

Tata Power Ltd

Concerns persists...

Outlook

Issues pertaining to tariff revision for Mundra UMPP project, coal availability for Maithon project, rupee depreciation is likely to be an overhang on the stock. With none of the issues likely to resolve soon, we remain bearish on the stock. At CMP of Rs 100, the stock is currently trading at a consensus P/E of 13.6x and 14.0x for FY13E & FY14E. We recommend a SELL on the stock.

Key Takeaways

- Tata Power's consolidated performance where below expectations at Rs 145.9 crore, down by 66.1% yoy, on account of higher fuel costs, increased production costs at coal JVs, higher depreciation and interest costs and reversal of revenues (Rs 155 crore) due to change in effective date of MYT regulations in Mumbai. However, aided by higher physical performance by both the power business and coal trading business, the net sales for the current quarter grew by 24% to Rs 7197.6 crore.
- On the standalone business, higher than expected generation at 4259 MUs, up 10% yoy led to 19% jump in revenue to Rs 2190.0 crore. Increased fuel cost and reversal of Rs 155 crore led to fall in EBITDA margins. Supported by, higher other income and lower tax outgo helped the company post an 11% increase in net profit to Rs 312.3 crore.
- At Mundra, the company has commissioned the second 800 MW unit in the month of July. The remaining 3 units would get commissioned at a gap of 4 months each. The company has filed with CERC regarding conversion of non-escalable component to escalable. In light of current scenario, the tariff revision seems a long drawn and unlikely event. Till then, the company plans to blend low grade & high grade coal in the ratio of 70:30 which would have a slight impact on the heat rate and auxiliary consumption. The company expects to incur Rs 40 crore per month loss on Mundra operations which is in line with our expectations.
- At the Maithon plant, the company has commissioned the second 525 MW units. Now with both the units commissioned the plant has a capacity of 1050 MW. The company faced a boiler breakdown during the quarter, cost of which would be borne by the vendor. The company is in the process of sorting out issues in respect to transportation of coal. The railway line is likely to be commissioned in an year's time, till then the company plans to get coal through trucks to keep both units at operational levels.
- Increased volumes and depreciation of rupee helped the Coal business to register a growth of 14% yoy to Rs

Recommendation (Rs)	
CMP	100
Rating	SELL

Index Details	
Sensex	17,557
Nifty	5,320
Industry	Power

Scrip Details	
Mkt Cap (Rs cr)	23,718
Eq Shares O/s (Cr)	237.3
Avg Vol (Lakhs)	2.7
52 Week H/L	122/81
Dividend Yield (%)	1.3
Face Value (Rs)	1.0

Latest shareholding pattern (%)	
Promoters	31.8
Indian Institutions	25.7
FII's	22.9
Public	19.6
Total	100

Stock performance (%)			
	1m	3m	6m
Tata Power	-1.6	2.8	-9.8
Nifty	-0.5	7.1	-1.1
BSE-Power	-2.7	5.4	-10.5

Quarterly Result Update

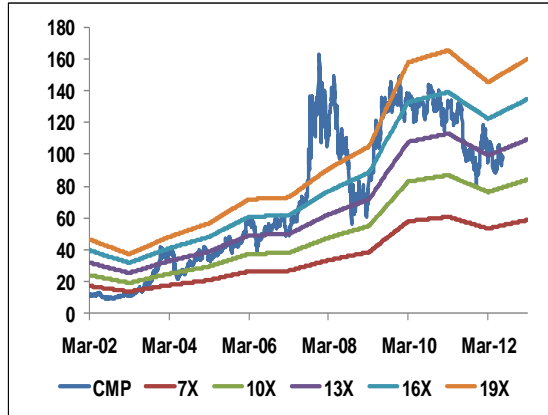
2265 crore. Impacted by deferred stripping cost write-off of Rs 211 crore, lower realization the EBIT for the quarter stood at Rs 257.6 crore, down 66% yoy.

