

Quarterly Result Update

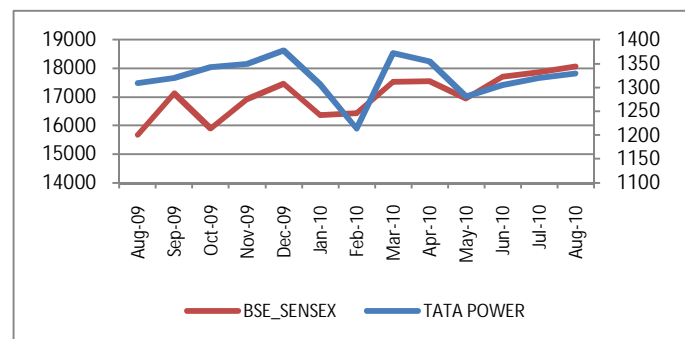
The Tata Power Company Ltd.

Recommendation	Not Rated
CMP (18/08/2010)	Rs. 1315
Sector	Power

Stock Details

BSE Code	500400
NSE Code	TATAPOWER
Market Cap (Rs. cr)	31517
Free Float (%)	68.19%
52- wk HI/Lo	1518.55/1300.00
Avg. volume(Monthly in Lakhs)	2.14
Face Value	Rs.10
Dividend (FY10)	120%
Shares o/s (No.)	23.73 Cr

Relative Performance	1Mth	3Mth	1 Yr
Tata Power	0.70%	3.72%	1.54%
Sensex	1.15%	6.66%	15.37%



Shareholding Pattern as of 30/06/2010

Promoters Holding	31.81%
Institutional (Incl. FII)	51.38%
Corporate Bodies	0.83%
Public & others	15.98%

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Year	Sales(Rs.Cr)	Growth	EBIDTA (Rs. Cr.)	EBIDTA %	Adj PAT (Rs. Cr.)	PAT (%)	EPS (Rs.)	P/E	P/BV
FY08A	10890.8	68.1%	2088.5	19.3%	996.4	8.8%	45.1	29.1	3.7
FY09A	18061.3	65.8%	3265.1	18.2%	1264.0	6.8%	57.0	23.0	3.3
FY10A	18985.8	5.1%	3819.9	20.3%	1975.9	10.1%	85.0	15.4	2.7

Tata Power Company Ltd. (TPC) reported Q1FY11 results on 12th August 2010.

- TPC's Q1 FY11 consolidated adjusted revenue stood at Rs. 5151.6 crores, up by 12.2% on YoY basis, driven by its power and coal business segments. Revenues from power segment grew by 4.8% to Rs. 3504.8 crores and that from coal business grew by 18.5% to Rs. 1539.0 crores on account of higher production & increase in coal prices. However during the same quarter, on QoQ basis, consolidated revenues declined by 2.4%, due to decline in revenue from coal segment (20.3%) and other operating revenues (32.3%).
- During Q1FY11, adjusted EBITDA grew by 17.0% to Rs. 1138.87 crores on YoY basis due to strong revenue growth which was further supported by decline in fuel cost (6.2%). However, the positive impact was restricted due to increase in operating costs such as purchased power cost. In this quarter, purchased power cost increased by 37.7% on YoY basis as the company was prevented from scheduling self-produced power to its distribution business in Mumbai. On QoQ basis, despite the increase in fuel cost (5.8%) & power purchase cost (42.0%) in Q1FY11, EBITDA stood marginally up by 1.9% on account of decrease in stock and other operating expenses (such as other expenses that declined by 55.1% to Rs. 555.9 crores). Adjusted EBITDA margin grew by 90bps on YoY basis and 110bps on QoQ basis to 22.1% during Q1FY11.

- Reported PAT declined by 45.6% to Rs. 311.4 crores on YoY basis, in Q1FY11 primarily due to occurrence of forex loss of Rs.154.0 crores on restructuring of Mundra UMPP SPV (Coastal Gujarat Power Ltd.) loan in Q1FY11. Depreciation expenses increased by 16.8% to Rs. 235.0 crores whereas interest cost reduced by 16.4% to Rs. 171.8 crores on account of repayment of short term borrowings. On QoQ basis, PAT declined by 66.4% due to net forex loss of Rs. 150.41 against forex gain of 370.2 crores. The negative impact was further augmented by substantial increase (266.4%) in tax expenses. PAT margin fell by 350bps on YoY basis and 198bps on QoQ basis to 8.8% during Q1FY11.

