

Morgan Stanley India Company
Private Limited+

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Stock Rating
Underweight

Industry View
Cautious

Tata Power Co

Weak Earnings in F1H12

What's Changed

Price Target	Rs90.00 to Rs80.00
F2012 Consolidated EPS	Down 15%
F2013 Consolidated EPS	Down 18%

Tata Power's consolidated earnings have been weak in F1H12 and have missed estimates by about 40%. De-growth in earnings between F2011-13, stretched balance sheet and lower visibility on future generation projects keep us UW on the stock.

Tata Power's F1H12 consolidated earnings of Rs7 bn account for 33% of our revised earning estimate for F2012 and hence, there could be further risk to our estimates going forward. Interestingly, while operating results have been strong due to strong coal realizations; profitability has been impacted due to high interest and tax expense. The stock is trading at 13x P/E on our F2013 consolidated estimates which is expensive relative to peers which are trading in a range of 8-10x

Management is cognizant of issues at Mundra

UMPP: In Q2, Tata Power wrote down Rs8.2 bn in the asset value of Mundra UMPP given its revised projections on future coal prices. No resolution has still been made with respect to tariff revision.

We are about 20% lower than consensus for F2013 earnings estimate:

We expect consensus to revise earnings downward primarily to build in losses at Mundra UMPP. Also, consensus has a positive rating on the stock as it perceives it as a defensive utility stock. However, in our view, de-growth in earnings, low visibility on future generation projects, massive dependence on coal earnings and small growth in dividend do not really classify as defensive.

Key triggers: Any improvement in the coal outlook could help earnings from coal assets. Possibility of tariff revision for Mundra UMPP and steps taken by the company to monetize group company investments could drive stock performance.

Key Ratios and Statistics

Reuters: TTPW.BO Bloomberg: TPWR IN

India Utilities

Price target	Rs80.00
Up/downside to price target (%)	(13)
Shr price, close (Nov 25, 2011)	Rs92.20
52-Week Range	Rs141.30-90.50
Shrs out, basic, per-end (03/11) (mn)	2,373
Mkt cap, curr (mn)	US\$4,372
Avg daily trading value (mn)	US\$7

Fiscal Year ending	03/11	03/12e	03/13e	03/14e
ModelWare EPS (Rs)	4.08	4.40	3.51	3.49
Prior ModelWare EPS (Rs)	-	3.84	3.56	3.54
EPS (Rs)**	6.22	8.03	7.08	5.75
Prior EPS (Rs)**	-	9.44	8.63	7.68
Revenue, net (Rs mn)	68,971	70,741	73,728	76,334
EBITDA (Rs mn)	15,696	16,249	16,749	16,938
ModelWare net inc (Rs mn)	10,097	10,888	8,667	8,631
P/E	32.6	20.9	26.3	26.4
P/BV	2.9	1.9	1.8	1.7
EV/EBITDA	24.6	18.2	18.1	17.7
Div yld (%)	0.9	1.4	1.4	1.5

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

** = Based on consensus methodology
e = Morgan Stanley Research estimates

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Tata Power Co

Financial Summary

Income Statement

Rs Mn (Year-end March)	F2011	F2012E	F2013E	F2014E
Total Revenues	68,971	70,741	73,728	76,334
Power purchase cost	7,842	7,975	8,305	8,818
Fuel cost	34,856	35,260	36,781	38,127
Employee cost	3,411	3,537	3,686	3,817
Transmission EPC expenses	0	0	0	0
Repairs & Other op. exp.	7,165	7,719	8,206	8,635
Total Operating Expenses	53,274	54,492	56,978	59,396
EBITDA	15,696	16,249	16,749	16,938
Depreciation	5,101	5,690	6,403	6,683
EBIT	10,595	10,560	10,346	10,255
Other income	4,371	8,616	5,834	6,140
Interest and finance charges	4,620	5,067	5,522	5,802
PBT	10,346	14,108	10,658	10,592
Taxation	1,886	4,656	3,517	3,495
Tax rate (%)	18.2%	33.0%	33.0%	33.0%
PAT (Standalone)	8,460	9,452	7,141	7,097
Share in profit of Associates	1,638	1,436	1,526	1,534
Total Profits	10,097	10,888	8,667	8,631
Extraordinary items	955	0	0	0
PAT after extraordinary items	11,053	10,888	8,667	8,631
EPS (Rs)	4.08	4.40	3.51	3.49
EPS Consolidated	6.22	8.03	7.08	5.75
DPS (Rs)	1.25	1.30	1.33	1.35

* Refer to exhibit 2 for further consolidated statement with the Indonesian coal assets

Balance Sheet

Rs Mn (Year-end March)	F2011	F2012E	F2013E	F2014E
Liabilities				
Share Capital	2,373	2,373	2,373	2,373
Share Warrants	0	0	0	0
Reserves and surplus	104,046	110,028	113,631	117,124
Share in Profits of Associates	8,078	9,515	11,040	12,575
Shareholders funds	114,498	121,916	127,045	132,072
Secured loans	47,539	47,539	47,539	47,539
Unsecured loans	22,354	27,354	35,354	35,354
Other Liabilities	8,131	8,131	8,131	8,131
Total Liabilities	192,522	204,939	218,068	223,095
Assets				
Gross Block	105,189	131,890	134,890	137,890
Accumulated Depreciation	47,360	53,050	59,452	66,136
Net Block	57,829	78,840	75,438	71,754
CWIP	14,695	0	0	0
Investments	83,637	95,593	111,708	115,253
Deferred tax asset	0	0	0	0
Inventories	6,296	6,369	6,643	6,886
Sundry debtors	19,743	20,350	20,199	20,913
Cash and Cash Equivalents	12,214	6,251	7,087	11,824
Deposits	0	0	0	0
Other current assets	25,715	25,715	25,715	25,715
Sundry creditors	10,190	10,423	10,899	11,361
Other liabilities and Provisions	17,417	17,756	17,823	17,890
Net current assets	36,360	30,506	30,923	36,088
Total Assets	192,522	204,939	218,068	223,095

Cash Flow

Rs Mn (Year-end March)	F2011	F2012E	F2013E	F2014E
PAT (Standalone)	9,415	9,452	7,141	7,097
Depreciation	5,101	5,690	6,403	6,683
Interest	4,620	5,067	5,522	5,802
Share in Profits of Associates	1,638	1,436	1,526	1,534
Changes in Working Capital	884	-447	352	-495
Cash flow from operations	21,659	21,199	20,944	20,622
(Purchase)/sale of fixed assets, net	-15,336	-12,006	-3,000	-3,000
(Purchase)/sale of investment, net	-17,769	-11,956	-16,115	-3,545
Cash flow from investing activities	-33,105	-23,962	-19,115	-6,545
Proceeds from equity issuance	-12	0	0	0
Proceeds/(repayment) of loan	11,173	5,000	8,000	0
Dividend	-3,080	-3,132	-3,471	-3,537
Interest expense	-4,620	-5,067	-5,522	-5,802
Other items	-36	0	0	0
Cash flow from financing activities	3,425	-3,199	-993	-9,340
Change in cash and cash equiv	-8,022	-5,963	836	4,737
Opening cash and cash equiv	20,235	12,214	6,251	7,087
Closing cash and cash equiv	12,214	6,251	7,087	11,824

