

## **Tata Power**

**Date: 4 June 2025**

**Price: 394**

**Action: BUY**

Industry/Sector	Target Price	Upside Potential	Investment Duration
Power- Renewable Energy, T&D	475 to 500	20% to 25%	9 to 12 Months

### About Company:

- Tata Power is India's largest vertically integrated power company, which has 25.7 GW of total generation capacity (operational + under construction). Out of which 16.8 GW is clean & green energy (including 9.9 GW under construction) and 8.9 GW of thermal energy generation (installed capacity) as of 31 March 2025.
- Company has an operational transmission line of 4600 circuit km(ckm), and 2414 ckm of under construction.
- As of 31 March 2025, company is serving 12.8 million customers through the distribution of electricity.
- Company has 4.9 GW of integrated solar modules and 4a GW of solar cell manufacturing capacity.
- Tata Power had signed an MoU for 2.8 GW for the Pumped Hydro Project (PSP), which will be executed in the next 4 to 6 years. Moreover, company has entered into a strategic partnership with Bhutan's Druk Green Power Corporation to develop 5 GW of clean energy projects in Bhutan over the next 5 to 7 years.
- Company has 5,488 public EV charging points energized across 600+ cities and towns in India.
- As of March 2025, company's operational capacities of 15.73 GW are distributed in thermal (56%), solar (25%), hydro (6%), wind (5%), hybrid (5%), and waste heat recovery systems (3%). Moreover, in next 5 years clean & green energy portfolio will account for ~65% of total operational capacity.
- In FY25, Transmission & Distribution segment contributes 52% in revenue and 31% in operating profits, Renewable segment contributes ~19% of revenue and 37.5% of operating profits, and Thermal & Hydro segment contributes 28.5% in revenues and ~31% in operating profits.

### Historical Financial Performance:

- Company has been consistently improving their EBITDA margins in the last 4 years and has given a 23% CAGR in the last 3 years.
- PAT had grown only by 9% & 7.5% on a CAGR basis in the last 2 & 1 years, respectively. This happened because in the last 2 years, company had done significant capex of 20,000+ Cr (higher depreciation & interest cost— which impacted negatively in the short term on profits).
- As of 31 March 2025, company has a net debt of 44,700 Cr. Net debt to equity is 1.05 (which is healthy).
- The company generates healthy operating cash flow, & conversion of EBITDA & PAT into OCF is phenomenal.
- Tata Power Solar (4.9 GW Cell & 4 GW Module Manufacturing Plant) has generated operating revenue of 5337 Cr. in FY25 compared to 233 in FY24 and PAT of 422 Cr. in FY25 compared to negative 36 Cr. in FY24.
- Company's rooftop solar segment has started contributing at the EBITDA & PAT (bottom-line) level. It's a high-margin business for the company compared to the EPC segment, although it's a very small segment currently. Moreover, in Q4FY25, the rooftop solar segment has generated revenue of 865 Cr. (40% YoY growth) & EBITDA of 132 Cr. (72% YoY growth), and in FY25, 2210 Cr. of sales and 209 Cr. of PAT, respectively.

Financial Performance (Consolidated)						
Amounts In Cr.	FY22	FY23	FY 24	FY25	1 Yr Growth	3 Yr CAGR
Operating Revenue	42816	55109	61449	65478	6.56%	15.21%
<b>Operating Profit</b>	7511	7706	10784	13930	<b>29.17%</b>	<b>22.86%</b>
OPM %	<b>17.54%</b>	<b>13.98%</b>	<b>17.55%</b>	<b>21.27%</b>		
<b>PAT (Net Profit for EPS)</b>	1742	3336	3696	3971	<b>7.44%</b>	<b>31.61%</b>
PAT Margins %	<b>4.07%</b>	<b>6.05%</b>	<b>6.01%</b>	<b>6.06%</b>		
OCF ( Operating Cash Flows )	6693	7166	12596	12680		
OCF / OP	<b>89.1%</b>	<b>93.0%</b>	<b>116.8%</b>	<b>91.0%</b>		
OCF / PAT	<b>384.2%</b>	<b>214.8%</b>	<b>340.8%</b>	<b>319.3%</b>		

