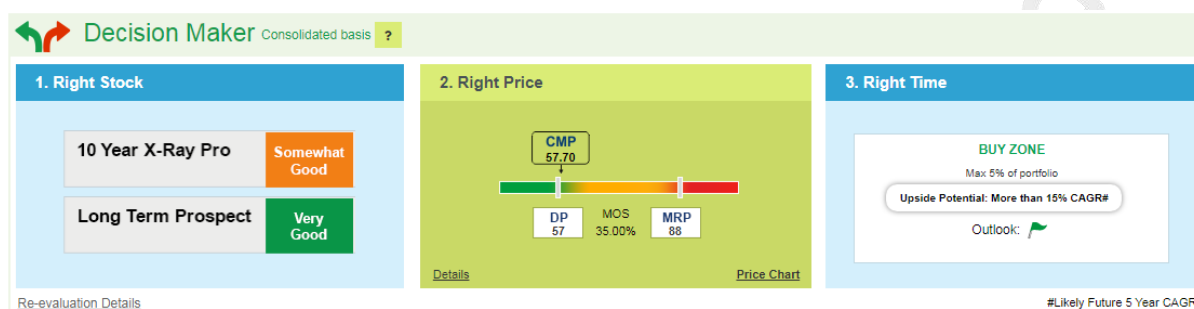


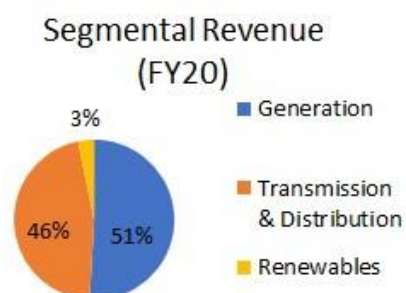
We recommended BUY on Tata Power at Rs. 56/share in Aug'20. Share Price touched Rs. 222/share in Oct'21. Following information was available on our website for you to make an informed decision to BUY the stock in your portfolio.

Recommendation | BUY upto 5% of portfolio
Tata Power Company Ltd | Share Price: Rs. 56/share
Market Cap: 15,000 Cr
EV/EBITDA 7x



About Tata Power Company Ltd

The Tata Power Company Limited is India's largest private sector power utility with an installed generation capacity of over 10,957 MW. It has presence in all the segments of the power sector viz. Fuel and Logistics, Generation (thermal, hydro, solar and wind), Transmission and Distribution. The company is promoted by Tata group.



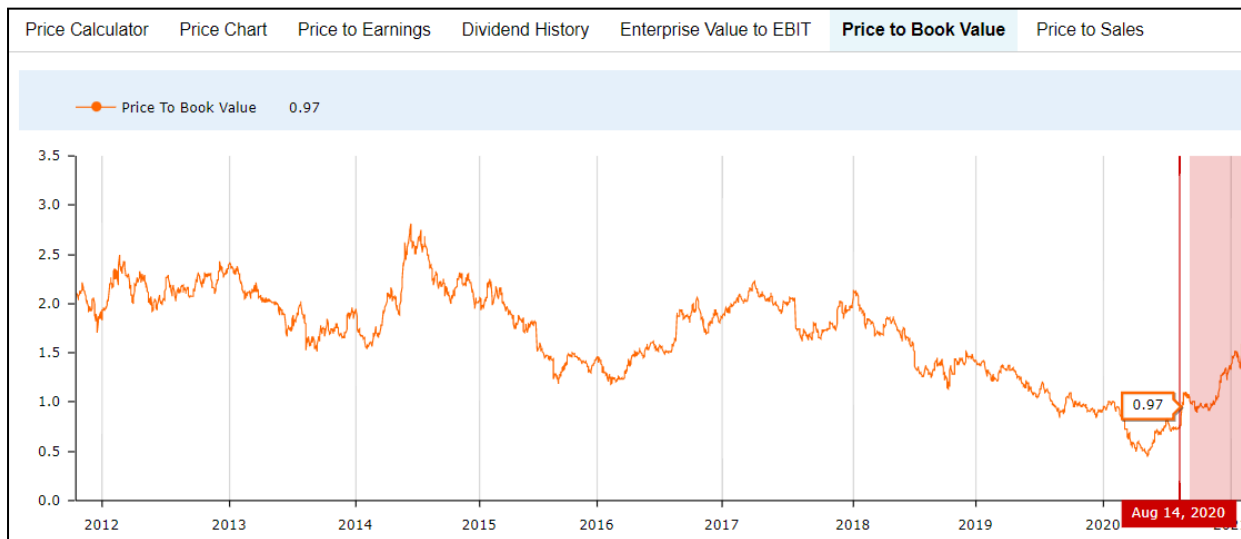
Fuel Source	Capacity under management (MW)	% Capacity
Thermal- Coal/ Oil/ Gas	8,859	70%
Hydro	871	7%
Renewables	2,637	21%
Waste Heat Recovery	375	3%
Total	12,742	100%

