

# Tata Power (TATPOW)

₹ 101

## WHAT'S CHANGED...

|                    |                             |
|--------------------|-----------------------------|
| PRICE TARGET ..... | Changed from ₹ 97 to ₹ 94   |
| EPS (FY13E) .....  | Changed from ₹6.1 to ₹5.5   |
| EPS (FY14E) .....  | Changed from ₹ 4.7 to ₹ 4.9 |
| RATING .....       | Unchanged                   |

## Disappointment again; this time its coal....

Lower margins in Bumi Resources (higher cash cost per tonne), losses in Mundra and Maithon (on account of sub-optimal PLFs), higher tax out go were the key highlights of Tata Power Q1 FY13 earnings. The company reported profit of ₹146 crore. Adjusted profit for the quarter after adding forex loss of ₹45 crore and one time income reversal of ₹155 crore in standalone entity was ₹315 crore. We maintain our Hold rating on the stock.

### Other highlights during the quarter

Tax as a % of PBT for the quarter was 54% due to absence of offset between Coal SPV and loss making Mundra and Maithon projects. Maithon reported losses mainly on account of PLFs and boiler shutdown while Mundra reported higher losses on account of front loading of port costs. The effect of tariff hike in NDPL will be reflected in Q2 FY13 results onwards. Cash cost per tonne of coal was \$48.9/tonne (which was higher than our expectations).

### Maithon unit stabilising ; Mundra will be in losses

There has been improvement in Maithon unit PLFs post the boiler shutdown. 750 MW (out of 1050 MW) would be sold under PPA while remaining at merchant rates. Logistics is an issue for the project but we expect improvement from here. Viability of Mundra project hinges on tariff hikes accepted by beneficiaries (40 paise hike for breakeven). Management guided for ₹40 crore per month loss for the project in FY13.

### Valuation Hold ; Re-rating hinges on tariff increase in Mundra

We maintain our Hold rating on the stock as 1) Company is incurring ~60 paise / unit loss in Mundra 2) No significant profitable capacity addition in till FY14 3) Higher tax rates (in absence of merger between Indonesian subsidiaries and Mundra UMPP). The re-rating for the stock would depend on 1) Tariff increase in Mundra 2) Reversal on provision due to decline international thermal coal prices and 3) decline in cash costs in Bumi Resources.

### Exhibit 1: Financial Performance

| (₹ Crore)         | Q1FY13  | Q1FY13E | Q1FY12  | Q4FY12  | QoQ (%) | YoY (%)  |
|-------------------|---------|---------|---------|---------|---------|----------|
| Net Sales         | 7,253.9 | 6,697.0 | 5,824.5 | 7,234.8 | 0.3     | 24.5     |
| EBITDA            | 1,412.9 | 1,359.5 | 1,423.4 | 1,460.1 | -3.2    | -0.7     |
| EBITDA Margin (%) | 19.5    | 20.3    | 24.4    | 20.2    | -70 bps | -496 bps |
| Depreciation      | 506.0   | 454.3   | 271.9   | 409.3   | 23.6    | 86.1     |
| Interest          | 548.1   | 520.6   | 263.0   | 456.6   | 20.1    | 108.4    |
| Reported PAT      | 145.9   | 274.3   | 427.4   | -628.5  | LP      | -65.9    |
| EPS (₹)           | 0.6     | 1.2     | 1.9     | 1.1     | LP      | -67.0    |

Source: Company, ICICIdirect.com Research

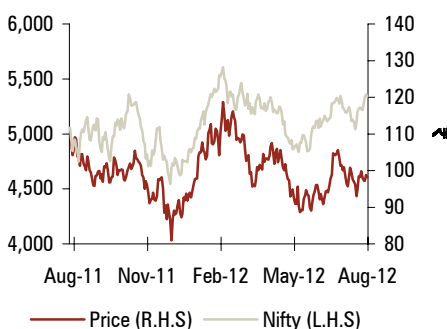
| Rating matrix    |             |
|------------------|-------------|
| Rating           | : Hold      |
| Target           | : ₹ 94      |
| Target Period    | : 12 months |
| Potential Upside | : -7%       |

| Key Financials |       |       |       |       |
|----------------|-------|-------|-------|-------|
| (₹ Crore)      | FY11  | FY12  | FY13E | FY14E |
| Net Sales      | 19451 | 26001 | 27241 | 32699 |
| EBITDA         | 4592  | 4900  | 5081  | 5976  |
| Net Profit     | 2088  | -1088 | 1311  | 1172  |