### Potential Future Growth Possibilities:

- In the last 2 years, company has been building capacities of 4.3 GW of solar cells & 4 GW of modules. However, whole 4.3 GW module plant was commissioned in Q4FY24, first 2 GW cell line was commissioned in September 2025, and the second 2 GW cell line was commissioned in December 2025. Therefore, **in the next 9 to 18 months, both these plants will function at their optimal utilization & contribute to company's profitability as well as help in faster execution of solar projects because of the availability of raw material (backward integrated).**
- The company has an order book of 1000+ Cr. as of 31 March 2025 for solar rooftop installation (EPC). Additionally, company has an order book of 11,400 Cr. for solar utility-scale EPC and group captive projects.
- There were some delays on company's side in executing transmission projects (transmission & evacuation of lines) in Q4 FY25. However, **now all short-term issues have been resolved, and now management is confident that they will be able to execute ¾ of these transmission projects in the next 6 to 9 months.**
- As per management, in the next 6 to 24 months, company will commission roughly 5.5 GW of renewable energy projects, as land for most projects has been acquired (which is a big hindrance in India).
- Management is expecting that the rooftop solar segment will grow significantly (higher double digits) in the next couple of years, driven by the central government scheme of PM Surya Ghar Yojna & some state-specific schemes for solar adoption (UP, Rajasthan, Maharashtra, Assam, Odisha, etc.).
- Company is actively pursuing new opportunities - UP Discom (government is keen for privatization of 2 discoms—the bid process has started, and a consultant has been appointed by the government).
- In the future, company might also win some projects in the field of smart meters from state governments.

### Potential Risks:

- Not winning the UP discom project will be a short-term setback for the company, and market sentiments also work negatively in the short term.**
- Section 11 (due to which Company's Mundra thermal plant, Guj. became viable to operate) was extended for only two months in FY26 as of today, management has been working towards a revised PPA (fixed power purchase agreement), but the FY26 outlook is uncertain as of today.
- Slow or delay in execution of future renewable energy and transmission projects.
- Delay in execution of long-duration pumped storage hydro & hydropower plant projects due to any regulatory, geopolitical, or state-level government policies, as these projects will be executed in Maharashtra & Bhutan.

## Peer Comparison:

	Tata Power	Adani Power	Torrent Power	JSW Energy
<b>Market Cap ( Cr. )</b>	1,25,785	2,10,590	71,481	88,935
<b>P/E Ratio</b>	31.5	16.5	23.9	45.6
<b>EV/ EBITDA</b>	11.6	10.2	13.8	21.9
<b>Revenue Mix</b>	Transmission & Distribution - 52%, Thermal & Hydro - 29%, Renewables - 19%	Thermal Power - 100%	Transmission & Distribution - 79.5%, Generation - 17, Renewables - 3.5%	Thermal Power - 71%, Renewables - 26.6%
<b>Operating Profit Mix</b>	Renewables - 37.5%, Thermal & Hydro - 31.5%, Transmission & Distribution - 31%,	Thermal Power - 100%	Transmission & Distribution - 65%, Generation - 18.5, Renewables - 16.5%	Thermal Power - 53%, Renewables - 42%

## Price Movement Comparison b/w Tata Power and Benchmarks (Nifty50 & Nifty500):



## Conclusion:

- Our view on Tata Power is positive & BUY at current market price for medium to long-term investment horizon despite short-term headwinds of delayed in execution of transmission projects in last 3 to 6 months. We believe strong management capability (reflected in transforming company from coal to renewable energy, B2G to B2B to B2C) can overcome future risks (if any occur) and deliver our desired PAT growth rate of 18 to 20% in next 2 to 3 yrs.

**Disclaimer:** This document has been prepared by Bajaj Capital Markets Limited, BCML (formerly known as Just Trade Securities Ltd, JTSL)

- This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument / security(ies) or as an official confirmation of any transaction. Further this document/report should not be construed as an investment advice. Readers should take independent advice from their Financial Advisor, before acting upon or taking any decision based on this document/report.
- The information contained herein is from publicly available data or other sources believed to be reliable. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for information purpose only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made out of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved). The investment discussed or views expressed may not be suitable for all investors.
- Affiliates of BCML may have issued other documents/reports that are inconsistent with and reach to a different conclusion from the information presented in this document/report.
- This document/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject BCML and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.
- In no event shall BCML, any of its affiliates or any third party involved in, or related to, computing or compiling the information herein have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of BCML and/or its affiliates.
- This document/report is subject to changes without prior notice and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited.
- BCML will not treat recipients as customers by virtue of their receiving this document/report.
- BCML, its directors, employees and/or its associates/affiliates or their employees may have interest and/or hold position(s), financial or otherwise in the securities mentioned in this document/report.