Quarterly Result Update

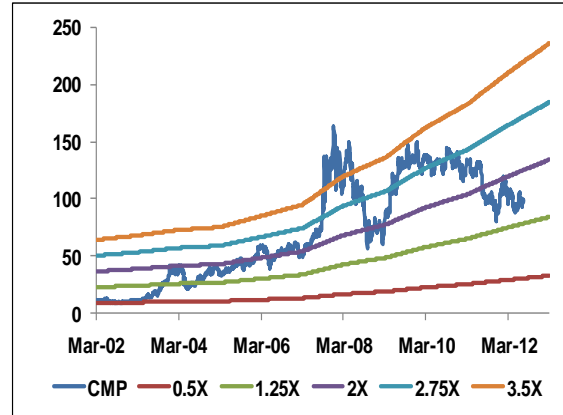
Description	Q1FY13	Q1FY12	% Chg.	Q1FY13	Q4FY12	% Chg.	FY201203	FY201103	% Chg.
Net Sales	7197.6	5804.8	24.0	7197.6	7169.9	0.4	25868.9	19162.2	35.0
Other operational Income	56.3	19.7	186.0	56.3	64.9	-13.3	132.5	102.6	29.2
Total Oper. Income(TOI)	7253.9	5824.5	24.5	7253.9	7234.8	0.3	26001.4	19264.8	35.0
Raw Materials Cons.-	72.2	99.6	-27.6	72.2	153.3	-52.9	513.6	450.6	14.0
<i>% to TOI</i>	<i>1.0</i>	<i>1.7</i>	<i>-</i>	<i>1.0</i>	<i>2.1</i>	<i>-</i>	<i>2.0</i>	<i>2.3</i>	<i>-</i>
Stock adj. (-)Inc / (+)Dec-	-0.2	-62.8	-99.7	-0.2	118.3	-	-177.0	-11.4	1455.4
<i>% to TOI</i>	<i>0.0</i>	<i>-1.1</i>	<i>-</i>	<i>0.0</i>	<i>1.6</i>	<i>-</i>	<i>-0.7</i>	<i>-0.1</i>	<i>-</i>
Net Raw Mat adj. for stock	72.0	36.9	95.3	72.0	271.6	-73.5	336.6	439.3	-23.4
<i>% to TOI</i>	<i>1.0</i>	<i>0.6</i>	<i>-</i>	<i>1.0</i>	<i>3.8</i>	<i>-</i>	<i>1.3</i>	<i>2.3</i>	<i>-</i>
Other expenses	5459.2	4075.4	34.0	5459.2	5213.1	4.7	19193.2	13592.8	41.2
<i>% to TOI</i>	<i>75.3</i>	<i>70.0</i>	<i>-</i>	<i>75.3</i>	<i>72.1</i>	<i>-</i>	<i>75.5</i>	<i>70.6</i>	<i>-</i>
Contribution Net_Sales	1677.5	1712.2	-2.0	1677.5	1584.2	5.9	6046.5	5232.7	15.6
Personnel	309.8	243.2	27.4	309.8	290.1	6.8	1146.3	825.9	38.8
<i>% to TOI</i>	<i>4.3</i>	<i>4.2</i>	<i>-</i>	<i>4.3</i>	<i>4.0</i>	<i>-</i>	<i>4.4</i>	<i>4.3</i>	<i>-</i>
Total expenditure	5841.0	4355.5	34.1	5841.0	5774.7	1.1	20676.1	14858.0	39.2
Operating Profit	1412.9	1469.1	-3.8	1412.9	1460.1	-3.2	5325.3	4406.8	20.8
<i>% to TOI</i>	<i>19.5</i>	<i>25.2</i>	<i>-</i>	<i>19.5</i>	<i>20.2</i>	<i>-</i>	<i>18.8</i>	<i>22.9</i>	<i>-</i>
Non-Operating Income	107.8	124.3	-13.3	107.8	58.9	83.0	268.8	596.5	-54.9
Interest	548.1	309.0	77.4	548.1	456.6	20.0	1527.1	866.2	76.3
Exceptional Items	45.2	0.0	0.0	45.2	-649.1	-	-1375.0	0.0	0.0
Gross Profit	927.4	1284.4	-27.8	927.4	1711.4	-45.8	5441.9	4137.1	31.5
Depreciation	506.0	271.9	86.1	506.0	409.3	23.6	1334.6	980.2	36.2
PBT before Extra-ord	421.4	1012.5	-58.4	421.4	-327.9	-	507.3	3156.9	-83.9
<i>% to TOI</i>	<i>5.8</i>	<i>17.4</i>	<i>-</i>	<i>5.8</i>	<i>-4.5</i>	<i>-</i>	<i>2.0</i>	<i>16.4</i>	<i>-</i>
Extraordinary Items	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
PBT	421.4	1012.5	-58.4	421.4	-327.9	-	507.3	3156.9	-83.9
Tax Rate	53.7	50.2	6.9	53.7	-85.3	-	290.9	30.9	841.9
Prov. for Tax	226.3	508.5	-55.5	226.3	279.6	-19.1	1475.5	975.0	51.3
<i>% to TOI</i>	<i>3.1</i>	<i>8.7</i>	<i>-</i>	<i>3.1</i>	<i>3.9</i>	<i>-</i>	<i>5.7</i>	<i>5.1</i>	<i>-</i>
Profit after Tax	195.1	504.0	-61.3	195.1	-607.4	-	-968.3	2181.9	-
<i>% to TOI</i>	<i>2.7</i>	<i>8.7</i>	<i>-</i>	<i>2.7</i>	<i>-8.4</i>	<i>-</i>	<i>-3.7</i>	<i>11.3</i>	<i>-</i>
Minority Interest	-50.5	-82.4	-38.8	-50.5	-56.7	-10.9	-190.2	-196.5	-3.2
PAT (adj. For MI)	145.9	430.4	-66.1	145.9	-628.8	-	-1087.7	2059.6	-
Face Value	1.0	10.0	-	1.0	1.0	-	1.0	10.0	-
Equity Share capital	237.3	237.3	-	237.3	237.3	-	237.3	237.3	-
EPS (Rs.)	0.8	21.2	-96.1	0.8	-2.6	-	-4.1	92.0	-
CEPS (Rs.)	3.0	32.7	-91.0	3.0	-0.8	-	1.5	133.3	-98.8

