume (52 Week)	0.2 mn
52-Week High/Low	Rs. 1,449 / 483
Shares Outstanding	207.8 mn

Valuation Ratios

Year to 31 March	2008E	2009E
EPS (Rs.)	43.5	59.2
+/- (%)	16.9%	36.1%
PER (x)	28.9x	21.2x
EV/ Sales (x)	3.9x	3.6x
EV/ EBITDA (x)	20.7x	15.8x

Shareholding Pattern (%)

Promoters	35
FII's	17
Institutions	26
Public & Others	21

Relative Performance

Tata Power
Hold
Sustained growth momentum

For the quarter ended Sep'07, Tata Power's Q2'08 results were in line with our estimates. After adjusting for exceptional items related to AS-15 provisions, gains on the sale of long term investments, and forex gain, net profit decreased 4% yoy to Rs. 1.9 bn. However, sales increased 12.6% yoy to Rs. 13.5 bn and adjusted EBITDA grew 16.7% yoy to Rs. 2.9 bn driven by higher sales volume and improved PLF. Revenues of the Mumbai licensed area grew 15.9% yoy to Rs. 11.7 bn aided by 5.1% increase in sales volume to 3.1 bu and higher realisation.

Tata Power plans to add 10,000 MW of capacity in the next five years. The Company's 4,000 MW Mundra UMPP is currently moving ahead as per the schedule. In order to meet the Company's fuel requirement for this project, Tata Power acquired 30% stake in two Indonesian coal mines. The Company has also bid for the fourth UMPP at Tilaiya to further enhance its capacity.

At the current market price, the stock is trading at a forward PE of 28.9x FY08E earnings of Rs. 43.5. Considering the present valuations, we feel there is little room for further appreciation, hence, we maintain our Hold rating on the stock.

Result Highlights

Tata power's topline grew 12.6% yoy to Rs. 13.5 bn driven by a 14.9% growth in the power business revenue to Rs. 13.4 bn, on account of higher volumes and improved realisation. However, sales from other business degrew by 66.9% yoy to Rs. 112.7 mn.

Key Figures

Quarterly Data	Q2'07	Q1'08	Q2'08	QoQ%	YoY%	H1'07	H1'08	YoY%
(Figures in Rs. mn, except per share data)								
Net Sales	11,998	15,115	13,506	(10.6)%	12.6%	25,682	28,620	11.4%
EBITDA	2,451	2,524	2,860	13.3%	16.7%	5,023	5,384	7.2%
Net Profit	1,959	1,902	1,880	(1.2)%	(4.0)%	3,242	3,839	18.4%
Margins(%)								
EBITDA	20.4%	16.7%	21.2%	-	-	19.6%	18.8%	-
NPM	16.3%	12.6%	13.9%	-	-	12.6%	13.4%	-
Per Share Data (Rs.)								
Adjusted EPS	9.3	9.0	8.5	(5.8)%	(8.2)%	15.4	17.8	15.6%

60 MW Belgaum project reduced the power purchase cost

Adjusted EBITDA (adjusted for Rs. 246.2 mn AS-15 employee provision) increased 16.7% yoy to Rs. 2.9 bn and margin improved 75 bps to 21.2%. This was primarily due to lower cost of power and fuel purchased on account of the 60 MW of power from Belgaum, which was brought under open access to Mumbai area through its trading subsidiary.

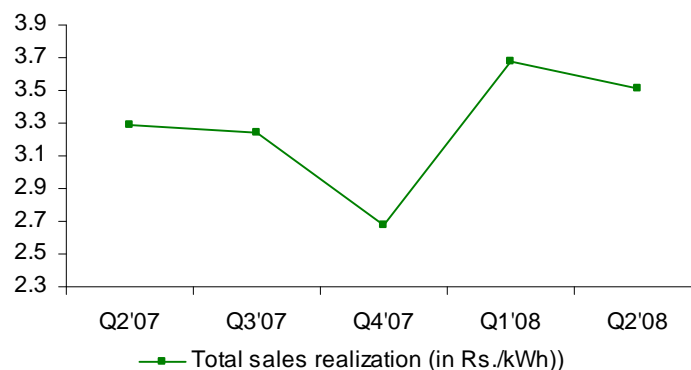
EBITDA was further adjusted for the profit from the sale of investments of Rs. 851.3 mn and gain of Rs. 89.6 mn on foreign exchange. These resulted in an adjusted net profit of Rs. 1.9 bn (down by 4% yoy) and margin of 13.9% (decline by 241 bps). The increase in taxes by 134.4% and marginal decrease in interest income brought down the net profits.

Power business

Revenues increased 14.9% yoy to Rs. 13.4 bn (99.2% of the total revenue) on account of higher realisation by 6.9% to Rs. 3.5 per unit and a rise in volume by 7.5% to 3.8 bu due to increased capacity of power plants and an improved PLF of 71%.