| Valuation summary |      |      |       |       |
|-------------------|------|------|-------|-------|
|                   | FY11 | FY12 | FY13E | FY14E |
| EPS (₹)           | 8.8  | -4.6 | 5.5   | 4.9   |
| PE (x)            | 11.5 | NA   | 18.3  | 20.5  |
| Target PE (x)     | 10.7 | NA   | 17.0  | 19.0  |
| EV/EBITDA (x)     | 9.9  | 10.6 | 10.7  | 9.3   |
| P/BV (x)          | 1.8  | 2.0  | 1.9   | 1.8   |
| RoNW (%)          | 15.9 | NA   | 10.2  | 8.6   |
| RoCE (%)          | 11.0 | 8.8  | 7.0   | 8.0   |

| Stock data            |               |
|-----------------------|---------------|
| Market Capitalisation | ₹ 23967       |
| Debt (FY12)           | ₹31920 Crore  |
| Cash (FY12)           | ₹2744 Crore   |
| EV                    | ₹ 52113 Crore |
| 52 week H/L           | ₹121/80       |
| Equity capital        | ₹ 237 Crore   |
| Face value            | ₹ 10          |
| MF Holding (%)        | 2.8           |
| FII Holding (%)       | 22.6          |

### Price movement



### Analyst's name

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### Exhibit 2: Assumption sheet

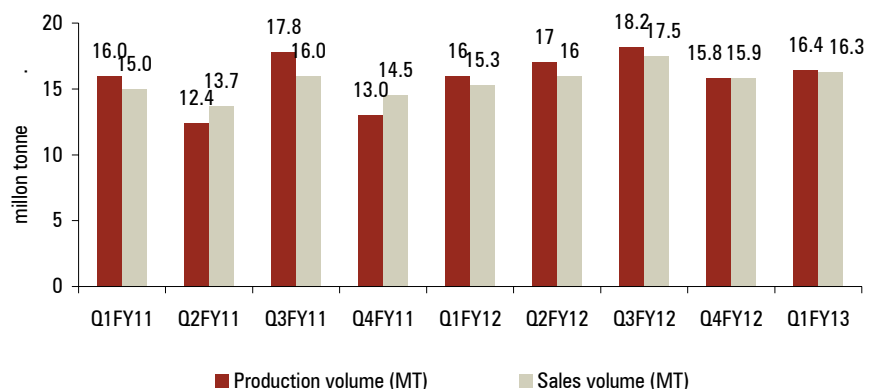
|  | FY11  | FY12  | FY13E | FY14E |
|--|-------|-------|-------|-------|
| Power generation - 3031 MW (million units)         | 16270 | 16270 | 16270 | 16270 |
| Average Realisation (₹ kwhr)                       | 4.2   | 4.3   | 4.6   | 4.6   |
| IEL -120 MW (million units)                        | 570.2 | 713   | 713   | 713   |
| Average Realisation (₹ kwhr)                       | 3.29  | 3.07  | 3.07  | 3.07  |
| Jojobera - 120 MW (million units)                  | -     | 713   | 713   | 713   |
| Average Realisation (₹ kwhr)                       | -     | 3.81  | 3.81  | 3.76  |
| Maithon -1050 MW (million units)                   | -     | -     | 3366  | 5419  |
| Average Realisation (₹ kwhr)                       | -     | -     | 3.19  | 3.26  |
| Mundhra -4000 MW (million units)                   | -     | -     | 8291  | 24852 |
| Average Realisation (₹ kwhr)                       | -     | -     | 2.26  | 2.26  |
| Regulated Asset Base (₹ crore) - Mumbai            | 7980  | 2563  | 2661  | 2816  |
| Regulated Asset Base (₹ crore) - Delhi             | 936   | 963   | 993   | 1023  |
| Regulated Asset Base (₹ crore) - Tala Transmission | 465   | 466   | 467   | 468   |
| Coal Volumes - Mn tonnes adjusted for 30% stake    | 17.8  | 20.1  | 20.5  | 22.8  |
| Coal Realisation (\$/ tonne)                       | 76.9  | 92.3  | 80    | 80    |
| Cash cost  | 37.2  | 43.6  | 45.9  | 44.5  |

Source: Company, ICICIdirect.com Research

### Bumi resources: In line volumes; softening current coal prices key monitorable

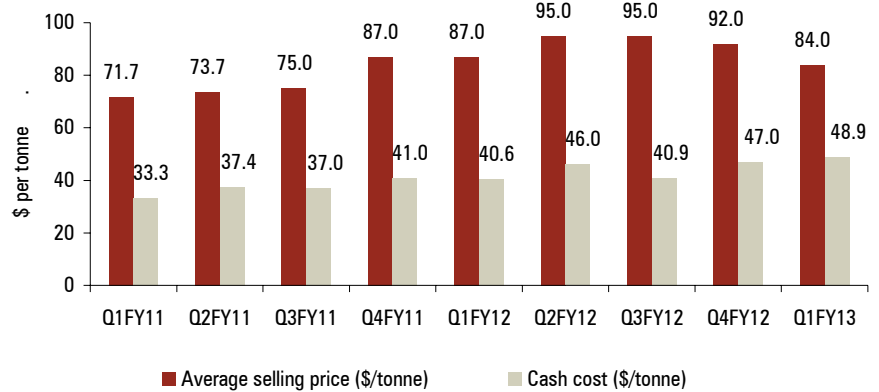
Sales volumes at the coal SPV came in 16.3 MT which were slightly below our expectation. Realisation for Q1 FY13 stood at \$ 84 / tonne. The cash cost for Q1FY13 was at \$ 48.9/tonne. For FY13 and FY14, we expect sale realisation of \$ 80/tonne. We expect sales volume to be ~68 and 72 mn tonne for FY13 and FY14 respectively.

