

November 15, 2011

Rupa Shah
rupashah@plindia.com
+91-22-66322244

	Accumulate
Rating	
Price	Rs101
Target Price	Rs101
Implied Upside	.0%
Sensex	17,119

(Prices as on November 14, 2011)

Trading data

Market Cap. (Rs bn)	240.5
Shares o/s (m)	2,373.3
3M Avg. Daily value (Rs m)	519.2

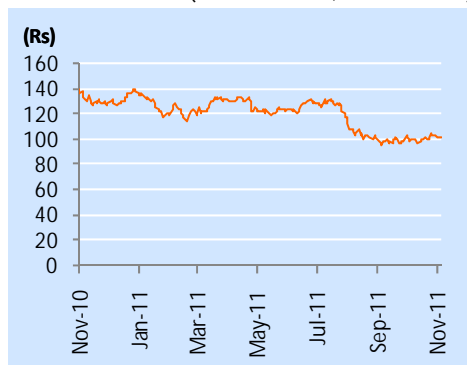
Major shareholders

Promoters	31.80%
Foreign	20.01%
Domestic Inst.	28.61%
Public & Other	19.58%

Stock Performance

(%)	1M	6M	12M
Absolute	1.2	(17.6)	(26.3)
Relative	1.0	(10.0)	(11.3)

Price Performance (RIC: TTPW.BO, BB: TPWR IN)



Source: Bloomberg

Tata Power

Mundra hangover continues; Accumulate on declines

■ **Result synopsis:** On a standalone basis, volumes declined by 3.4% YoY. However, realizations improved as it had purchased high cost power from its own generation. Coal sales for Q2FY12 stood at 17m tones, higher by 42% YoY and 11.8% up QoQ. Realizations stood at US\$95/tonne (flat QoQ and up by 28% YoY) and cash costs stood at US\$41/tonne (flat QoQ and 14% higher YoY). NDPL reported PAT growth of 16% at Rs861m and power links reported 7% PAT growth YoY at Rs293m. Tata Power Trading has reported PAT of Rs33m. TPWR has reported two extra-ordinary items relating to CGPL, aggregating to Rs14.6bn. Thus, on a consolidated basis, the company reported sales of Rs62bn growth of 30% YoY (PLe: Rs65bn) and operating profit before exception at Rs8.5bn, reporting a growth of 10% YoY. However, reported loss after minorities stood at Rs(11.9bn) as against a profit of Rs6.7bn in Q2FY11. On an adjusted basis, however, we get a PATAMI at Rs4.1bn (PLe: Rs6.8bn) which is de-growth of 11.6% YoY.

■ **Updates:** Maithon 1st unit has achieved COD in Q2FY12 and trial runs for CGPL have been completed. The company will be merging 75% of Tata power holding in coal SPVs into CGPL. This will help to offset the forex outgo in the form of interest, with incomes from Bumi being of the same currency denominations. Cross-subsidy surcharge has been levied to the Mumbai customers who have switched over from Reliance Infrastructure; however, cost will be still cheaper.

■ **Valuation:** Maithon is now on ground clarity on profitability of Mundra and coal sourcing would be the key triggers/dampeners, going forward. We have downgraded our numbers, giving effect for higher tax rate. At CMP, TPC is trading at P/BV of 1.7x FY12E estimates and 1.6x FY13E on consolidated basis. We maintain '**Accumulate**' on declines.

Key financials (Y/e March)	2010	2011	2012E	2013E
Revenues (Rs m)	189,858	194,508	259,490	314,390
Growth (%)	5.1	2.4	33.4	21.2
EBITDA (Rs m)	38,532	42,336	59,643	65,128
PAT (Rs m)	21,386	18,191	20,137	18,173
EPS (Rs)	9.0	7.7	8.5	7.7
Growth (%)	53.6	(14.9)	10.7	(9.8)
Net DPS (Rs)	1.2	1.1	1.3	1.3

Source: Company Data; PL Research

Profitability & Valuation	2010	2011	2012E	2013E
EBITDA margin (%)	20.3	21.8	23.0	20.7
RoE (%)	21.4	14.8	14.7	12.3
RoCE (%)	9.4	6.6	7.0	6.7
EV / sales (x)	2.1	2.4	1.9	1.6
EV / EBITDA (x)	10.4	11.0	8.3	7.8
PE (x)	11.2	13.2	11.9	13.2
P / BV (x)	2.1	1.8	1.7	1.6
Net dividend yield (%)	1.2	1.1	1.3	1.3

Source: Company Data; PL Research

Prabhudas Lilladher Pvt. Ltd. and/or its associates (the 'Firm') does and/or seeks to do business with companies covered in its research reports. As a result investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Please refer to important disclosures and disclaimers at the end of the report

Exhibit 1: Q2FY12 Result Overview (Rs m)