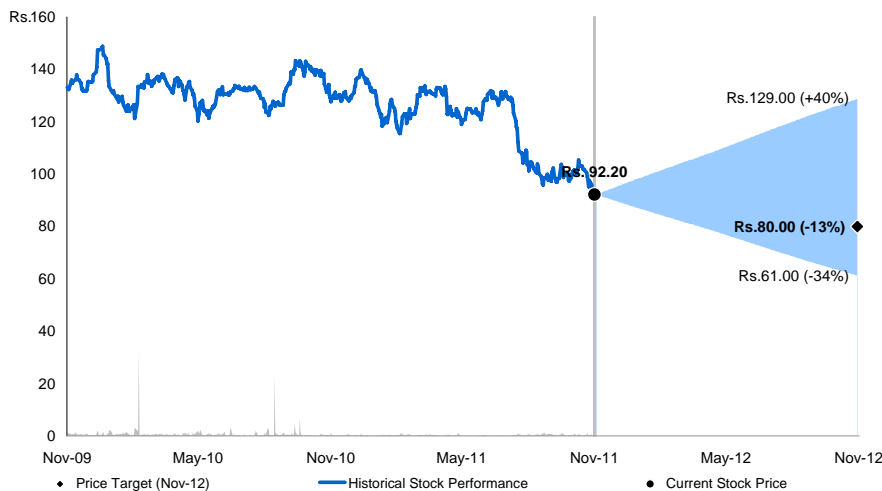
Ratio Analysis

(Year-end March)	F2011	F2012E	F2013E	F2014E
Growth (%)				
Revenues	-3%	3%	4%	4%
EBITDA	-16%	4%	3%	1%
EBIT	-24%	0%	-2%	-1%
Net Profit	-2%	8%	-20%	0%
EPS - standalone	-7%	8%	-20%	0%
EPS - consolidated	10%	29%	-12%	-19%
Margins (%)				
EBITDA	22.8%	23.0%	22.7%	22.2%
EBIT	15.4%	14.9%	14.0%	13.4%
EBT	15.0%	19.9%	14.5%	13.9%
Net Profit	14.6%	15.4%	11.8%	11.3%
Return (%)				
ROE	9.1%	9.2%	7.0%	6.7%
ROCE	5.8%	5.3%	4.9%	4.6%
ROA	4.9%	4.8%	3.6%	3.5%
Gearing				
Debt/Equity	0.61	0.61	0.65	0.63
Net Debt/Equity	0.50	0.56	0.60	0.54
Valuations				
EV/EBITDA (Standalone)	17.6	17.7	17.6	17.1
EV/EBITDA (Consolidated)	10.7	8.5	7.2	6.3
P/E (Standalone)	22.6	20.9	26.3	26.4
P/E (Consolidated)	14.8	11.5	13.0	16.0
P/BV (Standalone)	1.9	1.8	1.7	1.7
P/BV (Consolidated)	1.7	1.5	1.4	1.3
Dividend Yield (%)	1.4%	1.4%	1.4%	1.5%
Turnover (days)				
Inventory	66	66	66	66
Debtors	104	105	100	100
Creditors	70	70	70	70

Source: Company data, Morgan Stanley Research
E= Morgan Stanley Research Estimates

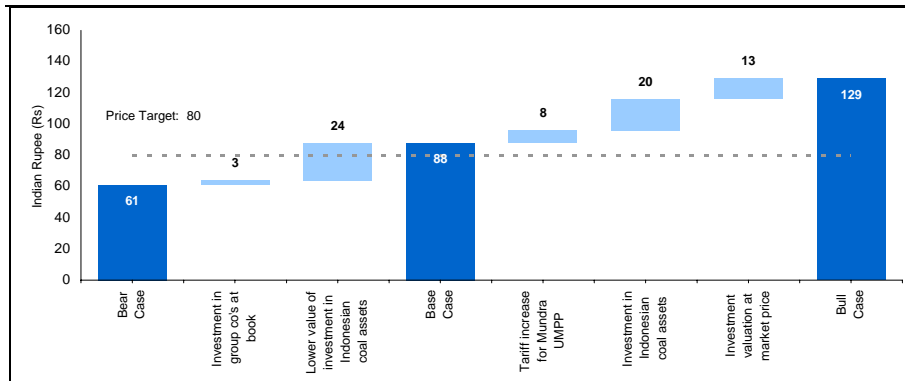
Risk-Reward Snapshot: Tata Power (TPWR, Rs92, UW, PT Rs80)

Risk-Reward View: Coal Prices Could Pose Downside Risk



Price Target Rs80		Probability weights: 70% for Base Case and 30% for Bear Case (rounded)
Bull Case Rs129	18.2x Base Case F2013 P/E	Pass-through for Mundra UMPP and higher value for investments: We assume pass-through of incremental coal cost for Mundra UMPP, value the investment in Indonesian coal assets at bull case fair value and investments in group companies at market price.
Base Case Rs88	12.4x Base Case F2013 P/E	Existing utility business at regulated returns and upside from investment in Indonesian coal assets and in group companies: We use a SOTP methodology to arrive at our base case value.
Bear Case Rs61	8.6x Base Case F2013 P/E	Lower ROE and investments at book value: We assume bear case fair value for Indonesian coal assets and investments in group company at book value.

Bear to Bull



Source: Morgan Stanley, FactSet

Investment Thesis

- We believe the Indonesian re-pricing directives, that became effective in September 2011, will have a negative impact on earnings.
- Valuation at 13x F2013e P/E (consolidated) is expensive relative to peers that are trading at 8-10x.
- Our price target assigns a 30% probability to the Bear Case as any weakness in coal prices due to a possible global economic slowdown (as envisaged by our economists) could lower the value of the holding in Indonesian coal assets.
- Our earnings estimate for F2013 is about 20% lower than consensus. We expect consensus to take down earnings estimates given weakness in 1H and impact of Indonesian regulations on Mundra UMPP profitability.

Key Value Drivers

- Regulatory regime improving in India and Indonesia.
- Higher production and better realizations for Indonesian coal assets.

Potential Catalysts

- Increase in Mundra power tariff to pass-through incremental coal costs.
- Liquidation of group investments

Key Risks

- Continued ambiguity on monetization of group investments.
- Equity dilution.
- Delays in execution.
- Downside to Indonesian coal earnings.
- Increasing interest cost burden.

Tata Power: Scenario Analysis: Sum-of-Parts

BULL CASE		
	Rs/Per share	Basis
Generation (incl. Mumbai)	32	Same as Base Case
Delhi Distribution Business	3	Same as Base Case
Powerlinks Transmission	1	Same as Base Case
Maithon Project	4	Same as Base Case
Mundra UMPP	0	Assuming incremental coal cost is passed through into tariff
Investment in IEL	1	Same as Base Case
Investment in Indonesian Coal Assets	64	We take Bull Case fair value (from our regional team)
Investment in Group Cos.	24	At full marketable value and linking valuation of Tata Teleservices to that ascribed by the NTT DoCoMo open offer
Bull Case: Fair value	129	
BASE CASE		
	Rs/Per share	
Generation (incl. Mumbai)	32	DCF: We use cost of equity of 14.9% and terminal growth rate of 3%
Delhi Distribution Business	3	Residual Income: This comprises of NDPL in which Tata Power holds 51% stake and earns an assured ROE of 16%
Powerlinks Transmission	1	Residual Income: We use a discount rate of 15.4% and an ROE of 21%. Tata Power holds 51%
Maithon Project	4	Residual Income: We use a discount rate of 14.9% and an assumed ROE of 16%. Tata Power holds 74%
Mundra UMPP	-8	FCFe model: We use a discount rate of 15.9%
Investment in IEL	1	Residual Income: We use a discount rate of 14.9% and an assumed ROE of 16%. Tata Power holds 74%
Investment in Indonesian Coal Assets	44	We apply Base Case fair value of Bumi (from our regional team) to determine the value of the 30% stake in the coal assets. We adjust this for net debt
Investment in Group Cos.	11	We accord a 30% discount to the estimated value to arrive at a net realizable value
Base Case: Fair Value	88	
BEAR CASE		
	Rs/Per share	
Generation (incl. Mumbai)	32	Same as Base Case
Delhi Distribution Business	3	Same as Base Case
Powerlinks Transmission	1	Same as Base Case
Maithon Project	4	Same as Base Case
Mundra UMPP	-8	Same as Base Case
Investment in IEL	1	Same as Base Case
Investment in Indonesian Coal Assets	20	We take Bear Case fair value (from our regional team)
Investment in Group Cos.	8	We value it at book
Bear Case: Fair value	61	