### Exhibit 3: Production and Sales level from the Coal SPV



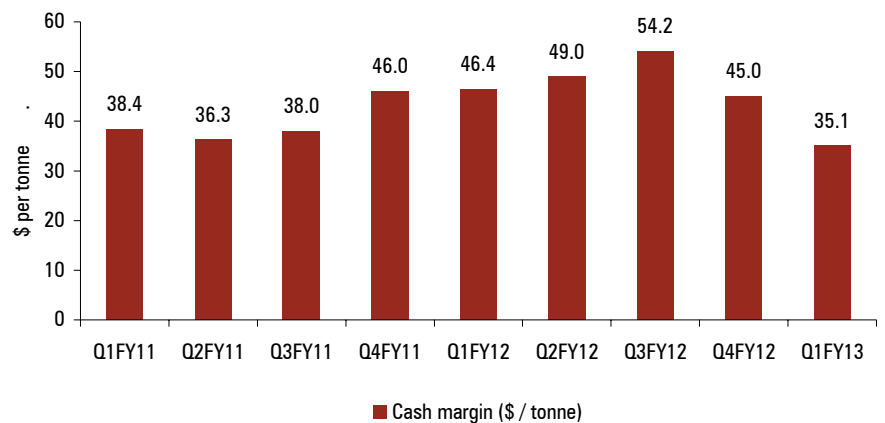
Source: Company, ICICIdirect.com Research

**Exhibit 4: Average selling price declined 3.4% on YoY basis and 8.6% on QoQ basis**



Source: Company, ICICIdirect.com Research

**Exhibit 5: Cash margin for the company is the lowest since last 9 quarters**



Source: Company, ICICIdirect.com Research

**Performance of Subsidiaries in Q1 FY13 impacted by Mundra losses**

**Exhibit 6: Subsidiary performance dragged down by CGPL ( Mundra UMPP)**

| ₹ crore            | Revenues |        |                        | EBITDA |        |                        | PAT    |        |                        |
|--------------------|----------|--------|------------------------|--------|--------|------------------------|--------|--------|------------------------|
|                    | Q1FY13   | Q1FY12 | YoY Growth / (Decline) | Q1FY13 | Q1FY12 | YoY Growth / (Decline) | Q1FY13 | Q1FY12 | YoY Growth / (Decline) |
| NDPL               | 1478.6   | 1270.2 | 16.4                   | 250    | 292.6  | -14.6                  | 73.9   | 148.2  | -50.1                  |
| Power Links        | 67.6     | 69.6   | (2.9)                  | 64.6   | 66.3   | (2.6)                  | 26.2   | 25.6   | 2.3                    |
| Tata Power Trading | 644.2    | 662.1  | (2.7)                  | 6.1    | 8.1    | -24.7                  | 5.4    | 5.8    | (6.9)                  |
| Maithon            | 192.5    | 0      | NA                     | 75.2   | -22.3  | LP                     | -17.8  | -22.6  | (21.2)                 |
| IEL                | 144.9    | 109.5  | 32.3                   | 62.7   | 62.5   | 0.3                    | 21.3   | 20     | 6.5                    |
| CGPL               | 285.0    | 0      | NA                     | 9.7    | -53.8  | LP                     | -168.8 | -53.8  | 213.8                  |
| Total              | 2812.8   | 2111.4 | 33.2                   | 468.3  | 353.4  | 32.5                   | -59.8  | 123.2  | PL                     |

Source: Company, ICICIdirect.com Research

## Key highlights on the concall

### Maithon

- The Unit 1 of Maithon is operating at sub optimal PLFs on account of boiler issues. In Q1FY13, the company operated at PLFs of ~38 %. In July the PLF was 77%.
- Unlike 100% PPA as per original plan, this project has firm PPA of 750 MW and the rest would be sold at merchant rates
- The management stated that Coal is not an issue but logistics is a constraint for the company. This project is receiving 10000/tonnes per day (translating to 3.6 mn tonnes against requirement of 4.5 mn tonnes). Additionally the company has tied up with Tata Steel for middlings
- Total capex incurred by the company is ₹ 4300 crore (Total project cost: ₹5200 crore). The remaining ₹900 crore would be for land acquisition for railway sidings (which will become operational in 12 months).