The following is the short description of the businesses of Tata Power:-

- Generation (Thermal +Solar)** – Total 12,742 MW capacity, 12,264 MW comes from domestic power plants and 478 MW comes from international power plants.
- Distribution-** Tata Power has total 3,531 Circuit Kilometers (CKM) of with 1,206 CKM in Mumbai and 2,325 CKM with Powerlinks (a JV with Power Grid Corporation of India Ltd). Licence for power distribution in Mumbai, Delhi & Ajmer.
- Rooftop Solar & Solar Water pumps-** Tata power has been manufacturing cells and the company ships ~1.9 GW of modules globally offering tier-1 solar modules to multiple customer segments. It has a strong brand, robust products and channel network, and has built a portfolio of over 25,000 solar water pumps across India.
- EV Charging Infrastructure-** The company has set up 170 EV charging points across 20 cities including Mumbai, Pune, Delhi, Bengaluru and Hyderabad as of 31st March, 2020.

Refer to Tata Power's Price Tab which includes all Valuation ratios:

Tata Power was trading at lower end of Price to Book Value ratio, a very common valuation tool used for Asset Based companies.



You simply had to follow our MRP/DP and you would have seen the price was below our MRP all the way up to Feb'21. Since our first buy, the stock return since that point is 300%.



Our MRP showed Rs. 88/share as fair price and Rs. 57 as Discounted Price. Upside Potential from this price was More than 15% CAGR.



What would have given you more confidence on Tata Power's future prospects?

Analyst note in August'20

- Tata Power has total debt of Rs. 43,000 Cr. Based on current development, Tata Power is efforts to deleverage by way of selling non-core assets like shipping and others. It also plans to separate renewables business into different entity InvIT to offload renewable specific debt to that entity. Stake in this entity might be sold to private equity or listed on exchange. This will drastically improve the balance sheet of Tata Power.
- As per latest conference call, the management is committed to bring down the debt by half in core business while it will continue to look for growth in renewables and distribution business. After latest results, falling debt levels have boosted our confidence on balance sheet repair of Tata Power.
- The company has Regulated Equity ensuring fixed ROE, it is reducing debt to improve shareholder value and increasing the share of profitable business to improve overall ROE.

Concerns

- Delay in resolution of loss making Mundra plant
- Delay in divestments of non-core businesses that would delay debt reduction

What should investors do?

- After excluding the JV and Coal, fair value of all power assets of Tata Power amounts to Rs. 50/share. Power generation assets amount to 9,000 MW or Rs. 45,000 Cr including Solar and Work in Progress assets. Distribution and Coal add another Rs. 20,000 Cr. We

believe that falling debt will add up to equity value as enterprise value remains constant at Rs. 65,000 Cr.

- We believe price of Rs. 55-57/share is attractive for long term investment as the power generation is recovering and debt is coming down reducing interest costs and improving equity value.

About MoneyWorks4me

MoneyWorks4me, through its parent company The Alchemists Ark Private Ltd, is SEBI registered Investor Advisor **INA000013323**. With MoneyWorks4me you can build strong stocks portfolio by buying quality stocks only at reasonable price. We help you with recommendations, research, insights and advice through your investment journey. Take control of your investments and make informed decisions because investing is too important to fail.

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Other Past Winners – Download Reports

1. [Titan Company Ltd](#) – Bought @ **Rs.330/share** in Apr'16
2. [Divi's Laboratories Ltd](#) – Bought @ **Rs. 629/share** in Apr'17
3. [Persistent Systems Ltd](#) – Bought @ **Rs.700/share** in Jan'20
4. [Birlasoft Ltd](#) – Bought @ **Rs.118/share** in Jul'20
5. [IEX Ltd](#) – Bought @ **Rs. 193/share** in Sep'20