Source: Morgan Stanley Research Estimates

Investment Case

We retain our Underweight rating on Tata Power with a revised price target of Rs80. Some of the key issues are:

- F1H12 consolidated earnings have been much weaker than expected:** Tata Power has reported F1H12 consolidated earnings of Rs7 bn which is about 40% lower than both MS and consensus estimate. While operating results have been strong, thanks to strong coal realizations, profitability has been impacted due to high interest and tax expense. While we have revised our revenue estimates upwards due to a weaker Rupee (against the US\$), our profit estimates have been revised down due to high interest and tax expenses and elimination of inter-company dividend income (exhibit 1).
- Consolidated earnings for F2013e and F2014e are expected to de-grow** 12% and 19%, respectively, due to losses incurred in the Mundra UMPP project. This is primarily due to the change in Indonesian regulations wherein all coal supply contracts have been reset to reflect benchmark prices.
- While the company has several projects in the pipeline, we are unsure on the schedule of their development activities and hence don't expect any significant increase in capacities beyond what is already under construction, at least in the next 3-4 years.
- We are about 20% lower than consensus for F2013** earnings estimate and we expect consensus to be revised downward. Also, consensus rating on the stock is positive with 20 brokers rating it a 'buy', 12 with a 'hold' and 4 with a 'sell', or equivalent ratings. We believe this optimism on the stock primarily stems from the belief that Tata Power is construed as a defensive utility stock which also provides upside from rising global coal prices. In our view, de-growth in earnings, low visibility on future generation projects, dependence on coal earnings and small growth in dividend do not really classify as defensive.

- Expensive valuations:** The stock is trading at 13x P/E on our F2013 consolidated estimates which is expensive relative to peers which are trading in a range of 8-10x.

Exhibit 1

Changes in Consolidated Estimates

New (Rs mn)	F2012e	F2013e	F2014e
Revenue	215,471	266,004	310,115
EBITDA	57,799	69,085	74,963
EBIT	45,018	50,689	51,909
Net Interest income/(expense)	-6,349	-14,966	-20,521
PBT	38,669	35,723	31,389
Tax expense	17,113	16,435	15,373
Effective tax rate (%)	44%	46%	49%
PAT	19,856	17,502	14,221
EPS (Rs/sh)	8.0	7.1	5.8

Old (Rs mn)	F2012e	F2013e	F2014e
Revenue	210,783	260,495	304,001
EBITDA	56,472	67,821	73,968
EBIT	43,879	49,631	51,144
Net Interest income/(expense)	-5,277	-12,917	-17,831
PBT	38,603	36,713	33,313
Tax expense	13,556	13,595	12,530
Effective tax rate (%)	35%	37%	38%
PAT	23,346	21,333	18,988
EPS (Rs/sh)	9.4	8.6	7.7

Change	F2012e	F2013e	F2014e
Revenue	2%	2%	2%
EBITDA	2%	2%	1%
EBIT	3%	2%	1%
Net Interest income/(expense)	20%	16%	15%
PBT	0%	-3%	-6%
Tax expense	26%	21%	23%
Effective tax rate	914 bps	898 bps	1136 bps
PAT	-15%	-18%	-25%
EPS (Rs/sh)	-15%	-18%	-25%

Source: Morgan Stanley Research (e) estimates

Exhibit 2

Tata Power: Consolidated Performance

Key Profit and Loss Statement (Rs mn)	F2010	F2011	F2012e	F2013e	F2014e
Revenue- TPWR	70,983	68,971	70,741	73,728	76,334
Revenue-Share in Indonesian coal assets	49,256	64,005	88,956	102,378	111,425
Revenue-NDPL	34,374	41,160	40,664	40,927	40,951
Revenue-Powerlinks Transmission	3,010	2,884	2,884	2,884	2,884
Revenue-Maithon Power Plant		0	6,465	10,890	10,802
Revenue-Mundra UMPP		0	1,562	30,800	63,306
Revenue-IEL		1,254	4,199	4,397	4,412
Total Revenue	157,623	178,274	215,471	266,004	310,115
EBITDA-TPWR	18,786	15,696	16,249	16,749	16,938
EBITDA-Share in Indonesian coal assets	13,468	15,889	25,630	32,261	35,916
EBITDA-NDPL	4,395	6,169	5,672	5,936	5,960
EBITDA-Powerlinks Transmission	2,881	2,736	2,736	2,736	2,736
EBITDA-Maithon Power Plant			4,482	6,158	5,928
EBITDA-Mundra UMPP			142	2,387	4,658
EBITDA-IEL		1,001	2,888	2,859	2,828
Total EBITDA	39,531	41,492	57,799	69,085	74,963
EBIT- TPWR	14,007	10,595	10,560	10,346	10,255
EBIT-Share in Indonesian coal assets	11,187	13,103	22,055	28,341	31,547
EBIT-NDPL	3,285	4,860	4,363	4,626	4,650
EBIT-Powerlinks Transmission	2,073	1,902	1,902	1,902	1,902
EBIT-Maithon Power Plant			3,822	4,585	4,355
EBIT-Mundra Power Plant			-57	-1,457	-3,113
EBIT-IEL		621	2,373	2,344	2,313
Total EBIT	30,552	31,081	45,018	50,689	51,909
PBT- TPWR	12,073	10,346	10,108	8,658	8,592
PBT- Share in Indonesian coal assets	8,260	11,711	20,601	26,977	30,309
PBT-NDPL	2,602	3,200	2,634	2,898	2,922
PBT-Powerlinks Transmission	1,302	1,320	1,320	1,320	1,320
PBT- Share in Maithon Power Plant			2,793	2,015	2,015
PBT- Share in Mundra UMPP			-326	-7,682	-15,308
PBT- Share in IEL		279	1,539	1,539	1,539
Total PBT	24,237	26,856	38,669	35,723	31,389
PAT- TPWR standalone business	8,913	8,460	5,452	5,141	5,097
PAT-Share in Indonesian coal assets	2,974	5,090	10,034	13,381	15,170
PAT-NDPL (51% share)	851	1,099	897	987	995
PAT-Powerlinks Transmission (51% share)	551	539	539	539	539
PAT-Share in Maithon Power Plant			2,236	1,613	1,613
PAT-Share in Mundra UMPP			-215	-5,071	-10,105
PAT-Share in IEL (74% share)		184	912	912	912
Total PAT	13,290	15,371	19,856	17,502	14,221
EPS-TPWR+NDPL+Powerlinks	4.4	4.1	2.8	2.7	2.7
EPS Consolidated	5.6	6.2	8.0	7.1	5.8

Source: Company data, Morgan Stanley Research; e=Morgan Stanley Research estimates

Note: Share in Indonesian coal assets refers to the 30% stake that Tata Power holds in KPC and Arutmin coal mines. Bumi holds the balance 70% stake. We believe the coal assets are debt-free.