### Mundra

- The Unit – 1 operated at PLFs of 73.8 % in Q1FY13 (Units generated : 1289 MUs) while PAF was at 82%
- The management has guided a loss of ₹40 crore per month for entire Mundra project
- In Q1 FY13, the company blended 40% of Eco Coal and 60% Bumi resource coal (Bumi coal taken before change on Indonesian law). Going forward the company would be blending 70% Eco Coal and 30% Bumi resource coal. Fuel cost in Q1FY13 was ₹1.62/kwhr (Total fuel cost ₹249 crore including ₹ 40 crore as take or pay agreement). Even after the change in blending, we do not see decline in fuel cost mainly because of lower rate of Bumi resource coal in Q1 FY13.
- The impact of heat rate due to change in fuel mix would be 2%
- The management stated at hike of 40 paise/ unit would be required to breakeven and 65 paise/unit to provide a reasonable IRR on the project
- Unit 2 is declared CoD while Unit 3 boiler light up is done.

### Bumi Resources

- The quarter witness lowest cash margins (since 9 quarters) mainly on account of heavy rainfall and infrastructure issues
- There was increase in coal processing charges on QoQ basis owing to capex done by one of its subsidiaries (one time in nature) which would be spread out over the year as volumes ramp up

### Other business

- Merchant realisation from Haldia was ₹3.01/kwhr (₹3.31/kwhr in Q1 FY12).
- Regulated equity in Mumbai Generation, Transmission and Distribution as on Q1 FY13 stands at ₹ 1620 crore, ₹ 650 crore and ₹ 295 crore.
- Regulated equity in Q1 FY13 NDPL and Power Links stands at ₹ 981 crore and ₹466 crore respectively.
- There was reversal of excess revenue of ₹155 crore in standalone entity
- Capex for Mumbai Business would be ₹900 crore and ₹1200 crore in FY13 and FY14 respectively.
- The company expects to add 50MW of Wind capacity per year in FY13 and FY14
- The company has signed an agreement with the an Indonesian company, PT Baramulti Sukses Sarana for coal supplies (with a possibility of taking 26% stake) for an initial 0.5mn and possible ramp-

up to 4mn annually. BSSR owns approximately 1 billion tones of coal resources in South and East Kalimantan in Indonesia

- The management expects Kalinganagar project -200 MW on waste gas (from Tata Steel) to be operational by Q1FY14. The total project cost is ₹1200 crore. The other phase of projects 450 MW (coal + gas based projects) would be commissioned by FY15. The cost of project is ₹2000 crore. The main plant is yet to be ordered
- The land acquisition for 1980 MW Tiruldih power project in Jharkhand is 35% complete
- The management expects 114 MW Dagachhu project (developed in partnership with Bhutan) to be operational by 2013. More than 55% of tunnel excavation is completed

### Valuation and outlook

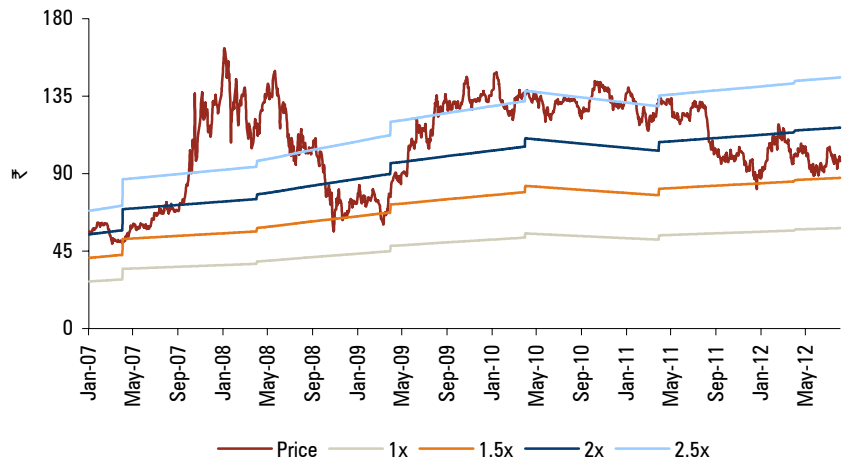
- While we acknowledge the fact that the company has stable Mumbai and Delhi operations (51% stake) with regular tariff hikes, losses in Mundra would not let us make an investment case in the company.
- Secondly with Maithon (1050 MW) operations stabilising we believe that 29% merchant capacity poses risks to 15.5% RoE for the projects; given the volatile merchant prices.
- As a result of unprofitable capacity expansions, we forecast Sales/EBITDA growth of 12.1%/10.4% in FY12-FY14E. We expect PAT de-growth (FY14 over FY13) on account of full impact on Mundra project
- The re-rating for the stock would depend on 1) Tariff increase in Mundra 2) Reversal on provision due to decline international thermal coal prices and 3) decline in cash costs in Bumi Resources .

