

Current	Previous
<b>CMP : Rs.97</b>	
<b>Rating : BUY</b>	<b>Rating : BUY</b>
<b>Target : Rs.125</b>	<b>Target : Rs.125</b>

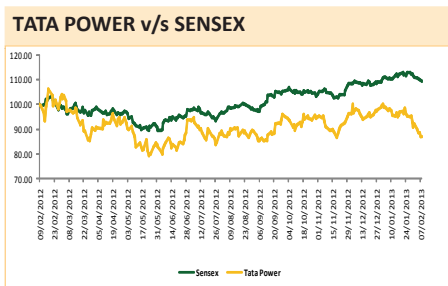
STOCK INFO	
BSE	500400
NSE	TATA POWER
Bloomberg	TPWR.IN
Reuters	TTPW.BO
Sector	POWER
Face Value (Rs)	1
Equity Capital (Rs Mn)	2373
Mkt Cap (Rs Mn)	231,605
52w H/L (Rs)	121.50/ 83
Avg Daily Vol (BSE+NSE)	751,394

SHAREHOLDING PATTERN	%
<i>(as on 31st Dec. 2012)</i>	
Institutions	48.92
Others, Incl Public	19.33
Promoters	31.75

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
TATA POWER	-11	-4	-13
SENSEX	-1	4	9

Source: Capitaline, IndiaNivesh Research



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Tata Power reported a net loss of Rs.3.28 bn hit by Rs. 6 bn of impairment charges for Mundra project (due to change in the long-term Rupee/dollar exchange outlook). Further, lower realisation from coal business due to lower international prices, higher depreciation and interest cost also dragged down the bottom line. However, Adjusted PAT (excluding impairment cost) comes at Rs. 2.71 bn, in line with street expectation of net profit Rs. 2.70 bn. Revenue for the quarter increased 36% y-o-y to Rs 90.39 bn vs. consensus of Rs. 80.16 bn helped by 64% y-o-y revenue growth in power business which is partially offset by 9% decline in revenue from coal business. Power revenue grew on the back of higher power sales (up 2% y-o-y to 3998 units), increase in tariff and higher revenue of TPDDL (Tata Power Delhi Distribution Ltd.) due to higher power purchase cost along with higher incentives due to lower aggregate technical and commercial(AT&C) losses. EBITDA margins improved 546 bps y-o-y to 20.5% due to lower fuel cost and other expenses. Company reported forex loss of Rs. 860 mn during the quarter vs. Rs 3.87 bn profit in Q3FY12.

Quick Fundamentals (Rs. Mn)	Consolidated					Consolidated		
	Q3FY13	Q2FY13	Q3FY12	Q-o-Q %	Y-o-Y %	FY12	FY11	Y-o-Y %
<b>Tata Power</b>								
Revenue	90,393	76,998	66,599	17.4	36	260,014	194,508	34
Cost of Revenues	71,846	61,904	56,569	16.1	27	206,761	149,131	39
Staff cost	3,337	3,453	3,104	-3.4	7	11,463	8,259	39
Cost of Power purchase	21,998	17,926	12,850	22.7	71	61,226	49,143	25
Cost of Fuel	26,958	24,328	17,574	10.8	53	63,091	43,231	46
Cost of components, materials and services	285	361	265	-21.2	8	1,548	773	100
Other Expenditure	9,243	8,714	9,159	6.1	1	29,089	22,605	29
Royalty towards Coal Mining	2,972	2,489	3,168	19.4	-6	11,011	7,658	44
Cost of Coal Purchased	0	0	297	NA	NA	767	484	59
Coal Processing Charges	7,011	6,317	4,705	11.0	49	19,532	16,675	17
Raw Material Consumed	1,129	747	1,069	51.0	6	3,589	3,734	-4
Purchase of goods/spares/stock for resale	72	93	158	-22.8	-55	621	305	104
Increase in stock in trade and WIP	-1,157	-2,524	-1,554	NA	NA	-1,770	-114	1,455
Impairment							6	-100
Deferred stripping cost (Net)	0	0	5,773	NA	NA	6,594	-3,628	-282
<b>EBIDTA</b>	<b>18,547</b>	<b>15,093</b>	<b>10,029</b>	<b>22.9</b>	<b>85</b>	<b>53,253</b>	<b>45,376</b>	<b>17</b>
Depreciation	5,873	5,420	3,469	8.4	69	13,346	9,802	36
<b>EBIT</b>	<b>12,674</b>	<b>9,673</b>	<b>6,561</b>	<b>31.0</b>	<b>93</b>	<b>39,906</b>	<b>35,574</b>	<b>12</b>
Interest Expense	7,403	6,229	4,213	18.8	76	15,271	8,102	88
Other income	110	685	4,558	-83.9	NA	-1,563	4,105	-138
Provision for Impairment	6,000	2,500	1,620	NA	270	18,000	0	NA
<b>PBT</b>	<b>-619</b>	<b>1,628</b>	<b>5,287</b>	<b>-138.0</b>	<b>NA</b>	<b>5,072</b>	<b>31,577</b>	<b>-84</b>
Provision for taxation	2,299	2,225	2,345	3.3	-2	14,755	9,756	51
<b>PAT(before minority interest and appropriation)</b>	<b>-2,918</b>	<b>-597</b>	<b>2,942</b>	<b>NA</b>	<b>NA</b>	<b>-9,683</b>	<b>21,821</b>	<b>-144</b>
Extraordinary item			352.8					
Share of Profit Associates	122	53	149			708	742	-5
Less-Minority Interest	493	295	112			1,902	1,965	-3
<b>PAT after Minority Interest</b>	<b>-3,289</b>	<b>-838</b>	<b>2,627</b>	<b>NA</b>	<b>NA</b>	<b>-10,877</b>	<b>20,598</b>	<b>-153</b>
<b>Adjusted PAT</b>	<b>2,711</b>	<b>1,662</b>	<b>4,247</b>	<b>63.1</b>	<b>-36</b>			
Adj. EPS (RS.)	1.14	0.70	1.79	NA	NA	-4.1	9.2	-144
	Margin %	Margin %	Margin %	Margin %		Margin %	BPS	
<b>EBITDA %</b>	20.5	19.6	15.1	92	546	20.5	23.3	-284.8
<b>EBIT %</b>	14.0	12.6	9.9	146	417	15.3	18.3	-294.1
<b>PBT %</b>	-0.7	2.1	7.9	NA	NA	2.0	16.2	-1428.3
<b>PAT %</b>	-3.2	-0.8	4.4	NA	NA	-3.7	11.2	NA