Key Points

- In Mumbai Licensed Area retail business, the company added 36060 customers including 17760 changeover customers, thus having a reach of 76800 customers within 8 months.
- TPC has signed an agreement to raise US\$ 300 million in its Coal SPVs through shares with differential rights to be issued to Olympus Capital Holdings Asia. These funds will be utilized either to acquire coal mines or to reduce the debt in these SPV's.
- Currently, TPC has renewable portfolio of 668MW (221 MW from wind energy and 447 MW from hydro power). The company plans to add another 150 MW in its wind portfolio (in Maharashtra & Tamil Nadu) and is also implementing 3MW solar photo voltaic plant (in Maharashtra which expected to commission by October 2010). It has also applied for allocation of 25 MW solar capacity to be put up in Gujarat under the new policy of Government of Gujarat. Taking into account the company's healthy renewable energy portfolio, we believe that the implementation of RPO obligation and the Renewable Energy Certificate Mechanism would benefit the company and boost its earnings going forward.
- TPC is aiming to add approximately 10000 MW power capacity which include 5284 MW of projects (4000 MW from Mundra UMPP, 1050 MW from Maithon, 120 MW from IEL and 114 MW from Dagacchu Project) under implementation and 4900 MW of projects (1600 MW from Coastal Maharashtra Project, 1320 MW Naraj Marthapur and 1980 MW from Tirudh Power Project) in the process of land acquisition and obtaining various clearances. By the end of FY12, the company will add 2770MW of projects to its portfolio.

Capacity under implementation						
Project	Phase	MW	Fuel	Expected Commn		
Maithon	Unit 1	525	Coal	Oct-10	Q3FY11	
	Unit 2	525	Coal	Mar-11	Q4FY11	
Mundra UMPP	Unit 1	800	Coal	Sep-11	Q2FY12	
	Unit 2	800	Coal	Jan-12	Q4FY12	
Coke Oven Gases						
IEL		120	of Tata Steel	Q2FY11		

Currently, the company has a total generation capacity of 2997MW of which 2329MW is thermal-based, 447MW is hydro-based and 221MW is wind energy. The company also has strong presence in power transmission and distribution business through its joint ventures Powerlinks Transmission Ltd. and North Delhi Power Ltd. respectively.

Future Outlook:

TPC is one of the leading private companies in power utility space. It is backed by its strong execution skills and a healthy track record. We believe the company's revenue will get substantial traction from increasing coal prices and additional power generation from new capacities that will come online in coming years. We hold a positive outlook on the stock

Quarterly Results

Consolidated Profit & Loss Account					
Profit & Loss (Rs. Crores)	Q1FY11	Q4FY10	QoQ	Q1FY10	YoY
Adjusted operating revenue	5184.8	5353.1	-3.1%	4620.4	12.2%
EBIDTA	1138.9	1117.3	1.9%	973.7	17.0%
EBIDTA Margin	0.2	0.2		0.2	
Interest	171.8	185.3	-7.3%	205.5	-16.4%
EBDT	967.0	932.0	3.8%	768.1	25.9%
Depreciation	235.0	231.4	1.6%	201.1	16.9%
PBT&Exceptions	732.0	700.6	4.5%	567.1	29.1%
Exceptional Income	-150.4	377.3		0.0	
Other Income	61.0	35.0	74.1%	68.7	-11.2%
Prior period adjustments	0.0	0.0		232.4	
PBT	642.6	1112.9	-42.3%	868.2	-26.0%
Tax	289.2	78.9	266.4%	284.6	1.6%
PAT	353.4	1034.0	-65.8%	583.6	-39.4%
Less: Minority adjustment	41.9	107.1		10.9	
PAT after minority adjustment	311.5	926.9	-66.4%	572.7	-45.6%
EPS	13.1	39.06	-66.4%	25.8	-49.1%
Share Capital	237.3	237.3		222.0	

Ratios

Key Ratio's	Q1FY11	Q1FY10	Q4FY10
EPS(TTM)	17.88	17.90	20.63
Book Value/Share	493.53	415.12	480.42
CEPS(TTM)	25.43	23.69	26.24
EBITDA margins	22.0%	21.1%	20.9%
PAT margins	8.9%	12.4%	10.8%
EV/sales	2.34	2.05	2.41
EV/EBITDA	12.12	9.61	11.90
ROE	14.5%	17.3%	17.2%
ROA	7.6%	10.1%	8.7%
ROCE	5.2%	6.0%	6.3%

NOTES

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