### Exhibit 7: Valuation of Tata Power

|                                  | Capacity              | Status/ Expected CoD | Value<br>₹ crore | No of shares<br>(₹crore) | Value per<br>share (₹) | Valuation Methodology  |
|----------------------------------|-----------------------|----------------------|------------------|--------------------------|------------------------|--|
| Mumbai generation + distribution | 1927 MW               | Operational          | 3584             | 237.0                    | 15                     | FCFE with 14.5% CoE  |
| Belgaum                          | 81 MW                 | Operational          | 116              | 237.0                    | 0.5                    | FCFE with 13% CoE  |
| Merchant (Trombay & Haldia)      | 200 MW                | Operational          | 730              | 237.0                    | 3.1                    | FCFE with 13% CoE  |
|                                  | Merchant+<br>20MW PPA |                      |                  |                          |                        |  |
| Jojobera existing                | 428 MW                | Operational          | 1420             | 237.0                    | 6                      | FCFE with 13% CoE  |
| IEL                              | 120 MW                | Operational          | 156              | 237.0                    | 0.7                    | FCFE with 13% CoE  |
| Jojobera expansion               | 120 MW                | Operational          | 87               | 237.0                    | 0.4                    | FCFE with 13% CoE  |
| Maithon                          | 1050 MW               | Operational          | 2648             | 237.0                    | 11                     | FCFE with 14% CoE for 74% stake  |
| Wind Energy                      | 375 MW                | Operational          | 1009             | 237.0                    | 4                      | FCFE with 13% CoE  |
| Solar                            | 30 MW                 | Operational          | 300              | 237.0                    | 1                      | At replacement cost of ₹ 10 crore  |
| Wind Energy further additional   | 100 MW                | 50 MW in FY13        | 300              | 237.0                    | 1                      | At replacement cost of ₹ 5 crore/MW<br>since PPAs have not been signed                 |
| NDPL                             |                       | Operational          | 1674             | 237.0                    | 7                      | FCFE with 10% CoE for 51% stake (higher<br>COE due to tariff recovery in installments) |
| Tala Transmission                |                       | Operational          | 1879             | 237.0                    | 8                      | FCFE with 12% CoE for 51% stake  |
| Power Trading                    |                       | Operational          | 129              | 237.0                    | 1                      | 10x FY13E PAT  |
| PT Bumi Resources & Mundra UMPP  | 4000 MW               |                      | 10534            | 237.0                    | 21                     | valuation for Mundra UMPP (due to high<br>coal costs)                                  |
| Dagachu HEP                      | 126 MW                |                      | 5.2              | 237.0                    | 0.0                    | 1.0x Book value for 26% stake<br>(in line valuation given for NHPC)                    |
| Other business                   |                       |                      |                  |                          | 2.4                    |  |
| NELCO                            |                       |                      | 78.1             | 237.0                    | 0.3                    | 30% holding company discount   |
| SED                              |                       |                      | 362.4            | 237.0                    | 1.5                    | 1x FY13E sales   |
| Tata BP Solar                    |                       |                      | 133.48           | 237.0                    | 0.6                    | 1x investments   |
| Value of investments (Telecom)   |                       |                      |                  |                          | 6.1                    |  |
| TTML                             |                       |                      | 173.0            | 237.0                    | 0.7                    |  |
| Tata Communication               |                       |                      | 234.9            | 237.0                    | 1.0                    |  |
| TTSL                             |                       |                      | 1028.6           | 237.0                    | 4.3                    |  |
| <b>Target Price</b>              |                       |                      |                  |                          | <b>94</b>              |  |