Quarterly Result Update

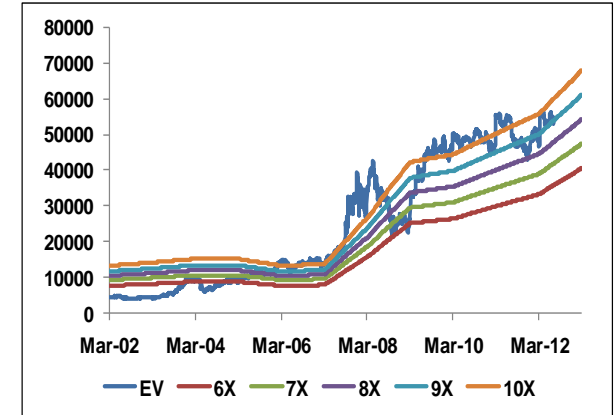
P/E Bands



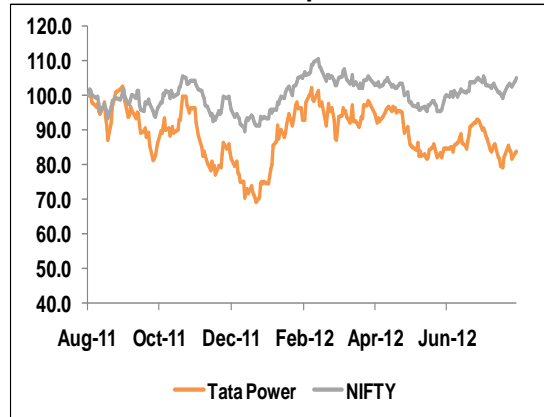
P/B Bands



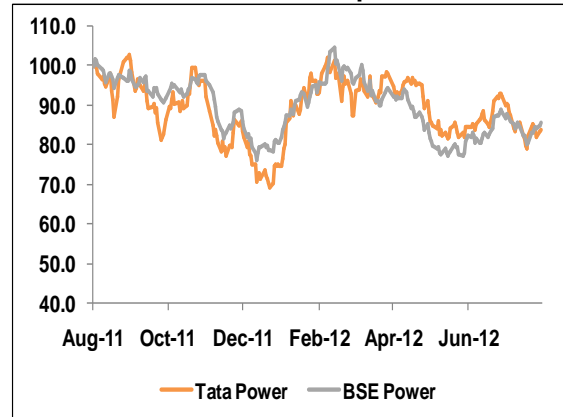
EV/EBITDA Bands



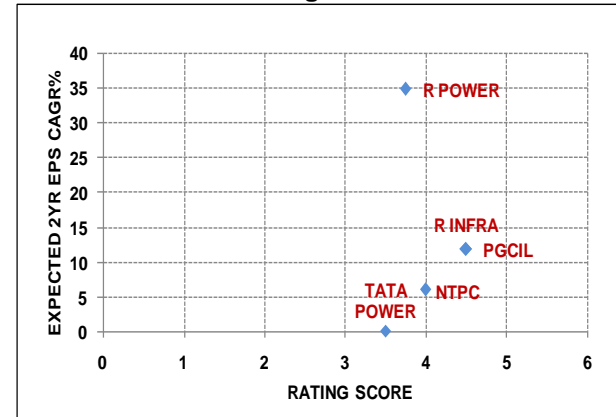
NIFTY Comparison



BSE- Power Comparison



Rating Chart



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