Exhibit 3

KPC/Arutmin: Key Assumptions

	C2011e	C2012e	C2013e
Coal price			
Regional Thermal coal price (US\$/t)	130.0	125.0	130.0
Bumi Resources achieved coal price (US\$/t)	80.6	85.0	87.1
Discount to regional prices	-38.0%	-32.0%	-33.0%
Coal sales volume (mt)			
	74.5	81.9	90.1
Coal production (mt)			
	76.4	84.0	92.4
Cash cost (US\$/ tonne)			
	45.9	48.7	48.8

Source: Morgan Stanley Research

Note: These are our Bumi analyst's estimates from his last note published on January 18, 2011

Exhibit 4

Tata Power: Key Valuation Metrics

Valuations	F2012e	F2013e	F2014e
P/E - Standalone	33.1	34.2	34.4
P/E - Consolidated	11.5	13.0	16.0
EV/EBITDA- Standalone	18.2	18.1	17.7
EV/EBITDA- Consolidated	8.5	7.2	6.3
P/B- Standalone	1.8	1.7	1.7
P/B- Consolidated	1.5	1.4	1.3

Source: Morgan Stanley Research (e) estimates

F1H12 Consolidated Performance Has Been Weak

Tata Power reported F1H12 adjusted standalone revenue of Rs38.7 bn (up 11% YoY), EBITDA of Rs8.5 bn (up 13% YoY) and adjusted profit of Rs6.6bn (up 66% YoY). While EBITDA has been marginally lower than our estimate, profits have positively surprised only due to large other income of Rs6.5 bn of which Rs4 bn was dividend received from the coal SPVs.

On a consolidated basis, revenue was Rs121 bn (up 24% YoY), EBITDA was Rs27.9 bn (up 42% YoY) and adjusted profit was Rs7 bn (up 25% YoY). The company has however reported a loss of Rs7.6 bn in 1H due to forex loss and provision for impairment in Mundra UMPP. The coal business has delivered strong operating performance due to high coal realizations. During the period January to September 2011, KPC and Arutmin have produced 46 mn tons of coal, sold 45 mn tons, realized US\$92/t and incurred a cash cost of US\$41/t (excluding deferred stripping cost). High interest and tax expense have however, impacted profitability.

Some of the other key developments during 1H are as follows:

1. The company recognized forex losses of Rs7.4 bn – Rs6.4 bn in CGPL, Rs900 mn in Tata Power (standalone) and Rs330 mn in coal SPVs.
2. The impairment of Rs8.2 bn created in 2Q was on the physical asset of CGPL. The company has assumed coal prices of more than US\$110/t for the next 3 years and long term coal pricing of US\$83/t with an annual inflation of 2% to determine this impairment. No impairment has been created in the standalone books of TPWR for its investment in CGPL given the proposed restructuring wherein at least 75% of the holding in coal SPVs maybe transferred to CGPL. This restructuring is subject to necessary regulatory and other approvals.
3. The lenders are currently reviewing the economic viability of Mundra UMPP. If they have reason to believe that cash flows may not be adequate then lenders may reduce their exposure to the project from the initially approved 75% to 63%. In such a scenario, TPWR may have to fund the shortfall (Rs20 bn) also through equity. To put it differently, the funding may change from 75:25 (debt:equity) to 63:37. However, TPWR believes that with the proposed restructuring (as explained in point 2 above), lenders maybe ready to fund 75% of the capex. We have assumed that the funding pattern remains 75:25 for the project.
4. The regulated equity in the Mumbai License Area is Rs15.5 bn in generation, Rs5.6 bn in transmission and Rs2.2 bn in distribution assets.
5. Regulated equity in NDPL was Rs8.95 bn and in Powerlinks transmission Rs4.68 bn.
6. Capex for F2012 is likely to be Rs11.7 bn in Mumbai License Area. NDPL is likely to incur annual capex of Rs2 bn. Capex for KPC and Arutmin (to increase production capacity) is likely to be met through their own internal accruals and/or leasing arrangements.

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Exhibit 5

Tata Power: F1H12 Standalone and Consolidated Results

Rs mn	Consolidated			Standalone		
	F1H11	F1H12	YoY	F1H11	F1H12	YoY
Total Revenue	97,734	121,068	24%	34,790	38,693	11%
Revenue	92,014	107,996	17%	34,790	38,693	11%
Add income to be recovered/ (utilized) in future tariff	5,420	12,536	131%			
Other operating income	299	536	79%			
Expenses	78,127	93,132	19%	27,311	30,224	11%
Cost of Electrical Energy/Power Purchased	27,816	31,245	12%	4,059	3,611	-11%
Cost of Fuel	21,992	28,002	27%	18,049	20,262	12%
Employee Cost(Staff Cost)	3,985	5,457	37%	1,904	2,554	34%
Raw material consumed	1,897	1,816	-4%			
Coal Processing Charges	7,715	11,066	43%			
Purchase of goods/spares for resale	121	271	125%			
Cost of Components and Materials	331	453	37%	331	453	37%
Decrease/(Increase) in stock in trade and WIP	494	-1,399	-383%			
Royalty towards coal mining	3,580	5,067	42%			
Other Expenditure	10,197	11,153	9%	2,967	3,344	13%
EBITDA	19,606	27,936	42%	7,479	8,469	13%
Margin (%)	20%	23%	301 bps	21%	22%	39 bps
Depreciation	4,820	5,785	20%	2,594	2,684	3%
EBIT	14,786	22,151	50%	4,885	5,785	18%
Other Income	791	1,420	80%	2,596	6,451	148%
Interest and Finance Charges	4,049	5,942	47%	2,130	2,289	7%
Profit Before Tax	11,528	17,628	53%	5,351	9,947	86%
Tax	5,012	9,624	92%	1,367	3,349	145%
Tax Rate	43%	55%	1112 bps	26%	34%	813 bps
PAT	6,516	8,004	23%	3,984	6,598	66%
Net Profit Margin (%)	7%	7%	-6 bps	11%	17%	560 bps
Share of associates	136	205	50%			
Minority Interest	1,076	1,223	14%			
Consolidated Net Profit	5,576	6,985	25%	3,984	6,598	66%
Extraordinary items	4,356	-14,554	-434%	1,223	-652	-153%
Reported profit	9,932	-7,569	-176%	5,207	5,946	14%

Source: Company data, Morgan Stanley Research

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Exhibit 6

Tata Power: Status of Projects under Construction

Projects under Implementation	Capacity (MW)	Cost (Rs bn)	Completion	Ownership	Fuel	Equipment	Construction	Off take	Remarks
Maithon	1050	45.4	Unit I commissioned; unit 2 steam blowing underway	74%	✓	✓	✓	✓	Unit I is generating now (at about 70% PLF) with the balance finishing works expected to be completed by Nov 2011. For unit 2 boiler light-up has been completed. 100% coal linkage sanctioned. FSA in place with BCCL for 1.659 mtpa and with Tata Steel for upto 1 mtpa. LoA from CCL for 1.975 mtpa. Railway siding is an issue due to land availability and hence currently using road transportation. Railway siding likely to be available 10 months from now
Mundra UMPP	4000	170.0	Unit I by Feb 2012 and each unit 4 months thereafter	100%	✓	✓	✓	✓	85% of the work is completed. Unit I was ready for synchronization since June 2011 and was awaiting evacuation system, which is ready now. Unit 1 to be commercialized in 4 to 5 months.
Dagachhu	114	9.0	Unit I by March 2013	26%	✓	✓	✓	✓	Major ordering for the project has been completed. Clearances like land, water and environment have been received and PPA for the entire quantum of power has been signed with Tata Power Trading. Infrastructure activities like approach road, bridges, construction power etc have been completed.
Mithapur	25		Dec-11						25 year PPA signed with GUVNL.
Lodhivali (DG set)	40		F2012						Commissioned
Wind	65		By Dec 2011						Coming up in Maharashtra and TN
Total	5294								