Source: ICICIdirect.com Research

Exhibit 8: Price / book trend



Source: Bloomberg, ICICI direct.com



## Financial summary

### Profit and loss statement

|                             | (₹ Crore) |          |          |          |
|-----------------------------|-----------|----------|----------|----------|
| (Year-end March)            | FY11      | FY12     | FY13E    | FY14E    |
| Total operating Income      | 19,450.8  | 26,001.4 | 27,241.5 | 32,699.3 |
| Growth (%)                  | 2.4       | 33.7     | 4.8      | 20.0     |
| Raw Material Expenses       | 4,323.1   | 6,309.1  | 6,571.7  | 10,294.7 |
| Coal processing Chgs        | 1,667.5   | 1,953.2  | 2,711.8  | 2,964.2  |
| Cost of Power purchased     | 4,914.3   | 6,122.6  | 6,183.8  | 6,245.7  |
| Royalty towards coal mining | 765.8     | 1,101.1  | 1,112.1  | 1,123.3  |
| Other expenses              | 3,187.6   | 5,615.1  | 5,580.7  | 6,095.2  |
| Total Operating Expenditure | 14,858.4  | 21,101.2 | 22,160.2 | 26,723.0 |
| EBITDA                      | 4,592.4   | 4,900.2  | 5,081.3  | 5,976.3  |
| Growth (%)                  | 19.7      | 6.7      | 3.7      | 17.6     |
| Depreciation                | 980.2     | 1,334.7  | 2,143.4  | 2,467.3  |
| Interest                    | 866.2     | 1,527.1  | 1,554.6  | 2,191.1  |
| Other Income + excep.       | 410.5     | -1,531.2 | 500.0    | 500.0    |
| PBT                         | 3,156.5   | 507.2    | 1,883.4  | 1,818.0  |
| Others                      | -93.8     | 119.4    | -180.7   | -171.6   |
| Total Tax                   | 975.0     | 1,475.5  | 753.3    | 818.1    |
| PAT                         | 2,087.7   | -1,087.7 | 1,310.7  | 1,171.5  |
| Growth (%)                  | 5.7       | -152.1   | LP       | -10.6    |
| EPS (₹)                     | 9.2       | -4.6     | 5.5      | 4.9      |

Source: Company, ICICIdirect.com Research

### Cash flow statement

|                                | (₹ Crore) |          |          |          |
|--------------------------------|-----------|----------|----------|----------|
| (Year-end March)               | FY11      | FY12     | FY13E    | FY14E    |
| Profit before Tax              | 3,156.5   | 507.2    | 1,883.4  | 1,818.0  |
| Add: Depreciation              | 980.2     | 1,334.7  | 2,143.4  | 2,467.3  |
| (Inc)/dec in Current Assets    | -1,318.4  | -4,439.3 | -718.0   | -2,549.0 |
| Inc/(dec) in CL and Provisions | 942.9     | 1,411.6  | -480.0   | 454.8    |
| Others                         | -458.3    | 2,302.7  | 1,819.3  | 959.0    |
| CF from operating activities   | 3,303.0   | 1,116.9  | 4,648.0  | 3,150.1  |
| (Inc)/dec in Investments       | 312.5     | -272.9   | -272.9   | -272.9   |
| (Inc)/dec in Fixed Assets      | -9,232.1  | -6,529.9 | -3,030.0 | -2,000.0 |
| Others                         | 0.0       | 0.0      | 0.0      | 0.0      |
| CF from investing activities   | -8,919.6  | -6,802.8 | -3,302.9 | -2,272.9 |
| Issue/(Buy back) of Equity     | 92.3      | 78.8     | 100.0    | 100.0    |
| Inc/(dec) in loan funds        | 6,454.8   | 7,492.1  | 4,409.0  | 276.6    |
| Dividend paid & dividend tax   | -416.5    | -398.5   | -296.9   | -296.9   |
| Inc/(dec) in Sec. premium      | 0.0       | 0.0      | 0.0      | 0.0      |
| Others                         | -716.4    | -160.1   | -3,034.5 | -2,170.0 |
| CF from financing activities   | 5,414.2   | 7,012.4  | 1,177.6  | -2,090.4 |
| Net Cash flow                  | -202.4    | 1,326.4  | 2,522.7  | -1,213.2 |
| Opening Cash                   | 2,343.2   | 2,305.2  | 3,631.7  | 6,154.4  |
| Closing Cash                   | 2,140.8   | 3,631.7  | 6,154.4  | 4,941.2  |