Source: Company Filings; IndiaNivesh Research

### EBITDA margin improved due to lower fuel cost

EBITDA margins improved by 546 bps y-o-y to 20.5% due to lower fuel cost and other expenses. Cost of fuel decreased due to softening of international coal prices. Fuel cost eased from 46.6% in Q3FY12 to 36.90% (as a % of Total Income). Other expenditure decreased (as a % of Total Income) from 13.75% in Q3FY12 to 10.22%.

### Segment wise performance

Segment wise Performance(Rs. in mn)		Consolidated				
		Q3FY13	Q2FY13	Q3FY12	Q-o-Q	Y-o-Y %
Revenue	Power Business	64033.3	54885.4	39098.5	17	64
	Other	2959.3	2508.5	1701.2	18	74
	Coal Business	24640.2	20567.7	27007.1	20	-9
	Total	<b>91632.8</b>	<b>77961.6</b>	<b>67806.8</b>	<b>18</b>	<b>35</b>
EBIT	Power Business	9664.6	7173.9	4819.2	35	101
	Other	-53.4	-166.4	57.5	NA	NA
	Coal Business	3109.2	2901.8	1352.7	7	130
	Total	<b>12720.4</b>	<b>9909.3</b>	<b>6229.4</b>	<b>28</b>	<b>104</b>
	Less- Interest	7402.6	6229.2	4303.6	19	72
	Less-Exceptional item-Power Bus.	6000	2500	1620		
	Add-Unallocated	63.7	448.2	4976.3	-86	NA
PBT		<b>-618.5</b>	<b>1628.3</b>	<b>5282.1</b>	-138	NA

Source: Company Filings; IndiaNivesh Research

The bottom line was impacted due to impairment cost, higher interest and depreciation. The company has incurred Rs. 6 bn of impairment charges for Mundra project. Interest cost during the quarter jumped 76% y-o-y and 18.8% q-o-q basis to Rs 7.40 bn and depreciation increased by 69% y-o-y and 8% q-o-q to Rs 5.80 bn due to commissioning of unit CGPL at Mundra (Coastal Gujarat Power Ltd) and Maithon.

### Other highlights

- **Mundra Plant's:** reported revenue stood at Rs 7.98 bn in Q3 YF13 and incurred a loss of Rs 8.29 bn during the quarter. Further, the company has successfully synchronized its 800 MW Unit 3 of Mundra project which has increased company's total installed capacity to 7700 MW. Work on Unit 4 and 5 of the project is on track and progressing well. Management has guided for 70:30 blending of coal
- **1050 MW Maithon Project:** Revenue for the Q2FY13 stood at Rs 5.17 bn while reported a loss of Rs 152 mn due to high depreciation and interest cost arising out of commissioning of both units.
- **Tata Power Delhi Distribution Ltd. (TPDDL):** The company's distribution subsidiary and JV with Delhi Govt, posted revenue of Rs 13 bn up by 19% y-o-y and PAT of Rs 766 mn up by 151% y-o-y.

### Valuation

We believe that the Company's massive power capacity addition and diversified business model will drive its growth going ahead. However, in near term higher fuel prices due to regulation on Indexation of Indonesian coal, tariff issue of UMPP and depreciation of Rupees will be key concern for the stock. In our view, valuations are already factoring all negatives and any positive on tariff issue on UMPP would be key catalyst for the stock. At CMP Rs.97 the stock is trading at 1.76x FY13E BV. We maintain our Buy rating on the stock with target price of Rs. 125.



Trust.....we earn it.

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