Source: Company data, Morgan Stanley Research

Exhibit 7

Tata Power: Status of Projects in Pipeline

Projects in the pipeline	Capacity (MW)	Status
Coastal Maharashtra	1600	The project will use imported coal as fuel. Land acquisition in progress and over 50% of the land required has been acquired. MoEF clearance available for 1,600 MW. Agreement signed for R&R package for farmers. Economic options for coal sourcing and logistics are under evaluation.
Naraj Marthapur IPP	660	Coal will be supplied from the Mandakini coal block for which the mine plan is approved. TPWR (33% stake) has been awarded the captive coal block jointly with Monnet Ispat and Jindal Photo. Mandakini has estimated reserves of 291 mt and TPWR's share of 2.5 mtpa can support a 660 MW plant. 50% land acquired. Mining plan approved. EC granted subject to clearance from National Board of Wild Life
Tiruldin IPP/PPP	1980	Will use captive coal from Tubed coal block (adequate for 660 MW) + coal from Tata Steel and linkage. In-principal clearance from railways received for transportation of coal from Tubed block. Land acquisition has started. It is 6 to 8 months behind Naraj.
Dugar HEP	236	Won the project in consortium with S N Power. The project is in planning stage
Sorik Marapi	240	Geothermal project in Indonesia won in consortium with Origin Energy and PT Supraco. Exploration has commenced. Expected COD in June 2015
Kalinganagar	1103	Executed in IEL. 225 MW will be based on production gas and will take 28 months to complete. 450-600 MW will be captively used by Tata Steel. Tata Steel has commenced work on its 3 mtpa steel plant.
Total	5819	

Source: Company data, Morgan Stanley Research

Valuation

Our change in price target to Rs80 is primarily due to the following:

- Our cost of equity for Tata Power has increased from 14.4% to 14.9% due to an increase in the risk-free rate.

- The value for holding in Indonesian coal assets has reduced due to higher net debt.

We have increased our F2012e standalone EPS estimate by 15% due to higher other income and lowered F2013e by 1% due to higher tax expense.

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Our consolidated EPS estimates for F2012e and F2013e have been cut by 15% and 18%, respectively, due to elimination of inter-company transactions (dividend received from coal SPV in the standalone accounts) and higher tax expense.

The components of our base case are as shown in Exhibit 8.

Exhibit 8

Tata Power: Base Case Sum-of-Parts Valuation (Rs/share)

BASE CASE

Existing Generation Business	32
Delhi Distribution Business	3
Powerlinks Transmission	1
Maithon Project	4
Mundra UMPP	(8)
IEL (240 MW)	1
Investment in Indonesian coal assets	44
Investment in Group Companies	11
Base Case	88

Source: Morgan Stanley Research

Current generation business (including Mumbai License Area): We use a discounted cash flow (DCF) model to value the current generation business, which consists largely of the Mumbai License Area. We expect the business in this area to continue to grow because of expansion in the consumer base and the increase in consumption. The company earns regulated returns on its generation, transmission and

distribution businesses, which we expect will continue. The merchant capacity is limited to 200 MW from Trombay Unit 8 and Haldia. We have also built in additional distribution revenue emanating from the Mumbai License Area as the company commences retail distribution operations from April 2010 onwards.

Our assumptions for weighted average cost of capital (WACC) and the DCF model are provided in Exhibits 9 & 10.

Exhibit 9

Tata Power: Key Assumptions

	Old	New
Equity portion	60%	60%
Debt portion	40%	40%
Beta	0.92	0.92
Risk free rate	8.40%	8.90%
Market premium	6.50%	6.50%
Cost of equity	14.38%	14.88%
Debt	7.00%	7.00%
Tax rate	18.23%	18.23%
Cost of debt	5.72%	5.72%
WACC	10.92%	11.22%
Terminal Growth Rate	3.00%	3.00%

Source: Bloomberg, Morgan Stanley Research

Exhibit 10

Tata Power DCF – Mumbai License Area

(Rs Mn)	F2008	F2009	F2010	F2011E	F2012E	F2013E	F2014E	F2015E
Revenue	59,159	72,362	70,983	68,971	70,741	73,728	76,334	79,060
<i>YoY growth</i>	26%	22%	-2%	-3%	3%	4%	4%	4%
EBIT	6,461	8,121	14,007	10,595	10,560	10,346	10,255	10,214
<i>Margin (%)</i>	10.9%	11.2%	19.7%	15.4%	14.9%	14.0%	13.4%	12.9%
<i>Effective tax rate</i>	14.3%	20.3%	26.2%	18.2%	22.0%	22.0%	22.0%	22.0%
EBIT (1-Tax)	5,536	6,471	10,341	8,663	8,236	8,070	7,999	7,967
Depreciation	2,905	3,289	4,779	5,101	5,690	6,403	6,683	6,944
Capex	(11,664)	(15,933)	(7,552)	(15,336)	(12,006)	(3,000)	(3,000)	(2,000)
Change in Working Capital	(11,279)	(5,864)	199	884	(447)	352	(495)	(522)
Net investment in Capital	(20,037)	(18,509)	(2,574)	(9,350)	(6,763)	3,755	3,188	4,423
Free cash flow	(14,501)	(12,037)	7,767	(687)	1,474	11,825	11,187	12,390
Compounding period						0	1	2
Discounting factor						1.00	0.90	0.81
PV of cash flows						11825	10059	10016
Forecast horizon	31,900							
PV of Terminal Value	121,890							
Firm value	153,790							
Debt	82,893							
Cash	7,087							
Equity Value	77,984							
# shares outstanding	2471.8							
Equity value/share	32							

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research estimates

The **Delhi distribution business** includes NDPL (North Delhi Power Limited), in which Tata Power holds 51%. 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.

We use an RI model to value the stake in NDPL at Rs3/share. We use a cost of equity of 15.4% (risk free rate of 8.9% and expected risk premium of 6.5%) and a terminal growth rate of 4%. We value NDPL at Rs5/share and Tata Power's 51% stake in NDPL accordingly is Rs3/share, based on our residual income (RI) model.

Exhibit 11

NDPL: RI Model

(Rs mn)	F2011	F2012E	F2013E	F2014E	F2015E
NDPL Capital Base	8,330	9,163	10,079	11,087	12,196
Net income	1,906	1,466	1,613	1,774	1,951
ROE	24%	18%	18%	18%	18%
RI	734	227	249	274	302
Discounting Factor			1.00	0.87	0.75
			249	238	226
Beginning capital base	10,079				
Forecast horizon	464				
Terminal Value	2,066				
Equity Value	12,609				
Value per share	5				
Value for TPWR	3				

Source: DERC, Morgan Stanley Research (E) estimates

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Powerlinks Transmission: 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 (post the new CERC regulations effective from April 2009 to March 2014) on the Powerlinks Transmission project, and its total investment is Rs2.5bn. We value the investment in Powerlinks Transmission at Rs1/share based on our RI model.

Exhibit 12

Powerlinks Transmission: RI Model

Rs Mn	
TPWR's Investment in Powerlinks	2,514
TPWR's holding	51%
Total equity component of the project	4,930
ROE	21.0%
COE	15.4%
Terminal growth rate	2%
Intrinsic value	6990
Implied P/B	1.4
Value for TPWR	1

Source: Company data, Morgan Stanley Research

Maithon Thermal Power Project: This 1,050 MW thermal plant is being implemented through a 74:26 joint venture between Tata Power and Damodar Valley Corporation. We use an RI model to value the project at Rs4/share.