Source: Company, ICICIdirect.com Research

### Balance sheet

|                            | (₹ Crore) |          |          |          |
|----------------------------|-----------|----------|----------|----------|
| (Year-end March)           | FY11      | FY12     | FY13E    | FY14E    |
| <b>Liabilities</b>         |           |          |          |          |
| Equity Capital             | 237.3     | 237.3    | 237.3    | 237.3    |
| Reserve and Surplus        | 12,866.3  | 11,629.2 | 12,610.2 | 13,416.6 |
| Total Shareholders funds   | 13,103.6  | 11,866.5 | 12,847.5 | 13,653.9 |
| Total Debt                 | 23,599.2  | 31,919.9 | 36,328.9 | 36,605.5 |
| Others                     | 1,495.7   | 3,091.4  | 1,611.4  | 1,632.5  |
| Minority Interest / Others | 1,414.3   | 1,631.3  | 1,957.5  | 2,350.0  |
| Total Liabilities          | 39,612.7  | 48,509.0 | 52,745.3 | 54,241.8 |
| <b>Assets</b>              |           |          |          |          |
| Gross Block                | 20,138.9  | 33,411.8 | 36,441.8 | 38,441.8 |
| Less: Acc Depreciation     | 8,329.5   | 10,602.8 | 12,746.1 | 15,213.4 |
| Net Block                  | 11,809.4  | 22,809.1 | 23,695.7 | 23,228.4 |
| Capital WIP                | 18,772.2  | 12,659.2 | 12,660.2 | 15,411.9 |
| Total Fixed Assets         | 30,581.6  | 35,468.3 | 36,355.9 | 38,640.4 |
| Goodwill on consolidation  | 4,228.1   | 4,844.4  | 4,844.4  | 4,844.4  |
| Investments                | 2,841.0   | 3,422.9  | 3,922.9  | 4,422.9  |
| Inventory                  | 1,128.7   | 1,684.7  | 1,754.8  | 2,748.9  |
| Debtors                    | 1,668.9   | 2,271.4  | 2,612.2  | 3,135.5  |
| Loans and Advances         | 3,305.0   | 3,729.7  | 3,813.8  | 4,577.9  |
| Other Current Assets       | 4,467.4   | 6,574.8  | 6,574.8  | 6,574.8  |
| Cash                       | 2,206.6   | 3,744.1  | 6,154.4  | 4,942.2  |
| Total Current Assets       | 12,776.7  | 18,004.6 | 20,910.0 | 21,979.4 |
| Creditors                  | 2,023.5   | 2,750.1  | 2,270.1  | 2,724.9  |
| Other Liabilities          | 6,880.3   | 8,557.9  | 8,989.7  | 10,790.8 |
| Provisions                 | 1,917.8   | 1,931.5  | 2,028.1  | 2,129.5  |
| Total Current Liabilities  | 10,821.5  | 13,239.5 | 13,287.9 | 15,645.2 |
| Net Current Assets         | 1,955.2   | 4,765.1  | 7,622.1  | 6,334.2  |
| Others Assets              | 6.8       | 8.3      | 0.0      | 0.0      |
| Application of Funds       | 39,612.7  | 48,509.0 | 52,745.3 | 54,241.8 |

Source: Company, ICICIdirect.com Research

### Key ratios

| (Year-end March)             | FY11 | FY12 | FY13E | FY14E |
|------------------------------|------|------|-------|-------|
| <b>Per share data (₹)</b>    |      |      |       |       |
| EPS                          | 9.2  | -4.6 | 5.5   | 4.9   |
| Cash EPS                     | 12.9 | 1.0  | 14.6  | 15.3  |
| BV                           | 55.2 | 50.0 | 54.1  | 57.5  |
| DPS                          | 1.3  | 1.3  | 1.3   | 1.3   |
| Cash Per Share               | 9.3  | 15.8 | 25.9  | 20.8  |
| <b>Operating Ratios (%)</b>  |      |      |       |       |
| EBITDA Margin                | 23.6 | 18.8 | 18.7  | 18.3  |
| PBT / Total Operating income | 16.2 | 2.0  | 6.9   | 5.6   |
| PAT Margin                   | 11.2 | -3.7 | 4.1   | 3.1   |
| Inventory days               | 95.3 | 97.5 | 97.5  | 97.5  |
| Debtor days                  | 31.3 | 31.9 | 35.0  | 35.0  |
| Creditor days                | 38.0 | 38.6 | 30.0  | 30.0  |
| <b>Return Ratios (%)</b>     |      |      |       |       |
| RoE                          | 15.9 | NA   | 10.2  | 8.6   |
| RoCE                         | 11.0 | 8.8  | 7.0   | 8.0   |
| RoIC                         | 11.7 | 9.6  | 8.0   | 8.8   |
| <b>Valuation Ratios (x)</b>  |      |      |       |       |
| P/E                          | 11.5 | NA   | 18.3  | 20.5  |
| EV / EBITDA                  | 9.9  | 10.6 | 10.7  | 9.3   |
| EV / Net Sales               | 2.3  | 2.0  | 2.0   | 1.7   |
| Market Cap / Sales           | 1.2  | 0.9  | 0.9   | 0.7   |
| Price to Book Value          | 1.8  | 2.0  | 1.9   | 1.8   |
| <b>Solvency Ratios</b>       |      |      |       |       |
| Debt/EBITDA                  | 5.1  | 6.5  | 7.1   | 6.1   |
| Debt / Equity                | 1.8  | 2.7  | 2.8   | 2.7   |
| Current Ratio                | 1.4  | 1.6  | 1.9   | 1.6   |
| Quick Ratio                  | 0.2  | 0.3  | 0.5   | 0.4   |