Y/e March	Q2FY12	Q2FY11	YoY gr. (%)	Q1FY12	H1FY12	H1FY11	YoY gr. (%)
Revenues	62,483	47,978	30.2	58,048	120,532	99,495	21.1
Other Operating Income	339	117		197	536	449	19.4
Total Income	62,823	48,095	30.6	58,245	121,068	99,944	21.1
Total Expenditure	48,975	36,722	33.4	44,011	92,986	77,181	20.5
EBITDA	13,848	11,373	21.8	14,234	28,081	22,762	23.4
<i>Margin (%)</i>	<i>22.0</i>	<i>23.6</i>		<i>24.4</i>	<i>23.2</i>	<i>22.8</i>	
Depreciation	3,066	2,470	24.1	2,719	5,785	4,820	20.0
EBIT	10,781	8,903	21.1	11,515	22,296	17,942	24.3
Interest	3,313	2,081	59.2	2,630	5,942	3,799	56.4
Other Income	1,075	961	11.9	345	1,420	1,571	(9.6)
Operating Profit before Exceptionals	8,543	7,783	9.8	9,230	17,774	15,713	13.1
Forex Loss/Gain	(7,369)	2,200	NA	898	(6,470)	696	NA
PBT	(7,055)	9,984	NA	10,129	3,074	16,410	(81.3)
Tax	4,535	2,648	71.2	5,089	9,624	5,538	73.8
<i>Tax Rate (%)</i>	<i>(64.3)</i>	<i>26.5</i>		<i>50.2</i>	<i>313.1</i>	<i>33.7</i>	
Reported PAT	(11,590)	7,336	NA	5,040	(6,550)	10,871	NA
Minority Interests	(283)	(580)		(735)	(1,019)	(939)	NA
PAT	(11,873)	6,756	NA	4,304	(7,569)	9,932	NA
Adjusted PAT	4,066	4,600	(11.6)	4,304	8,370	8,600	(2.7)

Source: Company Data, PL Research

Exhibit 2: Change in Estimates

	FY12E			FY13E		
	Earlier	Post Revision	% change	Earlier	Post Revision	% change
Revenues (Rs m)	259,490	259,490	(0.0)	314,390	314,390	(0.0)
PAT (Rs m)	21,510	20,137	(6.4)	24,213	18,873	(22.1)
EPS (Rs)	9.1	8.5	(6.8)	10.2	7.7	(24.9)

Source: PL Research

Exhibit 3: SOTP

Business Areas	Absolute Value (Rs m)	PSV (Rs)	Methodology
Mumbai License Area	124,538	44	DCE/LTSSG
CPP/IPPs	(8,682)	(4)	NPV
JVs/Associates	29,071	11	NPV,P/E, P/BV
Coal Mines	86,532	36	NPV
Other Businesses	800	0	P/E
Future Projects	58,031	12	DCF
Total Value	240,156	101	

Source: PL Research



Key Highlights of the Conference Call

- Maithon Unit 1 has commissioned in Q2FY12. Though the coal is transported currently through road (not by railways as it is under construction), it is sufficient to fire 375MWs. Transmission line for Mundra UMPP was ready by October 12, 2011 and thus, commissioning of 1st unit should happen in Q3Y12E.
- Regulated equity for NDPL stands at Rs8.9bn. Power Links was at Rs4.7bn and Mumbai license area was at Rs23.3bn. Regulated assets in NDPL are now aggregated to Rs30bn.



Income Statement (Rs m)

Y/e March	2010	2011	2012E	2013E
Net Revenue	189,858	194,508	259,490	314,390
Raw Material Expenses	99,570	100,517	124,595	160,338
Gross Profit	90,288	93,991	134,895	154,052
Employee Cost	—	—	—	—
Other Expenses	51,756	51,655	75,252	88,924
EBITDA	38,532	42,336	59,643	65,128
Depr. & Amortization	8,777	9,802	14,232	20,023
Net Interest	7,818	8,684	12,850	16,123
Other Income	6,042	4,113	3,000	4,200
Profit before Tax	27,979	27,963	35,561	33,182
Total Tax	6,287	9,756	14,224	12,609
Profit after Tax	21,692	18,207	21,337	20,573
Ex-Od items / Min. Int.	—	—	1,200	2,400
Adj. PAT	21,386	18,191	20,137	18,173
Avg. Shares O/S (m)	2,373.3	2,373.3	2,373.3	2,373.3
EPS (Rs.)	9.0	7.7	8.5	7.7

Cash Flow Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
C/F from Operations	38,050	53,451	55,650	60,615
C/F from Investing	18,508	16,695	84,085	52,476
C/F from Financing	(45,231)	(71,187)	(141,366)	(111,744)
Inc. / Dec. in Cash	11,328	(1,041)	(1,631)	1,347
Opening Cash	11,780	23,108	22,066	20,435
Closing Cash	23,108	22,066	20,435	21,782
FCFF	5,127	14,822	(55,469)	(18,089)
FCFE	48,162	77,977	(25,975)	(7,761)