Exhibit 13

Maithon Thermal Power Project: RI Model

Size (MW)	1,050
Cost/MW (Rs mn)	43
Cost of project (Rs mn)	45,415
Equity value of project (Rs mn)	13,625
Assumed ROE	16.0%
COE	14.9%
Terminal growth rate	2%
Intrinsic value	14,833
Implied P/B	1.1
Value per share (Rs/share)	6
Years to commissioning (1 year forward)	0
Present value per share (Rs/share)	6
TPWR stake	74%
Value for TPWR (Rs/share)	4

Source: Company data, Morgan Stanley Research

Mundra UMPP: Tata Power was the lowest bidder for the Mundra UMPP with a 25-year levelized tariff of Rs2.26/kWh.

The company expects the first unit to be commercial in February 2012 and each unit four months thereafter. We value the project at Rs(8)/share using a FCFe model. We use a cost of equity of 15.9% which is 100 bps in excess of cost of equity for the company.

India Energy Limited: Tata Power has set up two plants of 120 MW each in a joint venture with Tata Steel (26% equity owner). We believe these plants will earn an ROE of 16% and hence on a Residual Income model we value these plants at Rs1/share. Our assumption for cost of equity is similar to that of Tata Power.

Investment in Indonesian Coal Assets: We value the investments in coal assets using our regional team's base case fair value of Bumi Resources (the 70% equity owner of the coal assets) as a proxy. Since Bumi's value represents its 70% stake in the KPC and Arutmin coal assets, we have grossed it up to achieve the implied market capitalization of the coal assets as US\$9.3 bn. The implied value for TPWR's 30% stake in the coal assets after backing out the net debt of US\$468 mn aggregates to US\$2.3 bn or Rs44/share.

Exhibit 14

Value of Investment in Indonesian Coal Assets

Particulars	
Bumi Target Market Cap (US\$m)	6,480
Target Market Cap of Indonesian Coal Assets (US\$m)	9,257
Tata Power's Stake in Bumi	30%
Value for Tata Power (US\$m)	2,777
Net Debt Raised by Tata Power (US\$m)	468
Unrealized gain for Tata Power (US\$m)	2,309
Value for TPWR (Rs/share)	44
Less: Hedge through lower coal pricing for Mundra UMPP	0%
Holding company discount (%)	0%
Fair value for TPWR (Rs/share)	44

Source: Factset, Morgan Stanley Research

Investments in companies: Tata Power has investments primarily in group companies such as VSNL, Tata Teleservices and Tata Sons. These investments carried a face value of about Rs20 billion on the balance sheet as at March 31, 2011. In Exhibit 15 we present a list of these investments and their estimated fair values. We have assumed a 30% discount to determine the net realizable value.

Exhibit 15

Tata Power: Valuation of Investments

	Shares Held (mn)	Listed/Unlisted	Stock Price/Est Value (Rs/share)	Discount Factor	Fair Value (Rs/share)	Value for TTPW (Rs/share)	Basis for estimated value
Holding in Tata group companies							
<u>Telecom Investments</u>							
- Tata Teleservices Ltd	328	Unlisted	52	30%	36	5	Applied valuation of additional stake acquired by TPWR
- Tata Teleservices Maharashtra Ltd	216	Listed	14	30%	10	1	Current market price
- Tata Communications Ltd/ VSNL	14	Listed	181	30%	127	1	Current market price
- Panatone Inv Ltd (holding in VSNL)	500	Unlisted	15	30%	11	2	Holding in VSNL through Panatone Inv
Sub total						9	
<u>Non Telecom Investments</u>							
- Tata Sons	0.0	Unlisted	1,052,600	30%	736,820	2	Stake purchase by TPWR
Sub total						2	
Grand total						11	

Note: Market prices for listed companies are as on November 23, 2011

Source: Factset, Morgan Stanley Research

Risks to Our Target Price

We use a sum-of-parts methodology to determine the target price of Tata Power. The key upside risks to our target price are:

- Increase in generation capacity
- Additional projects in the transmission or distribution segment
- Upside to investment in Indonesian coal assets and other investments in group companies
- Upside to returns from the generation projects
- Monetization of investments for investment in the core business

The key downside risks to our target price are:

- Significant changes in regulations that could impair the business in Mumbai and Delhi
- Continued ambiguity about the company's intentions concerning the monetization of investments in group companies
- Significant increase in capex

- Significant downside to earnings for the Indonesian coal assets due to production delays or decline in coal pricing
- Political intervention in India and Indonesia.

Exhibit 16

Indian Utility Valuation Comparables

Company Name	Market Price (Rs/Share)	Adjusted Price (Rs/Share)	Implied Mkt Cap (US\$ mn)	EV/MW - US\$ mn			Mkt Cap/MW - US\$ mn			EV/EBITDA (x)		
				F2011e	F2012e	F2013e	F2011e	F2012e	F2013e	F2011e	F2012e	F2013e
Reliance Power	85	85	4,578	12.2	7.2	4.2	7.6	3.8	1.9	111.7	50.8	16.5
NTPC	157	157	24,775	1.0	0.9	0.8	0.8	0.7	0.6	11.7	11.4	9.9
Lanco Infratech	12	12	549	2.4	1.4	1.6	0.3	0.1	0.1	11.5	8.3	6.8
Tata Power	92	92	4,363	2.8	1.9	1.3	1.5	0.9	0.6	10.7	8.5	7.2
Reliance Infrastructure	396	396	2,022	3.3	3.9	3.0	2.6	2.6	2.6	13.4	10.8	7.0
Adani Power	72	72	2,992	3.8	2.2	1.4	1.5	0.8	0.5	31.9	19.2	9.4
Indiabulls Power	10	10	434	NA	NA	1.8	NA	NA	0.3	NM	NM	36.2
Jindal Steel and Power - @ MS Power Business FV	341	341	6,101	5.4	3.3	2.9	4.8	2.7	2.1	12.3	10.2	8.7
Jindal Steel and Power - implied	488	125	2,232	2.3	1.6	1.5	1.8	1.0	0.8	5.3	5.0	4.7
JSW Energy	40	40	1,262	1.7	1.0	1.1	0.7	0.4	0.4	9.6	9.1	6.7

Company Name	Market Price (Rs/Share)	Adjusted Price (Rs/Share)	Implied Mkt Cap (US\$ mn)	P/B (x)			ROE (%)			P/E (x)		
				F2011e	F2012e	F2013e	F2011e	F2012e	F2013e	F2011e	F2012e	F2013e
Reliance Power	85	85	4,578	1.3	1.3	1.2	4.0%	3.7%	7.9%	33.1	36.2	15.3
NTPC	157	157	24,775	1.9	1.8	1.7	13.5%	13.1%	13.8%	14.1	13.6	12.1
Lanco Infratech	12	12	549	0.5	0.5	0.4	15.0%	19.9%	21.9%	3.5	2.5	1.8
Tata Power	92	92	4,363	1.8	1.6	1.5	12.2%	13.9%	11.2%	14.8	11.5	13.0
Reliance Infrastructure	396	396	2,022	0.4	0.4	0.4	6.0%	4.4%	5.9%	6.8	8.9	6.2
Adani Power	72	72	2,992	2.5	2.2	1.9	8.2%	13.1%	13.9%	30.4	16.5	13.4
Indiabulls Power	10	10	434	0.5	0.6	0.5	0.1%	1.3%	2.7%	414.5	46.1	17.7
Jindal Steel and Power - @ MS Power Business FV	341	341	6,101	4.8	3.4	2.5	28.4%	28.9%	27.0%	17.0	11.9	9.3
Jindal Steel and Power - implied	488	125	2,232	1.8	1.3	0.9	28.4%	28.9%	27.0%	6.2	4.3	3.4
JSW Energy	40	40	1,262	1.2	1.1	1.0	13.8%	7.6%	10.1%	8.4	14.1	9.6