Source: Company, ICICIdirect.com Research



## ICICIdirect.com coverage universe (Power)

| Sector / Company                | CMP  | Target | Rating | M Cap<br>(₹ Cr) | EPS (₹) |       |       | P/E (x) |       |       | EV/EBITDA (x) |       |       | RoCE (%) |       |       | RoE (%) |       |       |
|---------------------------------|------|--------|--------|-----------------|---------|-------|-------|---------|-------|-------|---------------|-------|-------|----------|-------|-------|---------|-------|-------|
|                                 |      |        |        |                 | FY12    | FY13E | FY14E | FY12    | FY13E | FY14E | FY12          | FY13E | FY14E | FY12     | FY13E | FY14E | FY12    | FY13E | FY14E |
| <b>Power Utilities</b>          |      |        |        |                 |         |       |       |         |       |       |               |       |       |          |       |       |         |       |       |
| CESC (CESC)                     | 303  | 322    | Buy    | 3,818           | 19.5    | 31.4  | 42.8  | 15.6    | 9.6   | 7.1   | 8.0           | 8.2   | 7.4   | 7.5      | 7.2   | 7.6   | 5.1     | 7.9   | 9.2   |
| Jai prakash Power Ven. (JAIHYD) | 31   | 36     | Hold   | 8,246           | 1.5     | 2.7   | 3.1   | 20.2    | 11.4  | 9.9   | 15.9          | 11.9  | 10.5  | 5.7      | 7.0   | 7.2   | 7.2     | 9.7   | 8.5   |
| Lanco Infratech (LANINF)        | 12.8 | 13.5   | Hold   | 3,041           | -0.5    | 0.2   | 0.8   | NA      | 59    | 15    | 15.2          | 17.3  | 12.2  | 4.5      | 3.6   | 4.5   | NA      | 1.1   | 4.2   |
| Neyveli Lignite (NEYLIG)        | 85   | 86     | Hold   | 14,261          | 8.4     | 8.7   | 10.2  | 10.1    | 9.8   | 8.3   | 8.9           | 9.1   | 8.4   | 12.5     | 11.3  | 12.5  | 11.7    | 10.5  | 10.9  |
| NHPC (NHPC)                     | 18.5 | 23     | Buy    | 22,756          | 2.3     | 2.0   | 2.2   | 8.2     | 9.2   | 8.3   | 9.7           | 10.1  | 9.4   | 9.0      | 7.6   | 8.0   | 10.5    | 8.9   | 9.3   |
| NTPC (NTPC)                     | 170  | 171    | Hold   | 140,173         | 11.2    | 11.3  | 13.0  | 15.2    | 15.1  | 13.1  | 12.6          | 12.1  | 11.4  | 11.1     | 10.4  | 10.0  | 12.6    | 12.7  | 12.7  |
| Power Grid (POWGRI)             | 119  | 123    | Buy    | 55,085          | 7.0     | 8.0   | 9.1   | 17.0    | 14.9  | 13.1  | 12.7          | 12.0  | 11.3  | 13.2     | 12.1  | 11.6  | 13.8    | 14.2  | 14.5  |
| PTC India (POWTRA)              | 60   | 68     | Buy    | 1,767           | 4.1     | 4.5   | 5.0   | 14.7    | 13.3  | 11.9  | 10.3          | 10.6  | 9.7   | 7.5      | 8.4   | 8.6   | 5.4     | 5.7   | 6.2   |
| Tata Power (TATPOW)             | 101  | 94     | Hold   | 23967           | -4.6    | 6.0   | 4.5   | NA      | 16.8  | 22.2  | 10.6          | 10.7  | 9.3   | 8.8      | 7.0   | 8.0   | NA      | 10.2  | 8.6   |

Source: ICICIdirect.com Research

### Exhibit 9: Recommendation history



Source: ICICIdirect.com Research

### Exhibit 10: Recent Releases

| Date      | Event                  | CMP | Target Price | Rating |
|-----------|------------------------|-----|--------------|--------|
| 12-Aug-11 | Q1 FY12 Result update  | 112 | 126          | Buy    |
| 20-Sep-11 | Analyst Meet takeaways | 99  | 104          | Hold   |
| 5-Oct-11  | Q2 FY12 Result Preview | 97  | 104          | Hold   |
| 16-Nov-11 | Q2 FY12 Result Review  | 99  | 96           | Hold   |
| 6-Jan-12  | Q3 FY12 Result Preview | 94  | 96           | Hold   |
| 13-Feb-12 | Q3 FY12 Result Review  | 111 | 109          | Hold   |
| 4-Apr-12  | Q4 FY12 Result Preview | 102 | 109          | Hold   |
| 23-May-12 | Q4 FY12 Result Review  | 90  | 92           | Hold   |
| 29-Jun-12 | Event update           | 99  | 97           | Hold   |
| 5-Jul-12  | Q1FY13 Result Preview  | 105 | 97           | Hold   |

Source: ICICIdirect.com Research

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**Strong Buy:** > 15%/20% for large caps / midcaps, respectively;  
**Buy:** Between 10% and 15%/20% for large caps / midcaps, respectively;  
**Hold:** Up to +/-10%;  
**Sell:** -10% or more;



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