Key Financial Metrics

Y/e March	2010	2011	2012E	2013E
Growth				
Revenue (%)	5.1	2.4	33.4	21.2
EBITDA (%)	5.6	9.9	40.9	9.2
PAT (%)	64.7	(14.9)	10.7	(9.8)
EPS (%)	53.6	(14.9)	10.7	(9.8)
Profitability				
EBITDA Margin (%)	20.3	21.8	23.0	20.7
PAT Margin (%)	11.3	9.4	7.8	5.8
RoCE (%)	9.4	6.6	7.0	6.7
RoE (%)	21.4	14.8	14.7	12.3
Balance Sheet				
Net Debt : Equity	1.4	1.7	1.8	1.7
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	11.2	13.2	11.9	13.2
P / B (x)	2.1	1.8	1.7	1.6
EV / EBITDA (x)	10.4	11.0	8.3	7.8
EV / Sales (x)	2.1	2.4	1.9	1.6
Earnings Quality				
Eff. Tax Rate	22.7	34.9	40.0	38.0
Other Inc / PBT	21.3	14.7	8.4	12.7
Eff. Depr. Rate (%)	4.8	4.9	5.0	6.0
FCFE / PAT	225.2	428.7	(129.0)	(42.7)

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
Shareholder's Funds	114,005	131,036	142,696	153,017
Total Debt	184,469	247,624	277,118	287,446
Other Liabilities	26,467	29,125	33,137	37,734
Total Liabilities	324,941	407,785	452,951	478,197
Net Fixed Assets	224,658	313,844	354,283	378,426
Goodwill	42,744	42,281	38,523	35,232
Investments	30,823	28,410	31,025	32,415
Net Current Assets	22,821	15,842	22,578	29,124
<i>Cash & Equivalents</i>	<i>23,108</i>	<i>22,066</i>	<i>20,435</i>	<i>21,782</i>
<i>Other Current Assets</i>	<i>73,794</i>	<i>88,862</i>	<i>97,298</i>	<i>113,662</i>
<i>Current Liabilities</i>	<i>74,081</i>	<i>95,087</i>	<i>95,155</i>	<i>106,320</i>
Other Assets	3,896	7,409	6,542	3,000
Total Assets	324,941	407,785	452,951	478,197

Quarterly Financials (Rs m)

Y/e March	Q3FY11	Q4FY11	Q1FY12	Q2FY12
Net Revenue	44,409	50,155	58,245	62,823
EBITDA	10,546	12,066	14,234	13,848
% of revenue	23.7	24.1	24.4	22.0
Depr. & Amortization	2,490	2,493	2,719	3,066
Net Interest	2,109	2,194	2,630	3,313
Other Income	783	1,056	1,243	1,075
Profit before Tax	6,730	8,436	10,129	8,543
Total Tax	2,089	2,129	5,089	4,535
Profit after Tax	4,414	6,250	4,304	(11,875)
Adj. PAT	4,414	6,250	4,304	(11,875)

Key Operating Metrics

Y/e March	2010	2011	2012E	2013E
Units Sold (m units)	15,574	16,060	13,342	13,685
Units Generated (m units)	15,946	15,325	18,480	18,951
Avg Realisation Rs/pu	4.4	4.1	4.0	4.0
Coal Sales (MTPA)	61.9	58.8	70.2	77.2
Capacity Added (MWs)	318.0	150.0	1,850.0	1,600.0
Interest Rate (%)	4.2	3.5	4.6	5.6
Capex (Rs bn)	20.2	19.1	81.5	51.1
Other Income/PAT (%)	27.5	18.8	14.1	20.4
EBITDA Marg. (%)	20.3	23.6	23.0	20.7

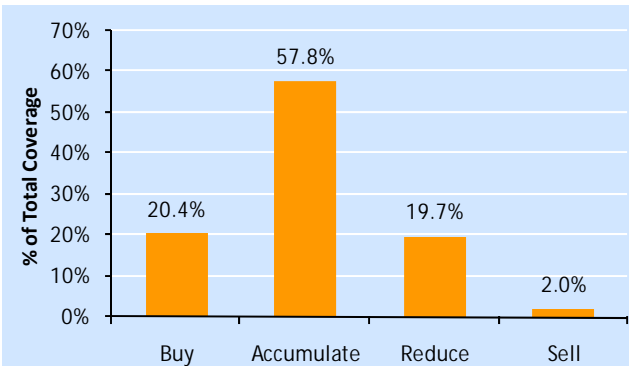
Source: Company Data, PL Research.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

For Clients / Recipients in United States of America:

All materials are furnished courtesy of Direct Access Partners LLC ("DAP") and produced by Prabhudas Lilladher Pvt. Ltd. ("PLI"). This material is for informational purposes only and provided to Qualified and Accredited Investors. You are under no obligation to DAP or PLI for the information provided herein unless agreed to by all of the parties. Additionally, you are prohibited from using the information for any reason or purpose outside its intended use. Any questions should be directed to Gerard Visci at DAP at 212.850.8888.