Notes:

Stock Prices are as of 11/25/11

Jindal Steel and Power @ MS FV is Morgan Stanley Research estimates for the company's power business @ Rs 341/share (power business + JSPL's 1350 MW plant)

Jindal Steel and Power implied is adjusted for steel business at Rs 363/share

Reliance Power is based on Bloomberg estimates

Exchange Rate of INR/USD = 52.24

NA = Not Available; NM = Not Meaningful

Source: Factset, Morgan Stanley Research

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Exhibit 17

Global Utility Valuations

Company Name	Country	MS Rating	PT	Stock Price	Currency	Mkt Cap (US\$m)	P/E			EV/EBITDA			Earnings CAGR *
							F11e/C10e	F12e/C11e	F13e/C12e	F11e/C10e	F12e/C11e	F13e/C12e	F2011-14e/C2010-13e
Pure Generation Cos													
Adani Power	India	UW	60.0	71.7	INR	2998	30.4	16.5	13.4	31.9	19.2	9.4	78%
Indiabulls Power Limited	India	UW	9.0	10.3	INR	483	906.7	46.1	17.7	NM	NM	38.3	178%
JSW Energy Limited	India	UW	52.0	40.2	INR	1265	15.0	14.1	9.6	12.8	18.3	6.6	-5%
NTPC	India	OW	196.0	157.0	INR	24825	17.3	13.6	12.1	13.8	11.4	10.0	11%
China Resources Power	China	OW	18.6	14.9	HKD	9232	17.4	12.8	11.0	11.7	9.6	9.0	24%
Huadian Power Int'l	China	EW	1.4	1.5	HKD	1285	51.4	91.8	34.2	15.5	11.1	10.8	54%
Huaneng Power	China	EW	3.6	4.2	HKD	7572	14.6	28.5	28.1	9.1	9.4	9.2	-20%
Yangtze Power	China	OW	10.5	6.5	CNY	16913	15.5	12.9	11.7	10.9	9.7	9.3	6%
Drax	UK	UW	410.0	551.5	GBp	3108	5.4	10.3	12.3	3.0	5.7	6.7	-58%
							119.3 x	27.4 x	16.7 x	13.6 x	11.8 x	12.1 x	30%
Integrated Power Cos													
Tata Power Co	India	UW	80.0	92.2	INR	4372	14.8	11.5	13.0	10.7	8.5	7.2	-3%
CLP Holdings	China	EW	64.2	69.2	HKD	21359	16.6	16.4	14.8	9.7	9.5	9.0	8%
Power Assets Holdings Ltd	China	EW	58.0	59.1	HKD	16180	14.5	13.7	13.4	13.3	12.5	12.1	10%
Korea Electric Power	Korea	EW	30,100.0	24800.0	KRW	13693	NM	37.9	43.3	9.6	9.6	9.0	-331%
Tenaga Nasional Bhd	Malaysia	OW	6.7	5.3	MYR	9072	11.1	8.2	9.2	7.2	5.6	5.2	0%
EDF	France	OW	24.0	18.2	EUR	44444	11.4	8.6	7.5	6.2	5.9	5.6	-3%
ENEL	Italy	OW	3.9	2.9	EUR	35464	8.0	6.1	6.7	5.4	4.9	4.9	-2%
Tokyo Electric Power	Japan	NA	NA	282.0	JPY	5814	NM	NM	3.9	15.1	12.2	8.9	-187%
Scottish & Southern	UK	EW	1,330.0	1254.0	GBp	18073	12.3	11.0	9.8	8.0	8.1	7.5	8%
							12.7 x	14.2 x	13.5 x	9.5 x	8.5 x	7.7 x	-55%
Diversified Cos													
Jindal Steel & Power	India	OW	650.0	487.8	INR	8734	17.3	10.6	8.5	12.4	8.2	7.0	21%
LANCO Infratech Ltd	India	EW	32.0	11.9	INR	550	11.7	2.5	1.8	14.4	8.3	6.8	41%
Reliance Infrastructure Limited	India	EW	450.0	396.0	INR	2026	19.1	11.1	10.1	16.9	10.9	8.1	7%
Cheung Kong Infra.	China	EW	46.1	44.0	HKD	12723	16.4	13.1	12.6	15.3	11.0	10.3	21%
Essar Energy Plc	UK	UW	230.0	214.0	GBp	4309	20.1	8.1	6.3	13.5	8.6	6.8	46%
							16.9 x	9.1 x	7.8 x	14.5 x	9.4 x	7.8 x	27%
Pure Transmission Cos													
Red Electrica	Spain	EW	43.0	30.8	EUR	5505	11.6	8.7	8.3	9.3	7.4	7.0	9%
REN - Redes Energeticas Nacionais	Portugal	EW	2.8	1.9	EUR	1356	12.4	8.0	7.1	8.0	6.9	6.5	9%
National Grid plc	UK	EW	585.0	631.5	GBp	33800	10.2	11.9	12.4	9.2	9.0	9.2	-2%
Terna Rete Elettrica Nazionale S.p.A.	Italy	NC	NC	2.5	EUR	6534	8.0	12.8	13.0	8.6	8.6	8.8	-14%
CTEEP	Brazil	NC	NC	49.8	BRL	4018	9.3	7.9	8.1	5.1	4.1	4.4	8%
ITC Holdings Corp.	USA	NC	NC	71.1	USD	3647	25.0	21.4	17.7	13.6	12.4	11.5	19%
							13.5 x	12.5 x	11.6 x	9.3 x	8.6 x	8.2 x	6%

For valuation methodology and risks associated with any price targets above, please email morganstanley.research@morganstanley.com with a request for valuation methodology and risks on a particular stock.
e = Factset, Morgan Stanley Research estimates; Source: Factset, Morgan Stanley Research
NA = Not Available; NM = Not Meaningful; UW = Underweight, EW = Equalweight, OW = Overweight, NC = Not Covered (Factset consensus)
Prices are as of Nov 28, 2011 for Asian companies and Nov 25, 2011 for the others
Note: Data for Indian companies is for Fiscal Year End March 31; * F2011-F2013 for Lanco Infratech

November 29, 2011

Tata Power Co

Exhibit 18

Global Utility Valuations (cont'd)