Comparison of quarter's realization rate

Realisation rate declining sequentially



Source: Company data, Indiabulls research

Increased cost of fuel impacted the margin

Revenues from the Mumbai licensed area grew 15.9% yoy to Rs. 11.7 bn due to the increase in volume by 5.1% to 3.1 bu and higher tariff of Rs. 3.8 per kWh.

EBIT margin declined 132 bps yoy to 15.4% due to an increase in the cost of fuel purchased by 27.6% to Rs. 7.8 bn.

Other business

Other business sales, which consist of activities such as electronic equipment, broadband services, oil exploration etc., fell sharply by 66.7% yoy to Rs. 112.7 mn.

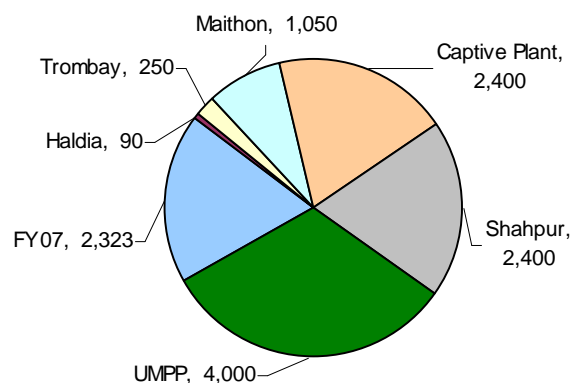
Prospects

Expansion plans

Tata power has proposed to enhance its power generation capacity from the present 2,323 MW to approx. 12,000 MW by adding 10,000 MW in the next five years. This includes 4,000 MW UMPP at Mundra where the Company has signed an EPC contract with Toshiba Corporation for the supply of five 800 MW steam turbine generators. The Company has also bid for the fourth UMPP at Tilaiya.

Bid for another UMPP

Expansion plans



Source: Company data, Indiabulls research

Outlook

Tata Power is planning to increase its generation capacity by five times in the next five years. The Company's flagship project of 4,000 MW at Mundra is progressing as per schedule. In order to secure the fuel supply of this project, the Company took 30% stake in the two coal mines of Bumi resources, Indonesia. Moreover, the Company is also developing a coal block with Hindalco which will provide impetus to the growing business.

Expected power generation capacity to be 12K MW by FY12E

The stock has an unprecedented run up of 68% over the last three months and is now trading at 28.9x FY08E earnings, which is substantially high. We think that the stock is fully priced at the current levels. However, we believe that the Company's long term growth story is intact driven by its huge cash reserves and focus on the core power business. Hence, we maintain our Hold rating on the stock.

Key Figures

Year to March	FY05	FY06	FY07	FY08E	FY09E	CAGR(%)
(Figures in Rs. mn, except per share data)						(FY07-09E)
Net Sales	49,451	56,726	64,773	74,958	82,005	12.5%
EBITDA	11,655	10,000	10,911	14,092	18,451	30.0%
Net Profit	5,653	6,769	7,368	8,601	11,710	26.1%
Margins(%)						
EBITDA	23.6%	17.6%	16.8%	18.8%	22.5%	
NPM	11.4%	11.9%	11.4%	11.5%	14.3%	
Per Share Data (Rs.)						
Normalized EPS	28.5	34.2	37.2	43.5	59.2	26.1%
PER (x)	12.5x	17.0x	33.7x	28.9x	21.2x	

Disclaimer

This report is not for public distribution and is only for private circulation and use. The Report should not be reproduced or redistributed to any other person or person(s) in any form. No action is solicited on the basis of the contents of this report.

This material is for the general information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be considered as an offer to sell or the solicitation of an offer to buy any stock or derivative in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Indiabulls Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. You are advised to independently evaluate the investments and strategies discussed herein and also seek the advice of your financial adviser.

Past performance is not a guide for future performance. The value of, and income from investments may vary because of changes in the macro and micro economic conditions. Past performance is not necessarily a guide to future performance.

This report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Any opinions expressed here in reflect judgments at this date and are subject to change without notice. Indiabulls Securities Limited (ISL) and any/all of its group companies or directors or employees reserves its right to suspend the publication of this Report and are not under any obligation to tell you when opinions or information in this report change. In addition, ISL has no obligation to continue to publish reports on all the stocks currently under its coverage or to notify you in the event it terminates its coverage. Neither Indiabulls Securities Limited nor any of its affiliates, associates, directors or employees shall in any way be responsible for any loss or damage that may arise to any person from any error in the information contained in this report.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject stock and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. No part of this material may be duplicated in any form and/or redistributed without Indiabulls Securities Limited prior written consent.

The information given herein should be treated as only factor, while making investment decision. The report does not provide individually tailor-made investment advice. Indiabulls Securities Limited recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. Indiabulls Securities Limited shall not be responsible for any transaction conducted based on the information given in this report, which is in violation of rules and regulations of National Stock Exchange or Bombay Stock Exchange.