Company Name	Country	MS Rating	PT	Stock Price	Currency	Mkt Cap (US\$m)	P/B			ROE			Book Value Growth *
							F11e/C10e	F12e/C11e	F13e/C12e	F11e/C10e	F12e/C11e	F13e/C12e	
Pure Generation Cos													
Adani Power	India	UW	60.0	71.7	INR	2998	2.5	2.2	1.9	9%	14%	15%	22%
Indiabulls Power Limited	India	UW	9.0	10.3	INR	483	1.2	0.6	0.5	NA	0%	1%	5%
JSW Energy Limited	India	UW	52.0	40.2	INR	1265	2.1	1.1	1.0	23%	15%	8%	13%
NTPC	India	OW	196.0	157.0	INR	24825	2.3	1.8	1.7	14%	14%	14%	7%
China Resources Power	China	OW	18.6	14.9	HKD	9232	1.6	1.5	1.4	9%	12%	13%	10%
Huadian Power Int'l	China	EW	1.4	1.5	HKD	1285	0.5	0.5	0.5	1%	1%	1%	3%
Huaneng Power	China	EW	3.6	4.2	HKD	7572	0.9	0.9	0.9	7%	3%	3%	0%
Yangtze Power	China	OW	10.5	6.5	CNY	16913	1.9	1.5	1.4	13%	12%	12%	8%
Drax	UK	UW	410.0	551.5	GBP	3108	1.4	1.9	1.8	25%	20%	15%	4%
							1.6 x	1.3 x	1.2 x	13%	10%	9%	8%
Integrated Power Cos													
Tata Power Co	India	UW	80.0	92.2	INR	4372	1.7	1.5	1.4	12%	13%	11%	10%
CLP Holdings	China	EW	64.2	69.2	HKD	21359	1.9	2.0	1.9	12%	12%	13%	6%
Power Assets Holdings Ltd	China	EW	58.0	59.1	HKD	16180	1.9	2.1	1.9	13%	16%	15%	7%
Korea Electric Power	Korea	EW	30,100.0	24800.0	KRW	13693	0.5	0.4	0.4	0%	1%	1%	1%
Tenaga Nasional Bhd	Malaysia	OW	6.7	5.3	MYR	9072	1.4	0.9	0.9	13%	12%	10%	8%
EDF	France	OW	24.0	18.2	EUR	44444	1.7	0.9	0.9	16%	11%	12%	6%
ENEL	Italy	OW	3.9	2.9	EUR	35464	0.9	0.7	0.7	12%	11%	10%	4%
Tokyo Electric Power	Japan	NA	NA	282.0	JPY	5814	0.5	0.6	0.6	-8%	-22%	-14%	-21%
Scottish & Southern	UK	EW	1,330.0	1254.0	GBP	18073	2.2	2.1	2.0	NA	22%	19%	20%
							1.4 x	1.2 x	1.2 x	9%	9%	9%	5%
Diversified Cos													
Jindal Steel & Power	India	OW	650.0	487.8	INR	8734	4.6	2.5	1.9	41%	31%	27%	31%
LANCO Infratech Ltd	India	EW	32.0	11.9	INR	550	1.8	0.5	0.4	22%	18%	20%	25%
Reliance Infrastructure Limited	India	EW	450.0	396.0	INR	2026	1.0	0.6	0.6	5%	6%	5%	2%
Cheung Kong Infra.	China	EW	46.1	44.0	HKD	12723	1.5	1.7	1.5	10%	14%	13%	10%
Essar Energy Plc	UK	UW	230.0	214.0	GBP	4309	1.0	0.9	0.8	7%	5%	11%	9%
							2.0 x	1.2 x	1.0 x	17%	15%	15%	16%
Pure Transmission Cos													
Red Electrica	Spain	EW	43.0	30.8	EUR	5505	2.9	2.3	2.1	28%	29%	28%	10%
REN - Redes Energeticas Nacionais	Portugal	EW	2.8	1.9	EUR	1356	1.3	1.0	0.9	11%	13%	14%	5%
National Grid plc	UK	EW	585.0	631.5	GBP	33800	3.4	2.6	2.6	NA	40%	22%	15%
Terna Rete Elettrica Nazionale S.p.A.	Italy	NC	NC	2.5	EUR	6534	1.9	1.9	1.9	18%	15%	14%	2%
CTEEP	Brazil	NC	NC	49.8	BRL	4018	1.8	1.8	1.7	19%	22%	21%	1%
ITC Holdings Corp.	USA	NC	NC	71.1	USD	3647	3.4	3.0	2.7	13%	14%	15%	12%
							2.4 x	2.1 x	2.0 x	17%	21%	18%	8%

For valuation methodology and risks associated with any price targets above, please email morganstanley.research@morganstanley.com with a request for valuation methodology and risks on a particular stock.

e = Factset, Morgan Stanley Research estimates; Source: Factset, Morgan Stanley Research

NA = Not Available; NM = Not Meaningful; UW = Underweight, EW = Equalweight, OW = Overweight, NC = Not Covered (Factset consensus)

Prices are as of Nov 28, 2011 for Asian companies and Nov 25, 2011 for the others

Note: Data for Indian companies is for Fiscal Year End March 31; * F2011-F2013 for Lanco Infratech



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(as of October 31, 2011)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1126	40%	449	44%	40%
Equal-weight/Hold	1176	42%	431	42%	37%
Not-Rated/Hold	108	4%	23	2%	21%
Underweight/Sell	418	15%	115	11%	28%
Total	2,828		1018		

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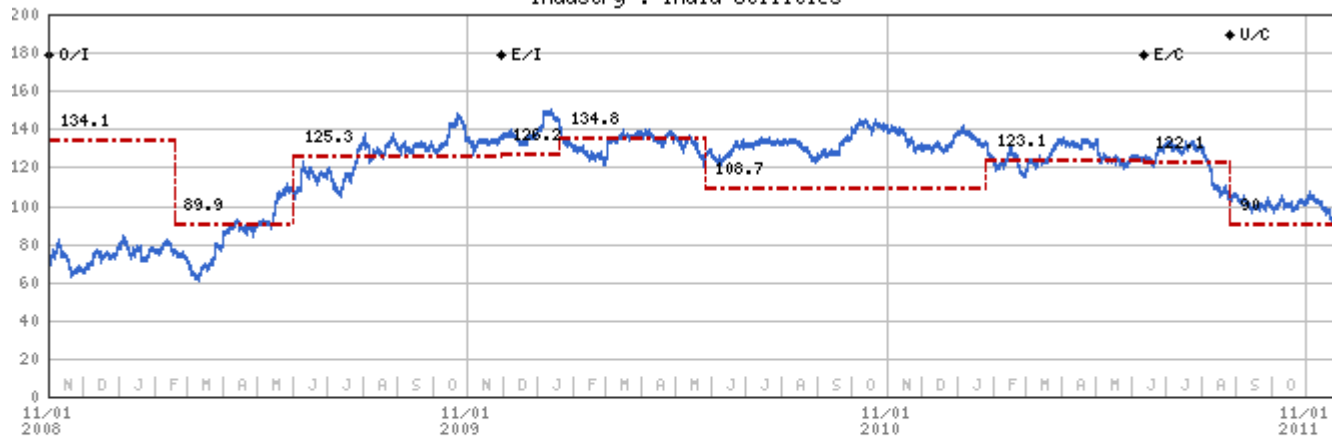
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Stock Price, Price Target and Rating History (See Rating Definitions)

Tata Power Co (TTPW.BD) - As of 11/28/11 in INR
Industry : India Utilities



Volatility shading indicates "more volatile" (U) flag. As of Nov-14-2008 the U flag has been discontinued.

Stock Rating History: 11/1/08 : O/I; 11/30/09 : E/I; 6/13/11 : E/C; 8/26/11 : U/C

Price Target History: 9/10/08 : 134.1; 2/18/09 : 89.9; 6/2/09 : 125.3; 11/30/09 : 126.2; 1/20/10 : 134.8; 5/26/10 : 108.7; 1/26/11 : 123.1; 6/13/11 : 122.1; 8/26/11 : 90

Source: Morgan Stanley Research Date Format: MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Ratings/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (U) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Asia/Pacific

1 Austin Road West

Industry Coverage:India Utilities

Company (Ticker)	Rating (as of)	Price* (11/28/2011)
Parag Gupta		
Adani Power (ADAN.BO)	U (06/13/2011)	Rs72.85
Indiabulls Power Limited (INDP.BO)	U (06/13/2011)	Rs11.09
JSW Energy Limited (JSWE.BO)	U (08/27/2010)	Rs42.05
LANCO Infratech Ltd (LAIN.BO)	E (06/13/2011)	Rs12.6
NTPC (NTPC.BO)	O (06/13/2011)	Rs159.55
Reliance Infrastructure Limited (RLIN.BO)	E (06/13/2011)	Rs407.6
Tata Power Co (TTPW.BO)	U (08/26/2011)	Rs94.05

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